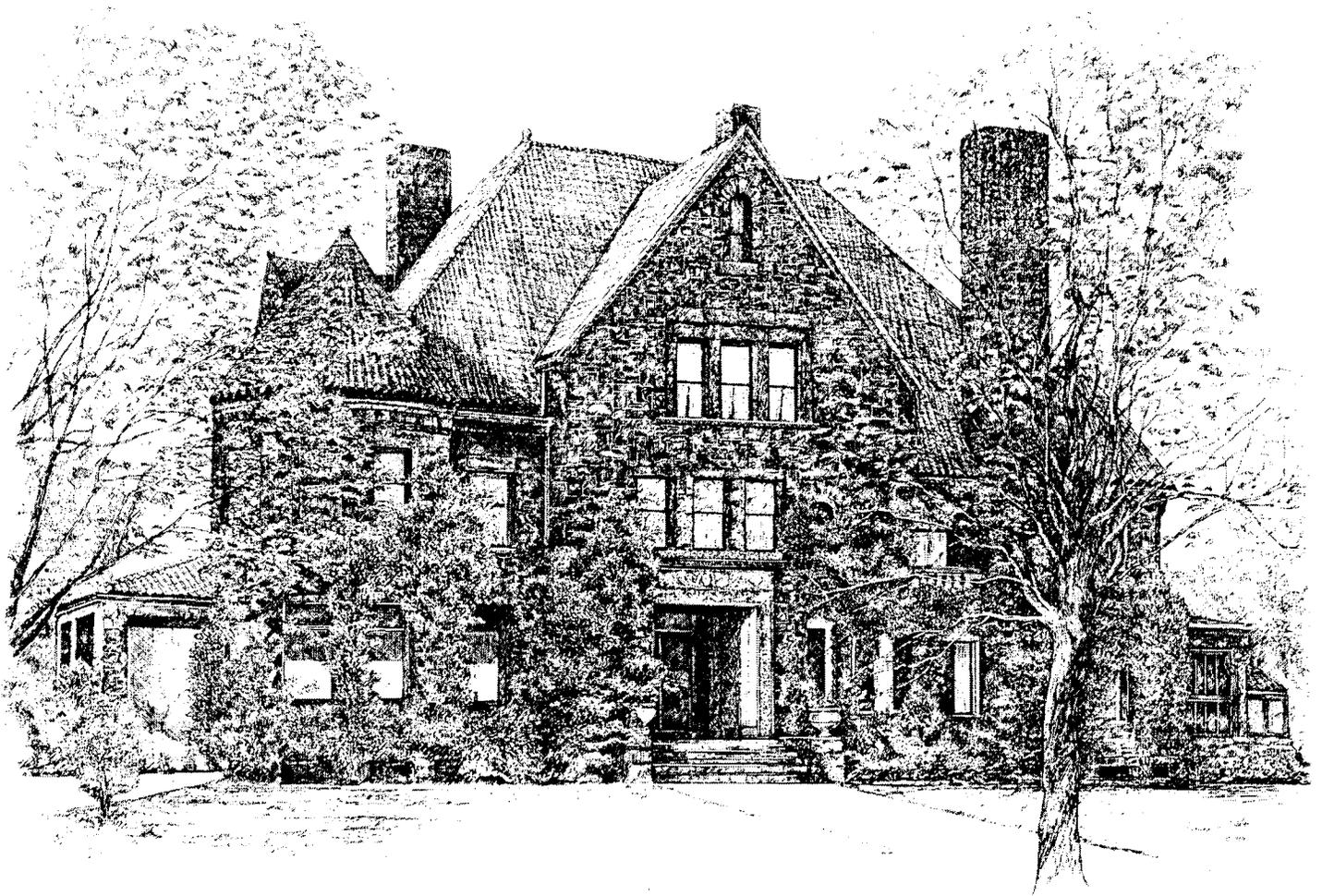


CITY OF ERIE

ERIE, PENNSYLVANIA



Comprehensive Annual Financial Report
Year Ended December 31, 1998

Erie Historical Museum / Watson-Curtze Mansion

This magnificent house is in the heart of Erie's once-prominent "Millionaire's Row" of mansions on West Sixth Street. Built of New England brownstone between 1889 and 1891 for Erie Industrialist H.F. Watson, the mansion is an example of Richardsonian Romanesque architecture.

The mansion consists of three floors, not including the basement. At one time, the third floor accommodated a ballroom, a billiards room, and bedchambers. Exotic wood such as African beech, birch, gum, native oak, and pine are used liberally throughout. North African varieties of marble are used in the exquisite fireplace and much of the glass is attributed to Tiffany. Mosaics, friezes, and intricately carved woodwork are just some of the unique features of this home.

This stately home remained in the Watson family until 1923 when ownership transferred to another industrialist Felix Curtze. The Curtze name is currently still part of the Erie business arena. After Felix Curtze died, his survivors offered the home to the Erie School District as a museum in 1941.

CITY OF ERIE, PENNSYLVANIA
Comprehensive Annual Financial Report
Year Ended December 31, 1998



Prepared By:
Department of Administration and Finance

Chuck L. Herron, CPA
Director

CITY OF ERIE, PENNSYLVANIA

Comprehensive Annual Financial Report Year Ended December 31, 1998

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City of Erie

Joyce A. Savocchio, Mayor

June 18, 1999

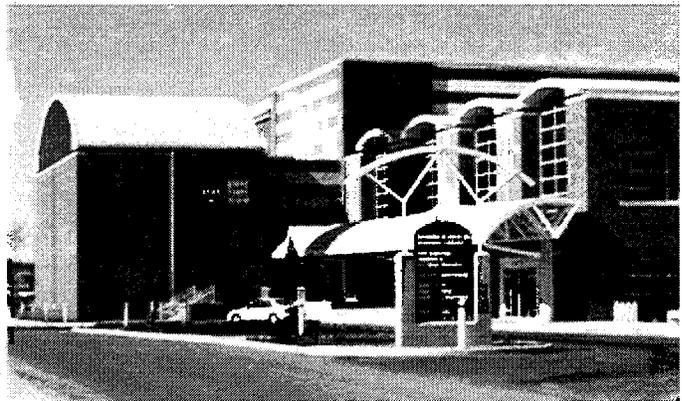
Honorable Members of City Council and Citizens City of Erie

The City of Erie, located in the northwestern corner of Pennsylvania and on the southern shore of Lake Erie, proudly serves, as the state's only lake port. Erie is distinguished by a fine natural harbor hosting the Great Lakes and international vessels, evidencing a growth in trade and ship repair industries.



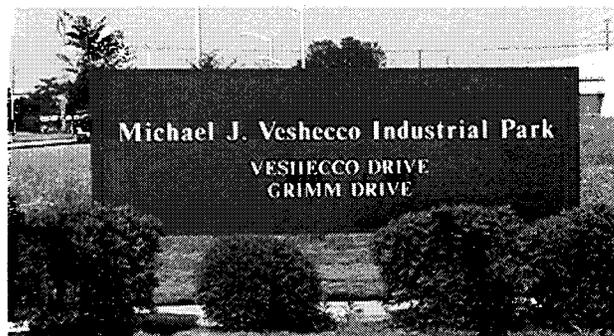
Erie, with a population of 109,000 residents, is the third largest city in the Commonwealth and the largest city in Northwestern Pennsylvania. Erie is also the host for a wide range of legal services, including the County and Federal Courthouses and several federal and state government offices. The downtown district,

serving as a regional center, hosts a wide range of financial, insurance and commercial ventures. The area is also enhanced by the cultural and sports facilities located downtown: the Civic Center Complex housing a restored Warner Theater; newly built 6,000 seat, Jerry Uht Ballpark and the Tullio Convention Center; the Erie Playhouse (one of the top ten community theaters in the country); the Erie Philharmonic Orchestra; the Erie Civic Ballet; and Discovery Square (a complex housing the Erie Art Museum, the Erie History Center and Experience Erie Children's Museum). The Blasco Memorial Library, a newly constructed state-of-the-art public library and a new Maritime Museum, the U.S. Brig Niagara; new condominium and restaurant development; along with the Bicentennial Tower, Summer Festival of the Arts and proposed Convention Center speak to the excitement of Erie's new waterfront. Perry Square Park at the downtown's center is one of 55 city parks, which offers a wide variety of community activities. Among them is the premier winter event on New Year's Eve known as First Night Erie and Erie's main summer festival "We Love Erie Days" which attracts thousands of residents and visitors annually.



Erie's quality of life is further enhanced by the recreational and athletic opportunities afforded by Lake Erie and Presque Isle State Park. The City also provides a wide range of sporting events, hosting professional baseball and a new hockey team, the Greater Erie Charity Golf Classic and Flagship Open Bowling Tournament, attracting top name professional golfers and bowlers from around the country. An outstanding park system of 850 acres scattered throughout the City, including the Erie Zoo, playgrounds, passive parks, three municipal golf courses, and a public marina, provides additional resources for quality of life.

The Erie area has experienced business growth and significant industrial retention and expansion resulting in ongoing job growth. The diversification of our economy, the affordable living standard and skilled labor force has made Erie a livable metropolitan area. Economic development is a top priority for the City. The Michael Veshecco Industrial Park, recently completed on the city's west side, houses four new industries. A new industrial park, located on the city's east side is now partially occupied. The Erie Enterprise Zone has been expanded to over one-third of our city and has allowed for over \$200 million of reinvestment. Downtown revitalization has allowed for major reinvestment and new construction by banking houses. In addition affordable living spaces have been added by the redevelopment of the Boston Store, once a vacant downtown store, and Lovell Place, also once a vacant manufacturing complex. Tourists, visitors, residents and businesses alike are serviced by the Bayfront Parkway now connected to I-79 and to be connected to I-90 into the next century as well as by the Erie International Airport, a regional airport, only a ten minute drive from the heart of the city.



Understanding the importance of rebuilding the City's infrastructure, extensive capital improvements have been made to water and sewer lines as well as water and wastewater treatment plants. These improvements have provided economic growth to Erie and its surrounding municipalities.

Health care services are offered to both City and surrounding areas by major health care providers such as Hamot, St. Vincent, Metro Health Center, and Lake Erie College of Osteopathic Medicine (LECOM). Additionally, Emergycare provides full ambulance and paramedic service. The City of Erie has joined in this health network by implementing first-responder service throughout the Erie Fire Department who also provide a water rescue team.

Mercyhurst College and Gannon University are located in the City. These institutions afford educational opportunities not only to local residents but also to students from throughout the nation. Edinboro University and Penn State-Behrend, also located in the area, offer research opportunities that stimulate the area's industrial base.

We are a city that takes pride in our past and even greater pride in our present and future. We take pride in being named one of our country's "Family Friendly" cities. Most importantly, we are a city which takes pride in what we have done together to bring the progress of this decade into the future and the progress which awaits us, giving community voice to the boast of the Erie Chamber of Commerce

Erie is Eriesistible...The Best Things In Life Are Here!

Joyce A. Savocchio
Mayor

City of Erie

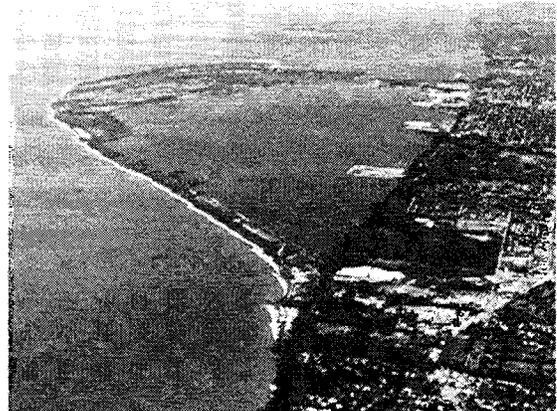
Joyce A. Savocchio, Mayor

Chuck L. Herron, CPA
Director of Administration & Finance

June 6, 1999

**To: The Honorable Joyce A. Savocchio, Mayor,
Honorable Members of City Council and
Citizens of the City of Erie, Pennsylvania:**

The Comprehensive Annual Financial Report of the City of Erie, Pennsylvania, for the fiscal year ended December 31, 1998 is hereby submitted. This report was prepared by the City's Department of Administration and Finance. Responsibility for both the accuracy of the presented data and the completeness and fairness of the presentation, including all disclosures, rests with the City. We believe the data, as presented, are accurate in all material respects; that it is presented in a manner designed to fairly set forth the financial position and results of operations of the City as measured by the financial activity of the various funds. We believe all disclosures necessary to enable the reader to gain a complete understanding of the City's financial affairs have been included. The Comprehensive Annual Financial Report is presented in three sections: Introductory, Financial, and Statistical. The introductory section includes the Mayor's introduction to the City, this transmittal letter, the list of principal officials, and the government's organization chart. The financial section includes the general purpose financial statements and the combining and individual fund and account group financial statements and schedules, as well as the independent auditor's report on the financial statements and schedules. The statistical section includes selected financial and demographic information, generally presented on a multi-year basis.



This report includes all of the funds and account groups of the City of Erie. The City provides a full range of municipal services, including those mandated by statute or ordinance:

**POLICE AND FIRE PROTECTION
STREET CONSTRUCTION AND MAINTENANCE
SANITATION
ECONOMIC AND COMMUNITY DEVELOPMENT**

**WATER SERVICE
SEWER SERVICE
PARKS AND RECREATION
GENERAL ADMINISTRATIVE SERVICES**

In addition, various boards, commissions and pension organizations are included with the financial statements as follows:

BOARDS:

AGGREGATE PENSION
ERIE RECREATION
INCOME TAX POLICY
SINKING FUND

BUILDING CODE APPEALS
HOUSING APPEALS
LICENSE EXAMINERS
ZONING HEARING

ELECTRICAL CONTRACTOR LICENSE EXAMINATION
CIVIL SERVICE
RETIREMENT

COMMISSIONS:

BUILDING CODE
ELECTRICAL CODE
SHADE TREE

CITY PLANNING
PLUMBING CODE

COMMUNITY DEVELOPMENT
TRAFFIC

PENSIONS:

OFFICERS AND EMPLOYEES RETIREMENT ASSOCIATION
FIREMEN'S PENSION FUND
POLICE RELIEF PENSION ASSOCIATION

The City of Erie has various municipal authorities, which operate within the City. They are reported in a separate column to emphasize that they are legally separate from the City. The City (Mayor and/or City Council) appoints the governing bodies of all of these component units.

The following entities have been included as discretely presented component units:

- Redevelopment Authority of the City of Erie
- Erie Municipal Park Authority
- Erie Metropolitan Transit Authority
- Erie Parking Authority
- Erie Civic Center Authority
- Erie Sewer Authority

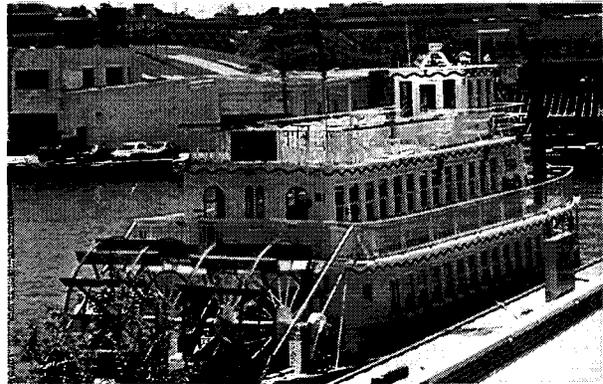
Additionally, other municipal authorities, a non-profit corporation, and a council created by the City but which operates independent of City budget control or fiscal management, have been excluded.

The following entities have been excluded:

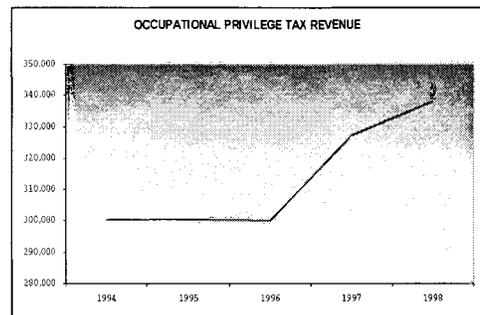
- Erie City Water Authority
- City of Erie Housing Authority
- Erie Municipal Airport Authority
- Erie Western Pennsylvania Port Authority
- Higher Education Building Authority
- Erie Zoological Society
- Erie County Solid Waste Management Council

ECONOMIC CONDITION AND OUTLOOK

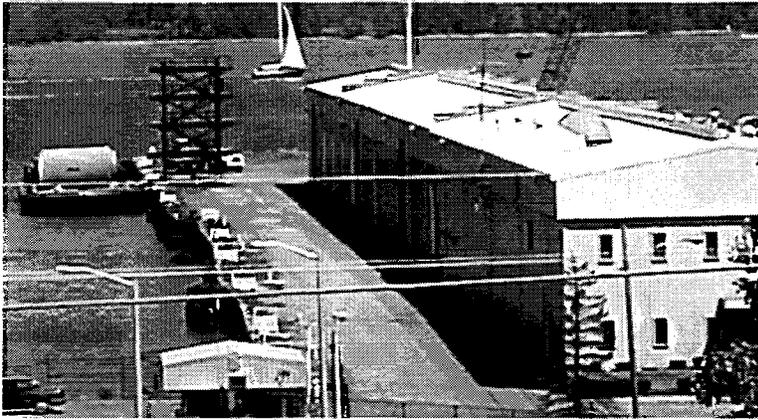
The availability of a highly skilled labor force centered around Erie's historically strong tool and die industry, continues to be a major factor in our local tradition of growing new jobs from within. The local workforce employed in the manufacturing sector remains above 30%, well above state and national trends. As larger companies consolidate or change direction in manufacturing operations, the trend locally, is for elements of prior production work being transformed into new manufacturing operations by former senior employees. These new enterprises pick up additional market share, develop proprietary interests in new components and grow employment locally.



The growth in Occupational Privilege Tax demonstrates the growth in jobs The City of Erie has experienced. The growth in this tax has been 12% over the last five years. Since this tax is collected on each worker employed in the City of Erie, this translates into a comparable 12% increase in jobs over the same period.



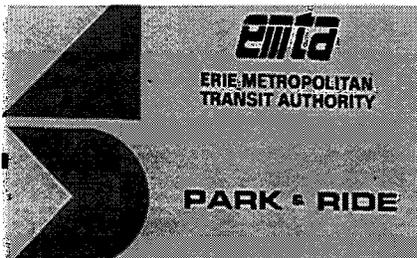
The ability to maintain and expand a skilled workforce is the result of planning that culminated in the formation of the Northwest Pennsylvania Technical Institute, Pennsylvania's first and only technical training college. Since the establishment in 1990, The Northwest Pennsylvania Technical Institute has trained thousands of individuals to meet ever changing manufacturing demands. Bringing limited resources together with employer needs, we have been able to keep pace and remain competitive as a community in the manufacturing marketplace.



Erie's industrial base is secure, with numerous large industrial firms within the City's limits. The Lord Corporation, R. M. Kerner Company, International Paper, Kaiser Aluminum, Reed Manufacturing, and a mixture of well established smaller and new firms in diversified fields from plastics to steel forging utilizes Erie's skilled labor force. General Electric and Eriez Magnetics are among the major corporations with both functioning plants and headquarters situated in the area. In addition, Erie has become the business and financial service center of Northwestern

Pennsylvania. It provides services from several major investment firms and banks and is the home of the \$40 million corporate headquarters of the Erie Insurance Group located downtown.

The Erie area has experienced business growth resulting in job generation, significant new business start-ups, and young companies enjoying high growth rates. The diversification of business and industry, the affordable living standard and skilled labor force combine to make Erie a desirable metropolitan area. Community confidence in a successful future for Erie is evident from the success of the Adopt-A-Park program, and neighborhood watch programs. Thirty-six public areas have been adopted by Erie neighborhoods and 29 neighborhood watch groups work to help stabilize the community which has led to a new self confidence and awareness of the importance of grass roots involvement in community development and local government. A facade revitalization program has also resulted in reinvestment in several long vacant store fronts. This program is expanding into new neighborhoods.



Economic development continued to be a top priority for Erie in 1998. The waterfront of Erie's fine natural harbor, the only lake and world port in Pennsylvania, has been a major focus of economic development. The extension of the Bayfront Highway across Erie's lakefront to Interstate Route 79 (I-79) was completed in the fall of 1994. The connection to Interstate Route 90 (I-90) with the first section to East 6th Street has received funding and Phase I began in early 1998. This highway has already stimulated tourist, commercial, residential and industrial interest in Erie's waterfront. Construction of Perry's Landing condominiums

continue, and initiation of bayfront development is well under way, including a Maritime Museum which opened in June 1998, with mooring facilities for the U.S. Brig Niagara, a new county library, an observation tower, restaurant and office development, all evidencing the awakening of Erie's waterfront, alive with new economic and job development opportunities.

Economic Development in other areas of the City has also been brisk in 1998. The new Veshecco Industrial Park at 12th and Greengarden saw its first tenants arrive, and virtually sold out all lots by the end of 1998. In addition, Owens Illinois Closure, Tops Markets, and several smaller businesses and industries located in Erie's Enterprise Zone completed expansion plans resulting in hundreds of new permanent jobs. The establishment of an independent



operating Water Authority in 1991, after two years of planning and development, is assisting in further future industrial and commercial development both in Erie and the greater Erie area. Building permit activity remains the highest in recent history, further pointing to a renewed confidence in investing in the City of Erie.

MAJOR INITIATIVES

For The Year 1998

In preparing the budget, the City's priorities were identified as economic and community development. These priorities are consistent with the goals established in the City's Mission Statement:

- 1) To deliver the best municipal services in the state and sustain our stable financial condition;
- 2) To maintain the positive and supportive environment that is stimulating local business to increase the employment base; and
- 3) To improve the quality of life and increase civic pride.

Economic and community development projects completed in 1998 included the following: Construction of sewer, water and highway improvements necessary to service under-utilized industrial land for new or growing manufacturing enterprises. Major new affordable and market rate housing redevelopment projects were closed for financing and are anticipated to be completed in or early 1998. Over 400 new units will be on line with these projects as well as 125,000 square feet of new office/retail space will be available in the same complexes.

The City's brownfield reuse program will continue with the reclaiming of two major sites; one into a 17 acre industrial park and the other, conversion of 250,000 square feet of abandoned industrial space into productive space for new manufacturing entities.



Other administrative projects encompassed personnel and legal matters, financial and administration including assuring compliance with the Americans with Disabilities Act (ADA), and continued legal efforts to resolve property assessment and tax exempt organization status resulting in new legislation at the state level. Improvements in financial reporting and budgeting, paperwork simplification, and computer system upgrades, helped

to manage administrative staff reduction without backlogs or service reductions.

Public safety initiatives included projects in both the fire and police bureaus. Construction of a \$1 million central fire station was completed in 1996 in downtown Erie, and occupied in 1996. During 1998, over one million dollars of new state-of-the art firefighting equipment was ordered to upgrade the fleet. This includes a new aerial platform and a combination rescue-pumper. These new apparatus will compliment the fleet to provide the best available emergency equipment available in the country.



The Bureau of Police is continuing to develop a community policing philosophy throughout the Bureau of Police. Several techniques have been expanded in 1997 and have continued in 1998, including extensive foot patrols, a bicycle patrol, and a Citizens Police Academy. Gang activity throughout the City has been a primary target of suppression through the use of Community Development Block Grant funds to maintain eleven K-9 officers in specific areas of the city. The Bureau, also, continued to expend 8,000 man hours in providing skill development training for all officers.



Public Works activities included significant maintenance and capital improvement projects. The revitalization of parks and playgrounds continued. A new playground was installed at Baldwin Park at 24th and East Avenue safety zone improvements were

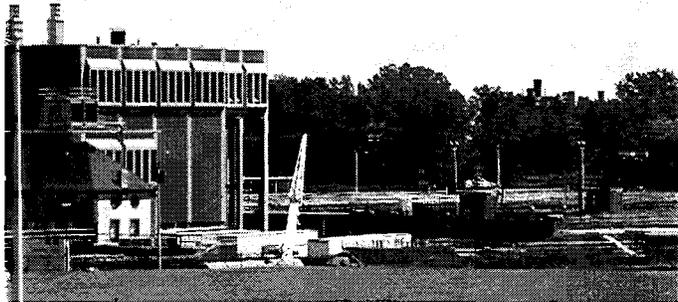
completed at 2nd and Walnut, 7th and Marne and Columbus Park. The golf program continued to be a highly successful enterprise with major capital improvements implemented in 1998. Among the most significant were the automated irrigation system, the completion of the new maintenance building at Downing Golf Course and the paving of the entrance road at Erie Golf Course.

Unlimited collection of household refuse, recycling of glass, cans, plastics, newspapers and the award winning composting program for leaves and grass continued in 1998, reducing the tonnage disposed of and the associated landfill fees. An additional service, the "Spring Clean-up" was instituted in 1997 and proved to be highly successful. The program was well received by the City residents. Approximately 3,400 tons of trash was collected at a cost of approximately \$94,000 (6% below budget). A pilot program "Single Large Item Pick-up Program" will be introduced in lieu of "Spring Clean-up". This program will run twelve weeks from May – June and provide the same services as the previous program. The amount of refuse per week that residents could put out will be limited, however the tonnage picked up will be comparable to previous years. Spreading the pick-up over a three-month period will eliminate combining various departments and interrupting their normal operations and the toll on City equipment and manpower will be reduced.

The Streets Bureau continues to effectively maintain 322 miles of streets. The highly successful reclaiming of unpaved streets continued in 1998. Approximately 27 miles of roadway were reclaimed or milled and resurfaced. Also, the Streets Bureau continued utilizing liquid calcium chloride for more effective and efficient deicing of streets in winter.

The Director's Office, working with the Bureau of Sewers and the Engineering Bureau, monitored and assured compliance with the milestones of the Consent Decree between the City and the Pennsylvania Department of Environmental Protection (DEP). The intent of the Decree is to identify and reduce sources of pollution to Presque Isle Bay and Lake Erie.

The Bureau of Engineering completed numerous storm and sanitary sewer improvements in 1998 and continued the construction of the \$4 million Canal Sewer Project. In addition Bird Drive from 26th to 38th was totally reconstructed with drainage, curbing and full-depth pavement.



COMING YEAR INITIATIVES

Priorities for 1999 include:

Economic and Community Development

Neighborhood housing redevelopment activities will continue to grow and take new form through the expanded involvement of neighborhood and community base non-profit organizations involved in housing issues.

Using funding from the City, the Martin Luther King Center, the Booker T. Washington Center, HANDS and LIRE will be developing new affordable housing opportunities throughout Erie neighborhoods. The conversion of two former brownfield industrial sites will continue with the operation of the new industrial park on E. 12th St. and conversion of the former Zurn industrial complex at 12th & East Avenue into new manufacturing space. Additional brownfield conversions are in the planning stages. Public access improvements on Erie's waterfront will continue with the City to start construction of the promenade this summer and the Port Authority to undertake numerous waterfront activities.

The department was very involved with community education via departmental fire prevention programs including fire safety talks at schools, elderly housing, hospitals, and other places of assembly. Fire inspection training included two classes at the National Fire Academy for fire investigation and one class at the Bureau of Alcohol, Tobacco, and Firearms Training Academy in Gleece, GA on arson investigation.

Public Works

Improvement in the delivery of City services through additional training and education, will improve effectiveness of supervision in all Bureaus and continue to increase efficiency in this department. Enhanced computerization in the Bureaus of Engineering, Municipal Garage, Streets, and Sewers will enable a significant portion of in-house design and oversight on projects. With completion of the 1993 bond issue projects, such as the \$4 million Canal Sewer Project, we are able to proceed expeditiously with the 1997 bond issue capital improvement projects, such as the Streets Garage Improvements, Marsh Street Facility Renovations, Fire Station upgrades, City Hall Cooling Towers, Storm Sewer Projects and Bird Drive Paving. Improvements in the wastewater treatment operation and upgrades continue to be implemented to remain in compliance with all state and federal regulations. Continual milestones will be met to insure compliance with the mandates of the Consent Decree and with progression of the Act 537 Study and associated multi-million dollar construction projects to address community-wide, long range sewage needs.



FINANCIAL INFORMATION

Accounting System and Budgetary Control

In developing and evaluating the City's accounting system, consideration is given to the adequacy of internal accounting controls. Internal accounting controls are designed to provide reasonable, but not absolute assurance regarding the safeguarding of assets against loss from unauthorized use or disposition. The reliability of financial records for preparing financial statements and maintaining accountability for assets is the primary goal of internal accounting controls. The concept of reasonable assurance requires evaluation and judgement by management in order to determine if the cost of control exceeds the benefits likely to be derived.

All internal control evaluations occur within the above framework. We believe that the City's internal accounting controls adequately safeguard assets and provide reasonable assurance of proper recording of all financial transactions.

The City's accounting system is organized and operated on a fund basis. Each fund is a distinct self-balancing accounting entity. The various funds and account groups utilized by the City are described in Note I.D. of the financial statements.

Budgetary control is obtained at the object group level through encumbrance accounting. Encumbrance accounting, under which purchase orders are recorded in order to reserve that portion of the current year appropriations, is employed in all funds except Trust Funds. Purchase orders which would result in an overrun of approved appropriation balances are not approved until sufficient funds are transferred or until a supplemental appropriation is approved by City Council. Encumbered appropriations at year-end are carried forward as a reserve of fund balance and subsequent actual expenditures are charged against this amount in the ensuing fiscal year.

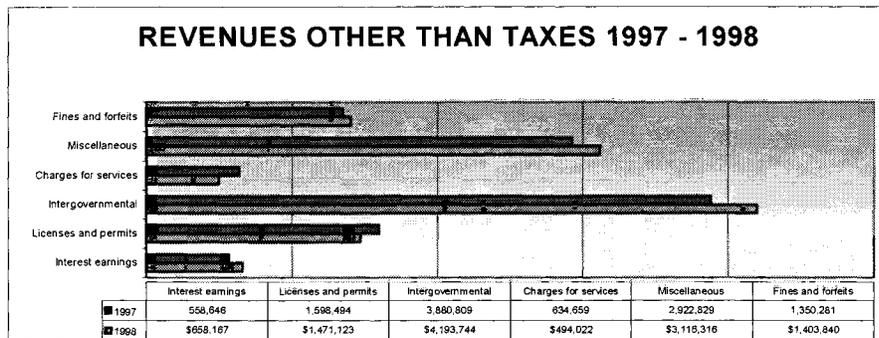
General Government Functions

Schedules and analyses of General Fund activity for the year ended December 31, 1998 follow. The General Fund encompasses the general governmental functions of the City (and all other functions not accounted for in other separate funds).

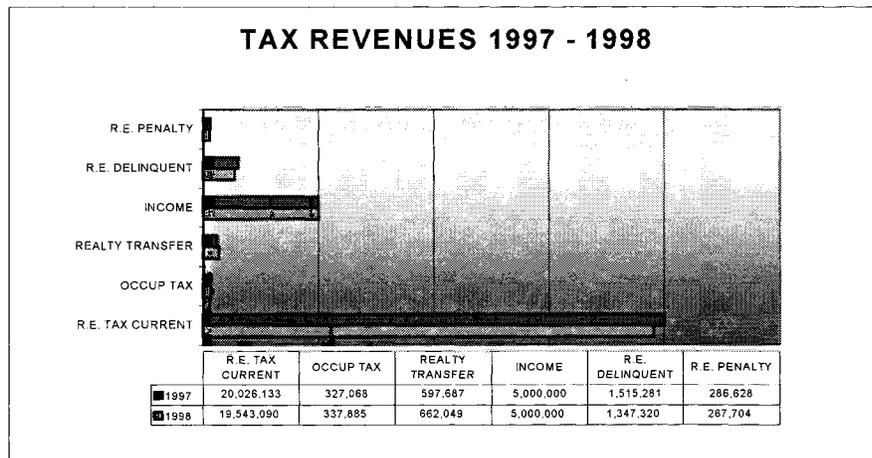
General Fund revenues totaled \$38,473,063 in 1998, a decrease of .48% from 1997. Total taxes account for 70.59% of general revenues compared to 71.69% last year. The amount of revenues from various sources and a comparison with the prior year are shown in the following tabulation:

Source	Amount	Percent of Total	Increase (Decrease) From 1997	
			Amount	Percent
Taxes	\$ 27,055,740	70.47%	\$ (656,518)	(2.37) %
Licenses and Permits	1,471,123	3.83%	(127,371)	(7.97) %
Intergovernmental revenues	4,193,744	10.92%	312,935	8.06 %
Charges for services	494,022	1.29%	(140,637)	(22.16) %
Fines and forfeits	1,403,840	3.66%	53,559	3.97 %
Interest earnings	658,167	1.71%	99,521	17.81 %
Miscellaneous	3,116,316	8.12%	193,487	6.62 %
Total	\$ 38,392,952	100.00%	\$ (265,024)	(0.69) %

The following graph shows a comparison of the various tax revenues the City received in 1998 compared to 1997.



Taxes decreased \$594,749, which represents a shortfall in delinquent real estate tax collections of \$167,961 and a shift of \$588,015 in real estate tax collections from the General Fund to the Debt Service Fund.



General Fund expenditures totaled \$39,351,270 a decrease of 7% over 1997. Variances in levels of expenditures for major functions and a comparison with the prior year are shown in the following tabulation:

Function	Amount	Percent of Total	Increase (Decrease) From 1997	
			Amount	Percent
General government	\$ 5,308,983	13.49%	\$ 938,149	21.46 %
Public safety	26,070,808	66.25%	(3,683,117)	(12.38) %
Highways and streets	5,630,063	14.31%	(48,950)	(0.86) %
Culture and recreation	2,198,596	5.59%	96,704	4.60 %
Debt service	142,820	0.36%	128,691	910.83 %
Intergovernmental	0	0.00%	(393,500)	(100.00) %
Total	\$ 39,351,270	100.00%	\$ (2,962,023)	(7.00) %

The largest decreases in General Fund expenditures are related to the pension cost as a result of the pension bond project.

General Fund Balance

The ending fund balance of the General Fund at December 31, 1998 is \$4,272,199 compared with a fund balance of \$2,005,829 at December 31, 1997, an increase of 113%. The undesignated fund balance of \$4,272,199 represents 10.9% of annual expenses. In the 1998 budget, City Council appropriated \$3,437,682 of the undesignated, unreserved General Fund balance.

Special Revenue Funds

Special Revenue Funds account for revenues from specific revenue sources, which are legally restricted for particular purposes. Revenues for the year ended December 31, 1998 totaled \$11,694,952 expenditures for the period were \$9,686,356. The combined ending fund balance of the Special Revenue Funds at December 31, 1998 was \$8,645,970 compared to \$7,026,374 at the end of 1997.

Capital Projects Funds

The Capital Projects Funds accounts for major capital outlays. Combined revenues for 1998 were \$999,335 an increase of \$332,438 or 51%, primarily as the result of a grant for police cars and additional interest earned on idle funds. Expenditures totaled \$3,601,671 an increase of \$371,015 or 11.5%. The fund balance at December 31, 1998 totaled \$14,879,853 an increase of \$968,332.

Enterprise Funds

Enterprise Funds are used to finance and account for the acquisition, operations and maintenance of City facilities and services which are intended to be entirely or predominately self-supported from user charges. Revenues totaled \$23,223,502 in 1998, while expenses were \$19,071,702. The net income, before transfers, for the year amounted to \$4,151,800. The Sewer Revenue Fund showed an operating revenue increase of \$2,471,000. Expenses were up \$910,086 (6.8%) due to overall operating cost increases resulting from the expanded facilities. The Refuse and Recycling Fund showed an operating revenue increase of \$23,540 (0.6%) and expenses were down \$9,119. The Golf Fund revenue increased \$111,408 (12.07%). Expenses were down \$4,263 (0.4%) from 1997.

Internal Service Funds

Internal Service Funds account for the financing of self-insurance costs to other funds. Such costs are billed to these funds on a cost reimbursement basis. Operating revenues for the year ended December 31, 1998 were \$7,708,523 and operating expenses totaled \$9,033,555. The net operating loss for 1998, after non-operating revenues (investment income), was \$1,179,911 as a result of transfer to other funds as budgeted in the 1998 budget. Combined fund balance in these funds changed from (\$1,872,307) in December 1997 to \$4,827,517 at December 31, 1998 as the result of funding from the 1998 bond re-funding project.

Fiduciary Operations

Pension Plans (see Note III.B.1.):

All City employees are covered by one of three pension plans. The plans are all defined contribution benefit plans and cover only City employees. Each of the plans has a significant un-funded actuarial accrued liability (primarily due to past service liability) totaling \$63,266,928, representing 38% of the total actuarial accrued liability (as of the latest actuarial report dated January 1, 1998).

In 1984, the Commonwealth of Pennsylvania enacted the Municipal Pension Plan Funding Standard and Recovery Act (Act 205). This act provides a formula for determining the minimum funding required for each pension plan each year, established a supplemental state assistance program in 1988 for a maximum of 15 years (funded by a redistribution of premium tax on foreign fire and casualty insurance companies), and further allows municipalities which qualify based upon actuarial and financial criteria, to exceed tax limits to meet the funding requirements of the legislation. The City of Erie has elected to participate in the supplemental pension assistance program; receiving state aid and levying taxes for pension costs mandated by Act 205. Act 205 was amended in 1991, effective for 1992. The amendment increased the mandated City contribution and required reporting of State Aid as General Fund revenue.

Deferred Compensation Plan (see Note III.B.2.):

The City offers a deferred compensation plan for all employees, permitting them to defer a portion of their salary until future years. All compensation deferred under the plan and property purchased with those amounts and earnings on them are solely the property and rights of the City and subject to claims of the City's general creditors until paid or made available to the employee or other beneficiary. The City has no liability for losses under the plan, but has the duty of due care of an ordinary prudent investor. It is unlikely that the City would use these assets to satisfy claims of general creditors in the future.

General Fixed Assets

The General Fixed Assets of the City are those fixed assets used in the performance of general government functions not including infrastructure assets such as roads, bridges, curbs, gutters, streets, sidewalks, drainage systems and lighting systems. Fixed assets of the Enterprise Funds are reported in those funds. As of December 31, 1998, the General Fixed Assets of the City amounted to \$32,391,330. This amount represents the actual or approximate original cost of the assets and is considerably less than their present value. Depreciation of General Fixed Assets is not recognized in the City's General Fund accounting system. Depreciation is recorded in the Enterprise Funds as prescribed by the Governmental Accounting Standards Board (GASB).

Debt Administration (see Note III.B.6.):

The ratio of net general bonded debt to assessed valuation and the amount of bonded debt per capita are useful indicators of the City's debt position to management, citizens and investors. These indicators for the City at the end of 1998 were as follows:

	Amount	Ratio of Debt to Assessed Value (40% of Appraised Value)	Debt per Capita ¹
Net general bonded debt	\$74,285,425	19.4%	\$ 959.23

¹ Based upon 1990 census population of 108,718.

Outstanding general obligation bonds at December 31, 1998 totaled \$79,906,256 of which \$16,910,000 is the balance of the 1993 issue for sewer system improvements and is considered to be self-supporting.

Under current state law, the City's general obligation bonded debt is limited to 250% of total adjusted revenues from the preceding three years. As of December 31, 1998, the City's net general bonded debt of \$48,663,606 was far below the legal limit of \$154,826,518.

Cash Management (see Note III.A.1.):

Cash temporarily idle during the year was invested in fully collateralized certificates of deposit, securities backed by the full faith and credit of the U.S. Government, or bonds backed by the taxing authority of a Pennsylvania municipality, all in accordance with state laws related to investments of idle cash. General Fund interest earned was \$633,857, an increase of \$103,520 (19.5%) due to more aggressive cash management policies. Minimum balances are retained in interest bearing checking accounts. The City's policy is to minimize credit and market risks while maintaining a competitive yield on investments. Accordingly, policy calls for all deposits to be either in federally insured, or fully collateralized accounts when an investment is in a bank. All investments are held by a financial institution's trust department in the City's name. At December 31, 1998, 100% of investment balances met policy guidelines.

Pension funds are controlled by the Aggregate Pension Board. The Investment Committee developed and recommended a comprehensive investment policy for funds of all City pension plans and was adopted by the board. The Aggregate Pension Board engaged professional consultants to measure and rate performance of the fund managers in 1990. Requests for proposals were issued, evaluated and new managers selected for 1992 and continued through 1998. Evaluation of investment performance in 1998 indicated the wisdom of the change of fund managers. Beginning 1995, all accounting for pension funds were standardized and audited by the same firm to develop consistency in reporting.

Risk Management (see Note III.B.3.):

The City accounts for its property and liability insurance programs in the Internal Service Funds. Insurance, administrative and claims costs are charged to expenditures in those funds. The annual costs are billed to the other funds, and are reported as revenues in the Internal Service Funds. Claim liabilities, which include incurred but not reported claims, are based on the estimated ultimate costs of settling the claims and on historical experience. The funds used by the City are Workers Compensation, Employees Health Benefit Plan and Risk Management.

The City maintains a self-insurance program for workers compensation coverage, which is being accounted for as an Internal Service Fund. The fund charges back the costs to various other funds of the City based upon an appropriate risk factor based on the Pennsylvania Workers Compensation "Lost Cost" rates. This risk factor is then applied to the City's actual workers compensation losses and administrative costs in order to develop the actual charge back amount. A third-party claim administrator establishes claim reserves and adjusts claims. The City purchases stop-loss insurance for catastrophic type losses. This insurance limits the City's annual payout to a fixed amount. For 1998, the medical stop-loss amount was \$90,000 in the first year; \$55,000 in the second year; \$45,000 in the third year; and each year thereafter, \$45,000 plus Consumer Price Index (CPI) of a large-loss payment. The indemnity stop-loss was \$22,500.

The liability for estimated claims in the Workers Compensation Claims Fund increased from \$3,678,278 in 1997, to \$3,813,368 in 1998 representing a change of \$135,090.

The Employees Health Benefit Plan is a modified self-insurance program for insuring hospitalization and medical costs. The program is limited to losses of \$50,000 annually per covered person for all programs combined. Additional coverage to the policy limits is provided through the use of stop loss policies. The Plan is fully funded by City contributions and covers all employees and eligible dependents.

The City is exposed to various risks of losses resulting from theft, damage and destruction of assets, errors and omissions and various other actions. Beginning in 1995, the City began a "protected" self-insurance plan. The City's comprehensive excess insurance program allows the City to self-insure small losses and fully insure catastrophe. Substantially, all prospective losses are covered by excess loss insurance with retained losses generally of \$25,000 and a \$200,000 aggregate loss limit.

OTHER INFORMATION

Independent Audit

City code, grants and the Single Audit Act of 1984 requires that local governments receiving \$100,000 or more of Federal assistance in any fiscal year conduct a single audit encompassing the entirety of the financial operations of the City. In compliance with this act, an audit of the accounts and financial statements has been completed by the City's independent Certified Public Accountants, McMahon, O'Polka, Guelcher & Associates, Inc., and their opinion is included herein.

Acknowledgments

The preparation of the Comprehensive Annual Financial Report was made possible by the dedicated services of the staff of the Office of Accounts, Finance and Budget, with Darlene Pundt, Financial Analyst, coordinating the preparation of this report. We extend our appreciation to the staff of the Office of Accounts, Finance and Budget for help in report preparation and review, and to our auditors, McMahon, O'Polka, Guelcher & Associates, Inc. for their interpretation of and guidance in complying with recent accounting guidelines.

We would also like to thank the Mayor and the City's other elected officials for their interest in and support of planning and conducting the financial operations of the City in a fiscally responsible and progressive manner.

Respectfully,
Department of Administration and Finance



Chuck L. Herron, CPA

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Erie,
Pennsylvania

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
December 31, 1997

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.



Douglas R. Ellsworth
President

Jeffrey L. Esler
Executive Director

CITY OF ERIE, PENNSYLVANIA
Comprehensive Annual Financial Report
Year Ended December 31, 1998

Principal City Officials

Mayor

Joyce A. Savocchio

City Council

Melvin Witherspoon, President

Mario S. Bagnoni

Joseph J. Borgia

Richard E. Filippi

Rubye Jenkins-Husband

Chris E. Maras

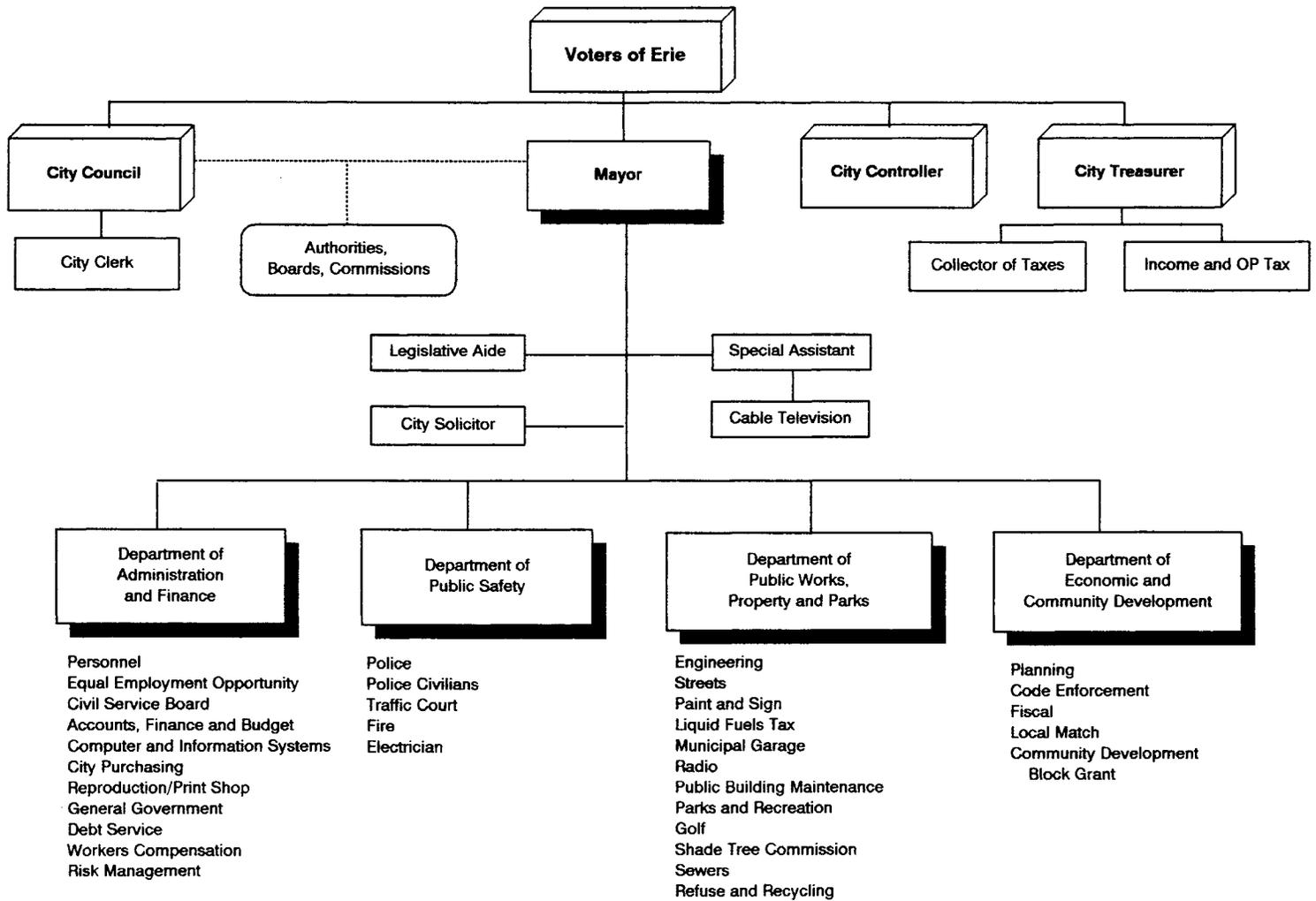
Gayle M. Wright

City Officials

Ortenzia M. Keller City Treasurer
Brenda A. Pundt City Controller
Gregory A. Karle City Solicitor
James E. Klemm City Clerk
Joyce A. Savocchio, Mayor Director, Department of Public Safety
Chuck L. Herron Director, Department of Administration and Finance
John T. Barzano Director, Department of Public Works, Property and Parks
Jeffrey E. Spaulding Director, Department of Economic and Community Development

CITY OF ERIE, PENNSYLVANIA
Comprehensive Annual Financial Report
Year Ended December 31, 1998

Organization Chart



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516 West 10th Street • Erie, PA 16502-1352 • Phone 814/459-1445 • Fax 814/459-1924

INDEPENDENT AUDITORS' REPORT

To the Honorable Mayor and City Council
The City of Erie, Pennsylvania

We have audited the accompanying general purpose financial statements of the City of Erie, Pennsylvania (the "City") as of December 31, 1998, and for the year then ended, as listed in the table of contents. These general purpose financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit. We did not audit the financial statements of the six component units listed in Note I.B., which are presented in the accompanying general purpose financial statements discretely from the primary government. Those financial statements were audited by other auditors who report thereon has been furnished to us, and our opinion insofar as it relates to the amounts included for those component units, is based solely on the reports of the other auditors.

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

In our opinion, based on our audit and the report of other auditors, the general purpose financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of the City, as of December 31, 1998, and the results of its operations and cash flows of its proprietary fund types and pension trust fund for the year then ended in conformity with generally accepted accounting principles.

Our audit was conducted for the purpose of forming an opinion on the general purpose financial statements taken as a whole. The combining and individual fund and account group financial statements and schedules listed in the table of contents are presented for purposes of additional analysis and are not a required part of the general purpose financial statements of the City. Such information has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in our opinion, is fairly presented in all material respects in relation to the general purpose financial statements taken as a whole.

McMahon, O'Polka, Guelcher & Associates, Inc.
McMAHON, O'POLKA, GUELCHER
AND ASSOCIATES, INC.

Erie, Pennsylvania
April 30, 1999

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GENERAL PURPOSE FINANCIAL STATEMENTS

CITY OF ERIE, PENNSYLVANIA
 Combined Balance Sheet
 All Fund Types and Account Groups, and Discretely Presented Component Units
 December 31, 1998

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
ASSETS				
Cash and cash equivalents	\$ 4,661,306	\$ 2,364,076	\$ 0	\$ 2,883,844
Investments	0	88,870	0	12,278,693
Restricted cash and cash equivalents	0	0	0	0
Restricted investments	0	0	0	0
Receivables (net of allowance for uncollectibles):				
Accounts	0	0	0	0
Property tax	2,654,299	0	0	0
Earned income and occupational privilege tax	1,434,357	0	0	0
Liens	260,461	418,526	0	221,440
Intergovernmental	115,839	489,419	0	18,541
Interfund	57,500	258,993	0	0
Notes	0	593,313	0	0
Other	202,174	8,877	0	26,980
Inventory	0	0	0	0
Prepaid insurance	3,932	0	0	0
Property, plant and equipment:				
Land	0	0	0	0
Buildings and improvements	0	0	0	0
Improvements other than building	0	0	0	0
Equipment and vehicles	0	0	0	0
Construction in progress	0	0	0	0
Less: accumulated depreciation	0	0	0	0
Notes receivable, net of current obligation	0	8,104,460	0	0
Bond issue costs	0	0	0	0
Amount to be provided for long-term debt	0	0	0	0
Total assets	<u>\$ 9,389,868</u>	<u>\$ 12,326,534</u>	<u>\$ 0</u>	<u>\$ 15,429,498</u>
LIABILITIES				
Accounts payable	\$ 506,873	\$ 645,535	\$ 0	\$ 328,190
Accrued payroll	879,101	24,337	0	15
Interfund payable	258,993	0	0	0
Compensated absences payable	216,964	19,136	0	0
Claims and judgments payable	0	0	0	0
Current portion of long-term liabilities	0	0	0	0
Deferred revenue	2,675,543	1,201,757	0	221,440
Capital lease obligation	0	0	0	0
Other liabilities	0	0	0	0
Due to other governments	0	1,789,800	0	0
General obligation notes payable	0	0	0	0
General obligation bonds payable	0	0	0	0
Deferred compensation benefits payable	0	0	0	0
Total liabilities	<u>4,537,474</u>	<u>3,680,565</u>	<u>0</u>	<u>549,645</u>
FUND EQUITY AND OTHER CREDITS				
Investment in general fixed assets	0	0	0	0
Contributed capital and other credits	0	0	0	0
Retained earnings				
Unreserved (deficit)	0	0	0	0
Fund balance:				
Reserved:				
Encumbrances	576,263	5,014,956	0	2,236,148
Noncurrent notes receivable	0	8,104,460	0	0
Equity in authority rentals	0	0	0	0
Land held for resale	0	0	0	0
Houses held for resale	0	0	0	0
Prepaid insurance	3,932	0	0	0
Employees' pension benefits	0	0	0	0
Unreserved:				
Designated for endowment principal	0	0	0	6,000,000
Undesignated (deficit)	4,272,199	(4,473,447)	0	6,643,705
Total fund equity (deficit) and other credits	<u>4,852,394</u>	<u>8,645,969</u>	<u>0</u>	<u>14,879,853</u>
Total liabilities and fund equity and other credits	<u>\$ 9,389,868</u>	<u>\$ 12,326,534</u>	<u>\$ 0</u>	<u>\$ 15,429,498</u>

The accompanying notes are an integral part of these financial statements.

Proprietary Fund Types		Fiduciary Fund Types	Account Groups		Total Primary Government (Memorandum Only)	Component Units	Total Reporting Entity (Memorandum Only)
Enterprise	Internal Service	Pension Trust and Agency	General Fixed Assets	General Long-Term Debt			
\$ 4,256,940	\$ 0	\$ 34,422,368	\$ 0	\$ 0	\$ 48,588,534	\$ 8,166,620	\$ 56,755,154
31,924	0	152,296,207	0	0	164,695,694	37,540	164,733,234
0	8,646,839	0	0	0	8,646,839	7,125,776	15,772,615
0	0	0	0	0	0	37,818,946	37,818,946
886,670	0	0	0	0	886,670	540,769	1,427,439
0	0	0	0	0	2,654,299	0	2,654,299
0	0	0	0	0	1,434,357	0	1,434,357
0	0	0	0	0	900,427	0	900,427
577,583	0	0	0	0	1,201,382	234,745	1,436,127
0	0	0	0	0	316,493	0	316,493
185,000	0	0	0	0	778,313	0	778,313
361,916	827	849,068	0	0	1,449,842	499,353	1,949,195
0	0	0	0	0	0	200,399	200,399
0	0	0	0	0	3,932	212,964	216,896
730,999	0	0	951,667	0	1,682,666	4,248,757	5,931,423
9,641,432	0	0	15,338,140	0	24,979,572	88,276,797	113,256,369
51,117,490	0	0	0	0	51,117,490	1,089,311	52,206,801
10,322,157	0	0	16,101,523	0	26,423,680	48,412,826	74,836,506
0	0	0	0	0	0	30,429	30,429
(35,457,126)	0	0	0	0	(35,457,126)	(57,655,567)	(93,112,693)
5,280,000	0	0	0	0	13,384,460	0	13,384,460
418,176	0	0	0	0	418,176	574,962	993,138
0	0	0	0	63,398,219	63,398,219	384,000	63,782,219
<u>\$ 48,353,161</u>	<u>\$ 8,647,666</u>	<u>\$ 187,567,643</u>	<u>\$ 32,391,330</u>	<u>\$ 63,398,219</u>	<u>\$ 377,503,919</u>	<u>\$ 140,198,627</u>	<u>\$ 517,702,546</u>
\$ 310,634	\$ 6,781	\$ 68,750	\$ 0	\$ 0	\$ 1,866,763	\$ 2,181,033	\$ 4,047,796
79,707	0	0	0	0	983,160	860,044	1,843,204
57,500	0	0	0	0	316,493	0	316,493
42,530	0	0	0	0	278,630	0	278,630
0	3,813,368	0	0	0	3,813,368	0	3,813,368
342,115	0	0	0	0	342,115	2,173,549	2,515,664
7,775,332	0	0	0	0	11,874,072	274,313	12,148,385
0	0	0	0	401,963	401,963	0	401,963
0	0	0	0	0	0	2,866,186	2,866,186
0	0	1,693,096	0	0	3,482,896	9,991,430	13,474,326
0	0	0	0	1,242,650	1,242,650	119,000	1,361,650
16,567,885	0	0	0	61,753,606	78,321,491	68,671,566	146,993,057
0	0	8,978,335	0	0	8,978,335	0	8,978,335
<u>25,175,703</u>	<u>3,820,149</u>	<u>10,740,181</u>	<u>0</u>	<u>63,398,219</u>	<u>111,901,936</u>	<u>87,137,121</u>	<u>199,039,057</u>
0	0	0	32,391,330	0	32,391,330	0	32,391,330
1,055,671	0	0	0	0	1,055,671	17,465,235	18,520,906
22,121,787	4,827,517	0	0	0	26,949,304	35,005,258	61,954,562
0	0	0	0	0	7,827,367	0	7,827,367
0	0	0	0	0	8,104,460	0	8,104,460
0	0	0	0	0	0	265,000	265,000
0	0	0	0	0	0	24,344	24,344
0	0	0	0	0	0	68,914	68,914
0	0	0	0	0	3,932	0	3,932
0	0	176,827,462	0	0	176,827,462	0	176,827,462
0	0	0	0	0	6,000,000	0	6,000,000
0	0	0	0	0	6,442,457	232,755	6,675,212
<u>23,177,458</u>	<u>4,827,517</u>	<u>176,827,462</u>	<u>32,391,330</u>	<u>0</u>	<u>265,601,983</u>	<u>53,061,506</u>	<u>318,663,489</u>
<u>\$ 48,353,161</u>	<u>\$ 8,647,666</u>	<u>\$ 187,567,643</u>	<u>\$ 32,391,330</u>	<u>\$ 63,398,219</u>	<u>\$ 377,503,919</u>	<u>\$ 140,198,627</u>	<u>\$ 517,702,546</u>

CITY OF ERIE, PENNSYLVANIA
 Combined Statement of Revenues, Expenditures and Changes in Fund Balance
 All Governmental Fund Types and Discretely Presented Component Units
 Year Ended December 31, 1998

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
REVENUES				
Taxes	\$ 27,055,740	\$ 0	\$ 1,903,911	\$ 0
Licenses and permits	1,471,123	0	0	0
Intergovernmental	4,193,744	11,369,213	0	200,000
Charges for services	494,022	0	0	0
Fines and forfeits	1,403,840	0	0	0
Interest earnings	658,167	209,144	0	764,147
Miscellaneous	3,116,316	116,594	0	35,188
Total revenues	38,392,952	11,694,951	1,903,911	999,335
EXPENDITURES				
Current:				
General government	5,308,983	0	0	600
Public safety	26,070,808	2,361,994	0	0
Highways and streets	5,630,063	1,007,665	0	0
Sanitation	0	537,498	0	0
Culture and recreation	2,198,596	2,456,964	0	0
Economic and community development	0	3,322,235	0	0
Capital outlay	0	0	0	3,601,071
Debt service:				
Principal	0	0	1,472,350	0
Interest	142,820	0	1,032,561	0
Intergovernmental	0	0	0	0
Total expenditures	39,351,270	9,686,356	2,504,911	3,601,671
Excess of revenues over (under) expenditures	(958,318)	2,008,595	(601,000)	(2,602,336)
OTHER FINANCING SOURCES (USES)				
Operating transfers in	4,182,077	44,824	875,461	1,372,262
Operating transfers (out)	(2,401,000)	(433,824)	(274,461)	(151,259)
Proceeds from refunding bonds	0	0	18,775,000	0
Payments to refunded bond escrow agent	0	0	(18,775,000)	0
Proceeds from general long-term debt	1,800,000	0	0	2,349,665
Total other financing sources (uses)	3,581,077	(389,000)	601,000	3,570,668
Excess of revenues and other financing sources over (under) expenditures and other financing uses	2,622,759	1,619,595	0	968,332
Fund balance (deficit) January 1, 1998	2,229,635	7,026,374	0	13,911,521
Fund balance (deficit) December 31, 1998	\$ 4,852,394	\$ 8,645,969	\$ 0	\$ 14,879,853

The accompanying notes are an integral part of these financial statements.

Total Primary Government (Memorandum Only)	Component Units	Total Reporting Entity (Memorandum Only)
\$ 28,959,651	\$ 0	\$ 28,959,651
1,471,123	0	1,471,123
15,762,957	1,417,162	17,180,119
494,022	0	494,022
1,403,840	0	1,403,840
1,631,458	9,797	1,641,255
3,268,098	572,795	3,840,893
<u>52,991,149</u>	<u>1,999,754</u>	<u>54,990,903</u>

5,309,583	2,535	5,312,118
28,432,802	0	28,432,802
6,637,728	0	6,637,728
537,498	0	537,498
4,655,560	0	4,655,560
3,322,235	1,846,910	5,169,145
3,601,071	0	3,601,071
1,472,350	40,000	1,512,350
1,175,381	9,975	1,185,356
0	0	0
<u>55,144,208</u>	<u>1,899,420</u>	<u>57,043,628</u>
(2,153,059)	100,334	(2,052,725)

6,474,624	0	6,474,624
(3,260,544)	0	(3,260,544)
18,775,000	0	18,775,000
(18,775,000)	0	(18,775,000)
4,149,665	0	4,149,665
<u>7,363,745</u>	<u>0</u>	<u>7,363,745</u>
5,210,686	100,334	5,311,020
23,167,530	225,679	23,393,209
<u>\$ 28,378,216</u>	<u>\$ 326,013</u>	<u>\$ 28,704,229</u>

CITY OF ERIE, PENNSYLVANIA
 Combined Statement of Revenues, Expenditures and Changes in Fund Balance (Cash Basis)
 Budget and Actual (Including Encumbrances) - General and Budgeted Special Revenue
 Year Ended December 31, 1998

	General Fund		Variance Favorable (Unfavorable)
	Budget	Actual	
REVENUES			
Taxes	\$ 27,061,269	\$ 27,158,047	\$ 96,778
Licenses and permits	1,622,750	1,460,188	(162,562)
Intergovernmental	3,644,600	4,193,744	549,144
Charges for services	648,000	521,293	(126,707)
Fines and forfeits	1,384,600	1,403,611	19,011
Interest earnings	638,000	656,781	18,781
Miscellaneous	3,231,274	3,079,399	(151,875)
Total revenues	<u>38,230,493</u>	<u>38,473,063</u>	<u>242,570</u>
EXPENDITURES			
Current:			
General government	5,205,359	5,092,659	112,700
Public safety	28,859,313	26,169,331	2,689,982
Highways and streets	6,045,929	5,802,658	243,271
Culture and recreation	2,262,330	2,245,314	17,016
Intergovernmental	395,000	395,000	0
Total expenditures	<u>42,767,931</u>	<u>39,704,962</u>	<u>3,062,969</u>
Excess of revenues over (under) expenditures	(4,537,438)	(1,231,899)	3,305,539
OTHER FINANCING SOURCES (USES)			
Operating transfers in	4,287,942	4,182,077	(105,865)
Operating transfers (out)	0	(2,401,000)	(2,401,000)
Proceeds from general long-term debt	0	1,800,000	1,800,000
Total other financing sources (uses)	<u>4,287,942</u>	<u>3,581,077</u>	<u>(706,865)</u>
Excess of revenues and other financing sources over (under) expenditures and other financing uses	(249,496)	2,349,178	2,598,674
Fund balance (deficit) January 1, 1998 (Note VI.B.)	249,496	2,229,635	1,980,139
Prior year encumbrances paid in current year	0	540,057	540,057
Expenditures rebudgeted in the subsequent year (Note VI.C.)	0	0	0
Fund balance (deficit) December 31, 1998	<u>\$ 0</u>	<u>\$ 5,118,870</u>	<u>\$ 5,118,870</u>
RECONCILIATION TO GAAP BASIS FUND BALANCE			
Encumbrances recognized as current year expenditures		535,400	
Recognition of accrual basis adjustments		(801,876)	
Individual funds not budgeted		0	
Fund balance (deficit) December 31, 1998		<u>\$ 4,852,394</u>	

The accompanying notes are an integral part of these financial statements.

Liquid Fuels Tax Fund (a Special Revenue Fund)			Total (Memorandum Only)		
Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
\$ 0	\$ 0	\$ 0	\$ 27,061,269	\$ 27,158,047	\$ 96,778
0	0	0	1,622,750	1,460,188	(162,562)
1,667,296	1,696,423	29,127	5,311,896	5,890,167	578,271
0	0	0	648,000	521,293	(126,707)
0	0	0	1,384,600	1,403,611	19,011
27,500	42,985	15,485	665,500	699,766	34,266
10,000	16,268	6,268	3,241,274	3,095,667	(145,607)
<u>1,704,796</u>	<u>1,755,676</u>	<u>50,880</u>	<u>39,935,289</u>	<u>40,228,739</u>	<u>293,450</u>
0	0	0	5,205,359	5,092,659	112,700
2,062,053	2,021,322	40,731	30,921,366	28,190,653	2,730,713
0	0	0	6,045,929	5,802,658	243,271
0	0	0	2,262,330	2,245,314	17,016
0	0	0	395,000	395,000	0
<u>2,062,053</u>	<u>2,021,322</u>	<u>40,731</u>	<u>44,829,984</u>	<u>41,726,284</u>	<u>3,103,700</u>
(357,257)	(265,646)	91,611	(4,894,695)	(1,497,545)	3,397,150
0	0	0	4,287,942	4,182,077	(105,865)
0	0	0	0	(2,401,000)	(2,401,000)
0	0	0	0	1,800,000	1,800,000
<u>0</u>	<u>0</u>	<u>0</u>	<u>4,287,942</u>	<u>3,581,077</u>	<u>(706,865)</u>
(357,257)	(265,646)	91,611	(606,753)	2,083,532	2,690,285
0	244,579	244,579	249,496	2,474,214	2,224,718
0	121,990	121,990	0	662,047	662,047
357,257	0	(357,257)	357,257	0	(357,257)
<u>\$ 0</u>	<u>100,923</u>	<u>\$ 100,923</u>	<u>\$ 0</u>	<u>5,219,793</u>	<u>\$ 5,219,793</u>
	159,046			694,446	
	(139,592)			(941,468)	
	<u>8,525,592</u>			<u>8,525,592</u>	
	<u>\$ 8,645,969</u>			<u>\$ 13,498,363</u>	

CITY OF ERIE, PENNSYLVANIA
 Combined Statement of Revenues, Expenses and Changes in Fund Equity
 All Proprietary and Discretely Presented Component Units
 Year ended December 31, 1998

	Enterprise	Internal Service	Total Primary Government (Memorandum Only)	Component Units	Total Reporting Entity (Memorandum Only)
OPERATING REVENUES					
Intergovernmental	\$ 0	\$ 6,954,250	\$ 6,954,250	\$ 4,261,190	\$ 11,215,440
Charges for services	20,584,158	0	20,584,158	8,066,240	28,650,398
Lease rental	2,114,275	0	2,114,275	0	2,114,275
Rental income	205,235	0	205,235	502,610	707,845
Pension contributions	0	0	0	0	0
Investment income	0	0	0	0	0
Net increase in fair value of investments	0	0	0	1,004,953	1,004,953
Miscellaneous	319,834	754,273	1,074,107	70,296	1,144,403
Total operating revenues	<u>23,223,502</u>	<u>7,708,523</u>	<u>30,932,025</u>	<u>13,905,289</u>	<u>44,837,314</u>
OPERATING EXPENSES					
Personnel services	4,646,789	0	4,646,789	5,490,974	10,137,763
Other personnel costs	2,006,892	0	2,006,892	1,295,462	3,302,354
Services and fees	2,440,461	118,631	2,559,092	959,592	3,518,684
Utilities	1,905,829	0	1,905,829	588,362	2,494,191
Rent	94,273	0	94,273	58,555	152,828
Insurance	70,129	5,474,399	5,544,528	135,004	5,679,532
Materials, supplies and maintenance	2,047,749	380,363	2,428,112	1,335,345	3,763,457
Workers compensation claims	0	2,801,424	2,801,424	0	2,801,424
Pension benefits	0	0	0	0	0
Depreciation	1,741,629	0	1,741,629	4,535,695	6,277,324
Other	4,117,951	258,738	4,376,689	391,149	4,767,838
Total operating expenses	<u>19,071,702</u>	<u>9,033,555</u>	<u>28,105,257</u>	<u>14,790,138</u>	<u>42,895,395</u>
Operating income (loss)	4,151,800	(1,325,032)	2,826,768	(884,849)	1,941,919
NONOPERATING REVENUES (EXPENSES)					
Intergovernmental revenue	878,577	0	878,577	4,147,958	5,026,535
Investment income	546,968	145,121	692,089	2,108,607	2,800,696
Interest expense	(1,121,913)	0	(1,121,913)	(3,564,292)	(4,686,205)
Other expense	0	0	0	(25,508)	(25,508)
Net nonoperating revenues (expenses)	<u>303,632</u>	<u>145,121</u>	<u>448,753</u>	<u>2,666,765</u>	<u>3,115,518</u>
Net income (loss) before operating transfers	4,455,432	(1,179,911)	3,275,521	1,781,916	5,057,437
OTHER FINANCING SOURCES (USES)					
Operating transfers in	2,180,785	15,241,753	17,422,538	0	17,422,538
Operating transfers (out)	(6,670,403)	(7,362,018)	(14,032,421)	0	(14,032,421)
Total other financing sources (uses)	<u>(4,489,618)</u>	<u>7,879,735</u>	<u>3,390,117</u>	<u>0</u>	<u>3,390,117</u>
Net income (loss)	(34,186)	6,699,824	6,665,638	1,781,916	8,447,554
Fund equity (deficit) and other credits January 1, 1998	23,211,644	(1,872,307)	21,339,337	50,685,807	72,025,144
Increase to contributed capital and other credits	0	0	0	2,770	2,770
Fund equity (deficit) and other credits December 31, 1998	<u>\$ 23,177,458</u>	<u>\$ 4,827,517</u>	<u>\$ 28,004,975</u>	<u>\$ 52,470,493</u>	<u>\$ 80,475,468</u>

The accompanying notes are an integral part of these financial statements.

CITY OF ERIE, PENNSYLVANIA
Fiduciary Funds - Pension Trust Funds
Statement of Changes in Plan Net Assets
Year ended December 31, 1998

	Officers' and Employees'	Police	Firemens'	Total
ADDITIONS				
Contributions				
Employer	\$ 1,538,534	\$ 20,327,924	\$ 11,127,932	\$ 32,994,390
Plan member	922,023	362,139	384,294	1,668,456
Total contributions	<u>2,460,557</u>	<u>20,690,063</u>	<u>11,512,226</u>	<u>34,662,846</u>
Investment income				
Income	7,911,697	7,606,643	4,263,925	19,782,265
Total investment income	<u>7,911,697</u>	<u>7,606,643</u>	<u>4,263,925</u>	<u>19,782,265</u>
Less: investment expense	130,260	203,771	95,423	429,454
Net investment income	<u>7,781,437</u>	<u>7,402,872</u>	<u>4,168,502</u>	<u>19,352,811</u>
Total additions	<u>10,241,994</u>	<u>28,092,935</u>	<u>15,680,728</u>	<u>54,015,657</u>
DEDUCTIONS				
Benefits	3,806,335	3,848,096	2,282,146	9,936,577
Administrative expense	60,249	32,192	27,232	119,673
Total deductions	<u>3,866,584</u>	<u>3,880,288</u>	<u>2,309,378</u>	<u>10,056,250</u>
NET INCREASE	<u>6,375,410</u>	<u>24,212,647</u>	<u>13,371,350</u>	<u>43,959,407</u>
NET ASSETS HELD IN TRUST FOR PENSION BENEFITS				
Beginning of year	47,979,425	55,959,691	28,928,939	132,868,055
End of year	<u>\$ 54,354,835</u>	<u>\$ 80,172,338</u>	<u>\$ 42,300,289</u>	<u>\$ 176,827,462</u>

The accompanying notes are an integral part of these financial statements.

CITY OF ERIE, PENNSYLVANIA
 Combined Statement of Revenues, Expenses and Changes in Retained Earnings (Cash Basis)
 Budget and Actual (Including Encumbrances) - Enterprise Funds (Sewer Revenue, Refuse and Recycling and Golf)
 and Internal Service Funds (Workers Compensation Claims and Risk Management)
 Year ended December 31, 1998

	Sewer Revenue, Refuse and Recycling and Golf (Enterprise Funds)		
	Budget	Actual	Variance Favorable (Unfavorable)
OPERATING REVENUES			
Intergovernmental	\$ 0	\$ 0	\$ 0
Charges for services	20,082,564	20,141,107	58,543
Rental income	218,000	205,235	0
Miscellaneous	34,485	321,820	287,335
Total operating revenues	20,335,049	20,668,162	345,878
OPERATING EXPENSES			
Personnel services	4,749,292	4,713,394	35,898
Other personnel costs	2,039,330	2,010,665	28,665
Services and fees	4,252,112	2,527,960	1,724,152
Utilities	2,363,129	1,991,762	371,367
Rent	96,781	89,997	6,784
Insurance	70,129	70,129	0
Materials, supplies and maintenance	3,020,206	2,049,972	970,234
Depreciation	0	979,503	(979,503)
Workers compensation claims	0	0	0
Capital outlay	2,240,983	148,541	2,092,442
Other	4,291,764	4,280,377	11,387
Total operating expenses	23,123,726	18,862,300	4,261,426
Operating income (loss)	(2,788,677)	1,805,862	4,594,539
NONOPERATING REVENUES (EXPENSES)			
Bond and loan principal	(550,002)	0	550,002
Intergovernmental revenue	890,075	878,577	(11,498)
Investment income	403,708	482,802	79,094
Interest expense	(850,031)	(1,121,913)	(271,882)
Other expense	0	0	0
Net nonoperating revenues (expenses)	(106,250)	239,466	345,716
Net income (loss) before operating transfers	(2,894,927)	2,045,328	4,940,255
OTHER FINANCING SOURCES (USES)			
Operating transfers in	1,099,610	978,561	(121,049)
Operating transfers (out)	(1,913,781)	(4,319,326)	(2,405,545)
Total other financing sources (uses)	(814,171)	(3,340,765)	(2,526,594)
Net income (loss)	(3,709,098)	(1,295,437)	2,413,661
Retained earnings (deficit) January 1, 1998	0	(602,124)	(602,124)
Prior year encumbrances paid in current year	0	0	0
Retained earnings (deficit) December 31, 1998	\$ (3,709,098)	(1,897,561)	\$ 1,811,537
RECONCILIATION TO GAAP BASIS RETAINED EARNINGS			
Encumbrances recognized as current year expense		0	
Recognition of accrual basis adjustments		10,893,516	
Other GAAP basis adjustment		(1,055,671)	
Individual funds not budgeted		15,236,974	
Retained earnings (deficit) December 31, 1998		\$ 23,177,258	

The accompanying notes are an integral part of these financial statements.

Workers Compensation Claims and
Risk Management
(Internal Service Funds)

Total (Memorandum Only)

Workers Compensation Claims and Risk Management (Internal Service Funds)			Total (Memorandum Only)		
Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
\$ 0	\$ 1,789,936	\$ 1,789,936	\$ 0	\$ 1,789,936	\$ 1,789,936
0	0	0	20,082,564	20,141,107	58,543
0	0	0	218,000	205,235	0
0	186,390	186,390	34,485	508,210	473,725
0	1,976,326	1,976,326	20,335,049	22,644,488	2,322,204
0	0	0	4,749,292	4,713,394	35,898
0	0	0	2,039,330	2,010,665	28,665
147,245	118,631	28,614	4,399,357	2,646,591	1,752,766
0	0	0	2,363,129	1,991,762	371,367
0	0	0	96,781	89,997	6,784
669,894	460,508	209,386	740,023	530,637	209,386
0	0	0	3,020,206	2,049,972	970,234
0	0	0	0	979,503	(979,503)
1,284,081	2,687,871	(1,403,790)	1,284,081	2,687,871	(1,403,790)
0	0	0	2,240,983	148,541	2,092,442
35,410	35,402	8	4,327,174	4,315,779	11,395
2,136,630	3,302,412	(1,165,782)	25,260,356	22,164,712	3,095,644
(2,136,630)	(1,326,086)	810,544	(4,925,307)	479,776	5,405,083
0	0	0	(550,002)	0	550,002
0	0	0	890,075	878,577	(11,498)
18,554	42,071	23,517	422,262	524,873	102,611
0	0	0	(850,031)	(1,121,913)	(271,882)
0	0	0	0	0	0
18,554	42,071	23,517	(87,696)	281,537	369,233
(2,118,076)	(1,284,015)	834,061	(5,013,003)	761,313	5,774,316
2,605,489	2,365,205	(240,284)	3,705,099	3,343,766	(361,333)
(927,413)	(927,413)	0	(2,841,194)	(5,246,739)	(2,405,545)
1,678,076	1,437,792	(240,284)	863,905	(1,902,973)	(2,766,878)
(440,000)	153,777	593,777	(4,149,098)	(1,141,660)	3,007,438
0	426,279	426,279	0	(175,845)	(175,845)
0	0	0	0	0	0
\$ (440,000)	580,056	\$ 1,020,056	\$ (4,149,098)	(1,317,505)	\$ 2,831,593

0
(3,739,398)
0
7,986,859
\$ 4,827,517

0
7,154,118
(1,055,671)
23,223,833
\$ 28,004,775

CITY OF ERIE, PENNSYLVANIA
 Combined Statement of Cash Flows
 All Proprietary Funds and Discretely Presented Component Units
 Year ended December 31, 1998

	Enterprise	Internal Service	Total Primary Government (Memorandum Only)	Component Units	Total
CASH FLOWS FROM OPERATING ACTIVITIES					
Operating income (loss)	\$ 4,151,800	\$ (1,325,032)	\$ 2,826,768	\$ (884,849)	\$ 1,941,919
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities					
Other nonoperating income	0	0	0	(25,508)	(25,508)
Noncash items included in operating income (loss):					
Depreciation expense	1,741,629	0	1,741,629	4,535,695	6,277,324
Amortization	7,490	0	7,490	14,155	21,645
(Increase) decrease in current assets:					
Accounts receivable	128,808	0	128,808	(163,201)	(34,393)
Intergovernmental receivable	(512,543)	0	(512,543)	0	(512,543)
Other receivables	(29,219)	937	(28,282)	(114,118)	(142,400)
Inventory	0	0	0	4,643	4,643
Prepaid insurance	0	0	0	(21,942)	(21,942)
Increase (decrease) in current liabilities:					
Accounts payable	(477,565)	(25,956)	(503,521)	833,065	329,544
Accrued payroll	(64,832)	0	(64,832)	(8,720)	(73,552)
Interfund payable	25,500	0	25,500	0	25,500
Compensated absences payable	(1,442)	0	(1,442)	0	(1,442)
Claims and judgments payable	0	135,090	135,090	0	135,090
Due to other governments	0	0	0	1,393,923	1,393,923
Deferred revenue	(413,710)	0	(413,710)	34,603	(379,107)
Other liabilities	0	0	0	260,151	260,151
Net cash provided (used) by operating activities	<u>4,555,916</u>	<u>(1,214,961)</u>	<u>3,340,955</u>	<u>5,857,897</u>	<u>9,198,852</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES					
Intergovernmental revenue	878,577	0	878,577	3,009,605	3,888,182
Note to Sewer Authority	175,000	0	175,000	0	175,000
Operating transfers in	2,180,785	15,241,753	17,422,538	0	17,422,538
Operating transfers (out)	(6,670,403)	(7,362,018)	(14,032,421)	0	(14,032,421)
Net cash provided (used) by noncapital financing activities	<u>(3,436,041)</u>	<u>7,879,735</u>	<u>4,443,694</u>	<u>3,009,605</u>	<u>7,453,299</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Net proceeds from refunding revenue bonds	0	0	0	24,024,623	24,024,623
Purchase of fixed assets	(1,727,653)	0	(1,727,653)	(14,535,911)	(16,263,564)
Transfers to restricted investments	0	0	0	(74,120)	(74,120)
Contributions and capital grants	0	0	0	1,141,121	1,141,121
Principal payments	(550,000)	0	(550,000)	(10,537,144)	(11,087,144)
Interest payments	(1,121,913)	0	(1,121,913)	(3,408,651)	(4,530,564)
Net cash provided (used) by capital and related financing activities	<u>(3,399,566)</u>	<u>0</u>	<u>(3,399,566)</u>	<u>(3,390,082)</u>	<u>(6,789,648)</u>
CASH FLOWS FROM INVESTING ACTIVITIES					
Proceeds from sale and redemption of investments	4,605,000	0	4,605,000	810,264	5,415,264
Net interest earnings*	546,968	145,121	692,089	2,116,924	2,809,013
Purchase of investments	(31,924)	0	(31,924)	(2,716,067)	(2,747,991)
Net cash provided (used) by investing activities	<u>5,120,044</u>	<u>145,121</u>	<u>5,265,165</u>	<u>211,121</u>	<u>5,476,286</u>
Net increase (decrease) in cash	2,840,353	6,809,895	9,650,248	5,688,541	15,338,789
Cash and cash equivalents January 1, 1998	1,416,587	1,836,944	3,253,531	9,225,663	12,479,194
Cash and cash equivalents December 31, 1998	<u>\$ 4,256,940</u>	<u>\$ 8,646,839</u>	<u>\$ 12,903,779</u>	<u>\$ 14,914,204</u>	<u>\$ 27,817,983</u>

*Investment income for pension trust reported as operating income.

The accompanying notes are an integral part of these financial statements.

CITY OF ERIE, PENNSYLVANIA
 Combined Statement of Cash Flows, Continued
 All Proprietary Funds and Discretely Presented Component Units
 Year ended December 31, 1998

	Enterprise	Internal Service	Total Primary Government (Memorandum Only)	Component Units	Total
Reconciliation to the balance sheet:					
At January 1, 1998					
Cash:					
Cash and cash equivalents	\$ 1,416,587	\$ 0	\$ 1,416,587	\$ 2,883,189	\$ 4,299,776
Restricted cash and cash equivalents	0	1,836,944	1,836,944	6,342,474	8,179,418
Total cash	<u>\$ 1,416,587</u>	<u>\$ 1,836,944</u>	<u>\$ 3,253,531</u>	<u>\$ 9,225,663</u>	<u>\$ 12,479,194</u>
At December 31, 1998					
Cash:					
Cash and cash equivalents	\$ 4,256,940	\$ 0	\$ 4,256,940	\$ 8,040,934	\$ 12,297,874
Restricted cash and cash equivalents	0	8,646,839	8,646,839	6,873,270	15,520,109
Total cash	<u>\$ 4,256,940</u>	<u>\$ 8,646,839</u>	<u>\$ 12,903,779</u>	<u>\$ 14,914,204</u>	<u>\$ 27,817,983</u>

CITY OF ERIE, PENNSYLVANIA
Notes to Financial Statements
December 31, 1998

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Erie, Pennsylvania (the "City") was incorporated April 14, 1851 and reorganized January 1, 1962 under the Mayor-Council (Strong Mayor) form of government of the Optional Third Class City Charter Law.

An elected Mayor, serving a four year term, serves as Chief Executive of the City. A seven member part-time City Council, elected at large for four year staggered terms, forms the legislative branch of the City government. The other elected City officials are the City Treasurer and the City Controller, each serving four year terms.

The financial statements of The City of Erie have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body instituted for establishing governmental accounting and financial reporting principles. The significant accounting policies of the City currently applied in the preparation of the accompanying Comprehensive Annual Financial Report are described below.

A. Financial Reporting Entity

For financial reporting purposes the City of Erie includes all funds, account groups and agencies that are controlled by or dependent on the administrative and legislative branches, the Mayor and City Council, respectively. Control by or dependence on the City was determined on the basis of budget adoption, taxing authority, outstanding debt secured by revenues or general obligation of the City, obligation of the City to finance any deficits that may occur or receipt of significant subsidies from the City. As required by generally accepted accounting principles, these financial statements present the City of Erie, Pennsylvania (the primary government) and its component units. The component units discussed in Note I.B. are included in the City's reporting entity because of the significance of their operational or financial relationships with the City.

B. Individual Component Unit Disclosures

Blended Component Units. In evaluating the City as a reporting entity, management has addressed all potential blended component units. The City of Erie has no blended component units of which are included within the City's financial statements.

Discretely Presented Component Units. The City of Erie has created various municipal authorities which operate within the City. They are reported in a separate column to emphasize that they are legally separate from the City. The governing bodies of all of these component units are appointed by the City (Mayor and/or City Council). The following have been included as discrete presentation:

Redevelopment Authority of the City of Erie - This authority was created to operate demolition and rehabilitation projects within the City. The primary source of income is from Community Development Block Grant monies which are allocated solely by the primary government. This component unit has been included as a discretely presented component unit because the primary government is financially accountable but does not have substantively the same governing body nor does it provide services entirely, or almost entirely, to the primary government or otherwise exclusively, or almost exclusively, benefit the primary government.

Erie Municipal Park Authority - This financing authority was created to finance improvements to the park area of the Erie Zoo. The City is contingently liable for the debt of the authority under an agreement which is more fully described in Note III.B.5. This component unit has been included as a discretely presented component unit because the primary government is financially accountable but does not have substantively the same governing body nor does it provide services entirely, or almost entirely, to the primary government or otherwise exclusively, or almost exclusively, benefit the primary government.

CITY OF ERIE, PENNSYLVANIA
Notes to Financial Statements, Continued
December 31, 1998

- I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued
- B. Individual Component Unit Disclosures, Continued

Erie Metropolitan Transit Authority - This is an operating authority created to provide mass transportation services to Erie County. The authority's main sources of revenue include income from operations, federal and state grants and local matching funds provided by the City and the County. This component unit has been included as a discretely presented component unit because the primary government is financially accountable but does not have substantively the same governing body nor does it provide services entirely, or almost entirely, to the primary government or otherwise exclusively, or almost exclusively, benefit the primary government.

Erie Parking Authority - This authority operates the municipal parking ramps and lots and enforces parking regulations throughout the City. The City has entered into a Guaranty Agreement with the authority whereby the City has unconditionally guaranteed the payment of principal and interest of the Series 1998, 1995, and 1994 bonds. This component unit has been included as a discretely presented component unit because the primary government is financially accountable but does not have substantively the same governing body nor does it provide services entirely, or almost entirely, to the primary government or otherwise exclusively, or almost exclusively, benefit the primary government. (See Note V.A.)

Erie Civic Center Authority - This authority operates the Louis J. Tullio Convention Center, the Warner Theater, the Exhibit Hall and Jerry Uht Ballpark, which is home to the Erie SeaWolves, a Class AA minor league baseball team affiliated with the Anaheim Angels. Pursuant to a management agreement, the City provides a material subsidy through annual appropriation of funds sufficient to cover the expected operating deficit. This component unit has been included as a discretely presented component unit because the primary government is financially accountable but does not have substantively the same governing body nor does it provide services entirely, or almost entirely, to the primary government or otherwise exclusively, or almost exclusively, benefit the primary government.

Erie Sewer Authority - This is a financing authority created to acquire property and equipment for a sewage treatment plant. The City is contingently liable for the debt of the authority under an agreement which is more fully described in Note III.B.5. During 1998, the City entered into a Guaranty Agreement whereby the City will guarantee payment of principal and interest on a note financed with Pennsylvania Infrastructure Investment Authority (Pennvest). This component unit has been included as a discretely presented component unit because the primary government is financially accountable but does not have substantively the same governing body nor does it provide services entirely, or almost entirely, to the primary government or otherwise exclusively, or almost exclusively, benefit the primary government. (See Note V.A.)

The condensed financial information for the six discretely presented component units can be found on pages 138-142. Complete financial statements of the individual component units for periods ended and for the reports issued thereon dated, as listed below, can be obtained from their respective administrative offices or from the City Clerk's office in the Municipal Building.

CITY OF ERIE, PENNSYLVANIA
Notes to Financial Statements, Continued
December 31, 1998

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

B. Individual Component Unit Disclosures, Continued

Administrative Offices:

Redevelopment Authority of
the City of Erie
126 West 9th Street
Erie, Pennsylvania 16501
December 31, 1998
Qualified opinion dated April 2, 1999

Erie Municipal Park Authority
National City Bank
300 Fourth Avenue
Pittsburgh, Pennsylvania 15278-2331
December 31, 1998
Unqualified opinion dated February 25, 1999

Erie Metropolitan Transit Authority
127 East 14th Street
Erie, Pennsylvania 16503
June 30, 1998
Unqualified opinion dated September 30, 1998

Erie Parking Authority
25 East 10th Street
Erie, Pennsylvania 16501
December 31, 1998
Unqualified opinion dated February 5, 1999

Erie Civic Center Authority
809 French Street
Erie, Pennsylvania 16501
December 31, 1998
Unqualified opinion dated March 27, 1999

Erie Sewer Authority
c/o PNC Bank
P.O. Box 8480
Erie, Pennsylvania 16501
December 31, 1998
Unqualified opinion dated February 4, 1999

C. Related Organizations

The City of Erie has created various municipal authorities, a non-profit corporation and a council which operate independently of the City. The members of the boards of these entities have been appointed by the City, but the City's accountability for these organizations does not extend beyond making the appointments. The following represents a listing of related organizations of the City:

Erie City Water Authority - This authority was created to operate the City's public water system and to provide water service to the City and other portions of Erie County.

City of Erie Housing Authority - This is an operating authority created to administer federal housing programs for low and middle income families and the elderly.

Erie Municipal Airport Authority - This authority was created to operate the Erie International Airport.

Erie Western Pennsylvania Port Authority - This operating authority has oversight responsibility for waterfront properties, businesses on the waterfront and the lake cargo operations.

Higher Education Building Authority - A financing authority created to undertake projects for colleges and universities or institutions of higher learning within or outside the City.

Erie Zoological Society - This non-profit corporation was created to operate the Erie Zoo.

Erie County Solid Waste Management Council - An organization to foster cooperative efforts to resolve problems, determine policies and formulate and implement plans relating to solid waste management.

CITY OF ERIE, PENNSYLVANIA
Notes to Financial Statements, Continued
December 31, 1998

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

D. Basis of Presentation - Fund Accounting

The accounts of the City are organized on the basis of funds and account groups, each of which is considered a separate accounting entity. The operations of each fund and account group are accounted for by providing a separate set of self-balancing accounts which comprise its assets, liabilities, fund equity, revenues and expenditures or expenses, as appropriate.

Total columns on the Combined Statements are captioned Memorandum Only to indicate that they are presented only to facilitate financial analysis. Data in these columns are not comparable to a consolidation and do not present financial position, results of operations or cash flows.

Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The various funds are grouped, in the financial statements of this report, into three fund categories in seven fund types, and two account groups, as follows.

For purposes of presentation, the statements have been segregated into activities of the primary government and those of its component units. The combination of these comprise the reporting entity.

1. Governmental Fund Types - The focus of Governmental Fund measurement is upon determination of financial position and cash flows rather than upon net income. The following is a description of the Governmental Funds of the City.

General Fund - The General Fund is the principal fund of the City which accounts for all financial transactions not accounted for in other funds.

Special Revenue Funds - Special Revenue Funds are used to account for revenues derived from specific sources that are legally restricted to expenditures for specified purposes.

Debt Service Fund - The Debt Service Fund is used to account for the accumulation of resources for, and payment of, general long-term debt principal and interest.

Capital Projects Funds - Capital Projects Funds are used to account for bond sale proceeds and interest revenue used for acquisition, construction or renovation of major capital facilities, other than those financed by Enterprise Fund activities.

2. Proprietary Fund Types - The focus of Proprietary Fund measurement is upon net income, financial position and cash flows. The generally accepted accounting principles applicable are those similar to businesses in the private sector. The following is a description of the Proprietary Funds of the City.

Enterprise Funds - Enterprise Funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

Internal Service Funds - Internal Service Funds are used to account for the financing of goods or services provided by one department or agency to other departments or agencies of the City of Erie on a cost-reimbursement basis. The services accounted for through these funds are those related to the City's self-insurance for workers compensation, the employees health benefit plan and all other insurance costs of the City.

The City applies all GASB pronouncements as well as the Financial Accounting Standard pronouncements issued after November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements.

CITY OF ERIE, PENNSYLVANIA
Notes to Financial Statements, Continued
December 31, 1998

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

D. Basis of Presentation - Fund Accounting, Continued

3. Fiduciary Fund Types - Fiduciary Funds generally include non-expendable trust, pension trust, agency and similar funds. The focus of Pension Trust fund measurement is upon net income, financial position and cash flows. Agency Funds are custodial in nature (assets equal liabilities) and do not involve the measurement of results of operations.

Pension Trust Funds - Pension Trust Funds are used to account for the City's three pension plans.

Agency Funds - Agency Funds are used to account for assets held by the City in trustee capacity or as an agent for individuals, private organizations and/or other funds.

4. Account Groups - The accounting and reporting treatment applied to the fixed assets and long-term liabilities associated with a fund are determined by its measurement focus. All Governmental Funds are accounted for on a spending or financial flow measurement focus. This means that only current assets and current liabilities are generally included on their balance sheets. Their reported fund balance (net current assets) is considered a measure of available spending resources. Governmental Fund operating statements present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Accordingly, they are said to present a summary of sources and uses of available spendable resources during a period.

Fixed assets purchased through the Governmental Funds are accounted for in the General Fixed Assets Account Group which is used to maintain control and cost information for all fixed assets other than those accounted for in Proprietary Funds.

Long-term liabilities expected to be financed from Governmental Funds are accounted for in the General Long-Term Debt Account Group and not in the Governmental Funds. General Fund revenues are used to repay general obligation bonds of the City of Erie.

The two account groups are not funds. They are concerned only with the measurement of financial position. They are not involved with the measurement of results of operations.

E. Basis of Accounting

1. Modified Accrual Basis - Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the recorded transactions.

All Governmental and Agency Funds are accounted for using the modified accrual basis of accounting. Their revenues are recognized when they become measurable and available.

Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred. Expenditures which may benefit periods beyond the balance sheet date are charged as expenditures in the period budgeted rather than the period paid.

2. Accrual Basis - The Proprietary Funds and Pension Trust Funds are accounted for using the accrual basis of accounting. Revenues are recognized when they are earned; expenses are recognized when they are incurred.

CITY OF ERIE, PENNSYLVANIA
Notes to Financial Statements, Continued
December 31, 1998

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

F. Budgetary Data

1. Budget Policy - The City annually adopts the Budget for the General Fund, Liquid Fuels Tax Fund (a Special Revenue Fund), Sewer Revenue, Refuse and Recycling and Golf Funds (Enterprise Funds), and Workers Compensation Claims and Risk Management Funds (Internal Service Funds). The City's Budget Ordinance provides transfer authority to (a) City Council within any fund as long as the total fund budget is not increased (the Director of Administration and Finance has the authority to annually transfer up to the lesser of 5% of the budget unit's (Office/Bureau/Division) amount or \$5,000 without council approval) and (b) City Council to implement grant project budgets for certain special revenue funds (other than liquid fuels) and capital projects as the grant applications are accepted or capital projects are authorized, respectively, by the City. These amounts are not included in any budgetary statements as the appropriations do not specify a time frame and therefore are not legally adopted annual budgets. Two Special Revenue Funds, BUDAG Revolving Account and Section 108 Loan Program, are not budgeted on an annual or grant/project-length basis for various reasons.

All budget amounts presented in the accompanying financial statements and supplementary information have been adjusted for legally authorized revisions of the annual budgets during the year. Appropriations, except capital appropriations, encumbrances and unexpended grant appropriations, lapse at the end of each year. Expenditures may not legally exceed budgeted appropriations at the budget unit level, which are detailed on pages 77-90 for the General Fund, and in total for the Liquid Fuels Tax Fund (a Special Revenue Fund), Sewer Revenue, Refuse and Recycling and Golf Funds (Enterprise Funds), and Workers Compensation Claims and Risk Management Funds (Internal Service Funds), as adopted by Council Ordinance.

2. Encumbrances - Encumbrances outstanding at year end do not represent expenditures or liabilities in accordance with generally accepted accounting principles (GAAP), but represent budgetary accounting controls. All Governmental Fund budgets are maintained on the cash basis of accounting except that budgetary basis expenditures include purchase orders and contracts (encumbrances) issued for goods or services not received at year end. The actual results of operations are presented in accordance with generally accepted accounting principles and the City's accounting policies do not recognize encumbrances as expenditures until the period in which the goods or services are actually received and the liability incurred. Encumbrances are presented as a reservation for encumbrances on the balance sheets of the Governmental Funds. It is necessary to include the budgetary encumbrances to reflect actual revenues and expenditures on a budgetary basis consistent with the City's legally adopted budget and/or the City's adopted ordinances for certain special revenue funds and the capital project funds.
3. Budgetary Accounting - The City follows these procedures in establishing the budgetary data reflected in the financial statements:

Budgetary Submission - Not later than the last council meeting in November, the Mayor submits to City Council proposed operating budgets for the General Fund, Liquid Fuels Tax Fund (a Special Revenue Fund), Sewer Revenue, Refuse and Recycling and Golf Funds (Enterprise Funds), and Workers Compensation Claims and Risk Management Funds (Internal Service Funds). Budgets for certain Special Revenue Funds (other than the Liquid Fuels Tax Fund) and Capital Projects Funds are submitted throughout the year. The operating budgets, which are prepared by fund, include prior year revenue and expenditure information and current year proposed expenditures and the means of financing them.

Public Hearings - Public hearings are conducted by Council to obtain comments from the citizenry.

Legal Adoption - Prior to December 31, the proposed operating budget as previously submitted to City Council is legally enacted through the adoption of a Council ordinance.

Revisions - City Council may, by resolution, transfer amounts in any fund as long as the total fund budget is not increased. The Director of Administration and Finance has the authority to annually transfer up to the lesser of 5% of the budget unit's (Office/Bureau/Division) amount or \$5,000 without Council approval. Any increase in the total budget of any fund must be adopted by City Council in ordinance form.

Budgetary Basis - Budgets for the funds listed under budgetary submission above are adopted on a cash basis of accounting.

CITY OF ERIE, PENNSYLVANIA
Notes to Financial Statements, Continued
December 31, 1998

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

F. Budgetary Data, Continued

3. Budgetary Accounting, Continued

Unexpended Appropriations - Unexpended budget appropriations expire at year end and do not carry forward unless encumbered. Budgeted amounts in this report are presented as originally adopted or as amended by an ordinance or resolution duly approved by City Council.

Encumbrance Accounting - Encumbrance accounting, under which purchase orders and other commitments for the expenditures of monies are recorded in order to reserve that portion of the applicable appropriation, is employed by the City of Erie.

G. Assets, Liabilities and Fund Equity

1. Cash Equivalents - For purposes of this section, cash equivalents for both unrestricted and restricted cash are defined as deposits with financial institutions and short-term treasury investments with original maturities of 3 months or less.
2. Investments - Investments other than those included in the Pension Trust and Agency Fund, consist primarily of certificates of deposit and obligations of the federal government. Under the Third Class City Code, allowable investments include U.S. Treasury Bills, short-term obligations of the U.S. Government or its agencies, certificates of deposit and other obligations of the United States or any of its agencies backed by the full faith and credit of the United States of America, the Commonwealth of Pennsylvania or any of its agencies. The investments, stated at fair value, bear interest ranging from 5.02% to 6.00% and are due at various dates through June 15, 2003. Investments included in the Pension Trust and Agency Funds are stated at fair value and consist of a variety of fixed income and equity investments.

The City has adopted Statement No. 31 of the Governmental Accounting Standards Board (GASB 31) – *Accounting and Financial Reporting for certain Investments and External Investment Pools*. Under GASB 31, the City is required to report investments at fair value. The adoption of GASB 31 had no effect on opening fund equity.

3. Interfund Receivables and Payables - Short-term advances between funds are accounted for in the appropriate interfund receivable and payable accounts. No such amounts have been eliminated.
4. Prepaid Items - Payments made to vendors for services that will benefit periods beyond December 31, 1998 are recorded as prepaid items.
5. Fixed Assets

General Fixed Assets

Fixed assets used in Governmental Fund type operations (general fixed assets) are accounted for in the General Fixed Assets Account Group, rather than in Governmental Funds. Depreciation has not been provided on general fixed assets. Public domain (infrastructure) general fixed assets consisting of certain improvements other than buildings are not capitalized along with other general fixed assets, as these assets are immovable and of value only to the City. Fixed assets, including fixed assets used in Governmental Fund type operations, have been stated at historical cost or estimated historical cost if actual historical cost is not available. Historical cost information is not available for assets purchased prior to 1990 and, therefore, costs of such assets have been estimated. Assets purchased in 1990 and after are valued at historical cost. As a result, approximately \$13,597,635 of the \$32,391,330 of fixed assets recorded in the General Fixed Assets Account Group are based on estimated costs. Donated fixed assets are valued at their estimated fair value on the date donated.

Proprietary Fund Fixed Assets

Depreciation of all exhaustible fixed assets used by Enterprise Funds is charged as an expense against their operations. Accumulated depreciation is reported on Proprietary Fund balance sheets. Depreciation has been provided over the estimated useful lives using the straight line method. The estimated useful lives are as follows:

CITY OF ERIE, PENNSYLVANIA
Notes to Financial Statements, Continued
December 31, 1998

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

G. Assets, Liabilities and Fund Equity, Continued

5. Fixed Assets, Continued

Proprietary Fund Fixed Assets, Continued

Buildings and improvements	20 to 50 years
Improvements other than buildings	20 to 100 years
Equipment and vehicles	5 to 20 years

Public domain (infrastructure) fixed assets of the Enterprise Funds, such as water lines and reservoirs, are capitalized as improvements other than buildings because these assets are an integral component of these operations.

All fixed assets are valued at historical cost (or estimated historical cost if actual historical cost is not available) less accumulated depreciation.

6. Long-Term Obligations - Long-term debt is recognized as a liability of a Governmental Fund when due, or when resources have been accumulated, in the Debt Service Fund for payment early in the following year. For other long-term obligations, only that portion expected to be financed from expendable available financial resources is reported as a fund liability of a Governmental Fund. The remaining portion of such obligations is reported in the General Long-Term Debt Account Group. Long-term liabilities expected to be financed from Proprietary Fund operations are accounted for in those funds.

7. Fund Equity - Reserves represent those portions of fund equity not appropriable for expenditure or legally segregated for a specific future use. Designated fund balances represent tentative plans for future use of financial resources.

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

All other interfund transactions, except quasi-external transactions and reimbursements, are reported as transfers. Nonrecurring or non-routine permanent transfers of equity are reported as residual equity transfers. All other interfund transfers are reported as operating transfers.

9. Concentration of Credit Risk - The City maintains various deposit and trust accounts presented on the balance sheet as cash and cash equivalents, investments, and restricted cash and cash equivalents and investments with several local banks. The amounts on deposit with each bank exceed the \$100,000 federally insured limit. See Note III.A.1. "Cash and Investments" for further detail.

Also, the City has amounts receivable arising from property tax levies, sewer and refuse billings, earned income and occupational tax liabilities, revolving notes, property liens and other various activities. These amounts are generally due from taxpayers and citizens of the City of Erie, Pennsylvania and are, thus, subject to the economic conditions of this geographic area.

10. Use of Estimates - The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and the accompanying notes.

H. Revenues, Expenditures and Expenses

1. Governmental Fund Revenues - Substantially all Governmental Fund revenues are accrued except for licenses and permits and fines and forfeitures which are reported on the cash basis in the General Fund. Real estate taxes are billed and collected within the same period and are reflected on the modified accrual basis.

CITY OF ERIE, PENNSYLVANIA
Notes to Financial Statements, Continued
December 31, 1998

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

H. Revenues, Expenditures and Expenses, Continued

2. Compensated Absences - The City accrues accumulated unpaid vacation when (a) the obligation relates to rights that vest or accumulate, (b) the payment of the obligation is probable and (c) the amount can be reasonably estimated.

II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Compliance with Financial Related Legal and Contractual Provisions

The City has no violations of any financial related legal or contractual provision except as disclosed in Note V. Summary Disclosure of Significant Commitments and Contingencies.

B. Deficit Fund Equity of Individual Funds

Various Special Revenue Funds have deficits in unreserved, undesignated fund balance due to the segregation of contributed capital, reservations for encumbrances and non-current receivables and the timing of grant funding. These include the Community Development Block Grant, Liquid Fuels Tax Fund and Section 108 Loan Program, which have deficits of (\$4,704,834), (\$38,668) and (\$1,708,813), respectively.

Workers Compensation Claims Fund (an Internal Service Fund) has a deficit in retained earnings of (\$3,504,294) which is a result of accounting for claims payable on an accrual basis while cash transfers to cover such payments are made on a cash basis.

C. Excess of Expenditures Over Appropriations in Individual Funds

No individual fund had an excess of expenditures over appropriations.

D. Budgetary Compliance

The City includes encumbrances to reflect actual revenues and expenditures on a basis consistent with the City's legally adopted budget. In addition, the City includes a portion of the prior year's fund balance represented by unappropriated liquid assets remaining in the fund as budgeted revenue in the succeeding year. The results of operations in accordance with generally accepted accounting principles do not recognize the fund balance allocation as revenue as it represents prior periods excess of revenues over expenditures.

Encumbrances are contractual commitments which are considered expenditures on a budgetary basis and are included with cash basis expenditures to present the budget to actual comparison.

III. DETAIL NOTES - ALL FUNDS AND ACCOUNT GROUPS

A. Assets

1. Cash and Investments - Cash balances available for investment by most City funds are maintained in both pooled and individual bank and investment accounts. Available cash is invested until the cash is needed for expenditures or expenses.

Cash and cash equivalents - The City's cash deposits, which include certificates of deposit at year end, are covered by a combination of federal depository insurance and marketable securities designated as collateral by the financial institutions holding City funds. These accounts are carried at cost. Balances are categorized to give an indication of the level of risk assumed by the City at year end.

CITY OF ERIE, PENNSYLVANIA
Notes to Financial Statements, Continued
December 31, 1998

III. DETAIL NOTES - ALL FUNDS AND ACCOUNT GROUPS, Continued

A. Assets, Continued

1. Cash and Investments, Continued

<u>Category</u>	<u>Carrying Amount</u>	<u>Bank Balance</u>
(1) Insured and collateralized with securities held by the City or by its agent in the City's name	\$ 229,709	\$ 229,709
(2) Collateralized with securities held by the pledging financial institutions' trust department or agent in the City's name.....	0	0
(3a) Collateralized with designated securities held by the pledging financial institutions' trust department or agency	56,975,849	56,424,590
(3b) Uncollateralized (includes funds held in common trust funds).....	<u>29,815</u>	<u>572,624</u>
Total	<u>\$ 57,235,373</u>	<u>\$ 57,226,923</u>

Investments - The City's investments are categorized below to give an indication of the level of credit risk assumed at year end. Category 1 includes investments held by the City or its agent in the City's name. Category 2 includes uninsured and unregistered investments for which the securities are held by the counterparty's trust department or agent in the City's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparties or by their trust department or agent, but not in the City's name. Investments are categorized as to the risk assumed at year end.

	<u>Category 1</u>	<u>Category 2</u>	<u>Category 3</u>
Government bonds	\$ 0	\$ 0	\$ 47,219,394
Corporate bonds	0	0	25,459,737
Common stocks	0	0	66,826,939
Fixed income obligations	0	0	0
International investments	0	0	13,402,069
Miscellaneous	<u>0</u>	<u>0</u>	<u>1,641,604</u>
	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 154,549,743</u>
Mutual funds (see also Note III.B.2.)			8,978,335
Money market funds			<u>1,167,616</u>
Total investments			<u>\$ 164,695,694</u>

Summary of cash and investments as reflected above is as follows:

Cash and cash equivalents	\$ 57,235,373
Investments	<u>164,695,694</u>
Total	<u>\$ 221,931,067</u>

The above balance of cash and investments is reported in the accompanying financial statements as follows:

Cash and cash equivalents	\$ 48,588,534
Investments	164,695,694
Restricted cash and cash equivalents	8,646,839
Restricted investments	<u>0</u>
Total	<u>\$ 221,931,067</u>

CITY OF ERIE, PENNSYLVANIA
Notes to Financial Statements, Continued
December 31, 1998

III. DETAIL NOTES - ALL FUNDS AND ACCOUNT GROUPS, Continued

A. Assets, Continued

2. Accounts Receivable - Accounts receivable represents the balance due to the Enterprise Fund as of December 31, 1998 for services provided through December 31, 1998, net of an allowance for uncollectible accounts as follows:

	Sewer Revenue Fund	Refuse and Recycling Fund	Total
Gross accounts receivable	\$ 1,074,652	\$ 612,021	\$ 1,686,673
Less: allowance for uncollectible receivables	496,037	303,966	800,003
Accounts receivable, net	\$ 578,615	\$ 308,055	\$ 886,670

The allowance generally represents accounts which are more than one year old and which have not been liened.

3. Property Taxes Receivable and Deferred Revenue - The City assesses real estate taxes on individual property valuation and collects the taxes accordingly. Some taxpayers periodically contest their assessed valuations.

The City levied real estate taxes of \$23,920,946 on January 1, 1998 based on a gross assessed valuation of \$553,341,270 at 43.23 mills. Real estate taxes attach as an enforceable lien on property as of January 1. Taxes are levied on January 1 and are collected by the tax collector until the following year, but no later than the end of April, at which time the uncollected taxes are required to be submitted to the County of Erie Tax Claim Bureau for collection. Taxes paid prior to March 31 are eligible for a 2% discount. The face period runs from April 1 through May 31, after which taxes are subject to a 10% penalty. City real estate tax revenues are recognized as revenue in the current year to the extent they are collected or are measurable and available at December 31, 1998.

Current real estate taxes receivable at December 31, 1998 consists of the face value of the tax levy uncollected at December 31, 1998.

The receivable for outstanding delinquent tax levies at December 31, 1998 consists of the face value of the delinquent taxes plus accrued penalty and interest as confirmed by the Tax Claim Bureau of the County of Erie, Pennsylvania.

The property tax receivable represents the balance due to the City of Erie for real estate taxes levied prior to December 31, 1998. In accordance with generally accepted accounting principles, revenue from these receivables are recognized only to the extent received within 60 days of December 31, 1998. An estimated provision for uncollectible taxes has been made to the extent that a property's estimated market value is less than the delinquent taxes on the property. The balance of the receivable is reported as deferred revenue as follows:

Balance held by County Tax Claim Bureau for 1998 and prior	\$ 1,448,881
Balance held by City Treasurer for 1998	1,211,465
Less: provision for uncollectible receivables	6,047
Total receivable	2,654,299
Less: cash received in January and February of 1999 and recognized as revenue	239,217
Deferred property tax revenue	2,415,082
Deferred lien revenue	260,461
Total deferred revenue	\$ 2,675,543

4. Earned Income Tax and Occupational Privilege Tax Receivable - The Earned Income Tax and Occupational Privilege Tax receivable represents an estimate of the City's share of the cash balance in the City tax collectors bank account at December 31, 1998, as well as the City's share of the fourth quarter, 1998 taxes collected by the tax collector in January and February, 1999 as follows:

CITY OF ERIE, PENNSYLVANIA
Notes to Financial Statements, Continued
December 31, 1998

III. DETAIL NOTES - ALL FUNDS AND ACCOUNT GROUPS, Continued

A. Assets, Continued

4. Earned Income Tax and Occupational Privilege Tax Receivable, Continued

Estimated share of December 31, 1998 cash balance.....	\$ (3,291)	
Estimated share of January and February, 1999 cash receipts.....	1,437,648	
Total receivable	\$ 1,434,357	

5. Notes Receivable - Also the City has made various loans to certain Erie businesses through the Urban Development Action Grant, Community Development Block Grant, Enterprise Loan Grant and Section 108 Loan Fund, four programs included with the Special Revenue Fund. The notes bear interest ranging from 2.0% to 6.0% with various maturities. During 1998, payments made to the City totaled \$827,682, representing \$727,489 of principal and \$100,193 of interest. The detailed activity is as follows:

Balance outstanding at December 31, 1997.....	\$ 7,199,437	
1998 loans	2,225,825	
Principal repayments.....	(727,489)	
Balance outstanding at December 31, 1998.....	\$ 8,697,773	

Finally, during 1993, the City advanced the Erie Sewer Authority \$6,000,000 from its 1993 General Obligation Bond proceeds in exchange for a note from the Authority. The note is for \$6,290,000, which includes the Authority's pro-rata share of issue costs, discount, interest, bond insurance and original issue discount. The note will be repaid, with interest, in accordance with the Sewer Revenue Note, Series of 1994. (See Note III.B.5.)

6. Liens Receivable - The liens receivable represents amounts due to the City of Erie for liens assessed on properties as a result of improvements made to properties by the City for which the property owner is responsible. The four general categories of liens are nuisance liens for demolition costs, paving liens for street improvements, sewer liens for sewer lines and sidewalk liens for sidewalk paving. The receivable is being reported in the fund from which the improvement was originally financed.

Nuisance liens are being reported as Special Revenue Fund receivables to the extent the demolition costs were paid with Community Development Block Grant funds and such assessments should be accounted for as program income to these grants. The paving, sidewalk and sewer liens are being reported as a General Fund or Capital Project Fund receivable based on how these improvements were financed.

Based on the estimated market value of the properties liened compared to the lien amount, the receivables have been reduced by a provision for uncollectible liens as follows:

	General Fund	Special Revenue	Capital Projects
Gross amount of receivable.....	\$ 414,588	\$ 862,756	\$ 259,291
Less: provision for uncollectible receivables.....	154,127	444,230	37,851
Net lien receivable	\$ 260,461	\$ 418,526	\$ 221,440

The lien receivables have been reported as deferred revenue to the extent not susceptible to accrual. (See Note III.A.3.)

7. Intergovernmental Receivable - The intergovernmental receivable represents amounts due to the City from other governmental entities.

CITY OF ERIE, PENNSYLVANIA
Notes to Financial Statements, Continued
December 31, 1998

III. DETAIL NOTES - ALL FUNDS AND ACCOUNT GROUPS, Continued

A. Assets, Continued

8. Other Receivables - Other receivables represent amounts due to the City as of December 31, 1998 from interest income, gas well revenue and other miscellaneous revenues.

9. Lease Agreement

Erie City Water Authority - In 1991, the City entered into a lease agreement, whereby, the Authority, a related organization, leases the water system from the City. All assets, accounted for by the City in the Water Revenue Fund (an Enterprise Fund), are being leased for a 25-year period. The lease calls for quarterly payments totaling \$1,250,000 with an annual 4½% inflation increase beginning in 1992. Upon termination of the lease, the leased assets remain the property of the City. Therefore, this lease is being accounted for as an operating lease.

1999	\$ 1,777,626
2000	1,857,619
2001	1,941,211
2002	2,028,566
2003	2,119,852
2004 and thereafter	<u>34,256,623</u>
Total lease receivable	<u>\$ 43,981,497</u>

10. Prepaid Insurance - Prepaid insurance represents a pro-rata share of premiums paid during 1998 which provides coverage through various dates in 1999.

11. Fixed Assets

A summary of general fixed assets at December 31, 1998 is as follows:

	Balance January 1, 1998	Additions	Dispositions	Balance December 31, 1998
Land	\$ 977,167	\$ 0	\$ 25,500	\$ 951,667
Building and improvements	14,387,011	951,129	0	15,338,140
Vehicles and equipment	<u>14,661,258</u>	<u>1,472,130</u>	<u>31,865</u>	<u>16,101,523</u>
Total	<u>\$ 30,025,436</u>	<u>\$ 2,423,259</u>	<u>\$ 57,365</u>	<u>\$ 32,391,330</u>

A summary of Proprietary Fund type fixed assets at December 31, 1998 is as follows:

	Balance January 1, 1998	Additions	Dispositions	Balance December 31, 1998
Land	\$ 730,999	\$ 0	\$ 0	\$ 730,999
Building and improvements	9,469,567	171,865	0	9,641,432
Improvements other than buildings	49,796,800	1,320,690	0	51,117,490
Vehicles and equipment	<u>10,087,059</u>	<u>235,098</u>	<u>0</u>	<u>10,322,157</u>
Total	70,084,425	1,727,653	0	71,812,078
Less: accumulated depreciation	<u>33,715,497</u>	<u>1,741,629</u>	<u>0</u>	<u>35,457,126</u>
Net fixed assets	<u>\$ 36,368,928</u>	<u>\$ (13,976)</u>	<u>\$ 0</u>	<u>\$ 36,354,952</u>

Improvements other than buildings consist of leasehold improvements to the waste water plant, water mains and intakes, fire hydrants and water storage reservoirs.

CITY OF ERIE, PENNSYLVANIA
Notes to Financial Statements, Continued
December 31, 1998

III. DETAIL NOTES - ALL FUNDS AND ACCOUNT GROUPS, Continued

B. Liabilities

1. Pension Plans

All City of Erie employees are covered by one of three pension plans. The plans are characteristically alike in that all contributions are made as single employer defined benefit pension plans and cover only City of Erie employees. The information pertaining to the particular plans is explained in the following:

Officers' and Employees' Retirement Association

Plan Description

The Officers' and Employees' Retirement Association ("Officers' and Employees'") covers the following employee groups: Elected officials, salaried employees (excluding uniformed policemen and firemen), hourly employees and civilian employees of the police and fire departments.

All employees who are not uniformed police or fire employees are required to participate in the plan. Under the provisions of the plan, pension benefits vest after 12 years of service with full vesting occurring after 20 years of service. An employee may retire after 12 years of service and receive benefits, but payment is deferred until age 60. An employee may retire after 20 years of service, but payment cannot begin before age 55. The annual pension benefit is equal to the Basic Allowance adjusted for service increments and other offsets as described in the plan. The Basic Allowance is 50% of the monthly pay received at the time of retirement, but not less than the highest five year average.

If an employee dies who is retired or eligible to retire, the widow or widower of the employee shall be entitled to receive a pension calculated at the rate of 50% of the pension that the employee was receiving, or would have been entitled to receive, at the time of death, unless the employee was on disability in which case the surviving spouse would be entitled to 50% of the earned pension.

Active employees who become permanently disabled after 10 years service (employees hired prior to January 1, 1976) or 15 years service (employees hired on or after January 1, 1976) shall be entitled to full retirement benefits during such disability.

Increases in benefit payments are at the discretion of the City of Erie upon recommendation of the managers of the Fund and are made in accordance with Section 305 of the Act of December 18, 1984.

Significant Accounting Policies

The Fund's policy is to prepare financial statements on the accrual basis of accounting. Income is recognized when earned, and certain benefit payments and expenditures are recognized when the obligation is incurred.

In accordance with Statement on Financial Accounting Standards No. 35, investments are reported at fair market value. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates. The carrying value and market value of investments maintained in a trust is \$53,396,533 at December 31, 1998. Gains (losses) on unrealized appreciation (depreciation) of investments' market value above (below) cost are recognized in the period of appreciation (depreciation).

CITY OF ERIE, PENNSYLVANIA
Notes to Financial Statements, Continued
December 31, 1998

III. DETAIL NOTES - ALL FUNDS AND ACCOUNT GROUPS, Continued

B. Liabilities, Continued

1. Pension Plans, Continued (Officers' and Employees' Retirement Association)

Contributions

Covered employees must contribute 6½% (except for a few employees hired prior to 1969, who contribute 4½% or 5%) of their gross qualified earnings to the pension plan per the plan provisions. In addition, the City must provide annual contributions sufficient to satisfy contribution requirements as mandated by state statute.

Annual employer contributions to the pension plan are not actuarially determined, but rather determined by the City. The employer contribution is based on a formula required by Act 205 of 1984 of the Commonwealth of Pennsylvania ("Act 205") and incorporates the normal cost as a percentage of payroll and an amount entitled by Act 205 Minimum Unfunded Actuarial Accrued Liability Payment, both of which are actuarially determined. The method of funding utilized by the actuary is the Individual Entry Age Normal-Level Percent of Payroll Method.

The annual required contribution, which is equal to the annual pension cost, for the plan for 1998 was \$2,255,496. The amount actually contributed to the plan in 1998 was \$2,460,557 which is 109.09% of the annual pension costs. (See Required Supplemental Schedules)

Investments Exceeding Five Percent of Net Assets Available For Benefits

Other than investments insured by the United States Government, the plan held no investments at year end that represent 5% or more of net assets available for benefits.

Required Supplementary Information

Six-year historical trend information designed to provide information about the Fund's progress made in accumulating sufficient assets to pay benefits when due is presented as required supplementary information following the notes to financial statements.

Police Relief and Pension Association

Plan Description

The Police Relief and Pension Association ("Police Pension Fund") covers the uniformed employees of the Bureau of Police.

All uniformed police officers are required to participate in the plan. Under the provision of the plan, pension benefits vest after 12 years of service with full vesting occurring after 20 years. Benefit payments for non-disability pension shall not commence before age 50.

The monthly pension payable herein shall be in an amount equal to 50% of the monthly pay, including annual salary, longevity increments and holiday pay but excluding compensation for overtime, shift differential, clothing allowance and cleaning allowance, received by the member at the time of this retirement, payable until death. Members hired before 1981 shall receive, when retired, an annual cost of living increase to their monthly benefit based on increases in the Consumer Price Index and subject to certain limits.

If an Association member is killed in the service or in the line of duty, the member's widow or widower shall receive annually for life, a pension equal to the amount the member was entitled to receive at the time of death. If an Association member otherwise dies while retired or eligible to retire, the members' widow or widower shall be entitled to receive for life, the pension the member was receiving or would have been receiving had the member been retired, at the time of death.

CITY OF ERIE, PENNSYLVANIA
Notes to Financial Statements, Continued
December 31, 1998

III. DETAIL NOTES - ALL FUNDS AND ACCOUNT GROUPS, Continued

B. Liabilities, Continued

1. Pension Plans, Continued (Police Relief and Pension Association)

If a deceased member is not survived by a widow or widower, or the surviving widow/widower subsequently deceases or remarries, the pension the member was receiving, or would have been receiving at the time of the death, will be divided equally between any surviving children of the member who are under the age of 18.

Any member who is totally disabled not in the line of duty shall be entitled to a pension of 25% of annual compensation if the member has less than 10 years service, or a pension of 50% of annual compensation after 10 years of service.

Members hired by the City of Erie Bureau of Police on or before January 1, 1981 shall receive, when retired, an annual cost of living allowance increase to their monthly benefit based on the percentage increase in the Consumer Price Index (CPI) published by the United States Department of Labor, Bureau of Labor Statistics. The allowance will be computed using the change in the CPI each October from the index for the month of October, 1969. Adjustments to cost of living allowances will be effective on the first day of January each year. Cost of Living allowances may not at any time exceed one-half of the current salary paid a patrolman of the highest pay grade.

Members hired after January 1, 1981, shall receive, when retired, increases to their monthly benefit as Council shall determine and authorize on an annual basis.

Significant Accounting Policies

The Funds' policy is to prepare its financial statements on the accrual basis of accounting. Income is recognized when earned, and certain benefit payments and expenditures when the obligation is incurred.

In accordance with Statement of Financial Accounting Standards No. 35, investments are reported at fair market value. The carrying value and market value of investments maintained in trust is \$59,827,195 at December 31, 1998. Gains (losses) on unrealized appreciation (depreciation) of investments' market value above (below) cost are recognized in the period of appreciation (depreciation).

Contributions

All covered employees must contribute 5% of their annual covered salary. In addition, the City must provide annual contributions sufficient to satisfy contribution requirements as mandated by state statute.

Annual employer contributions to the pension plan are not actuarially determined but rather determined by the City. The employer contribution is based on a formula required by Act 205 and incorporates the normal cost as a percentage of payroll and an amount entitled by Act 205 Minimum Unfunded Actuarial Accrued Liability Payment, both of which are actuarially determined. The method of funding utilized by the actuary is the Individual Entry Age Normal - Level Percent of Payroll Method.

The total financial requirement of the plan for 1998 was \$3,631,007.

Investments Exceeding Five Percent of Net Assets Available For Benefits

Other than investments insured by the United States Government, the plan held no investments at year end that represent 5% or more of net assets available for benefits.

CITY OF ERIE, PENNSYLVANIA
Notes to Financial Statements, Continued
December 31, 1998

III. DETAIL NOTES - ALL FUNDS AND ACCOUNT GROUPS, Continued

B. Liabilities, Continued

1. Pension Plans, Continued (Police Relief and Pension Association)

Required Supplementary Information

Six-year historical trend information designed to provide information about the Fund's progress made in accumulating sufficient assets to pay benefits when due is presented as required supplementary information following the notes to financial statements.

Firemens' Pension Fund

Plan Description

The Firemens' Pension Fund covers all members of the Bureau of Fire.

All members of the Bureau of Fire are required to participate in the plan. Under the provision of the plan, pension benefits vest after 12 years of service with full vesting occurring after 20 years of service. The vested benefits may not be withdrawn until minimum age of retirement. The annual pension benefit is equal to the Basic Allowance adjusted for service increments and other offsets as described in the plan. The Basic Allowance is 50% of the monthly pay received at the time of retirement, but not less than the highest five year average.

Payment of pensions to the families of a member killed or who dies in service is the amount that would have been payable had he retired on the date of his death. A member who has been approved for permanent disability pension is entitled to a pension in the amount that would have been payable had he retired on the date of disability.

In addition, a member who becomes totally disabled or dies not in the line of duty, is entitled to a pension of 25% of his annual compensation, if he had less than ten years of service; or 50% of his annual compensation for more than ten years of service.

Increases in benefit payments are at the discretion of the City of Erie upon recommendation of the managers of the Fund and are made in accordance with Article 149 of Title VII of the Codified Ordinances of the City of Erie.

Significant Accounting Policies

The Fund's policy is to prepare its financial statements on the accrual basis of accounting. Income is recognized when earned, and certain benefit payments and expenditures are recognized when the obligation is incurred.

In accordance with Statement of Financial Accounting Standards No. 35, investments are reported at fair market value. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates. The carrying value and market value of investments maintained in trust is \$30,094,144 at December 31, 1998. Gains (losses) on unrealized appreciation (depreciation) of investments' market value above (below) cost are recognized in the period of appreciation (depreciation).

CITY OF ERIE, PENNSYLVANIA
Notes to Financial Statements, Continued
December 31, 1998

III. DETAIL NOTES - ALL FUNDS AND ACCOUNT GROUPS, Continued

B. Liabilities, Continued

1. Pension Plans, Continued (Firemens' Pension Fund)

Contributions

All covered employees must contribute 5% of their gross wages to the pension plan, per the plan provisions. In addition, the City must provide annual contributions sufficient to satisfy contribution requirements as mandated by state statute. Administrative costs are financed through investment earnings.

The Fund also receives an annual allocation from the Commonwealth of Pennsylvania's Foreign Fire Insurance Tax Fund. The tax is assessed against out-of-state fire insurance companies doing business in Pennsylvania and is specifically designated for municipal pension funds.

Annual employer contributions to the pension plan are not actuarially determined but rather determined by the City. The employer contribution is based on a formula required by Act 205 and incorporates the normal cost as a percentage of payroll and an amount entitled by Act 205 Minimum Unfunded Actuarial Accrued Liability Payment, both of which are actuarially determined. The method of funding utilized by the actuary is the Individual Entry Age Normal - Level Percent of Payroll Method.

The annual required contribution, which is equal to the annual pension cost, for the plan for 1998 was \$1,631,054. The amount actually contributed to the plan in 1998 was \$11,512,226 which is 705.8% of the annual pension cost. (See Required Supplemental Schedules)

Investments Exceeding Five Percent of Net Assets Available For Benefits

Other than direct U.S. government obligations, the plan held no investments at year end that represent 5% or more of net assets available for benefits.

Required Supplementary Information

Six-year historical trend information designed to provide information about the Fund's progress made in accumulating sufficient assets to pay benefits when due is presented as required supplementary information following the notes to financial statements.

Current membership in the plans is as follows:

	Officers' and Employees'	Police	Firemens'	Total
Retirees, beneficiaries	367	216	180	763
Terminated	0	6	1	7
Active	408	181	175	764
Total	<u>775</u>	<u>403</u>	<u>356</u>	<u>1,534</u>

CITY OF ERIE, PENNSYLVANIA
Notes to Financial Statements, Continued
December 31, 1998

III. DETAIL NOTES - ALL FUNDS AND ACCOUNT GROUPS, Continued

B. Liabilities, Continued

2. Deferred Compensation Plan - The City offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, available to all City employees, permits them to defer a portion of their salary until future years. Participation in the plan is optional. The deferred compensation is not available to employees until termination, retirement, death or unforeseeable emergency. All amounts of compensation deferred under the plan, all property and rights purchased with those amounts and all income attributable to those amounts, property or rights are (until paid or made available to the employee or other beneficiary) solely the property and rights of the City subject only to the claims of the City's general creditors. Participants rights under the plan are equal to those of general creditor of the City in an amount equal to the fair market value of the deferred account for each participant. The investments are carried at market value and reported in the Agency Fund.

It is the opinion of the City's legal counsel that the City has no liability for losses under the plan, but does have the duty of due care that would be required of an ordinary prudent investor. The City believes that it is unlikely that it will use the assets to satisfy the claims of general creditors in the future.

3. Risk Management - The City accounts for its various insurance programs in the Internal Service Funds. Insurance, administrative and claims costs are charged to expenditures in those funds. The annual costs are billed to the other funds, which amounts are reported as revenues in the Internal Service Funds. Claim liabilities, which include incurred but not reported claims, are based on the estimated ultimate costs of settling the claims, based on historical experience. The funds used by the City are Workers Compensation, Employees Health Benefit Plan and Risk Management.

The City maintains a self-insurance program for workers compensation coverage. The fund charges back the costs to various other funds of the City based upon an appropriate risk factor, based on the Pennsylvania Workers Compensation "Lost Cost" rates. This risk factor is then applied to the City's actual workers compensation losses and administrative costs in order to develop the actual charge-back amount. A third-party claim administrator establishes claim reserves and adjusts claims. The City purchases stop-loss insurance for catastrophic type losses. This insurance limits the City's payout per accident to a fixed amount. For 1998, the medical stop-loss amount was \$90,000 and the indemnity stop-loss was \$22,500. The change in the liability for estimated claims is comprised of:

CITY OF ERIE, PENNSYLVANIA
Notes to Financial Statements, Continued
December 31, 1998

III. DETAIL NOTES - ALL FUNDS AND ACCOUNT GROUPS, Continued

B. Liabilities, Continued

3. Risk Management, Continued

Unpaid Claims Liabilities - Workers' Compensation - The following represents the changes in approximate aggregate liabilities for the City from January 1, 1997 to December 31, 1998.

Balance, January 1, 1997	\$ 4,224,072
Incurred claims and claims adjustment expenses:	
Provision for insured events of the current year	209,627
Decreases in provision for insured events of prior year	<u>(204,055)</u>
Total incurred claims and claims adjustment expenses	<u>5,572</u>
Payments:	
Claims and claim adjustment expenses attributable to insured events of the current year	158,308
Claims and claim adjustment expenses attributable to insured events of prior year	<u>393,058</u>
Total Payments	<u>551,366</u>
Balance, December 31, 1997	<u>3,678,278</u>
Incurred claims and claims adjustment expenses:	
Provision for insured events of the current year	235,450
Increases in provision for insured events of prior year	<u>829,698</u>
Total incurred claims and claims adjustment expenses	<u>1,065,148</u>
Payments:	
Claims and claim adjustment expenses attributable to insured events of the current year	152,803
Claims and claim adjustment expenses attributable to insured events of prior year	<u>777,255</u>
Total Payments	<u>930,058</u>
Balance, December 31, 1998	<u>\$ 3,813,368</u>

The City intends to cover the deficit in the Workers' Compensation Claims Fund by annual assessments to the participating funds.

The Employees Health Benefit Plan is a modified self-insurance program for insuring hospitalization and medical costs. The program is limited to losses of \$50,000 annually per covered person for all programs combined. Additional coverage to the policy limits is provided through the use of stop-loss policies. The Plan is fully funded by city contributions and covers all employees and eligible dependents. At December 31, 1998 there were no material amounts of claims liabilities.

The City is exposed to various risks of losses resulting from theft, damage and destruction of assets, errors and omissions and various other actions. Beginning in 1995, the City began a "protected" self-insurance plan. The City's comprehensive excess insurance program allows the City to self-insure small losses and fully insure catastrophe. Substantially all prospective losses are covered by excess loss insurance with retained losses generally of \$25,000 and a \$200,000 aggregate loss limit. At December 31, 1998 there were no material amounts of claims liabilities.

Settlement amounts have not exceeded insurance coverage for the current year or the three prior years.

4. Claims and Judgments Payable - Judgments payable represent amounts of cases against the City which the City Solicitor has indicated will probably result in a liability to the City. The claims payable in the Internal Service Funds represents the open reserves for workers compensation claims.

CITY OF ERIE, PENNSYLVANIA
Notes to Financial Statements, Continued
December 31, 1998

III. DETAIL NOTES - ALL FUNDS AND ACCOUNT GROUPS, Continued

B. Liabilities, Continued

4. Claims and Judgments Payable, Continued

The City is also involved in various other litigation related to property damage, personal injury, civil rights and other matters which the City is vigorously defending. The individual cases range from \$1,500 to \$200,000. With regard to unsettled cases, the range of possible outcomes varies from remote to reasonably possible. The City's aggregate potential liability is \$456,500 and has been determined to be reasonably possible.

Furthermore, litigation is pending relative to the County of Erie's Local Economic Revitalization Tax Act ("LERTA") ordinance related to property taxes. The result could require the City to return \$933,959 of property taxes representing taxes levied and collected in excess of the LERTA abatement.

5. Lease Agreements

Erie Municipal Park Authority - In 1964, the City entered into a rental agreement with the Erie Municipal Park Authority, a component unit, to lease certain property, which is recorded in the General Fixed Assets Account Group at a cost of \$1,358,991, located at the Erie Zoo, and wherein the City pays an annual rental of \$53,000 each January 1, to and including January 1, 2004. The payments are provided for the retirement of the Authority bonds and for administrative and operating expenses. The Authority bonds outstanding at December 31, 1998 are \$265,000. Upon termination of the lease, the leased property becomes property of the City. Therefore, this lease is being accounted for as a capital lease.

The remaining lease payments as of December 31, 1998 are as follows:

1999	53,000
2000	53,000
2001	53,000
2002	53,000
2003	53,000
2004	<u>53,000</u>
 Total lease payments	 318,000
 Less: interest portion	 <u>72,987</u>
 Minimum lease obligation	 <u>\$ 245,013</u>

Erie Sewer Authority - In 1972, the City entered into a lease with the Erie Sewer Authority, a component unit, wherein the Authority issued debt to acquire real estate, building and equipment for the purpose of collecting and disposing of sewage. Upon termination of the lease, the leased property is retained by the Authority. Therefore, this lease is being accounted for as an operating lease. During 1993, the City advanced to the Authority \$6,000,000 from the proceeds of the 1993 General Obligation Bond of the City in exchange for a note from the Authority. The note is in the amount of \$6,290,000, which includes the Authority's pro-rata share of issue costs, discount, interest, bond insurance and original issue discount. In 1995, the Authority refinanced its 1972 bonds with the issuance of 1995 Sewer Revenue Bonds in the principal amount of \$9,795,000. Repayment by the Authority is through semi-annual lease payments from the City in amounts necessary to retire the Authority's debt and note. The lease payments are due on June 1 and December 1 through December 1, 2011 for the debt and on May 1 and November 1 through November 1, 2017 for the note.

CITY OF ERIE, PENNSYLVANIA
Notes to Financial Statements, Continued
December 31, 1998

III. DETAIL NOTES - ALL FUNDS AND ACCOUNT GROUPS, Continued

B. Liabilities, Continued

5. Lease Agreements, Continued

The remaining lease payments, principal and interest, as of December 31, 1998 are as follows:

	<u>Debt</u>	<u>Note</u>	<u>Total</u>
1999	\$ 901,633	\$ 452,960	\$ 1,354,593
2000	899,877	450,560	1,350,437
2001	901,620	452,485	1,354,105
2002	901,702	453,685	1,355,387
2003	895,192	454,025	1,349,217
2004	896,770	453,685	1,350,455
2005	896,137	452,645	1,348,782
2006	893,547	451,125	1,344,672
2007	893,644	454,000	1,347,644
2008	891,065	450,750	1,341,815
2009	885,715	452,000	1,337,715
2010	887,650	452,500	1,340,150
2011	842,755	452,250	1,295,005
2012	0	451,250	451,250
2013	0	449,500	449,500
2014	0	452,000	452,000
2015	0	453,038	453,038
2016	0	453,050	453,050
2017	<u>0</u>	<u>452,038</u>	<u>452,038</u>
Total lease payments	11,587,307	8,593,546	20,180,853
Less: interest portion	<u>3,132,307</u>	<u>3,128,546</u>	<u>6,260,853</u>
Total minimum lease obligation	<u>\$ 8,455,000</u>	<u>\$ 5,465,000</u>	<u>\$ 13,920,000</u>

The lease rental payment for 1998 was \$3,920,023.

Other Lease Agreements - The City has other capital lease agreements to purchase equipment (fire trucks and equipment, computers, and telephone system). Lease terms are from 1 to 5 years with interest on the unpaid balance from 6.49% to 8%. The City may pay off a lease ahead of schedule. Total expenditures for 1998 were \$235,720.

The remaining lease payments as of December 31, 1998 are as follows:

1999	220,136
2000	53,000
2001	53,000
2002	53,000
2003	53,000
2004	<u>53,000</u>
Total lease payments	485,136
Less: Interest portion	<u>83,173</u>
Total minimum lease obligation	<u>\$ 401,963</u>

CITY OF ERIE, PENNSYLVANIA
Notes to Financial Statements, Continued
December 31, 1998

III. DETAIL NOTES - ALL FUNDS AND ACCOUNT GROUPS, Continued

B. Liabilities, Continued

5. Lease Agreements, Continued

The Capital lease obligation recorded in the General Long-Term Debt Account Group is summarized as follows:

Erie Municipal Park Authority	\$	245,013
Other lease agreements		156,950
Total capital leases	\$	401,963

Assets capitalized under capital lease agreements total approximately \$3,056,269.

6. Long-Term Debt

General Long-Term Debt Account Group: General obligation note and bonds are direct general obligations of the City. Principal and interest payments are backed by the full faith, credit and taxing power of the City. Under Commonwealth of Pennsylvania Local Government Unit Debt Act limitations, the City may incur up to \$195,823,805 of non-electoral indebtedness.

General Obligation Note

On January 9, 1998, the City incurred through the issuance of the General Obligation Note, Series PNC – 1998 non-electoral debt in the amount of \$1,800,000. The proceeds of the Note were used to fund an unfunded indebtedness payable to the PMA Insurance Company. The loan bears interest on the outstanding balance at a tax-free rate per annum equal to 4.85% fixed, for a two-year period. Principal and interest payments commenced on July 9, 1998 and will continue semi-annually through January 9, 2000.

The annual debt service requirements to maturity, including interest and principal, for the General Obligation Note as of December 31, 1998, are as follows:

1999	\$	1,202,000
2000		89,187
Total principal and interest		1,291,187
Less: interest		48,537
Total General Obligation Note liability at December 31, 1998.....	\$	1,242,650

General Obligation Bonds:

The City issued \$4,000,000 principal amount of Capital Improvement Bonds, Series of 1971, on January 15, 1972 for the purposes of improving streets and roads, storm and sanitary sewers and various improvement projects. The bonds are to mature serially in various amounts on January 15, each year, commencing January 15, 1974 and ending January 15, 2002. The bonds bear interest rates varying from 4.0% to 5.8% payable semi-annually on January 15 and July 15, each year, commencing January 15, 1974. Outstanding principal at December 31, 1998 is \$540,000.

On November 4, 1993, the City issued \$30,130,000 principal amount of General Obligation Bonds, Series A and B of 1993 for the purpose of providing funds for various paving, building improvement, recreational facility and sewer projects, to refund outstanding 1968 and 1986 Series General Obligation Bonds and to pay the costs and expenses incidental to the issuance of the bonds. The bonds mature serially in various amounts on November 1, of each year. The Series A bonds mature beginning November 1, 1995 and end November 1, 2011. The Series B bonds mature beginning November 1, 1994 and end November 1, 2017. The bonds bear interest rates varying from 3.00% to 5.25% to 5.375% for Series A and B, respectively, payable semi-annually on May 1 and November 1, each year, commencing on May 1, 1994. The 1998 Bond series defeased \$9,865,000 and \$10,850,000 of the Series A of 1993 and the Series B of 1993, respectively (Note III.B.7.). Outstanding principal at December 31, 1998 is \$6,060,000 which is being classified as Proprietary Fund type debt based on the nature of the uses of the funds and the expecting source of debt retirement.

CITY OF ERIE, PENNSYLVANIA
Notes to Financial Statements, Continued
December 31, 1998

III. DETAIL NOTES - ALL FUNDS AND ACCOUNT GROUPS, Continued

B. Liabilities, Continued

6. Long-Term Debt, Continued

On May 15, 1997, the City issued \$8,910,000 principal amount of General Obligation Bonds, Series of 1997 for the purpose of providing funds to finance various capital projects, and the pay the costs of issuing and insuring the Bonds. The 1997 General Obligation Bond was defeased during 1998. (See Note III.B.7.)

On October 21, 1998, the City issued \$72,063,606 principal amount of Taxable General Obligation Bonds, Series of 1998A, (the "1998A Bonds"), and the Tax-Exempt General Obligation Bonds, Series of 1998B, (the "1998B Bonds"). The 1998A Bonds were issued for the purpose of funding a portion of the City's unfunded actuarial accrued pension liability, funding capital projects and paying the costs of issuing the 1998A bonds. The 1998B Bonds in the principal amount of \$39,133,606 were issued for the purpose of providing funds for refunding a certain of the City's general obligation bonds, funding capital projects, and paying the costs of issuing the 1998B Bonds. The 1998A Bonds and the 1998B Bonds maturing on November 15, 1999 through and including November 15, 2003 were issued as current interest bonds (the "Current Interest Bonds") and will bear interest at the varying rates from 4.86% to 5.50% hereof from October 15, 1998, interest to be payable semiannually on May 15 and November 15 of each year, commencing May 15, 1999. The 1998B Bonds maturing on November 15, 2004 through and including November 15, 2024 will be issued as capital appreciation bonds (the "Capital Appreciation Bonds") and will not pay interest currently but will accrete in value and interest will be payable at maturity. Principal, compound accreted value or maturity value of the 1998 Bonds will be paid to the registered owners, when due, upon surrender of the 1998 Bonds at the designated Paying Agent.

The annual debt service requirements to maturity, including principal and interest, for the General Obligation Bonds as of December 31, 1998, are as follows:

	General Long-term Debt	Proprietary Debt
1999	\$ 4,913,608	\$ 1,554,463
2000	4,731,996	1,489,451
2001	4,732,481	1,489,164
2002	4,090,571	1,486,884
2003	4,087,524	1,487,214
2004	4,088,594	1,490,489
2005	4,088,444	1,486,409
2006	4,089,284	1,485,889
2007	4,097,612	1,488,301
2008	4,185,782	1,399,431
2009	4,183,282	1,401,681
2010	4,182,032	1,401,681
2011	4,182,282	1,399,431
2012	4,184,032	1,399,431
2013	4,182,282	1,397,931
2014	4,182,282	1,398,431
2015	4,184,950	1,399,750
2016	4,184,669	1,397,944
2017	4,181,181	1,398,163
2018	4,185,000	0
2019	4,185,000	0
2020	4,185,000	0
2021	4,185,000	0
2022	4,185,000	0
2023	4,185,000	0
2024	4,185,000	0
Total principal and interest	110,047,888	27,452,688
Less: interest	48,294,282	10,542,688
Total General Obligation Bonds liabilities at December 31, 1998	<u>\$ 61,753,606</u>	<u>\$ 16,910,000</u>

CITY OF ERIE, PENNSYLVANIA
Notes to Financial Statements, Continued
December 31, 1998

III. DETAIL NOTES - ALL FUNDS AND ACCOUNT GROUPS, Continued

B. Liabilities, Continued

6. Long-Term Debt, Continued

Changes in long-term debt payable during 1998 are summarized as follows:

	Balance January 1, 1998	Incurred	Retired	Balance December 31, 1998
<u>General Long-Term Debt</u>				
Capital lease obligation	\$ 595,047	\$ 0	\$ 193,084	\$ 401,963
General obligation note	0	1,800,000	557,350	1,242,650
General obligation bonds	19,910,000	61,213,606	19,370,000	61,753,606
Total General Long-Term Debt....	20,505,047	63,013,606	20,120,434	63,398,219
<u>Proprietary Fund Debt</u>				
<u>Sewer Revenue Fund:</u>				
General obligation bonds.....	17,460,000	10,850,000	11,400,000	16,910,000
Total Proprietary Fund Debt.....	17,460,000	10,850,000	11,400,000	16,910,000
Total Debt	\$ 37,965,047	\$ 73,863,606	\$ 31,520,434	\$ 80,308,219

7. Defeasement of Debt – During 1998, the City defeased the General Obligation Bond Series of 1997, Series A of 1993 and a portion of Series B of 1993. In prior years, the City defeased certain Water Construction Revenue Bonds. The Bonds were defeased by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the City's financial statements. Debt service cash flows over the next 25 years have been increased by \$20,237,029, realizing an economic gain of \$49,437, due to the current year defeasement. At December 31, 1998, the following bonds outstanding are considered defeased:

Water Construction Revenue Bonds	\$ 1,945,000
General Obligation Bonds, Series of 1997	8,910,000
General Obligation Bonds, Series A of 1993	9,865,000
General Obligation Bonds, Series B of 1993.....	10,850,000
	\$ 31,570,000

8. Compensated Absences - Vested or accumulated vacation leave that is expected to be liquidated with expendable available financial resources is reported as an expenditure and a fund liability of the Governmental Fund that will pay it. Vested or accumulated vacation leave of Proprietary Funds is recorded as an expense and liability of those funds as the benefits accrue to employees. The balance that has been accrued is \$278,630, which represents a decrease of \$252,484 from the prior year, and is recorded in the appropriate funds as a current liability.
9. Other Postemployment Benefits - In addition to pension benefits described in Note III.B.1., the City provides postemployment health insurance coverage for retirees of the Police and Firefighters unions at no cost to the participants. These benefits are provided pursuant to an arbitration award (re: salaries, wages, fringe benefits and other working conditions). In order to receive health care benefits an employee must have 12 years of service and attain the age of 50. The cost of benefits is recognized on a pay-as-you go basis, as part of the expense for health insurance (an initial premium is paid and subsequently adjusted for experience, subject to limits of individual and aggregate stop loss insurance). In 1998, the cost of postemployment benefits was \$204,882 for the 48 eligible Police retirees and \$137,862 for the 30 eligible Firefighter retirees.

CITY OF ERIE, PENNSYLVANIA
Notes to Financial Statements, Continued
December 31, 1998

III. DETAIL NOTES - ALL FUNDS AND ACCOUNT GROUPS, Continued

C. Interfund Receivables and Interfund Payables

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as "interfund receivables" or "interfund payables" on the balance sheets.

As indicated in Note III.A.1., the City invests its funds in various certificates of deposit. Periodically throughout the year, the timing of the maturities of the certificates may not generate sufficient deposits to fully cover the cash disbursed from a particular account. When this occurs, temporary loans are made between funds to cover such deficiencies. Accordingly, any such overdraft conditions at the balance sheet date are included in "interfund payables" and "interfund receivables."

Interfund balances at December 31, 1998 consisted of the following individual fund receivables and payables:

	Receivables	Payables
General Fund:		
Golf Fund	\$ 57,500	\$ 0
Special Revenue Fund	0	258,993
Special Revenue Fund:		
General Fund	258,993	0
Golf Fund:		
General Fund	0	57,500
	\$ 316,493	\$ 316,493

D. Fund Equity

The reserve for encumbrances represents the amount of the fund equity which has been committed for expenditures of the current year in accordance with the City's budgetary accounting procedures and is, therefore, not part of unreserved fund equity available to meet expenditures of the succeeding year.

The reserve for noncurrent notes receivable represents the amount of fund equity used to finance certain projects for which repayment will not be available to meet expenditures of the succeeding year.

Contributed capital is recorded for a component unit which has received capital grants and contributions for the purpose of purchasing, constructing or renovating capital assets.

The reserve for equity in Authority rentals represents the amount of fund equity for the purpose of recording Authority rentals receivable in the component units.

The reserve for land held for resale represents the amount of fund equity for the purpose of recording the expenditures incurred by the Authority for the land held for resale in the component units.

The reserve for houses held for resale represents the amount of fund equity for the purpose of recording the expenditures incurred by the Authority for the houses built for resale in the component units.

A portion of the Capital Project Fund's unreserved fund balance has been designated to establish a fund from the initial lease rental received from the Erie City Water Authority (a.k.a. Erie Water Works).

The reserve for prepaid insurance represents the amount of fund equity that is a direct offset to prepaid insurance and is not available expendable financial resources.

The reserve for employees' pension benefits represents the amount of fund equity that is reserved for payment of employees' pension benefits.

CITY OF ERIE, PENNSYLVANIA
Notes to Financial Statements, Continued
December 31, 1998

IV. SEGMENT INFORMATION - ENTERPRISE FUNDS

The City maintained, during 1998, five Enterprise Funds which provide the following services:

	Utilities				Recreation	
	Sewer Revenue	Sewer Reserve	Water Revenue	Refuse and Recycling	Golf	Total Enterprise Fund
Operating revenue	\$ 16,349,529	\$ 0	\$ 2,114,275	\$ 3,724,919	\$ 1,034,779	\$ 23,223,502
Operating expenses before depreciation.....	13,388,639	0	0	3,031,934	909,500	17,330,073
Depreciation.....	<u>829,765</u>	<u>0</u>	<u>757,684</u>	<u>68,729</u>	<u>85,451</u>	<u>1,741,629</u>
Operating income	2,131,125	0	1,356,591	624,256	39,828	4,151,800
Nonoperating revenue (expense).....	127,913	92,026	0	69,186	14,507	303,632
Operating transfers in	924,461	1,202,224	0	0	54,100	2,180,785
Operating transfers (out)	<u>(3,477,326)</u>	<u>(650,000)</u>	<u>(1,701,077)</u>	<u>(757,000)</u>	<u>(85,000)</u>	<u>(6,670,403)</u>
Net income (loss)	<u>\$ (293,827)</u>	<u>\$ 644,250</u>	<u>\$ (344,486)</u>	<u>\$ (63,558)</u>	<u>\$ 23,435</u>	<u>\$ (34,186)</u>
Current assets.....	\$ 3,963,992	\$ 1,641,869	\$ 0	\$ 685,966	\$ 8,206	\$ 6,300,033
Fixed asset additions	1,487,813	0	0	115,000	101,405	1,704,218
Other assets.....	<u>19,037,714</u>	<u>0</u>	<u>19,951,154</u>	<u>583,165</u>	<u>776,877</u>	<u>40,348,910</u>
Total assets.....	<u>\$ 24,489,519</u>	<u>\$ 1,641,869</u>	<u>\$ 19,951,154</u>	<u>\$ 1,384,131</u>	<u>\$ 886,488</u>	<u>\$ 48,353,161</u>
Current liabilities	\$ 677,802	\$ 0	\$ 0	\$ 85,519	\$ 69,165	\$ 832,486
Bonds and other liabilities.....	16,931,697	0	7,411,520	0	0	24,343,217
Current capital contributions ..						
Other equity	<u>6,880,020</u>	<u>1,641,869</u>	<u>12,539,634</u>	<u>1,298,612</u>	<u>817,323</u>	<u>23,177,458</u>
Total liabilities and equity	<u>\$ 24,489,519</u>	<u>\$ 1,641,869</u>	<u>\$ 19,951,154</u>	<u>\$ 1,384,131</u>	<u>\$ 886,488</u>	<u>\$ 48,353,161</u>
Net working capital.....	<u>\$ 3,286,190</u>	<u>\$ 1,641,869</u>	<u>\$ 0</u>	<u>\$ 600,447</u>	<u>\$ (60,959)</u>	<u>\$ 5,467,547</u>

V. SUMMARY DISCLOSURE OF SIGNIFICANT COMMITMENTS AND CONTINGENCIES

A. Debt Guaranty Agreements

The Erie Parking Authority's Guaranteed Parking Revenue Bonds, Series 1998A and 1998B, refunded the 1987 series and advanced refunded the 1995 series and are fully insured by an independent insurance company against default. The City agreed to guaranty this component unit's 1998 Series in the form of a Guaranty Agreement whereby the City will guaranty payment of principal and interest. The insurance company's guaranty would become effective if both the Authority and the City failed to meet the obligation. Bonds outstanding at December 31, 1998 are \$14,625,000. (See Notes I.B., VII.D.7., VII.D.8, and VI.D.2)

The Erie Parking Authority's Guaranteed Parking Revenue Refunding Bonds, Series 1994, partially refunded the 1987 series and is fully insured by an independent insurance company against default. The City agreed to guaranty this component unit's 1994 Series in the form of a Guaranty Agreement whereby the City will guaranty payment of principal and interest. The insurance company's guaranty would become effective if both the Authority and the City failed to meet the obligation. Bonds outstanding at December 31, 1998 are \$11,640,000. (See Notes I.B. and VII.D.7.)

CITY OF ERIE, PENNSYLVANIA
Notes to Financial Statements, Continued
December 31, 1998

V. SUMMARY DISCLOSURE OF SIGNIFICANT COMMITMENTS AND CONTINGENCIES, Continued

A. Debt Guaranty Agreements, Continued

During 1998, the Erie Sewer Authority entered into a financing agreement, evidenced by a note, with the Pennsylvania Infrastructure Investment Authority ("Pennvest"). The City agreed to guaranty this component unit's note in the form of a Guaranty Agreement whereby the City will guarantee payment of principal and interest. Amount outstanding at December 31, 1998 is \$1,484,872. (Note I.B.)

During 1990 and 1991, the City entered into two financing agreements, evidenced by notes, with the Pennsylvania Infrastructure Investment Authority ("Pennvest"). On December 30, 1991, these notes were transferred to the Erie City Water Authority, a related organization (a.k.a. Erie Water Works), as a part of the water operation transfer from the City to the Authority. The City, however, remains contingently liable for the notes in the amounts of \$7,313,665 and \$2,122,162, respectively, at December 31, 1998.

B. Financial Assistance Programs

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the City expects such amounts, if any, to be immaterial.

C. Significant Contractual Agreements

The City has entered into four contractual agreements with construction firms related to sewer relining, a specific new sewer construction project, paving, and bridge construction. The contractual cost for the sewer relining project is \$4,295,135 of which \$2,263,724 been paid or accrued at December 31, 1998. The specific new sewer construction project has a contractual cost of \$4,295,135, of which \$3,370,763 been paid or accrued at year end. The Bird Drive paving project has a contractual cost of \$1,033,775 of which \$1,033,168 been paid or accrued at year end. The contractual cost for the West Sixth Street Bridge construction project is \$2,884,018 of which \$2,545,445 has been paid or accrued at December 31, 1998.

VI. OTHER DISCLOSURES

A. Revolving Fund Programs

1. Bayfront Urban Development Action Grant (BUDAG) - In 1980, the City received an Urban Development Action Grant under Section 179 of the Housing and Urban Development Act of 1974 (P.L. 93-383) in the amount of \$7,315,338 for the purpose of developing the bayfront area. Of this total grant award \$1,500,000 was used by Erie Insurance for the purpose of acquiring certain parcels of property in the bayfront area. The purchase price plus interest is being repaid to the City in the form of a \$200,000 lump sum payment and 30 subsequent annual installments of \$75,179.

All payments received by the City are restricted to expenditures for further improvement activities in the bayfront area subject to approval by both the City and HUD. The City is reporting this activity as a Special Revenue Fund activity and the balance available for expenditure is presented there.

2. Enterprise Zone Loan Program - During the past several years, the City has received state grant funds under the Enterprise Zone Program which are utilized by the City in supporting businesses within the "Enterprise Zone." These funds are loaned to businesses at attractive interest rates which the City feels results in increased business investment, job creation, and expansion and retention of manufacturing and service firms in the area. All principal and interest payments received by the City are restricted to expenditures that meet the objectives of the Enterprise Zone Program. The City is including this activity with "Other Projects," a Special Revenue Fund. The balance available for expenditure is \$590,383.

CITY OF ERIE, PENNSYLVANIA
Notes to Financial Statements, Continued
December 31, 1998

VI. OTHER DISCLOSURES, Continued

B. General Fund Budgetary Basis Budgeted Fund Balance

The City annually includes, as budgeted revenue, the actual budgetary basis fund balance from the prior year and an amount equal to encumbrances outstanding at the end of the prior year. This approach allows the City to budget all available resources, but does not facilitate the flow of budgetary basis, budgeted fund balance from year to year. In order to demonstrate the relationship between current year revenues and expenditures, the aforementioned amounts are included as "Fund balance (deficit) January 1, 1998".

C. Special Revenue - Liquid Fuels Tax Fund

The initial budget for the Liquid Fuels Tax Fund - Special Revenue Fund - represents total expected revenues and expenditures over the life of the project. In subsequent years the revenue and expenditure budgets are "derived" by adjusting the initial budget for actual, inception-to-date amounts. This procedure causes what normally would be beginning budgeted fund balance to be included with current year revenues and expenditures. In order to properly demonstrate the flow from year to year, ending budgeted fund balance is being "reset" to zero.

VII. COMPONENT UNIT DISCLOSURES

A. Redevelopment Authority of the City of Erie

1. Activities - The Redevelopment Authority of the City of Erie is an authority created under the Urban Redevelopment Law, Act 385 of 1945, by the Commonwealth of Pennsylvania in agreement with the City of Erie, with the primary objective of developing viable urban communities, including decent housing and suitable living environment, and expanding economic opportunities, principally of persons of low and moderate income. Consistent with this primary objective, the federal, state and local assistance provided is for the support of community development activities.
2. Basis of Accounting - The modified accrual basis of accounting is followed by the Authority. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual, i.e., both measurable and available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Expenditures, other than interest on long-term debt, are recorded when the related fund liability is incurred, if measurable.

Grant funds are considered to be earned to the extent of expenditures made under the provisions of the grant and, accordingly, when such funds are received they are recorded as deferred revenues until earned.

3. Cash Deposits - The Redevelopment Authority's cash deposits are covered by federal depository insurance and collateralized by security pools held by the Authority's authorized depositories in accordance with Pennsylvania Pledge Act 72. Bank balances are categorized below to give an indication of the level of risk assumed by the Authority at year end as follows:

<u>Category</u>	<u>Carrying Amount</u>	<u>Bank Balance</u>
(1) Insured by federal depository insurance	\$ 207,712	\$ 208,837
(2) Collateralized by federal security pools held by the pledging financial institutions trust department or agent in the name of the financial institution	<u>170,480</u>	<u>170,763</u>
Total deposits	<u>\$ 378,192</u>	<u>\$ 379,600</u>

The Authority has adopted Statement No. 31 of the Governmental Accounting Standards Board (GASB 31) – "Accounting and Financial Reporting for certain Investments and External Investments Pools." Under GASB 31, the Authority is required to report investments at fair value. The adoption of GASB 31 had no effect on opening fund balance.

CITY OF ERIE, PENNSYLVANIA
Notes to Financial Statements, Continued
December 31, 1998

VII. COMPONENT UNIT DISCLOSURES

A. Redevelopment Authority of the City of Erie, Continued

4. Pension - The Authority provides pension benefits for all of its full-time employees through a defined contribution plan. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. Employees are eligible to participate after completing six months of service and 1,000 hours of service during the plan year. The plan stipulates that the Authority shall contribute and allocate to the account of each eligible participant 7½% of such participant's compensation. Each participant shall contribute 5½% of such participant's compensation. The Authority's contribution for each participant is fully vested after five years of continuous service. Each participant has a 100% vested interest in his or her contribution regardless of length of service. The Authority's contributions were calculated using the total compensation of eligible participants in the amount of \$224,197. Total payroll for the year was \$224,623. Both the Authority and the covered employees made the required contributions, amounting to \$16,847 from the Authority and \$12,331 from the covered employees, or \$29,178 in total.

5. Long-Term Debt - The Authority entered into a mortgage agreement dated May 14, 1992 with an association of local banks. The mortgage payable of \$104,000 consists of a noninterest bearing note secured by various parcels of real estate. The net proceeds from sales are applied against the principal balance of the note which is due in full on May 14, 1999.

The Authority entered into a mortgage agreement dated November 1, 1994 with a local bank to construct two affordable homes for low income families. As of December 31, 1998, \$15,000 of the \$103,200 credit limit on the mortgage note was outstanding with the bank in payment of construction costs. The note is secured by the real estate parcels upon which the new homes are being constructed. Terms of the note include interest at 1% above the prime rate with full payment due upon the sale of the homes. Interest is currently being paid monthly.

6. Summary Disclosure of Significant Contingencies - Employees of the Authority are entitled to paid vacation and paid sick days, depending on length of service. No more than thirty vacation days may be carried over from one calendar year to the next. Sick leave may be accumulated, but no more than one hundred days may be carried from one calendar year to the next. In addition, employees have the option to receive one day's pay for every four days unused sick leave. This option is only available for unused days earned during the current year. It is impracticable to estimate the allocation of compensation for future absences among the various projects and, accordingly, no liability has been recorded in the accompanying financial information. The Authority's policy is to recognize the costs of compensated absences when actually paid to the employee.

The Authority is committed under a lease for office space. This lease is considered for accounting purposes to be an operating lease. Lease expenditures for the year ending December 31, 1998 amounted to \$12,000. Future minimum lease payments for the lease are as follows:

1999	\$	1,104
2000		1,104
2001		1,104
2002		1,104
2003		184
Total Lease Payments	\$	4,600

7. Transactions with the Primary Government - During 1998, the Redevelopment Authority received \$1,364,162 in grants from the City of Erie, recorded as intergovernmental revenue in the component unit's statement of revenues, expenditures and changes in fund balance.

8. Restatement in Beginning Fund Balance - Revenues and expenditures were understated in the December 31, 1997 Statement of Revenues, Expenditures and Changes in Fund Balance. Correcting the understatement caused a decrease in beginning fund balance of \$55,832 in the General Fund and \$18,493 in the Special Revenue Fund.

CITY OF ERIE, PENNSYLVANIA
Notes to Financial Statements, Continued
December 31, 1998

VII. COMPONENT UNIT DISCLOSURES, Continued

B. Erie Municipal Park Authority

1. Activities - The Erie Municipal Park Authority, a financing Authority incorporated June 12, 1964, was formed to acquire and improve the park, playgrounds and recreation grounds located at the Erie Zoological Society. It has since entered into a lease with the City of Erie for the park grounds which revenue is used to finance the interest and debt reduction of the Authority.
2. Basis of Accounting - Basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial information. The accompanying financial information has been prepared on the modified accrual basis of accounting.
3. Property, Plant and Equipment - The Authority's fixed assets relating to the bond issues are reflected in the General Fixed Assets Account Group of the City of Erie.
4. Investments - The investments stated at market value at December 31, 1998 consist of U.S. Treasury trust obligations.
5. Long-Term Debt - The bonds payable consists of Park Revenue Bonds - Series of 1964, \$1,080,000 principal amount, dated August 1, 1964. The remaining bonds outstanding at December 31, 1998 bear interest payable semi-annually on February 1 and August 1, and mature on February 1, 2004.

<u>Year of Maturity</u>	<u>Interest Rate</u>	<u>Amount</u>
2004	3.50%	\$ <u>265,000</u>

In accordance with the Trust Indenture, bonds maturing February 1, 2004 are subject to redemption prior to and in order of maturity in part on February 1, 1980 and on any February 1 thereafter, except on maturity dates thereof, only from monies in the Special Sinking Fund Account in the Bond Fund upon payments of 100% of the principal amount plus accrued interest.

In addition, bonds outstanding are subject to redemption prior to maturity at the option of the Authority as a whole at any time or from time to time in part in the inverse order of maturity on any interest payment date upon payment of the principal plus accrued interest to the date of redemption.

As of December 31, 1998, the Authority has redeemed principal amount of bonds prior to normal redemption, which would have matured in 2004, in the amount of \$315,000. For the year ended December 31, 1998, the Authority redeemed bonds at a discount as follows:

Face amount of bonds redeemed	\$	40,000
Less: discount upon redemption		<u>0</u>
Redemption amount	\$	<u>40,000</u>

6. Transactions with the Primary Government - The offsetting asset and liability represents the aggregate remaining bond principal outstanding as of December 31, 1998 for the Series of 1964 bond issue. These bonds are redeemed with the proceeds from leasing the Park property to the City of Erie. The City's lease rental payment is \$53,000 annually on January 1 to and including January 1, 2004, which amounts to \$265,000 at December 31, 1998. On December 31, 1998, the City prepaid the rental due January 1, 1999 to the Authority. Accordingly, this amount is reflected as cash on the accompanying balance sheet, and the Authority's rental receivable has been reduced by this prepayment. The difference between the aggregate lease rentals to be received and outstanding bond principal represents bond interest and administrative expenses. (See also Note III.B.5.)

C. Erie Metropolitan Transit Authority

1. Activities - The Authority is an operating authority created by the City and the County of Erie in 1967 for the purpose of operating the public transportation system of the City and County of Erie. The operation's deficits are funded by the U.S. Department of Transportation, Pennsylvania Department of Transportation, City of Erie, County of Erie and other municipalities of the County of Erie.

CITY OF ERIE, PENNSYLVANIA
Notes to Financial Statements, Continued
December 31, 1998

VII. COMPONENT UNIT DISCLOSURES, Continued

C. Erie Metropolitan Transit Authority, Continued

2. Basis of Accounting - The records covering transit operations are maintained on the accrual basis. The records supporting the capital grant projects in which there is federal government participation are maintained in accordance with the requirements of the U.S. Department of Transportation and are maintained on the accrual basis.
3. Deposits with Financial Institutions and Investments - Deposits are primarily in local financial institutions, and are also invested in the Pennsylvania Local Government Trust Fund (PLGIT) located in Harrisburg, Pennsylvania; the Government Income Securities, Inc. Fund which is located in Boston, Massachusetts; mortgage-backed securities through Paine Webber; federal securities mutual funds and U.S. Treasury Notes. Investments are carried at fair value which approximates cost.
4. Cash and Investments - Certain cash and investments are restricted by grant agreements. The restricted amounts are as follows:

Pennsylvania Department of Transportation, Act 26, Section 1310	\$	1,248,119
Pennsylvania Department of Transportation, Department of Energy Grant		<u>1,141,520</u>
		<u>\$ 2,389,639</u>

Cash and cash equivalents consist of the following:

<u>Category</u>	<u>Carrying Amount</u>	<u>Bank Balance</u>
(1) Insured or collateralized with securities held by the Authority or by its agent in the Authority's name	\$ 365,000	\$ 365,000
(2) Collateralized with securities held by the pledging financial institutions trust department or agent in the Authority's name	3,406,578	3,428,907
(3) Uncollateralized (including those collateralized with securities held by pledging institutions trust department or agent but not in the name of the Authority)	<u>0</u>	<u>0</u>
Total	<u>\$ 3,771,578</u>	<u>\$ 3,793,907</u>

Investments are stated at fair value which approximates costs are as follows:

	<u>Carrying Amount</u>
Government Income Securities, Inc. mutual fund investing in securities guaranteed by the U.S. Government of its instrumentalities	\$ 632,134
\$95,000 FHLMC Pool, 6.000% yield to maturity due December 15, 2023	93,931
Pennsylvania Local Government Investment Trust/Term Fund, average yield of 5.36%	302,725
Provident Institutional Funds	313,032
\$630,000 U.S. Government CATS series H, due May 15, 1999, yield to maturity	601,575
\$662,000 U.S. Treasury Strips, due May 15, 2000	<u>598,328</u>
	<u>\$ 2,541,725</u>

CITY OF ERIE, PENNSYLVANIA
Notes to Financial Statements, Continued
December 31, 1998

VII. COMPONENT UNIT DISCLOSURES, Continued

C. Erie Metropolitan Transit Authority, Continued

5. Inventories - Inventories, which consist primarily of replacement parts, fuel and oil, and tokens and tickets, are generally valued at the lower cost or market on an average cost basis. Garage and office supplies are not inventoried.
6. Investment in Transit System - The investment in the transit system is carried on the books at cost and consists of the following:

	Estimated Useful Lives in Years		
Land	N/A	\$	189,369
Land improvements	10 - 15		337,580
Building and building improvements	12 - 33		2,988,659
Buses	5 - 12		11,599,280
Fare boxes	12		337,511
Service vehicles and equipment	4 - 7		336,076
Shop and garage equipment	5 - 12		1,134,222
Office furniture and equipment	5 - 10		275,750
Radio equipment	12		413,010
Bus shelters	12 - 15		194,571
Suburban mobility study in progress	N/A		99,341
Construction in Progress	N/A		30,429
			17,935,798
Less: accumulated depreciation			10,087,317
Net investment in transit system		\$	7,848,481

The 1998 additions to the transit system consist mainly of land and building purchase for the LIFT operation, engines and transmissions, facility improvements, and other shop and office equipment.

7. Pension - All Authority full-time employees participate in the single-employer defined benefit pension plan maintained by the Authority. Covered employees are required to contribute \$6.75 plus 40% of the required monthly contributions over \$13.50. The Authority is required to contribute \$6.75 plus 60% of the required monthly contributions over \$13.50.

Membership in the plan consisted of the following at May 1, 1997:

Active employees	110
Retired employees and beneficiaries	56
Vested former employees	3
Total	169

The annual required contribution, which is equal to the annual pension costs, for the plan is \$203,780. The amount actually contributed to the plan was \$207,020 which is 101.6% of the annual pension cost. (See Required Supplemental Schedules)

CITY OF ERIE, PENNSYLVANIA
Notes to Financial Statements, Continued
December 31, 1998

VII. COMPONENT UNIT DISCLOSURES, Continued

C. Erie Metropolitan Transit Authority, Continued

8. Line of Credit - The Authority has available a revolving credit agreement for a maximum of \$500,000 with a local bank which has been extended through February 26, 1999. The line is unsecured and bears interest at the prime rate minus 1-½ percent.
9. Transactions with the Primary Government - During 1998, the City of Erie provided the Erie Metropolitan Transit Authority with \$200,000, which is included in the Authority's statement of revenues, expenses and changes in retained earnings for the year ended June 30, 1998.

D. Erie Parking Authority

1. Activities - The Erie Parking Authority is an operating authority created for the purpose of operating metered street parking and off street parking lots and ramps in the City of Erie.
2. Restricted Assets - In accordance with the terms and conditions of its trust indenture, the Authority has restricted assets for the specific purposes of debt service, meter and equipment replacement and other capital improvements.
3. Cash and Investments - The Authority considers all highly liquid investments (including restricted assets) with a maturity of three months or less to be cash equivalents.

Cash and Cash Equivalents - The Authority's cash deposits are carried at fair market value. The year end balances are categorized as follows with respect to credit risk.

<u>Category</u>	<u>Carrying Amount</u>	<u>Balance</u>
(1) Insured or collateralized with securities held by the Authority or by its agent in the Authority's name.....	\$ 300,000	\$ 300,000
(2) Collateralized with securities held by the pledging financial institutions trust department or agent in the Authority's name	0	0
(3) Uncollateralized (including those collateralized with securities held by pledging institutions trust department or agent but not in the name of the Authority)	<u>8,098,295</u>	<u>8,108,338</u>
Total.....	<u>\$ 8,398,295</u>	<u>\$ 8,408,338</u>

Investments - The Authority's investments are summarized below and are categorized by credit risk and all are insured, registered or held by the Authority or its agent in the Authority's name. Investments in pooled money market funds are not categorized.

	<u>Cost</u>	<u>Market</u>
Term treasury investments	\$ 811,248	\$ 811,248
	<u>\$ 811,248</u>	<u>\$ 811,248</u>

The term treasury investments are restricted for revenue bond debt service and will be held to maturity.

CITY OF ERIE, PENNSYLVANIA
Notes to Financial Statements, Continued
December 31, 1998

VII. COMPONENT UNIT DISCLOSURES, Continued

D. Erie Parking Authority, Continued

4. Capitalization and Depreciation - Property is stated at cost. Expenditures for additions, replacements and major renovations are capitalized while those for normal repairs and maintenance are expensed in the year incurred. Depreciation of property is computed using the straight-line method over the estimated useful lives of the various assets. Estimated useful lives are as follows:

Parking ramps	45 years
Surface lots.....	10 to 25 years
Meters and collection equipment.....	10 years
Other equipment and vehicles	5 to 10 years

A summary of property activity for 1998 is as follows:

	Balance January 1, 1998	Additions	Dispositions	Balance December 31, 1998
Land	\$ 2,285,377	\$ 0	\$ 0	\$ 2,285,377
Parking facilities	26,334,974	779,623	0	27,114,597
Metered collection equipment.....	352,922	48,955	0	401,877
Other equipment and vehicles	257,382	40,396	0	297,778
Total	29,230,655	868,974	0	30,099,629
Less: accumulated depreciation.....	8,538,459	748,057	0	9,286,516
Net	\$ 20,692,196	\$ 120,917	\$ 0	\$ 20,813,113

5. Compensated Absences - Earned vacation is generally required to be used in the year of accrual. The Authority's employees are allowed to accumulate a maximum of 120 days of sick pay. If not used, 25% of the accumulated sick pay will be paid upon retirement. Accumulated sick pay is lost in the events of termination or death. The accrued sick pay liability at December 31, 1998 amounted to \$36,715.
6. Pension - The Authority maintains a single-employer defined benefit pension plan which covers substantially all of its employees. Employees are eligible to participate beginning on the first day of the calendar year after their date of employment. Plan benefits begin vesting after five years of service with full vesting occurring after fifteen years of service. Employees who retire at age 65 with five years of credited service are entitled to benefits, payable monthly for life, in an amount equal to \$17.00 for each year of credit service. The Plan also provides for early retirement, death and disability benefits.

The Authority's payroll for employees covered by the plan was \$701,242 and its total payroll was \$782,110 for the year ended December 31, 1998.

Contributions Required and Made

Employees are not required to pay a portion of their total compensation to the plan. The Authority's funding policy provides for actuarially determined periodic contributions at rates that sufficient assets will be available to pay benefits when due.

The contribution rate for normal cost is determined using the Entry Age Normal Actuarial Cost Method which is in compliance with the guidelines of Act 205 under the Minimum Municipality Obligation.

CITY OF ERIE, PENNSYLVANIA
Notes to Financial Statements, Continued
December 31, 1998

VII. COMPONENT UNIT DISCLOSURES, Continued

D. Erie Parking Authority, Continued

6. Pension, Continued

Contributions Required and Made, Continued

Membership in the plan consisted of the following at December 31, 1998:

Active employees.....	36
Retired employees and beneficiaries.....	9
Vested former employees.....	2
Total.....	<u>47</u>

The Authority's annual pension cost and net pension obligation for the current year were as follows:

Annual required contribution.....	\$ 31,732
Interest on net pension obligation.....	0
Adjustment to annual required contribution.....	3,301
Annual pension cost.....	<u>35,033</u>
Contributions made.....	<u>(35,033)</u>
Increase in net pension obligation.....	0
Net pension obligation beginning of year.....	0
Net pension obligation end of year.....	<u>\$ 0</u>

The Authority also maintains a 401(k) retirement savings plan for its employees. Benefits payable are dependent solely on amounts contributed to the plan plus investment earnings. Participants may contribute up to the maximum percentage allowed by law of their compensation to the plan of which up to six percent is matched by the Authority. The Authority's contribution to the plan amounted to \$36,885 in 1998. At December 31, 1998, the plan has \$12,672 in forfeitures available to reduce future contributions by the Authority.

7. Long-Term Debt - The Erie Parking Authority has entered into the following debt agreements:

Series of 1994 Refunding Bond secured by the Authority's revenue bearing interest from 2.75% to 5.125% with various maturities through September, 2015.....	\$ 11,640,000
Series of 1998 Refunding Bonds secured by the Authority's revenue bearing interest at 3.7% to 5.125% with various maturities through September 1, 2022.....	<u>14,625,000</u>
Outstanding principal at December 31, 1998.....	26,265,000
Less: original issue discount.....	504,190
Less: deferred amount of refunding.....	1,526,180
Less: current maturities.....	<u>615,000</u>
Total long-term portion.....	<u>\$ 23,619,630</u>

The following summarizes the maturities due subsequent to December 31, 1998, for future debt obligation payments, including \$19,601,300 of interest:

1999.....	\$ 1,912,157
2000.....	1,913,236
2001.....	1,911,712
2002.....	1,913,053
2003.....	1,912,335
Thereafter.....	<u>36,303,807</u>
Total.....	<u>\$ 45,866,300</u>

CITY OF ERIE, PENNSYLVANIA
Notes to Financial Statements, Continued
December 31, 1998

VII. COMPONENT UNIT DISCLOSURES, Continued

D. Erie Parking Authority, Continued

8. Year 2000 Issues - The Authority has developed a Plan for Year 2000 Compliance which addresses *Awareness*, *Assessment*, *Remediation* and *Testing* stages as discussed in Governmental Accounting Standards Board Technical Bulletin No. 98-1.

The Authority has identified the following significant systems which need to be reviewed related to year 2000 compliant:

1. computer hardware and software related to its accounting systems
2. gate and ticket systems ramps
3. banks and their trust department's compliant issues
4. major customers compliant issues

As of December 31, 1998, the Authority has completed the *Awareness* and *Assessment* stages, and has started the *Remediation* stage of the Plan which is to be completed by September 30, 1999. The Authority anticipates completion of the *Testing* stage related to 2000 compliant by October 31, 1999.

E. Erie Civic Center Authority

1. Activities - The Erie Civic Center Authority is an operating authority created by the City of Erie pursuant to ordinance No. 69-1976 for the purpose of maintaining and operating the Civic Center complex consisting of the Warner Theater, Convention Center and the Baseball Park. The Authority provides performing arts, exhibits and convention facilities and sporting events to both public and private organizations on a user charge basis and is therefore accounted for as an Enterprise Fund.
2. Restricted Cash and Investments - The Board of Directors has authorized the establishment of a Restoration Fund which is to be used for capital improvements to the Warner Theater and the Capital Improvement Fund which is to be used for general capital improvements to the facility. Also, during 1992, the Authority received a State Legislative Grant of \$27,000, which is included in the "Capital Improvement Fund" and recorded as contributed capital.
3. Cash Deposits - Deposits (cash and short term, nonequity funds) are carried at cost which approximates market value. The Authority maintains its cash deposits in a single financial institution. The carrying amounts and bank balances of cash at December 31, 1998 are as follows:

<u>Category</u>	<u>Bank Balance</u>
(1) Insured or collateralized with securities held by the Authority or by its agent in the Authority's name.....	\$ 248,066
(2) Collateralized with securities held by the pledging financial institutions trust department or agent in the Authority's name	80,273
(3) Uncollateralized	<u>0</u>
Total.....	<u>\$ 328,339</u>

The carrying amount of cash deposits is reported in the accompanying financial information as follows:

<u>Unrestricted Cash and Cash Equivalents</u>	
Deposits and cash on hand	\$ 188,760
<u>Restricted</u>	
Restricted investments	<u>74,120</u>
Carrying amount of cash deposits.....	<u>\$ 262,880</u>

Investments held during the year ended December 31, 1998 are reported at fair value.

CITY OF ERIE, PENNSYLVANIA
Notes to Financial Statements, Continued
December 31, 1998

VII. COMPONENT UNIT DISCLOSURES, Continued

E. Erie Civic Center Authority, Continued

4. Property and Equipment

Contributed Capital Assets - A summary of the Authority's capital assets acquired by contributed capital transactions through December 31, 1998 is as follows:

	Balance January 1, 1998	Additions	Dispositions	Balance December 31, 1998
Land and improvements.....	\$ 1,705,097	\$ 0	\$ 0	\$ 1,705,097
Leasehold buildings and improvements	21,408,987	644	0	21,409,631
Machinery and equipment.....	<u>431,339</u>	<u>0</u>	<u>300</u>	<u>431,039</u>
Total	23,545,423	644	300	23,545,767
Less: accumulated depreciation.....	<u>5,504,675</u>	<u>584,661</u>	<u>0</u>	<u>6,089,336</u>
Net contributed capital assets	<u>\$ 18,040,748</u>	<u>\$ (584,017)</u>	<u>\$ 300</u>	<u>\$ 17,456,431</u>

Purchased Capital Assets - A summary of capital assets purchased by the Authority with operating funds through December 31, 1998 is as follows:

	Balance January 1, 1998	Additions	Dispositions	Balance December 31, 1998
Land improvements	\$ 4,698	\$ 0	\$ 0	\$ 4,698
Leasehold improvements	399,133	53,988	0	453,121
Machinery and equipment.....	<u>586,031</u>	<u>35,066</u>	<u>0</u>	<u>621,097</u>
Total	989,862	89,054	0	1,078,916
Less: accumulated depreciation.....	<u>441,903</u>	<u>83,037</u>	<u>0</u>	<u>524,940</u>
Net purchased capital assets	<u>\$ 547,959</u>	<u>\$ 6,017</u>	<u>\$ 0</u>	<u>\$ 553,976</u>

5. **Deferred Compensation Plan** - The Authority offers its employees a deferred compensation plan created in accordance with Internal Revenue code Section 457. The plan, available to all permanent Authority employees, permits them to defer a portion of their salaries and wages until future years. Participation in the plan is optional. The deferred compensation is not available to employees until termination, retirement, death or unforeseeable emergency. Annual compensation deferrals are limited to the lesser of (a) \$7,500 or (b) 33 1/3% of a participant's taxable compensation. The Authority will match fifty percent of a participant's deferred amount up to a maximum of two percent of compensation and, in addition, may make up to additional annual base contributions to the Plan. Participants are one hundred percent vested in the Authority's base and matching contributions after five years of service. Under the provisions of IRC Section 457, all deferred compensation and income held by third parties, until paid or made available to a participant or beneficiaries, is the property of the Authority subject to the claims of the Authority's general creditors. In addition, plan participants have rights equal to those of the general creditors of the Authority. Each participant's rights are equal to their share of the fair market value of the plan assets.
6. **Summary Disclosure of Significant Contingencies** - The Authority has a \$35,000 unsecured line of credit with its principal depository, with an interest rate of 75% of the prevailing prime rate. There were no borrowings outstanding under the line of credit at December 31, 1998.
7. **Transactions with the Primary Government** - During 1998, the Erie Civic Center Authority received a \$125,000 subsidy from the City of Erie, which is presented as intergovernmental revenue on the related component unit statement of revenues, expenses and changes in retained earnings.

CITY OF ERIE, PENNSYLVANIA
Notes to Financial Statements, Continued
December 31, 1998

VII. COMPONENT UNIT DISCLOSURES, Continued

E. Erie Civic Center Authority, Continued

8. Year 2000 Issues - The Year 2000 Issue is the result of shortcomings in many electronic data processing systems and other electronic equipment that may adversely affect the Authority's operations as early as fiscal year 1999.

The Authority has completed an inventory of computer systems and other electronic equipment that may be affected by the Year 2000 Issue and that are necessary to conducting the Authority's operations. Based on this inventory, the Authority has begun the process of acquiring software and hardware upgrades that are year 2000 compliant for its financial reporting systems. Testing and validation of the systems will need to be completed after the hardware and software are installed.

Because of the unprecedented nature of the Year 2000 Issue, its effects and the success of related remediation efforts will not be fully determinable until the year 2000 and thereafter. Due to the limited nature of the systems requiring remediation, Management cannot assure that the Authority is or will be 2000 ready, but is confident that upgrades to its systems will negate the Year 2000 Issue.

F. Erie Sewer Authority

1. Activities - The Authority owns the municipal sewer systems and sewage treatment works in the City of Erie, which are operated by the City under lease from the Authority.
2. Basis of Accounting - The accompanying financial statements have been prepared on the accrual basis of accounting.
3. Deposit - At December 31, 1998 the deposits of the Authority can be categorized to indicate the level of risk assumed.

Category:

- 1) Insured or collateralized with securities held by the entity or its agent in the Authority's name.
- 2) Collateralized with securities held by the pledging financial institution's trust department or agent in the Authority's name.
- 3) Includes bank balances collateralized with securities held by the pledging financial institution or its trust department or agent, but not in the Authority's name.

	Category			Bank Balance	Carrying Amount
	1	2	3		
Unrestricted deposits.....	\$ 13,846	\$ 0	\$ 0	\$ 13,846	\$ 13,846

4. Investments - The Authority records investments at fair value. This value is determined using the last reported sales value of the investments on a national exchange. The year end balances are categorized as follows with respect to credit risk.

- 1) Includes investments that are insured or registered for which the securities are held by the Authority or its agent, in the Authority's name.
- 2) Includes uninsured and unregistered investments for which the securities are held by the financial institution's trust department or agent in the Authority's name.
- 3) Includes uninsured and unregistered investments held by the financial institution's trust department or agent, but not in the Authority's name.

	Category			Fair Value/ Carrying Amount	Cost
	1	2	3		
Unrestricted Investments.....	\$ 0	\$ 7,412	\$ 0	\$ 7,412	\$ 7,412
Restricted Investments.....	15,218	36,918,360	0	36,933,578	34,990,041
Total	\$ 15,218	\$ 36,925,772	\$ 0	\$ 36,940,990	\$ 34,997,453

5. Investment in Facilities - The Authority has acquired from the City of Erie its plant, equipment, and facilities (including certain connecting sewers and mains) used in connection with the sewage collection system of the City. These facilities are leased under a lease agreement which is fully described in Note III.B.5.

CITY OF ERIE, PENNSYLVANIA
Notes to Financial Statements, Continued
December 31, 1998

VII. COMPONENT UNIT DISCLOSURES, Continued

F. Erie Sewer Authority, Continued

6. Long-Term Debt - The Erie Sewer Authority has entered into the following debt agreements:

Sewer Revenue Bonds, Series A and B of 1998, secured by the amended lease between the Authority and the City of Erie, bearing interest ranging from 3.9% to 5.1%, with various maturities through June 2020.....	\$ 18,465,000
Sewer Revenue Bonds, Series 1997, secured by the amended lease between the Authority and the City of Erie, bearing interest ranging from 4.0% to 5.6%, with various maturities through June, 2017.....	16,975,000
Sewer Revenue Bonds, Series 1996, secured by the amended lease between the Authority and the City of Erie, bearing interest ranging from 3.8% to 5.8% with various maturities through June, 2016.....	9,370,000
Sewer Revenue Note, Series of 1994 (See Note III.B.5).....	5,465,000
*Note Payable with the Pennsylvania Infrastructure Investment Authority (Pennvest), secured by a guarantee agreement with the Authority and the City of Erie, bearing interest ranging from 1.5% to 2.9% through February 1, 2010.....	<u>2,630,280</u>
Outstanding principal at December 31, 1998.....	52,905,280
Less: current maturities.....	<u>1,558,549</u>
Total long-term portion.....	<u>\$ 51,346,731</u>

*As of December 31, 1998, the Authority has borrowed \$1,484,872 on this Note.

The following summarizes the maturities due subsequent to December 31, 1998 for outstanding indebtedness of the Authority:

1999	\$ 1,558,549
2000	1,616,746
2001	1,684,989
2002	1,753,280
2003	1,826,410
2004 and thereafter	<u>44,465,306</u>
Total	<u>\$ 52,905,280</u>

7. Restatement of Fund Balances - In 1998, the Authority adopted GASB 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*. Under GASB 31, the Authority is required to report investments at fair value. The value is determined using the last reported sales value of the investments on a national exchange. As permitted by GASB 31, the Authority has restated its financial statements for the year ended December 31, 1997. This change resulted in an increase in the excess of revenues over expenditures of \$974,544 from the amount reported for the year ended December 31, 1997 and an increase in the fund balance of \$17,331 from the amount reported as of December 31, 1996.
8. Subsequent Event - On March 25, 1999, the Authority will borrow \$2,156,877 from Pennvest to finance certain improvements to the sewer system. The note will be payable in 240 monthly installments of principal and interest. The interest rate will be 1.5% for the first five years and 2.9% for the remaining term of the loan.
9. Consent Decrees - On October 1, 1997, the Authority and the City of Erie entered into a Consent Decree with the United States of America. The Consent Decree settled a suit filed by the United States against the Authority and the City of Erie on October 25, 1994 for alleged violations of the Clean Water Act. The Consent Decree required payment of \$200,000, which was split between the Authority and the City of Erie.* The Consent Decree also required the Authority to construct a new relief outfall sewer, headworks, and overflow retention basin, separate the canal sewer and upgrade the sludge incinerator. The estimated cost to complete these projects at December 31, 1998 was 18.4 million. These projects were planned prior to entering into the Consent Decree.

*The payment is included in Other Income (expense) on the Combining Statement of Revenues, Expenses and Changes in Fund Equity.

CITY OF ERIE, PENNSYLVANIA
Notes to Financial Statements, Continued
December 31, 1998

VII. COMPONENT UNIT DISCLOSURES, Continued

G. Other Component Unit Disclosures

	Governmental Funds		Proprietary Funds				Total
	Redevelopment Authority of the City of Erie	Erie Municipal Park Authority	Erie Metropolitan Transit Authority	Erie Parking Authority	Erie Civic Center Authority	Erie Sewer Authority	
Current assets	\$ 388,951	\$ 295,128	\$ 6,966,788	\$ 9,340,953	\$ 413,364	\$ 37,431,928	\$ 54,837,112
Due from primary government	0	0	0	0	0	0	0
Fixed assets	93,258	0	7,848,481	20,813,113	18,010,407	37,637,294	84,402,553
Amounts to be provided for long-term debt	119,000	265,000	0	0	0	0	384,000
Other assets	0	0	0	574,962	0	0	574,962
Total assets	\$ 601,209	\$ 560,128	\$ 14,815,269	\$ 30,729,028	\$ 18,423,771	\$ 75,069,222	\$ 140,198,627
Current liabilities	\$ 186,324	\$ 0	\$ 6,057,841	\$ 1,116,672	\$ 340,619	\$ 5,365,099	\$ 13,066,555
Due to primary government	0	0	0	0	0	5,280,000	5,280,000
Bonds and other liabilities	119,000	265,000	0	23,619,630	0	44,786,936	68,790,566
Total equity	295,885	295,128	8,757,428	5,992,726	18,083,152	19,637,187	53,061,506
Total liabilities and equity	\$ 601,209	\$ 560,128	\$ 14,815,269	\$ 30,729,028	\$ 18,423,771	\$ 75,069,222	\$ 140,198,627

	Governmental Funds		Total
	Redevelopment Authority of the City of Erie	Erie Municipal Park Authority	
Revenue	\$ 1,945,026	\$ 1,728	\$ 1,946,754
Transfer from the primary government	0	53,000	53,000
Current expenditures	(1,846,910)	(2,535)	(1,849,445)
Capital outlay expenditures	0	0	0
Debt service expenditures	0	(49,975)	(49,975)
Excess (deficiency) of revenue	\$ 98,116	\$ 2,218	\$ 100,334

	Proprietary Funds				Total
	Erie Metropolitan Transit Authority	Erie Parking Authority	Erie Civic Center Authority	Erie Sewer Authority	
Operating revenue	\$ 4,013,935	\$ 3,498,810	\$ 1,458,977	\$ 4,933,567	\$ 13,905,289
Operating expense	(7,114,177)	(748,057)	(1,500,298)	0	(9,362,532)
Depreciation	(1,108,835)	(1,639,968)	(667,698)	(2,011,105)	(5,427,606)
Operating income	(4,209,077)	1,110,785	(709,019)	2,922,462	(884,849)
Operating grants, etc.	4,022,958	0	0	0	4,022,958
Other nonoperating income	316,107	(809,171)	6,827	(994,956)	(1,481,193)
Transfers from primary government	0	0	125,000	0	125,000
Net income (loss)	\$ 129,988	\$ 301,614	\$ (577,192)	\$ 1,927,506	\$ 1,781,916
Current capital contributions	\$ 0	\$ 0	\$ 2,770	\$ 0	\$ 2,770

CITY OF ERIE, PENNSYLVANIA
Notes to Financial Statements, Continued
December 31, 1998

VII. COMPONENT UNIT DISCLOSURES, Continued

G. Other Component Unit Disclosures, Continued

	Amount from Statement of Cash Flows	Effects of Proprietary Funds	Effects of Governmental Funds	Total
Cash and cash equivalents	\$ 8,040,934	\$ 0	\$ 125,686	\$ 8,166,620
Investments	0	7,412	30,128	37,540
Restricted cash and cash equivalents	6,873,270	0	252,506	7,125,776
Restricted investments	0	37,818,946	0	37,818,946
	<u>\$ 14,914,204</u>	<u>\$ 37,826,358</u>	<u>\$ 408,320</u>	<u>\$ 53,148,882</u>

Reconciliation of the Combined Component Units Statement of Cash Flows, comprising only of Proprietary Funds, to the Combined Component Units Balance Sheet, which includes both the Proprietary Funds and the Governmental Funds.

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CITY OF ERIE, PENNSYLVANIA

General Fund

Individual Financial Statements

The General Fund accounts for all revenues and expenditures of the City which are not accounted for in other funds. The essential government services and functions are provided from the General Fund including police and fire protection, street maintenance and lighting, public buildings, parks and recreation and general administration. Principal sources of revenue are taxes, fines and forfeits, licenses and permits, interest earnings, charges for interfund services and state shared revenues.

CITY OF ERIE, PENNSYLVANIA
 Combined Schedule of Revenues, Expenditures and Changes in Fund Balance (Cash Basis)
 Budget and Actual (Including Encumbrances) - General Fund
 Year Ended December 31, 1998

REVENUES	General Fund		Variance
	Budget	Actual	Favorable (Unfavorable)
Real estate taxes - current	\$ 19,426,269	\$ 19,543,090	\$ 116,821
Real estate taxes - prior	1,475,000	1,347,320	(127,680)
Income taxes	5,000,000	5,000,000	0
Realty transfer taxes	590,000	662,049	72,049
Occupational privilege taxes	300,000	337,885	37,885
Real estate penalty, interest	270,000	267,704	(2,296)
Towing licenses	15,000	13,650	(1,350)
Amusement licenses	34,000	31,765	(2,235)
Engineer, electrician, plumber licenses	100,000	92,954	(7,046)
Direct access licenses	37,200	39,619	2,419
Bandwagon, special events permits	19,000	11,450	(7,550)
Building, demolition, moving permits	225,000	241,720	16,720
Curb, driveway, sewer, sidewalk, street permits	500,000	349,111	(150,889)
Electric permits	125,000	127,755	2,755
Fence, furnace, sign permits	14,000	16,630	2,630
Plumbing inspection permits	45,000	42,130	(2,870)
Cable TV franchise	508,550	493,405	(15,145)
State operating grant - Penn DOT	13,600	6,834	(6,766)
State operating grant - Department of Environmental Resources	220,000	261,443	41,443
State shared revenue - public utility realty tax	385,000	377,426	(7,574)
State shared revenue - alcoholic beverage	86,000	89,000	3,000
State aid - pension system	2,050,000	2,617,762	567,762
Local operating unit - Emergycare	20,000	20,000	0
Local shared revenue - county liquid fuel	130,000	124,960	(5,040)
Payment in lieu of taxes	740,000	696,317	(43,683)
Zoning fees	19,000	17,700	(1,300)
Administrative real estate service fees	85,000	83,629	(1,371)
Towing fees	9,000	11,420	2,420
Gas sales	450,000	333,227	(116,773)
Newspaper recycling sales	220,000	236,673	16,673
Miscellaneous costs, fees, sales	20,000	26,579	6,579
Safety reports, fingerprinting	60,000	46,103	(13,897)
Miscellaneous safety fees	5,000	2,635	(2,365)
False alarm fines	20,000	0	(20,000)
Parking fines	996,000	949,929	(46,071)
State police fines	80,000	84,858	4,858
Traffic court fines	92,500	155,691	63,191
Parking/traffic court costs	69,100	60,652	(8,448)
District justice fines	100,000	122,287	22,287
Miscellaneous fines	27,000	30,193	3,193
Investment income	608,000	633,857	25,857
Checking account interest	30,000	22,924	(7,076)
Rents, royalties	63,880	65,362	1,482
Special assessments	5,000	4,294	(706)
Contributions	1,500	1,550	50
Crossing guard expense reimbursement - school	70,000	66,187	(3,813)
Pension salary reimbursement - Officer and Employee Retirement Association	43,000	42,211	(789)
Police reimbursement - Housing Authority	220,000	156,902	(63,098)
Police officers training reimbursement - state	30,000	26,277	(3,723)
Central service expense reimbursement - interfund	1,289,218	1,299,282	10,064
Municipal garage expense reimbursement - interfund	430,000	282,412	(147,588)
Postretirement reimbursement - state	70,000	65,850	(4,150)
Collector of taxes expense reimbursement - school	275,145	229,997	(45,148)
Income tax office expense reimbursement - school	251,372	238,907	(12,465)
Erie County Solid Waste Authority reimbursement - county	61,287	61,222	(65)
Miscellaneous sources	150,872	236,557	85,685
Sale of general fixed assets	50,000	65,717	15,717
Total revenues	38,230,493	38,473,063	242,570

CITY OF ERIE, PENNSYLVANIA
 Combined Schedule of Revenues, Expenditures and Changes in Fund Balance (Cash Basis)
 Budget and Actual (Including Encumbrances) - General Fund, Continued
 Year Ended December 31, 1998

EXPENDITURES	General Fund		
	Budget	Actual	Variance Favorable (Unfavorable)
Office of City Council			
Salaries	\$ 43,500	\$ 43,500	\$ 0
FICA - Medicare tax	3,448	3,442	6
Pension contribution	13,760	13,760	0
Group insurance	42,889	37,812	5,077
Workers compensation insurance	1,008	1,008	0
Professional services	15,071	15,071	0
Transportation and seminars	1,425	1,247	178
	<u>121,101</u>	<u>115,840</u>	<u>5,261</u>
Office of City Clerk			
Salaries	108,646	107,744	902
Salary/wage savings	(1,629)	0	(1,629)
FICA - Medicare tax	8,311	8,242	69
Pension contribution	10,320	10,320	0
Group insurance	18,523	18,522	1
Workers compensation insurance	432	432	0
Office supplies	1,316	868	448
Operating supplies	285	76	209
Small tools and minor equipment	825	753	72
Communication	200	60	140
Postage	900	194	706
Advertising	5,550	4,413	1,137
Repair and maintenance	1,487	1,440	47
Other services and charges	3,000	2,989	11
Office supplies	30	25	5
Small tools and minor equipment	626	626	0
Other services and charges	2,961	2,467	494
	<u>161,783</u>	<u>159,171</u>	<u>2,612</u>
Office of Mayor			
Salaries	206,988	206,984	4
Salary/wage savings	(2,123)	0	(2,123)
FICA - Medicare tax	15,875	15,873	2
Pension contribution	16,684	16,684	0
Group insurance	29,960	29,959	1
Workers compensation	842	842	0
Office supplies	927	761	166
Small tools and minor equipment	475	396	79
Transportation and seminars	3,618	3,617	1
Postage	1,090	1,088	2
Repair and maintenance services	522	199	323
Other services and charges	40,585	40,417	168
Small tools and minor equipment	500	500	0
	<u>315,943</u>	<u>317,320</u>	<u>(1,377)</u>
Office of Cable Television			
Salaries	7,096	7,095	1
Salary/wage savings	(90)	0	(90)
FICA - Medicare tax	543	543	0
Pension contribution	516	516	0
Group insurance	1,442	1,442	0
Workers compensation insurance	166	166	0
Office supplies	1,421	1,081	340
Operating supplies	95	59	36
Repair and maintenance services	190	0	190
Small tools and minor equipment	237	0	237

CITY OF ERIE, PENNSYLVANIA
 Combined Schedule of Revenues, Expenditures and Changes in Fund Balance (Cash Basis)
 Budget and Actual (Including Encumbrances) - General Fund, Continued
 Year Ended December 31, 1998

EXPENDITURES	General Fund		
	Budget	Actual	Variance Favorable (Unfavorable)
Office of Cable Television (continued)			
Professional services	\$ 2,000	\$ 0	\$ 2,000
Transportation and seminars	190	190	0
Communication	200	200	0
Postage	40	0	40
Repair and maintenance services	950	332	618
Other services and charges	200	0	200
	<u>15,196</u>	<u>11,624</u>	<u>3,572</u>
Office of City Solicitor			
Salaries	183,428	183,414	14
Salary/wage savings	(2,557)	0	(2,557)
FICA - Medicare tax	14,092	14,088	4
Pension contribution	17,200	17,200	0
Group insurance	31,054	28,802	2,252
Workers compensation insurance	792	792	0
Office supplies	14,487	14,331	156
Professional services	61,950	58,036	3,914
Transportation and seminars	2,278	2,278	0
Postage	801	800	1
Repair and maintenance services	879	873	6
Other services and charges	51,578	46,363	5,215
Office equipment	5,000	5,000	0
Office supplies	1,056	1,054	2
Small tools and minor equipment	6,413	5,247	1,166
Transportation and seminars	435	298	137
Other services and charges	15,673	15,673	0
	<u>404,559</u>	<u>394,249</u>	<u>10,310</u>
Office of City Treasurer			
Salaries	12,500	12,450	50
FICA - Medicare tax	956	953	3
Transportation and seminars	374	373	1
	<u>13,830</u>	<u>13,776</u>	<u>54</u>
Office of Collector of Taxes - City			
Salaries	64,283	61,601	2,682
Salary/wage savings	(836)	0	(836)
FICA - Medicare tax	4,917	4,782	135
Pension contribution	8,037	8,037	0
Group insurance	14,406	14,406	0
Workers compensation insurance	384	384	0
Office supplies	1,563	1,557	6
Small tools and minor equipment	537	533	4
Professional services	4,625	4,625	0
Communication	1,100	1,046	54
Postage	5,000	5,000	0
Repair and maintenance services	1,088	1,080	8
Other services and charges	3,181	2,162	1,019
Office supplies	17	17	0
Small tools and minor equipment	113	113	0
Postage	4,740	4,740	0
Other services and charges	370	352	18
	<u>113,525</u>	<u>110,435</u>	<u>3,090</u>

CITY OF ERIE, PENNSYLVANIA
 Combined Schedule of Revenues, Expenditures and Changes in Fund Balance (Cash Basis)
 Budget and Actual (Including Encumbrances) - General Fund, Continued
 Year Ended December 31, 1998

EXPENDITURES	General Fund		
	Budget	Actual	Variance Favorable (Unfavorable)
Office of Collector of Taxes - School			
Salaries	\$ 66,174	\$ 63,596	\$ 2,578
Salary/wage savings	(835)	0	(835)
FICA - Medicare tax	5,062	4,865	197
Pension contribution	8,022	8,022	0
Group insurance	14,376	14,376	0
Workers compensation insurance	384	384	0
Office supplies	1,563	1,557	6
Small tools and minor equipment	537	533	4
Professional services	3,041	3,041	0
Transportation and seminars	374	373	1
Communication	1,100	1,046	54
Postage	5,000	5,000	0
Repair and maintenance services	1,088	1,080	8
Other services and charges	19,413	18,335	1,078
Office supplies	17	17	0
Small tools and minor equipment	113	113	0
Postage	4,740	4,740	0
Other services and charges	300	300	0
	<u>130,469</u>	<u>127,378</u>	<u>3,091</u>
Office of Collector of Taxes - County			
Salaries	64,227	61,587	2,640
Salary/wage savings	(835)	0	(835)
FICA - Medicare tax	4,913	4,712	201
Pension contribution	8,028	8,028	0
Group insurance	14,388	14,388	0
Workers compensation insurance	384	384	0
Office supplies	1,563	1,557	6
Small tools and minor equipment	537	533	4
Professional services	3,040	3,040	0
Transportation and seminars	374	373	1
Communication	1,100	1,046	54
Postage	5,000	5,000	0
Repair and maintenance services	1,088	1,080	8
Other services and charges	19,413	18,335	1,078
Office supplies	17	17	0
Small tools and minor equipment	113	113	0
Postage	4,740	4,740	0
Other services and charges	300	300	0
	<u>128,390</u>	<u>125,233</u>	<u>3,157</u>
Office of Collector of Income and Occupational Privilege Tax			
Salaries	246,994	246,991	3
Salary/wage savings	(3,628)	0	(3,628)
FICA - Medicare tax	15,578	15,573	5
Pension contribution	30,960	30,960	0
Group insurance	55,881	55,880	1
Workers compensation insurance	1,296	1,296	0
Office supplies	13,525	6,492	7,033
Small tools and minor equipment	1,054	1,054	0
Professional services	18,860	18,859	1
Transportation	66	0	66
Communication	3,158	2,890	268
Postage	19,500	19,412	88
Rentals	16,290	16,290	0
Repair and maintenance services	1,615	1,596	19
Other services and charges	74,394	72,366	2,028

CITY OF ERIE, PENNSYLVANIA
 Combined Schedule of Revenues, Expenditures and Changes in Fund Balance (Cash Basis)
 Budget and Actual (Including Encumbrances) - General Fund, Continued
 Year Ended December 31, 1998

EXPENDITURES	General Fund		
	Budget	Actual	Variance Favorable (Unfavorable)
Office of Collector of Income and Occupational Privilege Tax (continued)			
Office supplies	\$ 335	\$ 330	\$ 5
Small tools and minor equipment	0	0	0
Communication	350	0	350
Repair and maintenance services	35	35	0
Other services and charges	2,860	2,782	78
	<u>499,123</u>	<u>492,806</u>	<u>6,317</u>
Office of City Controller			
Salaries	119,113	119,010	103
Salary/wage savings	(1,206)	0	(1,206)
FICA - Medicare tax	9,113	9,104	9
Pension contribution	10,320	10,320	0
Group insurance	18,409	18,408	1
Workers compensation insurance	659	659	0
Office supplies	1,273	1,141	132
Operating supplies	95	0	95
Small tools and minor equipment	625	623	2
Transportation and seminars	620	584	36
Postage	200	200	0
Advertising	500	0	500
Repair and maintenance services	557	411	146
Other services and charges	610	602	8
Office supplies	8	5	3
Transportation and seminars	92	85	7
	<u>160,988</u>	<u>161,152</u>	<u>(164)</u>
Office of Director of Administration and Finance			
Salaries	72,569	72,555	14
Salary/wage savings	(1,032)	0	(1,032)
FICA - Medicare tax	5,678	5,665	13
Pension contribution	5,160	5,160	0
Group insurance	5,824	5,824	0
Workers compensation insurance	216	216	0
Office supplies	156	156	0
Small tools and minor equipment	369	369	0
Professional services	2,000	360	1,640
Transportation and seminars	795	628	167
Communication	115	115	0
Repair and maintenance services	20	19	1
Other services and charges	280	280	0
Small tools and minor equipment	500	363	137
Office equipment	2,700	1,994	706
	<u>95,350</u>	<u>93,704</u>	<u>1,646</u>
Office of Personnel			
Salaries	138,079	138,022	57
Salary/wage savings	(1,945)	0	(1,945)
FICA - Medicare tax	10,681	10,673	8
Pension contribution	12,040	12,040	0
Group insurance	21,693	20,690	1,003
Workers compensation insurance	648	648	0
Office supplies	1,842	1,752	90
Small tools and minor equipment	84	84	0
Professional services	38,199	38,199	0
Transportation and seminars	584	583	1
Postage	1,095	1,095	0
Repair and maintenance services	1,254	867	387
Other services and charges	1,894	1,835	59

CITY OF ERIE, PENNSYLVANIA
 Combined Schedule of Revenues, Expenditures and Changes in Fund Balance (Cash Basis)
 Budget and Actual (Including Encumbrances) - General Fund, Continued
 Year Ended December 31, 1998

EXPENDITURES	General Fund		
	Budget	Actual	Variance Favorable (Unfavorable)
Office of Personnel (continued)			
Small tools and minor equipment	\$ 60	\$ 0	\$ 60
Professional services	9,151	0	9,151
Rental	500	0	500
Repair and maintenance services	67	0	67
Other services and charges	94	0	94
Office equipment	1,070	1,070	0
	<u>237,090</u>	<u>227,558</u>	<u>9,532</u>
Division of Civil Service Board			
Office supplies	2,259	0	2,259
Professional services	4,520	3,648	872
Transportation and seminars	180	0	180
Postage	349	100	249
Advertising	653	240	413
Rentals	206	0	206
Other services and charges	2,215	2,211	4
	<u>10,382</u>	<u>6,199</u>	<u>4,183</u>
Office of Accounts Finance and Budget			
Salaries	240,684	227,038	13,646
Salary/wage savings	(3,674)	0	(3,674)
FICA - Medicare tax	18,658	17,386	1,272
Pension contribution	27,520	27,520	0
Group insurance	48,817	47,876	941
Workers compensation insurance	1,152	1,152	0
Office supplies	8,945	8,941	4
Small tools and minor equipment	776	769	7
Professional services	15,020	15,020	0
Transportation and seminars	1,491	1,491	0
Postage	4,687	4,677	10
Repair and maintenance services	2,135	2,075	60
Other services and charges	8,150	8,065	85
Office supplies	1,878	1,816	62
Small tools and minor equipment	229	112	117
Other services and charges	2,610	2,610	0
	<u>379,078</u>	<u>366,548</u>	<u>12,530</u>
Office of Computer and Information Systems			
Salaries	110,420	110,078	342
Salary/wage savings	(1,767)	0	(1,767)
FICA - Medicare tax	9,012	8,421	591
Pension contribution	10,320	10,320	0
Group insurance	18,723	17,161	1,562
Workers compensation insurance	432	432	0
Office supplies	4,514	4,514	0
Repairs and maintenance supplies	190	190	0
Small tools and minor equipment	3,029	3,029	0
Transportation and seminars	362	129	233
Communication	240	115	125
Postage	55	55	0
Repairs and maintenance services	15,265	15,265	0
Office equipment	10,065	9,965	100
Office supplies	0	0	0
Small tools and minor equipment	455	455	0
Repair and maintenance services	637	0	637
	<u>181,952</u>	<u>180,129</u>	<u>1,823</u>

CITY OF ERIE, PENNSYLVANIA
 Combined Schedule of Revenues, Expenditures and Changes in Fund Balance (Cash Basis)
 Budget and Actual (Including Encumbrances) - General Fund, Continued
 Year Ended December 31, 1998

EXPENDITURES	General Fund		
	Budget	Actual	Variance Favorable (Unfavorable)
Office of City Purchasing			
Salaries	\$ 103,620	\$ 103,603	\$ 17
Salary/wage savings	(1,498)	0	(1,498)
FICA - Medicare tax	7,926	7,926	0
Pension contribution	10,320	10,320	0
Group insurance	18,623	18,623	0
Workers compensation insurance	576	576	0
Office supplies	1,527	1,527	0
Transportation and seminars	18	18	0
Postage	959	959	0
Advertising	4,794	4,794	0
Repair and maintenance services	953	953	0
Other services and charges	435	435	0
Office supplies	151	0	151
Advertising	705	705	0
Repair and maintenance services	250	250	0
	<u>149,359</u>	<u>150,689</u>	<u>(1,330)</u>
Office of Reproduction/Print Shop			
Salaries	43,014	42,931	83
Salary/wage savings	(617)	0	(617)
FICA - Medicare tax	3,298	3,284	14
Pension contribution	5,160	5,160	0
Group insurance	9,211	8,824	387
Workers compensation insurance	216	216	0
Office supplies	237	237	0
Operating supplies	15,288	13,645	1,643
Repair and maintenance supplies	252	165	87
Small tools and minor equipment	749	749	0
Transportation and seminars	52	51	1
Rentals	927	927	0
Repair and maintenance services	15,422	15,420	2
Office supplies	54	54	0
Operating supplies	2,825	2,825	0
Small tools and minor equipment	205	205	0
Transportation and seminars	120	120	0
Repair and maintenance services	809	808	1
Other services and charges	1,101	976	125
Office equipment	1,198	1,111	87
	<u>99,521</u>	<u>97,708</u>	<u>1,813</u>
Office of Police Civilians			
Salaries	995,187	995,105	82
Wages	121,554	121,479	75
Salary/wage savings	(16,182)	0	(16,182)
FICA - Medicare tax	85,582	85,500	82
Pension contribution	116,960	0	116,960
Group insurance	208,794	206,056	2,738
Workers compensation insurance	4,894	4,894	0
Professional services	540	0	540
	<u>1,517,329</u>	<u>1,413,034</u>	<u>104,295</u>

CITY OF ERIE, PENNSYLVANIA
 Combined Schedule of Revenues, Expenditures and Changes in Fund Balance (Cash Basis)
 Budget and Actual (Including Encumbrances) - General Fund, Continued
 Year Ended December 31, 1998

EXPENDITURES	General Fund		
	Budget	Actual	Variance Favorable (Unfavorable)
Bureau of Police			
Salaries	\$ 8,108,606	\$ 8,022,955	\$ 85,651
Salary/wage savings	(124,626)	0	(124,626)
FICA - Medicare tax	54,821	53,419	1,402
Pension contribution	3,631,104	1,954,304	1,676,800
Group insurance	1,491,779	1,450,468	41,311
Workers compensation insurance	387,115	387,115	0
Tool allowance and uniform benefits	168,228	168,228	0
Office supplies	18,413	18,413	0
Operating supplies	109,972	84,596	25,376
Repair and maintenance supplies	104,820	103,868	952
Small tools and minor equipment	9,845	6,417	3,428
Professional services	3,505	3,263	242
Transportation and seminars	28,537	28,363	174
Communication	17,952	17,592	360
Postage	2,900	2,900	0
Repair and maintenance services	50,574	50,555	19
Other services and charges	133,399	124,632	8,767
Office equipment	12,000	11,600	400
Tool allowance and uniform benefits	43,823	34,936	8,887
Office supplies	953	953	0
Operating supplies	18,792	17,536	1,256
Repair and maintenance supplies	3,772	1,096	2,676
Small tools and minor equipment	1,998	898	1,100
Professional services	1,769	626	1,143
Transportation and seminars	3,518	2,281	1,237
Communication	1,300	1,285	15
Repair and maintenance services	4,565	4,565	0
Other services and charges	15,541	14,259	1,282
Office equipment	3,300	3,002	298
	<u>14,308,275</u>	<u>12,570,125</u>	<u>1,738,150</u>
Office of Traffic Court			
Salaries	168,095	168,085	10
Salary/wage savings	(2,498)	0	(2,498)
FICA - Medicare tax	12,863	12,858	5
Pension contribution	24,080	0	24,080
Group insurance	42,987	42,987	0
Workers compensation insurance	1,008	1,008	0
Office supplies	13,130	12,842	288
Operating supplies	225	225	0
Small tools and minor equipment	935	781	154
Communication	120	95	25
Postage	28,500	26,500	2,000
Repair and maintenance services	2,411	2,081	330
Other services and charges	172,085	172,085	0
	<u>463,941</u>	<u>439,547</u>	<u>24,394</u>
Bureau of Fire			
Salaries	8,129,673	8,129,657	16
Salary/wage savings	(121,951)	0	(121,951)
FICA - Medicare tax	70,427	68,546	1,881
Pension contribution	1,706,620	858,078	848,542
Group insurance	1,445,179	1,427,238	17,941
Workers compensation insurance	391,250	391,250	0
Tool allowance and uniform benefits	166,280	166,280	0
Office supplies	3,682	3,661	21
Operating supplies	32,525	31,584	941
Repair and maintenance supplies	64,750	64,596	154

CITY OF ERIE, PENNSYLVANIA
 Combined Schedule of Revenues, Expenditures and Changes in Fund Balance (Cash Basis)
 Budget and Actual (Including Encumbrances) - General Fund, Continued
 Year Ended December 31, 1998

EXPENDITURES	General Fund		
	Budget	Actual	Variance Favorable (Unfavorable)
Bureau of Fire (continued)			
Small tools and minor equipment	\$ 29,249	\$ 26,328	\$ 2,921
Professional services	7,535	5,410	2,125
Transportation and seminars	8,732	8,732	0
Communication	12,666	21,955	(9,289)
Postage	913	912	1
Heat, light, power and water	80,000	84,820	(4,820)
Rentals	4,182	1,933	2,249
Repair and maintenance services	18,768	17,892	876
Other services and charges	11,836	11,152	684
Machinery and equipment	27,250	5,641	21,609
Tool allowance and uniform benefits	68,077	68,073	4
Office supplies	24	0	24
Repair and maintenance supplies	948	327	621
Small tools and minor equipment	7,816	7,036	780
Transportation and seminars	360	360	0
Communication	151	132	19
Heat, light, power and water	1,792	1,792	0
Rentals	305	305	0
Repair and maintenance services	1,462	1,462	0
Other services and charges	1,038	1,038	0
	<u>12,171,539</u>	<u>11,406,190</u>	<u>765,349</u>
Division of Electrician			
Salaries	56,752	56,744	8
Wages	221,550	191,320	30,230
Salary/wage savings	(4,173)	0	(4,173)
FICA - Medicare tax	21,287	18,977	2,310
Pension contribution	20,640	0	20,640
Group insurance	40,824	34,018	6,806
Workers compensation insurance	11,973	11,973	0
Tool allowance and uniform benefits	2,520	593	1,927
Office supplies	494	493	1
Operating supplies	5,039	3,981	1,058
Repair and maintenance supplies	10,079	11,723	(1,644)
Small tools and minor equipment	5,947	5,803	144
Transportation and seminars	1,362	961	401
Communication	320	320	0
Repair and maintenance services	836	750	86
Tool allowance and uniform benefits	356	356	0
Office supplies	158	158	0
Operating supplies	1,806	1,806	0
Small tools and minor equipment	460	460	0
	<u>398,230</u>	<u>340,436</u>	<u>57,794</u>
Office of Director of Public Works, Property and Parks			
Salaries	107,774	107,769	5
Salary/wage savings	(1,616)	0	(1,616)
FICA - Medicare tax	8,285	8,282	3
Pension contribution	6,880	6,880	0
Group insurance	12,482	12,481	1
Workers compensation insurance	324	324	0
Office supplies	1,249	1,249	0
Small tools and minor equipment	1,430	1,387	43
Postage	148	148	0
Repair and maintenance services	332	319	13
Other services and charges	1,850	1,743	107
	<u>139,138</u>	<u>140,582</u>	<u>(1,444)</u>

CITY OF ERIE, PENNSYLVANIA
 Combined Schedule of Revenues, Expenditures and Changes in Fund Balance (Cash Basis)
 Budget and Actual (Including Encumbrances) - General Fund, Continued
 Year Ended December 31, 1998

EXPENDITURES	General Fund		
	Budget	Actual	Variance Favorable (Unfavorable)
Bureau of Engineering			
Salaries	\$ 385,075	\$ 376,480	\$ 8,595
Salary/wage savings	(5,776)	0	(5,776)
FICA - Medicare tax	29,459	28,800	659
Pension contribution	41,280	41,280	0
Group insurance	74,292	68,862	5,430
Workers compensation insurance	1,727	1,727	0
Tool allowance and uniform benefits	360	308	52
Office supplies	3,674	3,629	45
Operating supplies	4,616	1,457	3,159
Repair and maintenance supplies	16,966	13,579	3,387
Small tools and minor equipment	2,725	2,725	0
Professional services	200	86	114
Transportation and seminars	1,525	1,474	51
Communication	795	795	0
Postage	700	700	0
Repair and maintenance services	7,600	4,134	3,466
Other services and charges	3,405	1,644	1,761
Tool allowance and uniform benefits	121	116	5
Operating supplies	306	212	94
Repair and maintenance supplies	10,300	9,825	475
Small tools and minor equipment	56	0	56
Repair and maintenance services	400	400	0
	<u>579,806</u>	<u>558,233</u>	<u>21,573</u>
Bureau of Streets			
Salaries	183,322	180,699	2,623
Wages	1,496,268	1,391,290	104,978
Salary/wage savings	(24,314)	0	(24,314)
FICA - Medicare tax	128,476	121,180	7,296
Pension contribution	177,160	177,160	0
Group insurance	323,376	312,566	10,810
Workers compensation insurance	145,110	145,110	0
Tool allowance and uniform benefits	3,660	3,652	8
Office supplies	1,520	1,498	22
Operating supplies	25,349	25,011	338
Repair and maintenance supplies	10,345	10,331	14
Small tools and minor equipment	6,360	6,360	0
Professional services	1,566	1,566	0
Transportation and seminars	1,779	1,507	272
Communication	1,820	1,765	55
Postage	50	50	0
Heat, light, power and water	27,160	23,359	3,801
Street lighting and traffic signals	92,000	92,000	0
Rentals	2,307	1,816	491
Repair and maintenance services	28,880	28,653	227
Refuse tipping and recycling fees	6,400	6,400	0
Other services and charges	3,090	1,494	1,596
Bridges and streets	130,000	124,960	5,040
Repair and maintenance supplies	984	218	766
Small tools and minor equipment	212	0	212
Professional services	320	294	26
Heat, light, power and water	4,752	2,983	1,769
Rentals	231	225	6

CITY OF ERIE, PENNSYLVANIA
 Combined Schedule of Revenues, Expenditures and Changes in Fund Balance (Cash Basis)
 Budget and Actual (Including Encumbrances) - General Fund, Continued
 Year Ended December 31, 1998

EXPENDITURES	General Fund		
	Budget	Actual	Variance Favorable (Unfavorable)
Bureau of Streets (continued)			
Repair and maintenance services	\$ 250	\$ 88	\$ 162
Machinery and equipment	722	722	0
	<u>2,779,155</u>	<u>2,662,957</u>	<u>116,198</u>
Division of Paint and Sign			
Wages	143,047	136,744	6,303
Salary/wage savings	(2,080)	0	(2,080)
FICA - Medicare tax	10,942	10,461	481
Pension contribution	13,760	13,760	0
Group insurance	25,144	25,141	3
Workers compensation insurance	14,703	14,703	0
Tool allowance and uniform benefits	360	360	0
Operating supplies	33,016	32,962	54
Repair and maintenance supplies	2,935	2,791	144
Small tools and minor equipment	2,232	2,074	158
Rentals	120	81	39
Repair and maintenance services	669	669	0
Other services and charges	2,800	2,768	32
Operating supplies	366	68	298
Rentals	13	7	6
Other services and charges	1,810	1,810	0
	<u>249,837</u>	<u>244,399</u>	<u>5,438</u>
Bureau of Municipal Garage			
Salaries	75,373	75,338	35
Wages	591,674	572,383	19,291
Salary/wage savings	(9,692)	0	(9,692)
FICA - Medicare tax	50,991	49,551	1,440
Pension contribution	68,800	68,800	0
Group insurance	125,630	125,617	13
Workers compensation insurance	50,484	50,484	0
Tool allowance and uniform benefits	8,498	8,492	6
Office supplies	2,163	2,160	3
Operating supplies	114,723	86,356	28,367
Repair and maintenance supplies	215,800	186,490	29,310
Small tools and minor equipment	12,679	12,356	323
Professional services	1,000	910	90
Transportation and seminars	6,125	4,283	1,842
Communication	600	576	24
Postage	99	99	0
Heat, light, power and water	45,000	30,884	14,116
Rentals	5,768	5,243	525
Repair and maintenance services	18,238	17,734	504
Other services and charges	4,400	4,400	0
Machinery and equipment	74,267	74,267	0
Office equipment	3,500	3,330	170
Tool allowance and uniform benefits	95	0	95
Office supplies	48	48	0
Operating supplies	15,725	11,899	3,826
Repair and maintenance supplies	24,594	19,582	5,012
Small tools and minor equipment	987	399	588
Professional services	75	0	75
Heat, light, power and water	8,742	7,636	1,106
Rentals	391	0	391
Repair and maintenance services	277	38	239
Other services and charges	458	191	267
	<u>1,517,512</u>	<u>1,419,546</u>	<u>97,966</u>

CITY OF ERIE, PENNSYLVANIA
 Combined Schedule of Revenues, Expenditures and Changes in Fund Balance (Cash Basis)
 Budget and Actual (Including Encumbrances) - General Fund, Continued
 Year Ended December 31, 1998

EXPENDITURES	General Fund		
	Budget	Actual	Variance Favorable (Unfavorable)
Division of Radio			
Wages	\$ 94,769	\$ 94,710	\$ 59
Salary/wage savings	(1,339)	0	(1,339)
FICA - Medicare tax	7,297	7,245	52
Pension contribution	10,320	10,320	0
Group insurance	18,858	18,856	2
Workers compensation insurance	8,354	8,354	0
Tool allowance and uniform benefits	1,260	1,090	170
Small tools and minor equipment	5,059	4,998	61
Transportation and seminars	1,591	88	1,503
Communication	668	601	67
Tool allowance and uniform benefits	148	148	0
	<u>146,985</u>	<u>146,410</u>	<u>575</u>
Bureau of Public Building Maintenance			
Salaries	34,440	34,437	3
Wages	173,493	172,044	1,449
Salary/wage savings	(3,010)	0	(3,010)
FICA - Medicare tax	15,923	15,796	127
Pension contribution	26,385	26,385	0
Group insurance	47,110	47,069	41
Workers compensation insurance	1,360	1,360	0
Tool allowance and uniform benefits	1,189	1,189	0
Office supplies	427	425	2
Operating supplies	14,450	14,122	328
Repair and maintenance supplies	17,173	16,463	710
Small tools and minor equipment	7,871	7,833	38
Transportation and seminars	380	0	380
Communication	30,500	30,500	0
Postage	160	160	0
Heat, light, power and water	185,000	185,000	0
Rentals	600	0	600
Repair and maintenance services	55,100	53,737	1,363
Other services and charges	1,868	1,523	345
Tool allowance and uniform benefits	66	66	0
Operating supplies	40	32	8
Small tools and minor equipment	111	111	0
Communication	979	979	0
Heat, light, power and water	18,251	17,750	501
Repair and maintenance services	82	0	82
Land and building improvements	3,549	3,549	0
	<u>633,497</u>	<u>630,530</u>	<u>2,967</u>
Bureau of Parks and Recreation			
Salaries	230,901	230,891	10
Wages	657,986	641,330	16,656
Salary/wage savings	(13,055)	0	(13,055)
FICA - Medicare tax	67,886	66,904	982
Pension contribution	93,052	90,602	2,450
Group insurance	169,423	169,423	0
Workers compensation insurance	73,418	73,418	0
Tool allowance and uniform benefits	2,558	2,556	2

CITY OF ERIE, PENNSYLVANIA
 Combined Schedule of Revenues, Expenditures and Changes in Fund Balance (Cash Basis)
 Budget and Actual (Including Encumbrances) - General Fund, Continued
 Year Ended December 31, 1998

EXPENDITURES	General Fund		
	Budget	Actual	Variance Favorable (Unfavorable)
Bureau of Parks and Recreation (continued)			
Office supplies	\$ 1,842	\$ 1,828	\$ 14
Operating supplies	31,428	31,428	0
Repair and maintenance supplies	130,768	130,137	631
Small tools and minor equipment	9,198	9,198	0
Professional services	983	878	105
Transportation and seminars	670	662	8
Postage	850	850	0
Heat, light, power and water	22,000	20,806	1,194
Street lighting and traffic signals	60,000	60,000	0
Advertising	700	700	0
Rentals	8,266	8,206	60
Repair and maintenance services	74,100	74,100	0
Refuse tipping and recycling fees	1,500	1,464	36
Other services and charges	271,520	271,513	7
General liability insurance	764	764	0
Property insurance	1,883	1,883	0
Fleet insurance	7,579	7,579	0
Claims	2,867	2,867	0
Machinery and equipment	239,050	239,042	8
Office equipment	5,500	5,337	163
YWCA summer recreation	12,000	12,000	0
Red Cross service program	28,000	28,000	0
Operating supplies	2,968	1,864	1,104
Repair and maintenance supplies	1,189	1,173	16
Small tools and minor equipment	72	72	0
Professional services	163	0	163
Transportation and seminars	370	0	370
Heat, light, power and water	4,016	1,920	2,096
Advertising	110	0	110
Rentals	4	0	4
Repair and maintenance services	3,248	3,248	0
Red Cross service program	2,854	0	2,854
	<u>2,208,631</u>	<u>2,192,643</u>	<u>15,988</u>
Division of Shade Tree Commission			
Office supplies	95	92	3
Repair and maintenance supplies	285	284	1
Small tools and minor equipment	475	450	25
Repair and maintenance services	49,400	49,400	0
Other services and charges	997	997	0
Repair and maintenance services	2,449	1,449	1,000
	<u>53,701</u>	<u>52,672</u>	<u>1,029</u>
Office of Local Match			
Salaries	308,334	305,891	2,443
Salary/wage savings	(4,802)	0	(4,802)
FICA - Medicare tax	24,140	23,401	739
Pension contribution	32,852	32,852	0
Group insurance	59,309	59,309	0
Workers compensation insurance	1,389	1,389	0
Tool allowance and uniform benefits	510	510	0
Office supplies	1,859	1,827	32
Operating supplies	1,261	1,253	8
Small tools and minor equipment	705	705	0
Transportation and seminars	505	505	0
Communication	770	692	78

CITY OF ERIE, PENNSYLVANIA
 Combined Schedule of Revenues, Expenditures and Changes in Fund Balance (Cash Basis)
 Budget and Actual (Including Encumbrances) - General Fund, Continued
 Year Ended December 31, 1998

EXPENDITURES	General Fund		
	Budget	Actual	Variance Favorable (Unfavorable)
Office of Local Match (continued)			
Postage	\$ 3,711	\$ 3,711	\$ 0
Advertising	2,835	2,834	1
Repair and maintenance services	332	289	43
Other services and charges	34,381	34,047	334
Communication	100	57	43
Advertising and promotion	81	81	0
Other services and charges	4,317	4,317	0
	<u>472,589</u>	<u>473,670</u>	<u>(1,081)</u>
Office of General Government			
Unemployment compensation	95,492	54,472	41,020
Professional services	16,578	13,578	3,000
Heat, light, power and water	620,000	620,000	0
General liability insurance	15,789	15,789	0
Property insurance	11,276	11,276	0
Fleet insurance	60,820	60,820	0
Professional liability insurance	53,920	53,920	0
Miscellaneous insurance	2,935	2,935	0
Claims	64,402	64,402	0
Salary and wage contingency	3,069	3,069	0
Compromise claims	9,000	5,931	3,069
Council of government	7,601	7,601	0
Erie Civic Center Authority	125,000	125,000	0
County Human Relations Commission	15,000	15,000	0
Regional government opportunities	2,000	2,000	0
Erie Metro Transit Authority	200,000	200,000	0
Erie Municipal Park Authority	53,000	53,000	0
Erie Zoological Society	375,000	375,000	0
Arts Council of Erie	15,000	15,000	0
Professional services	10,000	10,000	0
Heat, light, power and water	154,245	153,676	569
	<u>1,910,127</u>	<u>1,862,469</u>	<u>47,658</u>
Total Expenditures	<u>42,767,931</u>	<u>39,704,962</u>	<u>3,062,969</u>
Excess of revenues over (under) expenditures	(4,537,438)	(1,231,899)	3,305,539
OTHER FINANCING SOURCES (USES)			
Operating transfers in	4,287,942	4,182,077	(105,865)
Operating transfers (out)	0	(2,401,000)	(2,401,000)
Proceeds from general long term-debt	0	1,800,000	1,800,000
Total other financing sources (uses)	<u>4,287,942</u>	<u>3,581,077</u>	<u>(706,865)</u>
Excess of revenues and other financing sources over (under) expenditures and other financing sources	(249,496)	2,349,178	2,598,674
Fund balance (deficit) January 1, 1998 (Note VI.B)	249,496	2,229,635	1,980,139
Prior year encumbrances	0	540,057	540,057
Expenditures rebudgeted in the subsequent year	0	0	0
Fund balance (deficit) December 31, 1998	<u>\$ 0</u>	<u>5,118,870</u>	<u>\$ 5,118,870</u>
RECONCILIATION TO GAAP BASIS FUND BALANCE			
Encumbrances recognized as current year expenditures		535,400	
Recognition of accrual basis adjustments		(801,876)	
Fund balance (deficit) December 31, 1998		<u>\$ 4,852,394</u>	

CITY OF ERIE, PENNSYLVANIA

Special Revenue Funds
Combining Financial Statements

The Special Revenue Funds account for revenues from specific revenue sources which are legally restricted to expenditures for special purposes.

Community Development Block Grant - federal funded for the development of the City as a viable urban community by providing decent housing and a suitable living environment, and by expanding economic opportunities for persons of low and moderate income.

Liquid Fuels Tax Fund Grant - state funded for street construction and maintenance, vehicles and equipment.

BUDAG Revolving Account - monies derived through mortgage repayments and interest from the federal funded Bayfront Urban Development Action Grant, to be used for projects within the bayfront area upon approval by HUD and the City of Erie.

Bridge, Street and Traffic Improvement Projects - federal, state and local funded for development and implementation of bridge, street and traffic signalization projects.

Section 108 Loan Program - federal guaranteed loan for the refurbishing of Avalon Hotel.

Other Projects - federal, state and local funded projects for the construction of a baseball park; public safety equipment purchases; recycling projects; park and playground improvements; summer recreation and senior citizen programs; enterprise marketing and assistance programs; various site improvements and renovations.

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CITY OF ERIE, PENNSYLVANIA
Special Revenue Funds
Combining Balance Sheet
December 31, 1998

ASSETS	Community Development Block Grant	Liquid Fuels Tax Fund	BUDAG Revolving Account	Bridge, Street and Traffic Imp. Projects	Section 108 Loan Program
Cash and cash equivalents	\$ 29,709	\$ 258,289	\$ 867,672	\$ 45,039	\$ 938
Investments	0	1,681	77,140	0	10,049
Receivables (net of allowance for uncollectibles):					
Liens	418,526	0	0	0	0
Intergovernmental	245,424	0	0	0	0
Interfund	0	0	0	0	0
Notes	151,077	0	45,151	0	70,000
Other	0	364	3,513	0	0
Notes receivable, net of current obligations	3,591,485	0	705,561	0	1,719,800
Total assets	<u>\$ 4,436,221</u>	<u>\$ 260,334</u>	<u>\$ 1,699,037</u>	<u>\$ 45,039</u>	<u>\$ 1,800,787</u>
LIABILITIES					
Accounts payable	\$ 237,805	\$ 139,957	\$ 0	\$ 3,990	\$ 0
Accrued payroll	19,241	0	0	0	0
Interfund payable	0	0	0	0	0
Compensated absences payable	18,087	0	0	0	0
Deferred revenue	418,526	0	0	41,049	0
Due to other governments	0	0	0	0	1,789,800
Total liabilities	<u>693,659</u>	<u>139,957</u>	<u>0</u>	<u>45,039</u>	<u>1,789,800</u>
FUND EQUITY					
Contributed capital and other credits	0	0	0	0	0
Fund balance:					
Reserved:					
Encumbrances	4,855,911	159,045	0	0	0
Noncurrent notes receivable	3,591,485	0	705,561	0	1,719,800
Unreserved:					
Undesignated (deficit)	(4,704,834)	(38,668)	993,476	0	(1,708,813)
Total fund equity (deficit) and other credits	<u>3,742,562</u>	<u>120,377</u>	<u>1,699,037</u>	<u>0</u>	<u>10,987</u>
Total liabilities and fund equity and other credits	<u>\$ 4,436,221</u>	<u>\$ 260,334</u>	<u>\$ 1,699,037</u>	<u>\$ 45,039</u>	<u>\$ 1,800,787</u>

Other Projects	Total
\$ 1,162,429	\$ 2,364,076
0	88,870
0	418,526
243,995	489,419
258,993	258,993
327,085	593,313
5,000	8,877
2,087,614	8,104,460
<u>\$ 4,085,116</u>	<u>\$ 12,326,534</u>

\$ 263,783	\$ 645,535
5,096	24,337
0	0
1,049	19,136
742,182	1,201,757
0	1,789,800
<u>1,012,110</u>	<u>3,680,565</u>

0 0

0	5,014,956
2,087,614	8,104,460
985,392	(4,473,447)
<u>3,073,006</u>	<u>8,645,969</u>
<u>\$ 4,085,116</u>	<u>\$ 12,326,534</u>

CITY OF ERIE, PENNSYLVANIA
Special Revenue Funds
Combining Statement of Revenues, Expenditures and Changes in Fund Balance
Year Ended December 31, 1998

	Community Development Block Grant	Liquid Fuels Tax Fund	BUDAG Revolving Account	Bridge, Street and Traffic Imp. Projects	Section 108 Loan Program
REVENUES					
Intergovernmental:					
Federal grants	\$ 6,280,937	\$ 0	\$ 0	\$ 0	\$ 0
State grants	24,971	1,696,422	0	141,193	0
Local share - other	0	0	0	0	0
Total intergovernmental	<u>6,305,908</u>	<u>1,696,422</u>	<u>0</u>	<u>141,193</u>	<u>0</u>
Interest earnings	4,273	41,725	78,631	0	179
Miscellaneous	64,200	16,268	0	0	0
Total revenues	<u>6,374,381</u>	<u>1,754,415</u>	<u>78,631</u>	<u>141,193</u>	<u>179</u>
EXPENDITURES					
General government	0	0	0	0	0
Public safety	295,804	1,885,727	0	0	0
Highways and streets	744,638	0	0	141,193	0
Sanitation	0	0	0	0	0
Culture and recreation	777,762	0	0	0	0
Economic and community development	2,878,243	0	0	0	0
Total expenditures	<u>4,696,447</u>	<u>1,885,727</u>	<u>0</u>	<u>141,193</u>	<u>0</u>
Excess of revenues over (under) expenditures	1,677,934	(131,312)	78,631	0	179
OTHER FINANCING SOURCES (USES)					
Operating transfers in	0	0	0	0	0
Operating transfers (out)	(389,000)	0	(44,824)	0	0
Total other financing sources (uses)	<u>(389,000)</u>	<u>0</u>	<u>(44,824)</u>	<u>0</u>	<u>0</u>
Excess of revenues and other financing sources over (under) expenditures and other financing uses	1,288,934	(131,312)	33,807	0	179
Fund balance (deficit) January 1, 1998	2,453,628	251,689	1,665,230	0	10,808
Fund balance (deficit) December 31, 1998	<u>\$ 3,742,562</u>	<u>\$ 120,377</u>	<u>\$ 1,699,037</u>	<u>\$ 0</u>	<u>\$ 10,987</u>

Other Projects	Total
\$ 31,123	\$ 6,312,060
3,040,530	4,903,116
154,037	154,037
<u>3,225,690</u>	<u>11,369,213</u>
84,336	209,144
36,126	116,594
<u>3,346,152</u>	<u>11,694,951</u>

0	0
180,463	2,361,994
121,834	1,007,665
537,498	537,498
1,679,202	2,456,964
443,992	3,322,235
<u>2,962,989</u>	<u>9,686,356</u>
383,163	2,008,595

44,824	44,824
0	(433,824)
<u>44,824</u>	<u>(389,000)</u>

427,987	1,619,595
2,645,019	7,026,374
<u>\$ 3,073,006</u>	<u>\$ 8,645,969</u>

CITY OF ERIE, PENNSYLVANIA
Special Revenue Fund - Liquid Fuels Tax Fund
Individual Schedule of Revenues, Expenditures and Changes in Fund Balance (Cash Basis)
Budget and Actual (Including Encumbrances)
Year Ended December 31, 1998

	Budget	Actual	Variance Favorable (Unfavorable)
REVENUES			
Intergovernmental	\$ 1,667,296	\$ 1,696,423	\$ 29,127
Interest earnings	27,500	42,985	15,485
Miscellaneous	10,000	16,268	6,268
Total revenues	1,704,796	1,755,676	50,880
EXPENDITURES			
General government	0	0	0
Public safety	2,062,053	2,021,322	40,731
Highways and streets	0	0	0
Sanitation	0	0	0
Culture and recreation	0	0	0
Economic and community development	0	0	0
Loan interest	0	0	0
Total expenditures	2,062,053	2,021,322	40,731
Excess of revenues over (under) expenditures	(357,257)	(265,646)	91,611
OTHER FINANCING SOURCES (USES)			
Operating transfers in	0	0	0
Operating transfers (out)	0	0	0
Total other financing sources (uses)	0	0	0
Excess of revenues and other financing sources over (under) expenditures and other financing uses	(357,257)	(265,646)	91,611
Fund balance (deficit) January 1, 1998	0	244,579	244,579
Prior year encumbrances paid in current year	0	121,990	121,990
Revenues and expenditures rebudgeted in the subsequent year (Note VI.C.)	357,257	0	(357,257)
Fund balance (deficit) December 31, 1998	\$ 0	100,923	\$ 100,923
RECONCILIATION OF GAAP BASIS FUND BALANCE			
Encumbrances recognized as current year expenditures		159,046	
Recognition of accrual basis adjustments		(139,592)	
Individual funds not budgeted		0	
Fund balance (deficit) December 31, 1998		\$ 120,377	

CITY OF ERIE, PENNSYLVANIA

Debt Service Fund
Individual Financial Statements

The Debt Service Fund accounts for the payment of principal and interest on long-term debt other than Proprietary Fund Debt.

CITY OF ERIE, PENNSYLVANIA
Debt Service Fund
Balance Sheet
December 31, 1998

ASSETS

Cash and cash equivalents
Total assets

\$ 0
\$ 0

LIABILITIES

Other liabilities
Total liabilities

\$ 0
0

FUND BALANCE

Unreserved:
Undesignated (deficit)
Total fund balance (deficit)
Total liabilities and fund balance

0
0
\$ 0

CITY OF ERIE, PENNSYLVANIA
Debt Service Fund
Statement of Revenues, Expenditures and Changes in Fund Balance
Year Ended December 31, 1998

REVENUES	
Real estate taxes	\$ 1,903,911
Interest earnings	0
Total revenues	<u>1,903,911</u>
EXPENDITURES	
Debt service:	
Principal	1,472,350
Interest	1,032,561
Total expenditures	<u>2,504,911</u>
Excess of revenues over (under) expenditures	(601,000)
OTHER FINANCING SOURCES (USES)	
Operating transfers in	875,461
Operating transfers (out)	(274,461)
Proceeds from refunding bonds	18,775,000
Payments to refunded bond escrow agent	(18,775,000)
Total other financing sources (uses)	<u>601,000</u>
Excess of revenues and other financing sources over (under) expenditures and other financing uses	0
Fund balance (deficit) January 1, 1998	0
Fund balance (deficit) December 31, 1998	<u><u>\$ 0</u></u>

CITY OF ERIE, PENNSYLVANIA

Capital Projects Funds
Combining Financial Statements

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

Paving and Sewer Revolving Fund - to account for public improvements financed by assessments levied against the benefited property and state reimbursement.

Capital Improvement Fund - to account for capital additions and improvements to public buildings, park and recreation facilities; vehicle and equipment acquisitions.

1993 General Obligation Bond Fund - to account for capital additions and improvements to storm sewers, streets, public buildings, park and recreation facilities; real estate acquisition; refunding the 1968 and 1986 Capital Improvement Bond Funds.

1997 General Obligation Bond Fund - to account for capital additions and improvements to storm sewers, streets, public buildings, recreation facilities and equipment acquisitions.

1998 General Obligation Bond Fund - to account for capital additions and improvements to storm sewers, streets, public buildings, recreation facilities and equipment acquisitions.

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CITY OF ERIE, PENNSYLVANIA
 Capital Project Funds
 Combining Balance Sheet
 December 31, 1998

	Paving and Sewer Revolving	Capital Improvement	1993 General Obligation Bond	1997 General Obligation Bond	1998 General Obligation Bond
ASSETS					
Cash and cash equivalents	\$ 204,542	\$ 2,469,320	\$ 0	\$ 209,982	\$ 0
Investments	1,255	5,253,268	0	4,665,105	2,359,065
Receivables:					
Liens	221,440	0	0	0	0
Interfund	0	0	0	0	0
Intergovernmental	0	18,541	0	0	0
Notes	0	0	0	0	0
Other	264	24,818	1,639	259	0
Total assets	<u>\$ 427,501</u>	<u>\$ 7,765,947</u>	<u>\$ 1,639</u>	<u>\$ 4,875,346</u>	<u>\$ 2,359,065</u>
LIABILITIES					
Accounts payable	\$ 0	\$ 44,668	\$ 0	\$ 283,522	\$ 0
Accrued payroll	0	0	0	15	0
Deferred revenue	221,440	0	0	0	0
Total liabilities	<u>221,440</u>	<u>44,668</u>	<u>0</u>	<u>283,537</u>	<u>0</u>
FUND BALANCE					
Reserved:					
Encumbrances	0	325,979	0	1,910,169	0
Unreserved:					
Designated for endowment principal	0	6,000,000	0	0	0
Undesignated (deficit)	206,061	1,395,300	1,639	2,681,640	2,359,065
Total fund balance (deficit)	<u>206,061</u>	<u>7,721,279</u>	<u>1,639</u>	<u>4,591,809</u>	<u>2,359,065</u>
Total liabilities and fund balance	<u>\$ 427,501</u>	<u>\$ 7,765,947</u>	<u>\$ 1,639</u>	<u>\$ 4,875,346</u>	<u>\$ 2,359,065</u>

Total
\$ 2,883,844
12,278,693
221,440
0
18,541
0
26,980
\$ 15,429,498

\$ 328,190
15
221,440
549,645

2,236,148
6,000,000
6,643,705
14,879,853
\$ 15,429,498

CITY OF ERIE, PENNSYLVANIA
 Capital Projects Funds
 Combining Statement of Revenues, Expenditures and Changes in Fund Balance
 Year Ended December 31, 1998

	Paving and Sewer Revolving	Capital Improvement	1993 General Obligation Bond	1997 General Obligation Bond	1998 General Obligation Bond
REVENUES					
Intergovernmental revenues	\$ 0	\$ 200,000	\$ 0	\$ 0	\$ 0
Interest earnings	15,599	346,803	23,470	368,875	9,400
Miscellaneous	1,325	33,863	0	0	0
Total revenues	<u>16,924</u>	<u>580,666</u>	<u>23,470</u>	<u>368,875</u>	<u>9,400</u>
EXPENDITURES					
General government	0	0	0	600	0
Capital outlay	150,000	564,120	536,624	2,350,327	0
Total expenditures	<u>150,000</u>	<u>564,120</u>	<u>536,624</u>	<u>2,350,927</u>	<u>0</u>
Excess of revenues over (under) expenditures	(133,076)	16,546	(513,154)	(1,982,052)	9,400
OTHER FINANCING SOURCES (USES)					
Operating transfers in	0	1,372,262	0	0	0
Operating transfers (out)	0	0	(97,159)	(54,100)	0
Proceeds from general long-term debt	0	0	0	0	2,349,665
Proceeds from debt - payments to refunding agent	0	0	0	0	0
Proceeds from capital lease obligations	0	0	0	0	0
Total other financing sources (uses)	<u>0</u>	<u>1,372,262</u>	<u>(97,159)</u>	<u>(54,100)</u>	<u>2,349,665</u>
Excess of revenues and other financing sources over (under) expenditures and other financing uses	(133,076)	1,388,808	(610,313)	(2,036,152)	2,359,065
Fund balance (deficit) January 1, 1998	339,137	6,332,471	611,952	6,627,961	0
Fund balance (deficit) December 31, 1998	<u>\$ 206,061</u>	<u>\$ 7,721,279</u>	<u>\$ 1,639</u>	<u>\$ 4,591,809</u>	<u>\$ 2,359,065</u>

Total
\$ 200,000
764,147
35,188
999,335

600
3,601,071
3,601,671
(2,602,336)

1,372,262
(151,259)
2,349,665
0
0
3,570,668

968,332
13,911,521
\$ 14,879,853

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CITY OF ERIE, PENNSYLVANIA

Enterprise Funds
Combining Financial Statements

The Enterprise Funds account for the costs of providing services to the general public and financed entirely or predominately through user charges.

Sewer Revenue Fund and Sewer Reserve Fund - to account for the provision of sewerage services to the residents, commercial and industrial establishments of the City, and certain surrounding municipalities. A portion of the 1993 general obligation bond (Series B) is accounted for as assets to be used for capital additions and improvements to sanitary and storm sewers.

Water Revenue Fund - to account for the assets used to provide water services to the residents and commercial and industrial establishments of the City and certain surrounding municipalities through an operating lease with the Erie City Water Authority.

Refuse and Recycling Fund - to account for the provision of refuse collection services, and the recycling and composting programs to the residents of the City.

Golf Fund - to account for the operation of the three City owned golf courses.

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CITY OF ERIE, PENNSYLVANIA
Enterprise Funds
Combining Balance Sheet
December 31, 1998

ASSETS	Sewer Revenue	Sewer Reserve	Water Revenue	Refuse and Recycling	Golf
Current assets					
Cash and cash equivalents	\$ 2,263,023	\$ 1,612,492	\$ 0	\$ 376,731	\$ 4,694
Investments	3,719	27,259	0	946	0
Receivables:					
Accounts	578,615	0	0	308,055	0
Intergovernmental	577,583	0	0	0	0
Notes, current	185,000	0	0	0	0
Other	356,052	2,118	0	234	3,512
Prepaid insurance	0	0	0	0	0
Total current assets	<u>3,963,992</u>	<u>1,641,869</u>	<u>0</u>	<u>685,966</u>	<u>8,206</u>
Property, plant and equipment:					
Land	0	0	592,369	0	138,630
Buildings and improvements	1,083,243	0	7,923,777	0	634,412
Improvements other than buildings	15,338,793	0	35,211,685	0	567,012
Equipment and vehicles	3,904,678	0	5,085,740	910,777	420,962
Total property, plant and equipment	<u>20,326,714</u>	<u>0</u>	<u>48,813,571</u>	<u>910,777</u>	<u>1,761,016</u>
Less: accumulated depreciation	(5,499,363)	0	(28,862,417)	(212,612)	(882,734)
Net property, plant and equipment	<u>14,827,351</u>	<u>0</u>	<u>19,951,154</u>	<u>698,165</u>	<u>878,282</u>
Notes receivable, net of current obligations	5,280,000	0	0	0	0
Bond issue costs	418,176	0	0	0	0
Total assets	<u>\$ 24,489,519</u>	<u>\$ 1,641,869</u>	<u>\$ 19,951,154</u>	<u>\$ 1,384,131</u>	<u>\$ 886,488</u>
LIABILITIES					
Current liabilities:					
Accounts payable	\$ 243,486	\$ 0	\$ 0	\$ 62,783	\$ 4,365
Accrued payroll	58,180	0	0	15,624	5,903
Interfund payable	0	0	0	0	57,500
Compensated absences payable	34,021	0	0	7,112	1,397
Claims and judgments payable	0	0	0	0	0
Current portion of long-term liabilities	342,115	0	0	0	0
Total current liabilities	<u>677,802</u>	<u>0</u>	<u>0</u>	<u>85,519</u>	<u>69,165</u>
Long-term liabilities					
Deferred revenue	363,812	0	7,411,520	0	0
General obligation bonds payable	16,567,885	0	0	0	0
Total long-term liabilities	<u>16,931,697</u>	<u>0</u>	<u>7,411,520</u>	<u>0</u>	<u>0</u>
Total liabilities	<u>17,609,499</u>	<u>0</u>	<u>7,411,520</u>	<u>85,519</u>	<u>69,165</u>
FUND EQUITY AND OTHER CREDITS					
Contributed capital and other credits	0	0	0	1,055,671	0
Retained earnings:					
Unreserved (deficit)	6,880,020	1,641,869	12,539,634	242,941	817,323
Total fund equity and other credits	<u>6,880,020</u>	<u>1,641,869</u>	<u>12,539,634</u>	<u>1,298,612</u>	<u>817,323</u>
Total liabilities and fund equity and other credits	<u>\$ 24,489,519</u>	<u>\$ 1,641,869</u>	<u>\$ 19,951,154</u>	<u>\$ 1,384,131</u>	<u>\$ 886,488</u>

Total

\$ 4,256,940
31,924
886,670
577,583
185,000
361,916
0
6,300,033

730,999
9,641,432
51,117,490
10,322,157
71,812,078
(35,457,126)
36,354,952
5,280,000
418,176
\$ 48,353,161

\$ 310,634
79,707
57,500
42,530
0
342,115
832,486

7,775,332
16,567,885
24,343,217
25,175,703

1,055,671
22,121,787
23,177,458
\$ 48,353,161

CITY OF ERIE, PENNSYLVANIA
Enterprise Funds
Combining Statement of Revenues, Expenses and Changes in Fund Equity
Year Ended December 31, 1998

	Sewer Revenue	Sewer Reserve	Water Revenue	Refuse and Recycling	Golf
OPERATING REVENUES					
Charges for services	\$ 15,999,890	\$ 0	\$ 0	\$ 3,724,919	\$ 859,349
Lease rental	0	0	2,114,275	0	0
Rental income	30,000	0	0	0	175,235
Miscellaneous	319,639	0	0	0	195
Total operating revenues	<u>16,349,529</u>	<u>0</u>	<u>2,114,275</u>	<u>3,724,919</u>	<u>1,034,779</u>
OPERATING EXPENSES					
Personnel services	3,120,321	0	0	1,132,186	394,282
Other personnel costs	1,352,299	0	0	487,771	166,822
Services and fees	1,399,681	0	0	969,614	71,166
Utilities	1,863,083	0	0	6,272	36,474
Rent	13,641	0	0	0	80,632
Insurance	60,577	0	0	7,410	2,142
Materials, supplies and maintenance	1,738,252	0	0	156,772	152,725
Depreciation	829,765	0	757,684	68,729	85,451
Other	3,840,785	0	0	271,909	5,257
Total operating expenses	<u>14,218,404</u>	<u>0</u>	<u>757,684</u>	<u>3,100,663</u>	<u>994,951</u>
Operating income (loss)	2,131,125	0	1,356,591	624,256	39,828
NONOPERATING REVENUES (EXPENSES)					
Intergovernmental revenue	810,077	0	0	54,500	14,000
Investment income	439,749	92,026	0	14,686	507
Interest expense	(1,121,913)	0	0	0	0
Other expense	0	0	0	0	0
Total nonoperating revenues (expenses)	<u>127,913</u>	<u>92,026</u>	<u>0</u>	<u>69,186</u>	<u>14,507</u>
Net income (loss) before operating transfers	2,259,038	92,026	1,356,591	693,442	54,335
OTHER FINANCING SOURCES (USES)					
Operating transfers in	924,461	1,202,224	0	0	54,100
Operating transfers (out)	(3,477,326)	(650,000)	(1,701,077)	(757,000)	(85,000)
Total other financing sources (uses)	<u>(2,552,865)</u>	<u>552,224</u>	<u>(1,701,077)</u>	<u>(757,000)</u>	<u>(30,900)</u>
Net income (loss)	(293,827)	644,250	(344,486)	(63,558)	23,435
Fund equity (deficit) and other credits January 1, 1998	7,173,847	997,619	12,884,120	1,362,170	793,888
Fund equity (deficit) and other credits December 31, 1998	<u>\$ 6,880,020</u>	<u>\$ 1,641,869</u>	<u>\$ 12,539,634</u>	<u>\$ 1,298,612</u>	<u>\$ 817,323</u>

Total
\$ 20,584,158
2,114,275
205,235
319,834
23,223,502

4,646,789
2,006,892
2,440,461
1,905,829
94,273
70,129
2,047,749
1,741,629
4,117,951
19,071,702
4,151,800

878,577
546,968
(1,121,913)
0
303,632
4,455,432

2,180,785
(6,670,403)
(4,489,618)
(34,186)
23,211,644
\$ 23,177,458

CITY OF ERIE, PENNSYLVANIA
Enterprise Funds - Sewer Revenue
Individual Schedule of Revenues, Expenses and Changes in Retained Earnings (Cash Basis)
Budget and Actual (Including Encumbrances)
Year Ended December 31, 1998

	Budget	Actual	Variance Favorable (Unfavorable)
OPERATING REVENUES			
Intergovernmental	\$ 0	\$ 0	\$ 0
Charges for services	15,410,579	15,569,321	158,742
Lease rental	0	0	0
Rental income	30,000	30,000	0
Miscellaneous	32,935	321,625	288,690
Total operating revenues	<u>15,473,514</u>	<u>15,920,946</u>	<u>447,432</u>
 OPERATING EXPENSES			
Personnel services	3,206,862	3,175,779	31,083
Other personnel costs	1,363,562	1,352,561	11,001
Services and fees	3,130,042	1,484,790	1,645,252
Utilities	2,315,490	1,950,821	364,669
Rent	16,131	9,449	6,682
Insurance	60,577	60,577	0
Materials, supplies and maintenance	2,565,632	1,746,939	818,693
Depreciation	0	825,323	(825,323)
Capital outlay	2,049,043	146,519	1,902,524
Other	3,934,751	3,937,057	(2,306)
Total operating expenses	<u>18,642,090</u>	<u>14,689,815</u>	<u>3,952,275</u>
Operating income (loss)	<u>(3,168,576)</u>	<u>1,231,131</u>	<u>4,399,707</u>
 NONOPERATING REVENUES (EXPENSES)			
Bond and loan principal	(550,002)	0	550,002
Intergovernmental revenue	821,575	810,077	(11,498)
Investment income	395,208	466,266	71,058
Interest expense	(850,031)	(1,121,913)	(271,882)
Other expense	0	0	0
Net nonoperating revenues (expenses)	<u>(183,250)</u>	<u>154,430</u>	<u>337,680</u>
Net income (loss) before operating transfers	<u>(3,351,826)</u>	<u>1,385,561</u>	<u>4,737,387</u>
 OTHER FINANCING SOURCES (USES)			
Operating transfers in	1,099,610	924,461	(175,149)
Operating transfers (out)	(1,000,000)	(3,477,326)	(2,477,326)
Total other financing sources (uses)	<u>99,610</u>	<u>(2,552,865)</u>	<u>(2,652,475)</u>
Net income (loss)	<u>(3,252,216)</u>	<u>(1,167,304)</u>	<u>2,084,912</u>
Retained earnings (deficit) January 1, 1998	0	(2,553,443)	(2,553,443)
Prior year encumbrances paid in current year	0	0	0
Retained earnings (deficit) December 31, 1998	<u>\$ (3,252,216)</u>	<u>(3,720,747)</u>	<u>\$ (468,531)</u>
 RECONCILIATION OF GAAP BASIS RETAINED EARNINGS			
Encumbrances recognized as current year expense		0	
Recognition of accrual basis adjustments		10,600,767	
Other GAAP basis adjustment		0	
Individual funds not budgeted		0	
Retained earnings (deficit) December 31, 1998		<u>\$ 6,880,020</u>	

CITY OF ERIE, PENNSYLVANIA
Enterprise Funds - Refuse and Recycling
Individual Schedule of Revenues, Expenses and Changes in Retained Earnings (Cash Basis)
Budget and Actual (Including Encumbrances)
Year Ended December 31, 1998

	Budget	Actual	Variance Favorable (Unfavorable)
OPERATING REVENUES			
Intergovernmental	\$ 0	\$ 0	\$ 0
Charges for services	3,734,900	3,715,324	(19,576)
Lease rental	0	0	0
Rental income	0	0	0
Miscellaneous	0	0	0
Total operating revenues	3,734,900	3,715,324	(19,576)
OPERATING EXPENSES			
Personnel services	1,128,369	1,141,382	(13,013)
Other personnel costs	501,868	488,513	13,355
Services and fees	1,050,499	971,886	78,613
Utilities	6,500	6,487	13
Rent	100	0	100
Insurance	7,410	7,410	0
Materials, supplies and maintenance	274,124	145,779	128,345
Depreciation	0	68,729	(68,729)
Capital outlay	115,750	750	115,000
Other	351,053	338,713	12,340
Total operating expenses	3,435,673	3,169,649	266,024
Operating income (loss)	299,227	545,675	246,448
NONOPERATING REVENUES (EXPENSES)			
Bond and loan principal	0	0	0
Intergovernmental revenue	54,500	54,500	0
Investment income	6,000	16,029	10,029
Interest expense	0	0	0
Other expense	0	0	0
Net nonoperating revenues (expenses)	60,500	70,529	10,029
Net income (loss) before operating transfers	359,727	616,204	256,477
OTHER FINANCING SOURCES (USES)			
Operating transfers in	0	0	0
Operating transfers (out)	(813,781)	(757,000)	56,781
Total other financing sources (uses)	(813,781)	(757,000)	56,781
Net income (loss)	(454,054)	(140,796)	313,258
Retained earnings (deficit) January 1, 1998	0	1,349,734	1,349,734
Prior year encumbrances paid in current year	0	0	0
Retained earnings (deficit) December 31, 1998	\$ (454,054)	1,208,938	\$ 1,662,992
RECONCILIATION OF GAAP BASIS RETAINED EARNINGS			
Encumbrances recognized as current year expense		0	
Recognition of accrual basis adjustments		89,674	
Other GAAP basis adjustment		(1,055,671)	
Individual funds not budgeted		0	
Retained earnings (deficit) December 31, 1998		\$ 242,941	

CITY OF ERIE, PENNSYLVANIA
Enterprise Funds - Golf
Individual Schedule of Revenues, Expenses and Changes in Retained Earnings (Cash Basis)
Budget and Actual (Including Encumbrances)
Year Ended December 31, 1998

	Budget	Actual	Variance Favorable (Unfavorable)
OPERATING REVENUES			
Intergovernmental	\$ 0	\$ 0	\$ 0
Charges for services	937,085	856,462	(80,623)
Lease rental	0	0	0
Rental income	188,000	175,235	(12,765)
Miscellaneous	1,550	195	(1,355)
Total operating revenues	<u>1,126,635</u>	<u>1,031,892</u>	<u>(94,743)</u>
OPERATING EXPENSES			
Personnel services	414,061	396,233	17,828
Other personnel costs	173,900	169,591	4,309
Services and fees	71,571	71,284	287
Utilities	41,139	34,454	6,685
Rent	80,550	80,548	2
Insurance	2,142	2,142	0
Materials, supplies and maintenance	180,450	157,254	23,196
Depreciation	0	85,451	(85,451)
Capital outlay	76,190	1,272	74,918
Other	5,960	4,607	1,353
Total operating expenses	<u>1,045,963</u>	<u>1,002,836</u>	<u>43,127</u>
Operating income (loss)	80,672	29,056	(51,616)
NONOPERATING REVENUES (EXPENSES)			
Bond and loan principal	0	0	0
Intergovernmental revenue	14,000	14,000	0
Investment income	2,500	507	(1,993)
Interest expense	0	0	0
Other expense	0	0	0
Net nonoperating revenues (expenses)	<u>16,500</u>	<u>14,507</u>	<u>(1,993)</u>
Net income (loss) before operating transfers	97,172	43,563	(53,609)
OTHER FINANCING SOURCES (USES)			
Operating transfers in	0	54,100	54,100
Operating transfers (out)	(100,000)	(85,000)	15,000
Total other financing sources (uses)	<u>(100,000)</u>	<u>(30,900)</u>	<u>69,100</u>
Net income (loss)	(2,828)	12,663	15,491
Retained earnings (deficit) January 1, 1998	0	601,585	601,585
Prior year encumbrances paid in current year	0	0	0
Retained earnings (deficit) December 31, 1998	<u>\$ (2,828)</u>	<u>614,248</u>	<u>\$ 617,076</u>
RECONCILIATION TO GAAP BASIS RETAINED EARNINGS			
Encumbrances recognized as current year expense		0	
Recognition of accrual basis adjustments		203,075	
Other GAAP basis adjustment		0	
Individual funds not budgeted		0	
Retained earnings (deficit) December 31, 1998		<u>\$ 817,323</u>	

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CITY OF ERIE, PENNSYLVANIA
Enterprise Funds
Combining Statement of Cash Flows
Year Ended December 31, 1998

	Sewer Revenue	Sewer Reserve	Water Revenue	Refuse and Recycling	Golf
CASH FLOWS FROM OPERATING ACTIVITIES					
Operating income (loss)	\$ 2,131,125	\$ 0	\$ 1,356,591	\$ 624,256	\$ 39,828
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities					
Noncash items included in operating income (loss):					
Depreciation expense	829,765	0	757,684	68,729	85,451
Amortization	7,490	0	0	0	0
(Increase) decrease in current assets:					
Accounts receivable	138,403	0	0	(9,595)	0
Intergovernmental receivable	(512,543)	0	0	0	0
Other receivables	(27,415)	(260)	0	1,343	(2,887)
Prepaid insurance	0	0	0	0	0
Increase (decrease) in current liabilities:					
Accounts payable	(411,840)	0	0	(59,789)	(5,936)
Accrued payroll	(57,309)	0	0	(7,009)	(514)
Interfund payable	0	0	0	0	25,500
Compensated absences payable	1,851	0	0	(2,188)	(1,105)
Claims and judgements payable	0	0	0	0	0
Deferred revenue	(512)	0	(413,198)	0	0
Net cash provided (used) by operating activities	<u>2,099,015</u>	<u>(260)</u>	<u>1,701,077</u>	<u>615,747</u>	<u>140,337</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES					
Intergovernmental revenue	810,077	0	0	54,500	14,000
Note to Sewer Authority	175,000	0	0	0	0
Operating transfers in	924,461	1,202,224	0	0	54,100
Operating transfers (out)	<u>(3,477,326)</u>	<u>(650,000)</u>	<u>(1,701,077)</u>	<u>(757,000)</u>	<u>(85,000)</u>
Net cash provided (used) by noncapital financing activities	<u>(1,567,788)</u>	<u>552,224</u>	<u>(1,701,077)</u>	<u>(702,500)</u>	<u>(16,900)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Purchase of fixed assets	(1,487,813)	0	0	(115,000)	(124,840)
Disposition of fixed assets	0	0	0	0	0
Principal payments	(550,000)	0	0	0	0
Interest payments	<u>(1,121,913)</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Net cash provided (used) by capital and related financing activities	<u>(3,159,726)</u>	<u>0</u>	<u>0</u>	<u>(115,000)</u>	<u>(124,840)</u>
CASH FLOWS FROM INVESTING ACTIVITIES					
Proceeds from sale and redemption of investments	3,210,000	995,000	0	400,000	0
Net interest earnings	439,749	92,026	0	14,686	507
Purchase of investments	<u>(3,719)</u>	<u>(27,259)</u>	<u>0</u>	<u>(946)</u>	<u>0</u>
Net cash provided (used) by investing activities	<u>3,646,030</u>	<u>1,059,767</u>	<u>0</u>	<u>413,740</u>	<u>507</u>
Net increase (decrease) in cash	1,017,531	1,611,731	0	211,987	(896)
Cash and cash equivalents January 1, 1998	1,245,492	761	0	164,744	5,590
Cash and cash equivalents December 31, 1998	<u>\$ 2,263,023</u>	<u>\$ 1,612,492</u>	<u>\$ 0</u>	<u>\$ 376,731</u>	<u>\$ 4,694</u>

Total
\$ 4,151,800

1,741,629
7,490

128,808
(512,543)
(29,219)
0

(477,565)
(64,832)
25,500
(1,442)
0
(413,710)

4,555,916

878,577
175,000
2,180,785
(6,670,403)

(3,436,041)

(1,727,653)
0
(550,000)
(1,121,913)

(3,399,566)

4,605,000
546,968
(31,924)

5,120,044
2,840,353
1,416,587

\$ 4,256,940

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CITY OF ERIE, PENNSYLVANIA

Internal Service Funds
Combining Financial Statements

The Internal Service Funds account for the costs of providing modified self-insurance to other funds of the City and are financed entirely by charges to these funds on a cost reimbursement basis.

Workers Compensation Claims Fund - to account for assets held by the City for the purpose of paying workers compensation claims and costs, financed through City fund charges.

Workers Compensation Trust Fund - to account for monies provided by the City to meet workers compensation security requirements for self-insurance and as a source of funds for claims.

1998 General Obligation Bond - to account for the funding of certain insurance reserves in lieu of a line of credit.

Insurance Reserve Trust - to account for monies set aside in reserve for workers compensation insurance.

Employees Health Benefit Plan - to account for monies provided by the City for health insurance premiums and claims.

Risk Management - to account for assets held by the City for the purpose of paying general insurance premiums and claims.

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CITY OF ERIE, PENNSYLVANIA
Internal Service Funds
Combining Balance Sheet
December 31, 1998

ASSETS	Workers Compensation Claims	Workers Compensation Trust	1998 General Obligation Bond	Insurance Reserve Trust	Employees Health Benefit Plan
Cash and cash equivalents	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Investments	0	0	0	0	0
Restricted cash and cash equivalents	314,447	1,465,569	514,292	5,400,000	606,998
Receivables:					
Other	408	0	0	0	0
Prepaid insurance	0	0	0	0	0
Total assets	<u>\$ 314,855</u>	<u>\$ 1,465,569</u>	<u>\$ 514,292</u>	<u>\$ 5,400,000</u>	<u>\$ 606,998</u>
LIABILITIES					
Accounts payable	\$ 5,781	\$ 0	\$ 0	\$ 0	\$ 0
Claims and judgments payable	3,813,368	0	0	0	0
Total liabilities	<u>3,819,149</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
RETAINED EARNINGS					
Unreserved (deficit) (Note II.B.)	(3,504,294)	1,465,569	514,292	5,400,000	606,998
Total retained earnings (deficit)	<u>(3,504,294)</u>	<u>1,465,569</u>	<u>514,292</u>	<u>5,400,000</u>	<u>606,998</u>
Total liabilities and retained earnings	<u>\$ 314,855</u>	<u>\$ 1,465,569</u>	<u>\$ 514,292</u>	<u>\$ 5,400,000</u>	<u>\$ 606,998</u>

Risk Management	Total
\$ 0	\$ 0
0	0
345,533	8,646,839
419	827
0	0
<u>\$ 345,952</u>	<u>\$ 8,647,666</u>

\$ 1,000	\$ 6,781
0	3,813,368
<u>1,000</u>	<u>3,820,149</u>

<u>344,952</u>	<u>4,827,517</u>
<u>344,952</u>	<u>4,827,517</u>
<u>\$ 345,952</u>	<u>\$ 8,647,666</u>

CITY OF ERIE, PENNSYLVANIA
Internal Service Funds
Combining Statement of Revenues, Expenses and Changes in Fund Equity
Year Ended December 31, 1998

	Workers Compensation Claims	Workers Compensation Trust	1998 General Obligation Bond	Insurance Reserve Trust	Employees Health Benefit Plan
OPERATING REVENUES					
Intergovernmental	\$ 1,472,632	\$ 0	\$ 0	\$ 0	\$ 5,164,314
Miscellaneous	119,768	0	0	0	567,883
Total operating revenues	<u>1,592,400</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>5,732,197</u>
OPERATING EXPENSES					
Services and fees	85,755	0	0	0	0
Insurance	80,000	0	0	0	5,394,399
Materials, supplies and maintenance	0	0	0	0	0
Workers compensation claims	2,801,424	0	0	0	0
Other	31,128	7,710	0	0	219,900
Total operating expenses	<u>2,998,307</u>	<u>7,710</u>	<u>0</u>	<u>0</u>	<u>5,614,299</u>
Operating income (loss)	(1,405,907)	(7,710)	0	0	117,898
NONOPERATING REVENUES (EXPENSES)					
Investment income	24,044	67,075	23,357	0	13,556
Net nonoperating revenues (expenses)	<u>24,044</u>	<u>67,075</u>	<u>23,357</u>	<u>0</u>	<u>13,556</u>
Net income (loss) before operating transfers	(1,381,863)	59,365	23,357	0	131,454
OTHER FINANCING SOURCES (USES)					
Operating transfers in	2,365,205	927,413	6,110,335	5,400,000	438,800
Operating transfers (out)	(927,413)	(565,205)	(5,619,400)	0	(250,000)
Total other financing sources (uses)	<u>1,437,792</u>	<u>362,208</u>	<u>490,935</u>	<u>5,400,000</u>	<u>188,800</u>
Net income (loss)	55,929	421,573	514,292	5,400,000	320,254
Fund equity (deficit) and other credits January 1, 1998	(3,560,223)	1,043,996	0	0	286,744
Fund equity (deficit) and other credits December 31, 1998	<u>\$ (3,504,294)</u>	<u>\$ 1,465,569</u>	<u>\$ 514,292</u>	<u>\$ 5,400,000</u>	<u>\$ 606,998</u>

Risk	
Management	Total
\$ 317,304	\$ 6,954,250
66,622	754,273
<u>383,926</u>	<u>7,708,523</u>

32,876	118,631
0	5,474,399
380,363	380,363
0	2,801,424
0	258,738
<u>413,239</u>	<u>9,033,555</u>
(29,313)	(1,325,032)

<u>17,089</u>	<u>145,121</u>
17,089	145,121
(12,224)	(1,179,911)

0	15,241,753
0	(7,362,018)
0	7,879,735
<u>(12,224)</u>	<u>6,699,824</u>
357,176	(1,872,307)
<u>\$ 344,952</u>	<u>\$ 4,827,517</u>

CITY OF ERIE, PENNSYLVANIA
Internal Service Fund - Workers Compensation Claims
Individual Schedule of Revenues, Expenses and Changes in Retained Earnings (Cash Basis)
Budget and Actual (Including Encumbrances)
Year Ended December 31, 1998

	Budget	Actual	Variance Favorable (Unfavorable)
OPERATING REVENUES			
Intergovernmental	\$ 0	\$ 1,472,632	\$ 1,472,632
Charges for services	0	0	0
Rental income	0	0	0
Miscellaneous	0	119,768	119,768
Total operating revenues	0	1,592,400	1,592,400
OPERATING EXPENSES			
Personnel services	0	0	0
Other personnel costs	0	0	0
Services and fees	102,745	85,755	16,990
Insurance	83,394	80,881	2,513
Materials, supplies and maintenance	0	0	0
Workers compensation claims	1,284,081	2,687,871	(1,403,790)
Other	35,410	35,402	8
Total operating expenses	1,505,630	2,889,909	(1,384,279)
Operating income (loss)	(1,505,630)	(1,297,509)	208,121
NONOPERATING REVENUES (EXPENSES)			
Investment income	4,000	24,167	20,167
Net nonoperating revenues (expenses)	4,000	24,167	20,167
Net income (loss) before operating transfers	(1,501,630)	(1,273,342)	228,288
OTHER FINANCING SOURCES (USES)			
Operating transfers in	2,289,043	2,365,205	76,162
Operating transfers (out)	(927,413)	(927,413)	0
Total other financing sources (uses)	1,361,630	1,437,792	76,162
Net income (loss)	(140,000)	164,450	304,450
Retained earnings (deficit) January 1, 1998	0	70,860	70,860
Prior year encumbrances paid in current year	0	0	0
Retained earnings (deficit) December 31, 1998	\$ (140,000)	235,310	\$ 375,310
RECONCILIATION OF GAAP BASIS RETAINED EARNINGS			
Encumbrances recognized as current year expense		0	
Recognition of accrual basis adjustments		(3,739,604)	
Other GAAP basis adjustment		0	
Individual funds not budgeted		0	
Retained earnings (deficit) December 31, 1998		\$ (3,504,294)	

CITY OF ERIE, PENNSYLVANIA
Internal Service Fund - Risk Management
Individual Schedule of Revenues, Expenses and Changes in Retained Earnings (Cash Basis)
Budget and Actual (Including Encumbrances)
Year Ended December 31, 1998

	Budget	Actual	Variance Favorable (Unfavorable)
OPERATING REVENUES			
Intergovernmental	\$ 0	\$ 317,304	\$ 317,304
Charges for services	0	0	0
Rental income	0	0	0
Miscellaneous	0	66,622	66,622
Total operating revenues	0	383,926	383,926
 OPERATING EXPENSES			
Personnel services	0	0	0
Other personnel costs	0	0	0
Services and fees	44,500	32,876	11,624
Insurance	586,500	379,627	206,873
Materials, supplies and maintenance	0	0	0
Workers compensation claims	0	0	0
Other	0	0	0
Total operating expenses	631,000	412,503	218,497
Operating income (loss)	(631,000)	(28,577)	602,423
 NONOPERATING REVENUES (EXPENSES)			
Investment income	14,554	17,904	(3,350)
Net nonoperating revenues (expenses)	14,554	17,904	(3,350)
Net income (loss) before operating transfers	(616,446)	(10,673)	599,073
 OTHER FINANCING SOURCES (USES)			
Operating transfers in	316,446	0	(316,446)
Operating transfers (out)	0	0	0
Total other financing sources (uses)	316,446	0	(316,446)
Net income (loss)	(300,000)	(10,673)	289,327
Retained earnings (deficit) January 1, 1998	0	355,419	355,419
Prior year encumbrances paid in current year	0	0	0
Retained earnings (deficit) December 31, 1998	\$ (300,000)	344,746	\$ 644,746
 RECONCILIATION TO GAAP BASIS RETAINED EARNINGS			
Encumbrances recognized as current year expenses		0	
Recognition of accrual basis adjustments		206	
Other GAAP basis adjustment		0	
Individual funds not budgeted		0	
Retained earnings (deficit) December 31, 1998		\$ 344,952	

CITY OF ERIE, PENNSYLVANIA
Internal Service Funds
Combining Statement of Cash Flows
Year Ended December 31, 1998

	Workers Compensation Claims	Workers Compensation Trust	1998 General Obligation Bond	Insurance Reserve Trust	Employees Health Benefit Plan
CASH FLOWS FROM OPERATING ACTIVITIES					
Operating income (loss)	\$ (1,405,907)	\$ (7,710)	\$ 0	\$ 0	\$ 117,898
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities					
Noncash items included in operating income (loss):					
(Increase) decrease in current assets:					
Other receivables	122	0	0	0	0
Increase (decrease) in current liabilities:					
Accounts payable	(26,692)	0	0	0	0
Claims and judgements payable	135,090	0	0	0	0
Net cash provided (used) by operating activities	<u>(1,297,387)</u>	<u>(7,710)</u>	<u>0</u>	<u>0</u>	<u>117,898</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES					
Operating transfers in	2,365,205	927,413	6,110,335	5,400,000	438,800
Operating transfers (out)	<u>(927,413)</u>	<u>(565,205)</u>	<u>(5,619,400)</u>	<u>0</u>	<u>(250,000)</u>
Net cash provided (used) by noncapital financing activities	<u>1,437,792</u>	<u>362,208</u>	<u>490,935</u>	<u>5,400,000</u>	<u>188,800</u>
CASH FLOWS FROM INVESTING ACTIVITIES					
Net interest earnings	<u>24,044</u>	<u>67,075</u>	<u>23,357</u>	<u>0</u>	<u>13,556</u>
Net cash provided (used) by investing activities	<u>24,044</u>	<u>67,075</u>	<u>23,357</u>	<u>0</u>	<u>13,556</u>
Net increase (decrease) in cash	164,449	421,573	514,292	5,400,000	320,254
Restricted cash and cash equivalents January 1, 1998	149,998	1,043,996	0	0	286,744
Restricted cash and cash equivalents December 31, 1998	<u>\$ 314,447</u>	<u>\$ 1,465,569</u>	<u>\$ 514,292</u>	<u>\$ 5,400,000</u>	<u>\$ 606,998</u>

Risk Management	Total
\$ (29,313)	\$ (1,325,032)

815	937
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736	(25,956)
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0	135,090
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<u>(27,762)</u>	<u>(1,214,961)</u>
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0	15,241,753
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<u>0</u>	<u>(7,362,018)</u>
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<u>0</u>	<u>7,879,735</u>
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<u>17,089</u>	<u>145,121</u>
---------------	----------------

<u>17,089</u>	<u>145,121</u>
---------------	----------------

(10,673)	6,809,895
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356,206	1,836,944
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<u>\$ 345,533</u>	<u>\$ 8,646,839</u>
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CITY OF ERIE, PENNSYLVANIA

Fiduciary Funds
Combining Financial Statements

The Pension Trust Funds account for assets of all City of Erie employees who are covered by one of the following pension plans:

Officers' and Employees' Retirement Association ("Officers' and Employees'") - To account for monies to cover employees in various departments (excluding uniformed policemen and firemen).

Police Relief and Pension Association ("Police") - to account for monies to cover uniformed employees of the Bureau of Police.

Firemens' Pension Fund ("Firemens'") - to account for monies to cover all members of Bureau of Fire except the employees in radio and communication center who are covered by Officers and Employees Retirement Association.

The Agency Funds account for assets held by the City as an agent for individuals, private organizations, other governments and other funds.

Traffic Court State and County Fines Account - to account for traffic violation fines collected on behalf of state and county governments.

Traffic Court Security Bond Account - to account for monies posted by traffic court defendants pending a hearing.

Rent Withholding Account - to account for rental payments from tenants whose dwellings are ruled unfit and/or unsafe. The landlord has six months to take corrective action or forfeit said payment.

Cable TV Security Deposit Account - to account for a refundable deposit from the cable TV company.

Unclaimed Money Account - to account for unclaimed monies.

Property Tax Account - to account for undistributed payments of real estate and personal property tax for the City of Erie, the Erie School District and the County of Erie.

Income Tax Fund - to account for the 1% Earned Income Tax collected for the City of Erie, the Erie School District, and other communities.

Occupational Privilege Tax Fund - to account for the \$10 Occupational Privilege Tax collected on behalf of the City of Erie and the Erie School District.

Deferred Compensation Plan - to account for City assets optionally deferred by employees termination, retirement, death or unforeseeable emergency.

Community Service Fund - to account for monies received for charitable contributions through payroll deductions.

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CITY OF ERIE, PENNSYLVANIA
Fiduciary Funds
Combining Balance Sheet
December 31, 1998

	Pension Trust Funds	Agency Funds	Total
ASSETS			
Cash	\$ 32,693,671	\$ 1,728,697	\$ 34,422,368
Investments	143,317,872	8,978,335	152,296,207
Receivables:			
Other	849,068	0	849,068
Total assets	<u>\$ 176,860,611</u>	<u>\$ 10,707,032</u>	<u>\$ 187,567,643</u>
LIABILITIES			
Accounts payable	\$ 33,149	\$ 35,601	\$ 68,750
Other liabilities	0	0	0
Due to other governments	0	1,693,096	1,693,096
Deferred compensation benefits payable	0	8,978,335	8,978,335
Total liabilities	<u>33,149</u>	<u>10,707,032</u>	<u>10,740,181</u>
FUND BALANCE			
Reserved for employees' pension benefits	176,827,462	0	176,827,462
Total fund balance (deficit)	<u>176,827,462</u>	<u>0</u>	<u>176,827,462</u>
Total liabilities and fund balance	<u>\$ 176,860,611</u>	<u>\$ 10,707,032</u>	<u>\$ 187,567,643</u>

CITY OF ERIE, PENNSYLVANIA
 Fiduciary Funds - Pension Trust Funds
 Statement of Plan Net Assets
 December 31, 1998

	<u>Officers' and Employees'</u>	<u>Police</u>	<u>Firemens'</u>	<u>Total</u>
ASSETS				
Cash and cash equivalents	\$ 601,316	\$ 20,085,410	\$ 12,006,945	\$ 32,693,671
Investments	53,396,533	59,827,195	30,094,144	143,317,872
Receivables:				
Other	356,986	270,295	221,787	849,068
Total assets	<u>\$ 54,354,835</u>	<u>\$ 80,182,900</u>	<u>\$ 42,322,876</u>	<u>\$ 176,860,611</u>
 LIABILITIES				
Accounts payable	<u>\$ 0</u>	<u>\$ 10,562</u>	<u>\$ 22,587</u>	<u>\$ 33,149</u>
 FUND BALANCE RESERVED FOR EMPLOYEES' PENSION BENEFITS (A schedule of funding progress for each plan is presented on pages 144,146,148 respectively)	<u>\$ 54,354,835</u>	<u>\$ 80,172,338</u>	<u>\$ 42,300,289</u>	<u>\$ 176,827,462</u>

CITY OF ERIE, PENNSYLVANIA
Fiduciary Funds - Agency Funds
Combining Statement of Changes in Assets and Liabilities
Year Ended December 31, 1998

	Balance Jan. 1, 1998	Additions	Deductions	Balance Dec. 31, 1998
TRAFFIC COURT STATE AND COUNTY FINES ACCOUNT				
Assets				
Cash and cash equivalents	\$ 0	\$ 18,648	\$ (18,648)	\$ 0
Liabilities				
Due to other governments	\$ 0	\$ 18,648	\$ (18,648)	\$ 0
TRAFFIC COURT SECURITY BOND ACCOUNT				
Assets				
Cash and cash equivalents	\$ 0	\$ 2,593	\$ (2,593)	\$ 0
Liabilities				
Vouchers payable	\$ 0	\$ 2,593	\$ (2,593)	\$ 0
RENT WITHHOLDING ACCOUNT				
Assets				
Cash and cash equivalents	\$ 8,270	\$ 4,524	\$ (7,509)	\$ 5,285
Liabilities				
Returnable deposit	\$ 8,270	\$ 4,524	\$ (7,509)	\$ 5,285
CABLE TV SECURITY DEPOSIT ACCOUNT				
Assets				
Cash and cash equivalents	\$ 25,000	\$ 0	\$ 0	\$ 25,000
Liabilities				
Returnable deposit	\$ 25,000	\$ 0	\$ 0	\$ 25,000
UNCLAIMED MONEY ACCOUNT				
Assets				
Cash and cash equivalents	\$ 6,811	\$ 0	\$ (1,495)	\$ 5,316
Liabilities				
Unclaimed money	\$ 6,811	\$ 0	\$ (1,495)	\$ 5,316
PROPERTY TAX ACCOUNT				
Assets				
Cash and cash equivalents	\$ 291,031	\$ 60,885,566	\$ (60,697,688)	\$ 478,909
Liabilities				
Due to taxing units:				
City of Erie	\$ 61,330	\$ 22,083,776	\$ (21,879,665)	\$ 265,441
Erie School District	174,906	28,469,198	(28,444,147)	199,957
County of Erie	54,795	10,332,559	(10,373,876)	13,478
Refunds	0	33	0	33
Total liabilities	\$ 291,031	\$ 60,885,566	\$ (60,697,688)	\$ 478,909

CITY OF ERIE, PENNSYLVANIA
Fiduciary Funds - Agency Funds
Combining Statement of Changes in Assets and Liabilities, Continued
Year Ended December 31, 1998

	Balance Jan. 1, 1998	Additions	Deductions	Balance Dec. 31, 1998
INCOME TAX FUND				
Assets				
Cash and cash equivalents	\$ 770,772	\$ 21,000,230	\$ (20,619,372)	\$ 1,151,630
Liabilities				
Due to taxing units	\$ 770,772	\$ 21,000,230	\$ (20,619,372)	\$ 1,151,630
OCCUPATIONAL PRIVILEGE TAX FUND				
Assets				
Cash and cash equivalents	\$ 60,736	\$ 717,743	\$ (715,922)	\$ 62,557
Liabilities				
Due to taxing units	\$ 60,736	\$ 717,743	\$ (715,922)	\$ 62,557
DEFERRED COMPENSATION PLAN				
Assets				
Investments	\$ 7,339,685	\$ 2,537,326	\$ (898,676)	\$ 8,978,335
Liabilities				
Due to City of Erie employees	\$ 7,339,685	\$ 2,537,326	\$ (898,676)	\$ 8,978,335
COMMUNITY SERVICE FUND				
Assets				
Cash and cash equivalents	\$ 0	\$ 26,319	\$ (26,319)	\$ 0
Liabilities				
Due to charities	\$ 0	\$ 26,319	\$ (26,319)	\$ 0
TOTALS - AGENCY FUNDS				
Assets				
Cash and cash equivalents	\$ 1,162,620	\$ 82,655,623	\$ (82,089,546)	\$ 1,728,697
Investments	7,339,685	2,537,326	(898,676)	8,978,335
Total assets	<u>\$ 8,502,305</u>	<u>\$ 85,192,949</u>	<u>\$ (82,988,222)</u>	<u>\$ 10,707,032</u>
Liabilities				
Due to other governments	\$ 0	\$ 18,648	\$ (18,648)	\$ 0
Vouchers payable	0	2,593	(2,593)	0
Returnable deposits	33,270	4,524	(7,509)	30,285
Unclaimed money	6,811	0	(1,495)	5,316
Due to taxing units	1,122,539	82,603,539	(82,032,982)	1,693,096
Due to City of Erie employees	7,339,685	2,537,326	(898,676)	8,978,335
Due to charities	0	26,319	(26,319)	0
Total liabilities	<u>\$ 8,502,305</u>	<u>\$ 85,192,949</u>	<u>\$ (82,988,222)</u>	<u>\$ 10,707,032</u>

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CITY OF ERIE, PENNSYLVANIA
General Fixed Assets Account Group

The General Fixed Assets Account Group accounts for fixed assets owned by the City exclusive of those related to Proprietary Fund operations.

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CITY OF ERIE, PENNSYLVANIA
 General Fixed Assets
 Schedule by Function and Activity
 December 31, 1998

GENERAL FUND	Land	Buildings and Improvements	Equipment and Vehicles	Total
General government:				
City clerk	\$ 0	\$ 0	\$ 6,679	\$ 6,679
Mayor	0	0	5,732	5,732
City solicitor	0	0	9,461	9,461
City treasurer	0	0	26,868	26,868
City controller	0	0	11,859	11,859
Accounts, finance and budget	0	0	16,840	16,840
Computer systems and services	0	0	100,922	100,922
Reproduction/print shop	0	0	20,059	20,059
Local match	0	8,780	16,337	25,117
General government, insurance and utility	736,716	1,809,657	460,783	3,007,156
Total general government	<u>736,716</u>	<u>1,818,437</u>	<u>675,540</u>	<u>3,230,693</u>
Public safety:				
Police	0	42,672	1,548,173	1,590,845
Traffic court	0	0	5,946	5,946
Fire	0	2,048,161	2,199,728	4,247,889
Radio	0	0	259,940	259,940
Electrician	0	142,713	151,373	294,086
Total public safety	<u>0</u>	<u>2,233,546</u>	<u>4,165,160</u>	<u>6,398,706</u>
Highways and streets:				
Director	165,951	0	1,393	167,344
Engineering	0	0	23,176	23,176
Paint and sign	0	0	26,499	26,499
Streets	0	624,563	3,085,072	3,709,635
Municipal garage	0	88,550	94,610	183,160
Public buildings maintenance	0	122,563	176,190	298,753
Total highways and streets	<u>165,951</u>	<u>835,676</u>	<u>3,406,940</u>	<u>4,408,567</u>
Sanitation:				
Refuse, disposal and recycling	0	107,376	46,094	153,470
Total sanitation	<u>0</u>	<u>107,376</u>	<u>46,094</u>	<u>153,470</u>
Culture and recreation:				
Parks and recreation	0	2,549,042	1,173,418	3,722,460
Shade tree	0	9,980	0	9,980
Total culture and recreation	<u>0</u>	<u>2,559,022</u>	<u>1,173,418</u>	<u>3,732,440</u>
Total general fund	<u>902,667</u>	<u>7,554,057</u>	<u>9,467,152</u>	<u>17,923,876</u>
SPECIAL REVENUE FUNDS				
General government	0	29,390	26,979	56,369
Public safety	0	489,511	649,185	1,138,696
Highways and streets	0	128,660	1,687,577	1,816,237
Sanitation	0	0	1,698,251	1,698,251
Culture and recreation	0	3,247,193	133,806	3,380,999
Economic and community development	0	60,143	115,090	175,233
Total special revenue funds	<u>0</u>	<u>3,954,897</u>	<u>4,310,888</u>	<u>8,265,785</u>
CAPITAL PROJECTS FUNDS				
Capital outlay	49,000	3,829,186	2,323,483	6,201,669
Total capital projects funds	<u>49,000</u>	<u>3,829,186</u>	<u>2,323,483</u>	<u>6,201,669</u>
Total general fixed assets	<u>\$ 951,667</u>	<u>\$ 15,338,140</u>	<u>\$ 16,101,523</u>	<u>\$ 32,391,330</u>

CITY OF ERIE, PENNSYLVANIA
 General Fixed Assets
 Schedule of Changes by Function and Activity
 Year Ended December 31, 1998

GENERAL FUND	Balance Jan. 1, 1998	Additions	Dispositions	Balance Dec. 31, 1998
General government:				
City clerk	\$ 6,679	\$ 0	\$ 0	\$ 6,679
Mayor	5,732	0	0	5,732
City solicitor	9,461	0	0	9,461
City treasurer	26,868	0	0	26,868
City controller	11,859	0	0	11,859
Accounts, finance and budget	16,840	0	0	16,840
Computer systems and services	90,976	9,946	0	100,922
Reproduction/print shop	20,059	0	0	20,059
Local match	25,117	0	0	25,117
General government, insurance and utility	3,061,457	3,064	57,365	3,007,156
Total general government	<u>3,275,048</u>	<u>13,010</u>	<u>57,365</u>	<u>3,230,693</u>
Public safety:				
Police	1,587,523	3,322	0	1,590,845
Traffic court	5,946	0	0	5,946
Fire	4,246,640	1,250	0	4,247,890
Radio	259,940	0	0	259,940
Electrician	294,086	0	0	294,086
Total public safety	<u>6,394,135</u>	<u>4,572</u>	<u>0</u>	<u>6,398,707</u>
Highways and streets:				
Director	167,344	0	0	167,344
Engineering	23,176	0	0	23,176
Paint and sign	26,499	0	0	26,499
Streets	3,709,635	0	0	3,709,635
Municipal garage	179,830	3,330	0	183,160
Public buildings maintenance	295,204	3,548	0	298,752
Total highways and streets	<u>4,401,688</u>	<u>6,878</u>	<u>0</u>	<u>4,408,566</u>
Sanitation:				
Refuse, disposal and recycling	153,470	0	0	153,470
Total sanitation	<u>153,470</u>	<u>0</u>	<u>0</u>	<u>153,470</u>
Culture and recreation:				
Parks and recreation	3,480,363	242,097	0	3,722,460
Shade tree	9,980	0	0	9,980
Total culture and recreation	<u>3,490,343</u>	<u>242,097</u>	<u>0</u>	<u>3,732,440</u>
Total general fund	<u>17,714,684</u>	<u>266,557</u>	<u>57,365</u>	<u>17,923,876</u>
SPECIAL REVENUE FUNDS				
General government	56,369	0	0	56,369
Public safety	929,941	208,755	0	1,138,696
Highways and streets	1,773,986	42,251	0	1,816,237
Sanitation	1,315,033	383,218	0	1,698,251
Culture and recreation	3,280,210	92,136	0	3,372,346
Economic and community development	175,233	0	0	175,233
Total special revenue funds	<u>7,530,772</u>	<u>726,360</u>	<u>0</u>	<u>8,257,132</u>
CAPITAL PROJECTS FUNDS				
Capital outlay	4,779,980	1,430,342	0	6,210,322
Total capital projects funds	<u>4,779,980</u>	<u>1,430,342</u>	<u>0</u>	<u>6,210,322</u>
Total general fixed assets	<u>\$ 30,025,436</u>	<u>\$ 2,423,259</u>	<u>\$ 57,365</u>	<u>\$ 32,391,330</u>

CITY OF ERIE, PENNSYLVANIA
General Fixed Assets
Schedule by Source
December 31, 1998

General fixed assets:	
Land	\$ 951,667
Buildings and improvements	15,338,140
Equipment and vehicles	<u>16,101,523</u>
Total general fixed assets	<u>\$ 32,391,330</u>

Investments in general fixed assets by source:	
General fund	\$ 17,923,876
Special revenue fund	8,265,785
Capital projects funds	<u>6,201,669</u>
Total investment in general fixed assets	<u>\$ 32,391,330</u>

CITY OF ERIE, PENNSYLVANIA

Component Units
Combining Financial Statements

Redevelopment Authority of the City of Erie - This authority was created to operate demolition and rehabilitation projects within the City. The primary source of income is from Community Development Block Grant monies which are allocated solely by the primary government.

Erie Municipal Park Authority - This financing authority was created to finance improvements to the park area of the Erie Zoo. The City is contingently liable for the debt of the authority under a lease agreement.

Erie Metropolitan Transit Authority - This is an operating authority created to provide mass transportation services to Erie County. The authority's main sources of revenue include income from operations, federal and state grants, and local matching funds provided by the City and the County.

Erie Parking Authority - This authority operates the municipal parking ramps and lots and enforces parking regulations throughout the City. The City has entered into a Guaranty Agreement with the authority whereby the City has unconditionally guaranteed the payment of principal and interest of the Series 1994 and 1987 bonds.

Erie Civic Center Authority - This authority operates the Louis J. Tullio Convention Center, the Warner Theater, the Exhibit Hall, and the Baseball Park. Pursuant to a management agreement the City provides a material subsidy through annual appropriation of funds sufficient to cover the expected operating deficit.

Erie Sewer Authority - This is a financing authority created to acquire property and equipment for a sewage treatment plant. The City is contingently liable for the debt of the authority under a lease agreement.

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CITY OF ERIE, PENNSYLVANIA
Component Units
Combining Balance Sheet
December 31, 1998

	Redevelopment Authority of the City of Erie	Erie Municipal Park Authority	Erie Metropolitan Transit Authority	Erie Parking Authority	Erie Civic Center Authority
ASSETS					
Cash and cash equivalents	\$ 125,686	\$ 0	\$ 3,923,664	\$ 3,914,664	\$ 188,760
Investments	0	30,128	0	0	0
Restricted cash and cash equivalents	252,506	0	2,389,639	4,483,631	0
Restricted investments	0	0	0	811,248	74,120
Receivables (net of allowance for uncollectibles):					
Accounts	10,759	265,000	114,180	49,039	101,791
Intergovernmental	0	0	234,745	0	0
Other	0	0	0	22,261	0
Inventory	0	0	196,429	0	3,970
Prepaid insurance	0	0	108,131	60,110	44,723
Property, plant and equipment:					
Land	68,914	0	189,369	2,285,377	1,705,097
Buildings and improvements	24,344	0	2,988,659	27,114,597	21,409,631
Improvements other than buildings	0	0	631,492	0	457,819
Equipment and vehicles	0	0	14,095,849	699,655	1,052,136
Construction in progress	0	0	30,429	0	0
Less: accumulated depreciation	0	0	(10,087,317)	(9,286,516)	(6,614,276)
Project costs	0	0	0	0	0
Bond issue costs	0	0	0	574,962	0
Amounts to be provided for long-term debt	119,000	265,000	0	0	0
Total assets	<u>\$ 601,209</u>	<u>\$ 560,128</u>	<u>\$ 14,815,269</u>	<u>\$ 30,729,028</u>	<u>\$ 18,423,771</u>
LIABILITIES					
Accounts payable	\$ 78,662	\$ 0	\$ 142,818	\$ 9,020	\$ 244,802
Accrued payroll	6,818	0	755,822	61,407	35,997
Current portion of long-term liabilities	0	0	0	615,000	0
Deferred revenue	0	0	214,493	0	59,820
Other liabilities	100,844	0	233,278	431,245	0
Due to other governments	0	0	4,711,430	0	0
Notes payable	119,000	0	0	0	0
General obligation bonds payable	0	265,000	0	23,619,630	0
Total liabilities	<u>305,324</u>	<u>265,000</u>	<u>6,057,841</u>	<u>24,736,302</u>	<u>340,619</u>
FUND EQUITY AND OTHER CREDITS					
Investments in general fixed assets	0	0	0	0	0
Contributed capital and other credits	0	0	0	0	17,465,235
Retained earnings:					
Unreserved (deficit)	0	0	8,757,428	5,992,726	617,917
Fund balance:					
Reserved:					
Equity in authority rentals	0	265,000	0	0	0
Land held for resale	24,344	0	0	0	0
Houses held for resale	68,914	0	0	0	0
Unreserved:					
Undesignated (deficit)	202,627	30,128	0	0	0
Total fund equity and other credits	<u>295,885</u>	<u>295,128</u>	<u>8,757,428</u>	<u>5,992,726</u>	<u>18,083,152</u>
Total liabilities and fund equity and other credits	<u>\$ 601,209</u>	<u>\$ 560,128</u>	<u>\$ 14,815,269</u>	<u>\$ 30,729,028</u>	<u>\$ 18,423,771</u>

Erie Sewer Authority	Total Component Units
\$ 13,846	\$ 8,166,620
7,412	37,540
0	7,125,776
36,933,578	37,818,946
0	540,769
0	234,745
477,092	499,353
0	200,399
0	212,964
0	4,248,757
36,739,566	88,276,797
0	1,089,311
32,565,186	48,412,826
0	30,429
(31,667,458)	(57,655,567)
0	0
0	574,962
0	384,000
<u>\$ 75,069,222</u>	<u>\$ 140,198,627</u>

\$ 1,705,731	\$ 2,181,033
0	860,044
1,558,549	2,173,549
0	274,313
2,100,819	2,866,186
5,280,000	9,991,430
0	119,000
<u>44,786,936</u>	<u>68,671,566</u>
<u>55,432,035</u>	<u>87,137,121</u>

0	0
0	17,465,235
19,637,187	35,005,258
0	265,000
0	24,344
0	68,914
0	232,755
<u>19,637,187</u>	<u>53,061,506</u>
<u>\$ 75,069,222</u>	<u>\$ 140,198,627</u>

CITY OF ERIE, PENNSYLVANIA
Component Units
Combining Statement of Revenues, Expenditures and Changes in Fund Balance
Year Ended December 31, 1998

	Redevelopment Authority of the City of Erie	Erie Municipal Park Authority	Total
REVENUES			
Intergovernmental	\$ 1,364,162	\$ 53,000	\$ 1,417,162
Interest earnings	8,069	1,728	9,797
Miscellaneous	572,795	0	572,795
Total revenues	<u>1,945,026</u>	<u>54,728</u>	<u>1,999,754</u>
EXPENDITURES			
Current:			
General government	0	2,535	2,535
Economic and community development	1,846,910	0	1,846,910
Debt service:			
Principal	0	40,000	40,000
Interest	0	9,975	9,975
Total expenditures	<u>1,846,910</u>	<u>52,510</u>	<u>1,899,420</u>
Excess of revenues over (under) expenditures	98,116	2,218	100,334
Fund balance (deficit) January 1, 1998	197,769	27,910	225,679
Increase to contributed capital and other credits	0	0	0
Fund balance (deficit) December 31, 1998	<u>\$ 295,885</u>	<u>\$ 30,128</u>	<u>\$ 326,013</u>

CITY OF ERIE, PENNSYLVANIA
Component Units
Combining Statement of Revenues, Expenses and Changes in Fund Equity
Year Ended December 31, 1998

	Erie Metropolitan		Erie		Total
	Transit Authority	Erie Parking Authority	Civic Center Authority	Erie Sewer Authority	
OPERATING REVENUES					
Intergovernmental	\$ 341,036	\$ 0	\$ 0	\$ 3,920,154	\$ 4,261,190
Charges for services	3,620,368	3,498,810	947,062	0	8,066,240
Rental income	0	0	502,610	0	502,610
Net increase in fair value of investments	0	0	0	1,004,953	1,004,953
Miscellaneous	52,531	0	9,305	8,460	70,296
Total operating revenues	<u>4,013,935</u>	<u>3,498,810</u>	<u>1,458,977</u>	<u>4,933,567</u>	<u>13,905,289</u>
OPERATING EXPENSES					
Personnel services	3,822,421	780,241	888,312	0	5,490,974
Other personnel costs	1,021,296	274,166	0	0	1,295,462
Services and fees	839,785	41,447	78,360	0	959,592
Utilities	80,492	241,213	266,657	0	588,362
Rent	0	57,283	1,272	0	58,555
Insurance	0	49,839	85,165	0	135,004
Materials, supplies and maintenance	1,060,094	159,462	115,789	0	1,335,345
Depreciation	1,108,835	748,057	667,698	2,011,105	4,535,695
Other	290,089	36,317	64,743	0	391,149
Total operating expenses	<u>8,223,012</u>	<u>2,388,025</u>	<u>2,167,996</u>	<u>2,011,105</u>	<u>14,790,138</u>
Operating income (loss)	<u>(4,209,077)</u>	<u>1,110,785</u>	<u>(709,019)</u>	<u>2,922,462</u>	<u>(884,849)</u>
NONOPERATING REVENUES (EXPENSES)					
Intergovernmental revenue	4,022,958	0	125,000	0	4,147,958
Interest earnings	316,107	379,383	15,304	1,397,813	2,108,607
Interest expense	0	(1,188,554)	(132)	(2,375,606)	(3,564,292)
Other income (expense)	0	0	(8,345)	(17,163)	(25,508)
Total nonoperating revenues (expenses)	<u>4,339,065</u>	<u>(809,171)</u>	<u>131,827</u>	<u>(994,956)</u>	<u>2,666,765</u>
Net income (loss)	<u>129,988</u>	<u>301,614</u>	<u>(577,192)</u>	<u>1,927,506</u>	<u>1,781,916</u>
Total fund equity and other credits January 1, 1998	8,627,440	5,691,112	18,657,574	17,709,681	50,685,807
Increase to contributed capital and other credits	0	0	2,770	0	2,770
Total fund equity and other credits December 31, 1998	<u>\$ 8,757,428</u>	<u>\$ 5,992,726</u>	<u>\$ 18,083,152</u>	<u>\$ 19,637,187</u>	<u>\$ 52,470,493</u>

CITY OF ERIE, PENNSYLVANIA
Component Units
Combining Statement of Cash Flows
Year Ended December 31, 1998

	Erie Metropolitan Transit Authority	Erie Parking Authority	Erie Civic Center Authority	Erie Sewer Authority	Total
CASH FLOWS FROM OPERATING ACTIVITIES					
Operating income (loss)	\$ (4,209,077)	\$ 1,110,785	\$ (709,019)	\$ 2,922,462	\$ (884,849)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities					
Other nonoperating income	0	0	(8,345)	(17,163)	(25,508)
Noncash items included in operating income (loss):					
Depreciation expense	1,108,835	748,057	667,698	2,011,105	4,535,695
Amortization	0	14,155	0	0	14,155
(Increase) decrease in current assets:					
Accounts receivable	(157,560)	(1,111)	(4,530)	0	(163,201)
Other receivables	0	0	0	(114,118)	(114,118)
Inventory	4,666	0	(23)	0	4,643
Prepaid insurance	(15,065)	740	(7,617)	0	(21,942)
Increase (decrease) in current liabilities:					
Accounts payable	(354,276)	3,004	(50,750)	1,235,087	833,065
Accrued payroll	0	2,393	(11,113)	0	(8,720)
Due to other governments	1,393,923	0	0	0	1,393,923
Deferred revenue	78,593	0	(43,990)	0	34,603
Other liabilities	221,471	0	0	38,680	260,151
Net cash provided (used) by operating activities	<u>(1,928,490)</u>	<u>1,878,023</u>	<u>(167,689)</u>	<u>6,076,053</u>	<u>5,857,897</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES					
Intergovernmental revenue	2,884,605	0	125,000	0	3,009,605
Net cash provided (used) by noncapital financing activities	<u>2,884,605</u>	<u>0</u>	<u>125,000</u>	<u>0</u>	<u>3,009,605</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Net proceeds from refunding revenue bonds	0	4,074,751	0	19,949,872	24,024,623
Purchase of fixed assets	(1,138,351)	(868,974)	(89,398)	(12,439,188)	(14,535,911)
Transfers to restricted investments	0	0	(74,120)	0	(74,120)
Contributions and capital grants	1,138,351	0	2,770	0	1,141,121
Principal payments	0	(650,000)	0	(9,887,144)	(10,537,144)
Interest payments	0	(1,032,913)	(132)	(2,375,606)	(3,408,651)
Net cash provided (used) by capital and related financing activities	<u>0</u>	<u>1,522,864</u>	<u>(160,880)</u>	<u>(4,752,066)</u>	<u>(3,390,082)</u>
CASH FLOWS FROM INVESTING ACTIVITIES					
Proceeds from sale and redemption of investments	0	810,000	0	264	810,264
Net interest earnings	316,107	387,700	15,304	1,397,813	2,116,924
Purchase of investments	0	0	0	(2,716,067)	(2,716,067)
Net cash provided (used) by investing activities	<u>316,107</u>	<u>1,197,700</u>	<u>15,304</u>	<u>(1,317,990)</u>	<u>211,121</u>
Net increase (decrease) in cash	1,272,222	4,598,587	(188,265)	5,997	5,688,541
Cash and cash equivalents, January 1, 1998	5,041,081	3,799,708	377,025	7,849	9,225,663
Cash and cash equivalents, December 31, 1998	<u>\$ 6,313,303</u>	<u>\$ 8,398,295</u>	<u>\$ 188,760</u>	<u>\$ 13,846</u>	<u>\$ 14,914,204</u>
Reconciliation to the balance sheet:					
At January 1, 1998:					
Cash and cash equivalents	\$ 2,232,087	\$ 307,588	\$ 335,665	\$ 7,849	\$ 2,883,189
Restricted cash and cash equivalents	2,808,994	3,492,120	41,360	0	6,342,474
	<u>\$ 5,041,081</u>	<u>\$ 3,799,708</u>	<u>\$ 377,025</u>	<u>\$ 7,849</u>	<u>\$ 9,225,663</u>
At December 31, 1998					
Cash and cash equivalents	\$ 3,923,664	\$ 3,914,664	\$ 188,760	\$ 13,846	\$ 8,040,934
Restricted cash and cash equivalents	2,389,639	4,483,631	0	0	6,873,270
	<u>\$ 6,313,303</u>	<u>\$ 8,398,295</u>	<u>\$ 188,760</u>	<u>\$ 13,846</u>	<u>\$ 14,914,204</u>

SCHEDULES

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CITY OF ERIE, PENNSYLVANIA
 Officers' and Employees' Retirement Association
 Required Supplemental Schedule - Analysis of Funding Progress
 December 31, 1998
 (In Millions)

Six-year historical trend information about the fund is presented herewith as required supplementary information. This information is intended to help users assess the Fund's funding status on a going-concern basis, assess progress made in accumulating assets to pay benefits when due, and make comparisons with other state and local government retirement systems.

A. Schedule of Funding Progress (in Millions of Dollars)

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets</u>	<u>Actuarial Accrued Liability (AAL) Entry Age</u>	<u>Unfunded AAL (UAAL)</u>	<u>Funded Ratio</u>	<u>Covered Payroll</u>	<u>UAAL as a Percentage of Covered Payroll</u>
January 1, 1993	\$ 28.5	\$ 52.7	\$ 24.3	54.0 %	\$ 10.2	237.1 %
January 1, 1994	30.9	53.2	22.3	58.0	11.2	199.4
January 1, 1995	29.6	54.5	24.9	54.3	11.8	210.2
January 1, 1996	35.8	56.8	21.0	63.1	11.9	175.5
January 1, 1997	39.9	57.5	17.6	69.3	12.5	140.6
January 1, 1998	46.7	60.8	14.1	76.9	13.0	108.1

B. Contributions From the Employer and Other Contributing Entities

<u>Calendar Year</u>	<u>Annual Required Contributions</u>	<u>Amount Contributed</u>	<u>Percentage Contributed</u>
1993	\$ 3,030,865	\$ 3,505,000	115.6 %
1994	3,031,707	3,776,847	124.6
1995	3,298,535	3,141,603	95.2
1996	2,919,507	3,373,474	115.6
1997	2,553,048	3,055,384	119.7
1998	2,255,496	5,460,557	242.1

CITY OF ERIE, PENNSYLVANIA
 Officers' and Employees' Retirement Association
 Required Supplemental Schedule - Analysis of Funding Progress
 December 31, 1998
 (In Millions)

C. Notes to Required Supplementary Information

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

Valuation date	1/1/98
Actuarial cost method	Entry age-normal
Amortization method	Level dollar payment closed
Remaining amortization period	27 years
Asset valuation method	Fair market value
Actuarial assumptions:	
Investment rate of return	8.0%
Projected salary increases	5.0%
Includes inflation at	3.0% and 2.5% for productivity, merit and seniority
Cost-of-living adjustments	None

CITY OF ERIE, PENNSYLVANIA
 Police Relief and Pension Association
 Required Supplemental Schedule - Analysis of Funding Progress
 December 31, 1998
 (In Millions)

Six-year historical trend information about the fund is presented herewith as required supplementary information. This information is intended to help users assess the Fund's funding status on a going-concern basis, assess progress made in accumulating assets to pay benefits when due, and make comparisons with other state and local government retirement systems.

A. Schedule of Funding Progress (in Millions of Dollars)

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets</u>	<u>Actuarial Accrued Liability (AAL) Entry Age</u>	<u>Unfunded AAL (UAAL)</u>	<u>Funded Ratio</u>	<u>Covered Payroll</u>	<u>UAAL as a Percentage of Covered Payroll</u>
January 1, 1993	\$ 22.0	\$ 69.2	\$ 47.2	31.8 %	\$ 6.6	716.7 %
January 1, 1994	27.1	72.3	45.2	37.5	6.4	706.1
January 1, 1995	29.2	74.9	45.6	39.0	6.9	664.5
January 1, 1996	39.3	78.4	39.1	50.1	6.9	567.1
January 1, 1997	46.6	80.2	33.6	58.1	7.8	431.2
January 1, 1998	57.0	79.3	22.3	71.9	8.0	279.1

B. Contributions From the Employer and Other Contributing Entities

<u>Calendar Year</u>	<u>Annual Required Contributions</u>	<u>Amount Contributed</u>	<u>Percentage Contributed</u>
1993	\$ 5,186,875	\$ 5,236,348	101.0 %
1994	5,203,963	5,226,473	100.4
1995	5,028,735	5,068,914	100.8
1996	4,958,935	4,959,135	100.0
1997	4,341,905	4,342,108	100.0
1998	3,631,007	20,327,924	559.8

CITY OF ERIE, PENNSYLVANIA
 Police Relief and Pension Association
 Required Supplemental Schedule - Analysis of Funding Progress
 December 31, 1998
 (In Millions)

C. Notes to Required Supplementary Information

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

Valuation date	1/1/98
Actuarial cost method	Entry age-normal
Amortization method	Level dollar payment closed
Remaining amortization period	15
Asset valuation method	Fair Market Value
Actuarial assumptions:	
Investment rate of return	8.0%
Projected salary increases	5.5%
Includes inflation at	3.0% and 2.5% for productivity, merit and seniority
Cost-of-living adjustments	5.0%

CITY OF ERIE, PENNSYLVANIA
 Firemens' Pension Fund
 Required Supplemental Schedule - Analysis of Funding Progress
 December 31, 1998
 (In Millions)

Six-year historical trend information about the fund is presented herewith as required supplementary information. This information is intended to help users assess the Fund's funding status on a going-concern basis, assess progress made in accumulating assets to pay benefits when due, and make comparisons with other state and local government retirement systems.

A. Schedule of Funding Progress (in Millions of Dollars)

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets</u>	<u>Actuarial Accrued Liability (AAL) Entry Age</u>	<u>Unfunded AAL (UAAL)</u>	<u>Funded Ratio</u>	<u>Covered Payroll</u>	<u>UAAL as a Percentage of Covered Payroll</u>
January 1, 1993	\$ 14.2	\$ 33.0	\$ 18.8	43.0 %	\$ 6.4	293.7 %
January 1, 1994	16.5	36.2	19.7	45.6	6.5	303.1
January 1, 1995	16.6	36.6	20.0	45.4	6.7	298.5
January 1, 1996	21.2	38.9	17.7	54.5	7.0	252.9
January 1, 1997	24.4	40.5	16.1	60.2	7.4	217.6
January 1, 1998	28.9	48.3	19.4	59.8	7.7	251.9

B. Contributions From the Employer and Other Contributing Entities

<u>Calendar Year</u>	<u>Annual Required Contributions</u>	<u>Amount Contributed</u>	<u>Percentage Contributed</u>
1993	\$ 2,299,447	\$ 2,302,567	100.1 %
1994	1,926,789	1,996,084	103.6
1995	1,931,582	1,945,353	100.7
1996	1,991,281	1,996,017	100.2
1997	1,768,509	1,768,695	100.0
1998	1,631,054	11,512,226	705.8

CITY OF ERIE, PENNSYLVANIA
 Firemens' Pension Fund
 Required Supplemental Schedule - Analysis of Funding Progress
 December 31, 1998
 (In Millions)

C. Notes to Required Supplementary Information

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

Valuation date	1/1/98
Actuarial cost method	Entry age-normal
Amortization method	Level dollar payment closed
Remaining amortization period	27 years
Asset valuation method	Fair market value
Actuarial assumptions:	
Investment rate of return	8.0%
Projected salary increases	5.5%
Includes inflation at	3.0% and 2.5% for productivity, merit and seniority
Cost-of-living adjustments	5.0% per year

CITY OF ERIE, PENNSYLVANIA
 Erie Parking Authority
 Required Supplemental Schedule - Analysis of Funding Progress
 December 31, 1998
 (In Millions)

Three-year historical trend information about the fund is presented herewith as required supplementary information. This information is intended to help users assess the Fund's funding status on a going-concern basis, assess progress made in accumulating assets to pay benefits when due, and make comparisons with other state and local government retirement systems.

A. Schedule of Funding Progress (in Millions of Dollars)

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets</u>	<u>Actuarial Accrued Liability (AAL)</u>	<u>Unfunded AAL (UAAL)</u>	<u>Funded Ratio</u>	<u>Covered Payroll</u>	<u>UAAL as a Percentage of Covered Payroll</u>
January 1, 1995	\$ 454,691	\$ 480,217	\$ 25,526	94.7 %	\$ 601,861	4.2 %
January 1, 1997	492,307	579,912	87,605	84.9	676,838	12.9
January 1, 1999	597,259	653,781	56,522	91.4	679,763	8.3

B. Contributions From the Employer and Other Contributing Entities

<u>Calendar Year</u>	<u>Annual Required Contributions</u>	<u>Percentage Contributed</u>
1996	\$ 23,975	100.0 %
1997	22,407	100.0
1998	35,033	100.0

CITY OF ERIE, PENNSYLVANIA
 Erie Parking Authority
 Required Supplemental Schedule - Analysis of Funding Progress
 December 31, 1998
 (In Millions)

C. Notes to Required Supplementary Information

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

Valuation date	1/1/99
Actuarial cost method	Entry age-normal
Amortization method	N/A
Remaining amortization period	N/A
Asset valuation method	Fair market value
Actuarial assumptions:	
Investment rate of return	7.0%
Projected salary increases	0.0%
Includes inflation at	N/A
Cost-of-living adjustments	N/A

CITY OF ERIE, PENNSYLVANIA
 Erie Metropolitan Transit Authority
 Required Supplemental Schedule - Analysis of Funding Progress
 December 31, 1998
 (In Millions)

Six-year historical trend information about the fund is presented herewith as required supplementary information. This information is intended to help users assess the Fund's funding status on a going-concern basis, assess progress made in accumulating assets to pay benefits when due, and make comparisons with other state and local government retirement systems.

A. Schedule of Funding Progress (in Millions of Dollars)

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets</u>	<u>Actuarial Accrued Liability (AAL)</u>	<u>Unfunded AAL (UAAL)</u>	<u>Funded Ratio</u>	<u>Covered Payroll</u>	<u>UAAL as a Percentage of Covered Payroll</u>
May 1, 1988	\$ 2,036,861	\$ 3,002,207	\$ 965,346	67.85 %	\$ 2,555,075	37.78 %
May 1, 1989	2,156,750	2,791,188	634,438	77.27	2,640,350	24.03
May 1, 1991	2,252,847	3,146,173	893,326	71.61	2,649,247	33.72
May 1, 1993	2,992,775	3,310,773	317,998	90.40	2,857,172	11.13
May 1, 1995	3,387,778	4,357,147	969,369	77.75	3,191,939	30.37
May 1, 1997	4,033,707	5,185,181	1,151,474	77.79	3,053,388	37.71

B. Contributions From the Employer and Other Contributing Entities

<u>Calendar Year</u>	<u>Annual Required Contributions</u>	<u>Percentage Contributed</u>
1993	\$ 163,254	110.9 %
1994	118,996	157.0
1995	122,987	157.9
1996	215,166	98.6
1997	203,780	101.6
1998	233,159	103.6

CITY OF ERIE, PENNSYLVANIA
Erie Metropolitan Transit Authority
Required Supplemental Schedule - Analysis of Funding Progress
December 31, 1998
(In Millions)

C. Notes to Required Supplementary Information

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

Valuation date	5/1/97
Actuarial cost method	Entry age-normal
Amortization method	Level dollar payment closed
Remaining amortization period	14 years
Asset valuation method	Five year moving average appreciation
Actuarial assumptions:	
Investment rate of return	7.0%
Projected salary increases	4.0%
Includes inflation at	N/A
Cost-of-living adjustments	N/A

CITY OF ERIE, PENNSYLVANIA

Year 2000 Issue
Required Supplemental Schedule
December 31, 1998

Year 2000 Issues - The year 2000 issue is the result of shortcomings in many electronic data processing systems and other equipment that may adversely affect the governments operations as early as fiscal 1999.

The City as completed an inventory of computer systems and other related electronic equipment that may be affected by the Year 2000 Issue and that are necessary to conducting the operations of the City. Based on this inventory, the City has begun the process of acquiring software and hardware that are Year 2000 compliant for its' financial human resources and material procurement systems. Testing and systems validation will be accomplished after the hardware and software has been installed.

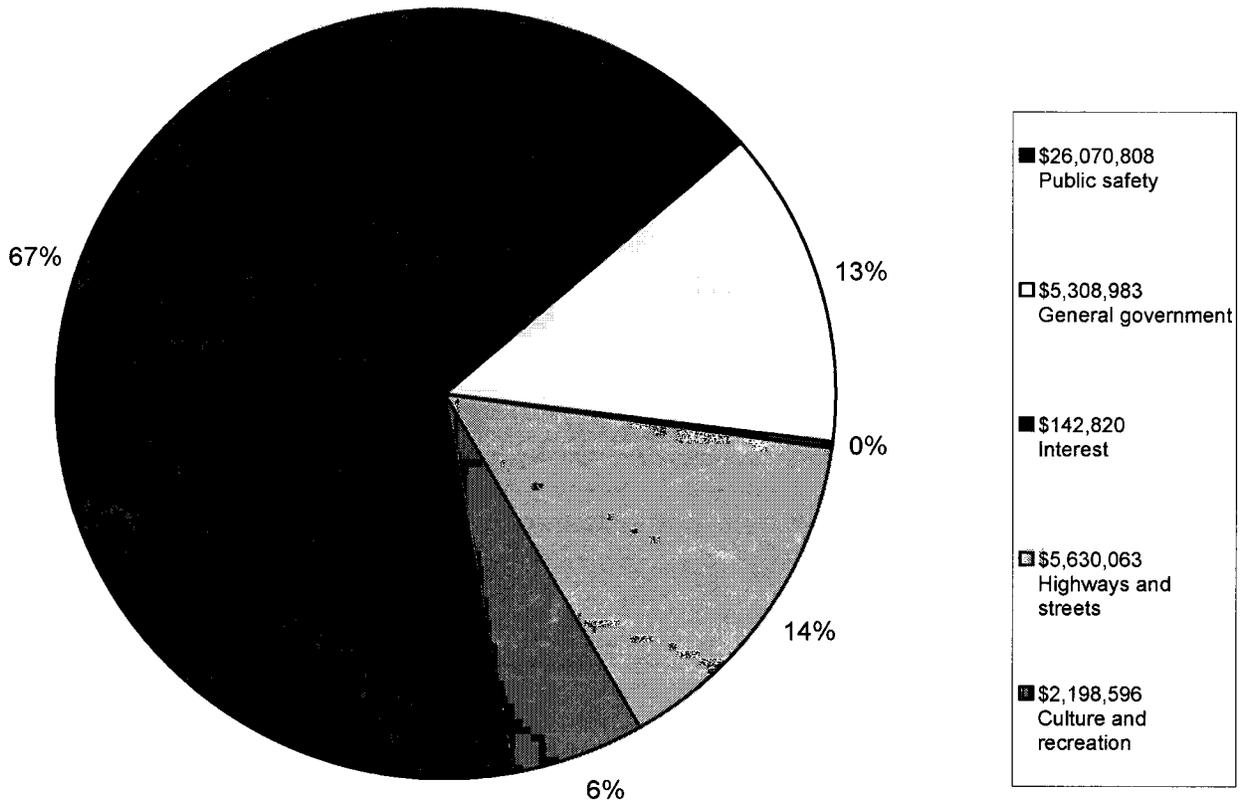
Outside sources for revenues and goods and services will be investigated for their Year 2000 compliance capability. The survey will be done in the first half of 1999. As of December 31, 1998, the impact of these organizations Year 2000 readiness is not fully known.

Because of the unprecedented nature of the Year 2000 Issue, its effects and the success of the remediation efforts will not be fully determinable until the Year 2000 and thereafter management cannot assure that the City is or will be year 2000 ready, that the City's remediation efforts will be successful in whole or in part, or that parties with whom the City of Erie does business with will be Year 2000 ready.

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CITY OF ERIE, PENNSYLVANIA

General Fund
Expenditures by Function
December 31, 1998



CITY OF ERIE, PENNSYLVANIA

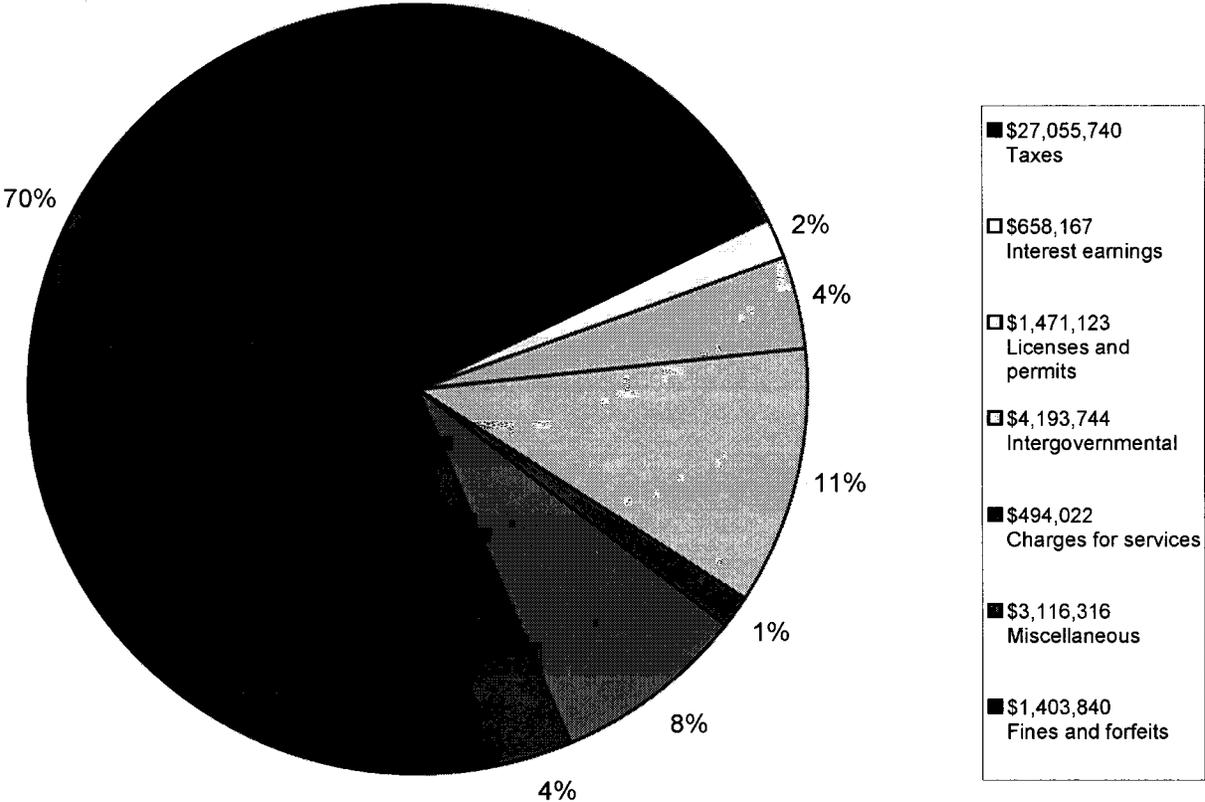
General Fund
Expenditures by Function
Last Ten Years

Year	General Government	Public Safety	Highways and Streets	Sanitation	Culture and Recreation	Debt Service	Inter- Governmental	Total
1989	\$ 5,365,103	\$ 17,769,905	\$ 3,808,676	\$ 1,745,266	\$ 584,917	\$ 387,320	\$ 493,000	\$ 30,154,187
1990	5,385,502	19,578,603	4,348,908	2,082,068	179,430	364,583	353,000	32,292,094
1991(1)	5,873,375	21,364,046	5,602,769	2,501,896	893,329	280,952	353,000	36,869,367
1992(1)	5,124,773	25,331,891	5,633,009	3,361,680	1,067,972	45,244	353,000	40,917,569
1993(1)	5,168,622	26,396,807	6,202,639	3,536,360	1,257,377	0	348,000	42,909,805
1994(1)	5,381,890	27,607,318	6,144,493	3,401,378	1,309,743	0	348,000	44,192,822
1995(1)	4,900,550	28,181,500	6,161,531	0	1,770,143	0	418,000	41,431,724
1996(1)	4,730,652	29,669,217	6,609,021	0	1,824,672	1,169	453,000	43,287,731
1997(1)	4,443,112	29,753,925	5,752,611	0	2,101,892	14,129	393,500	42,459,169
1998(1)	5,308,983	26,070,808	5,630,063	0	2,198,596	142,820	0	39,351,270

(1) Modified accrual basis, all other years cash basis.

CITY OF ERIE, PENNSYLVANIA

General Fund
Revenues by Source
December 31, 1998



CITY OF ERIE, PENNSYLVANIA

General Fund
Revenues by Source
Last Ten Years

Year	Taxes	Licenses and Permits	Inter- Governmental	Charges for Services	Fines and Forfeits	Interest Earnings	Misc	Total
1989	\$ 23,551,850	\$ 950,839	\$ 808,375	\$ 739,722	\$ 845,017	\$ 877,396	\$ 1,896,073	\$ 29,669,272
1990	24,747,672	511,148	811,893	2,562,176	1,137,462	737,299	1,638,949	32,146,599
1991(1)	26,516,365	655,298	1,049,500	2,458,821	1,031,216	524,812	2,183,888	34,419,900
1992(1)	29,187,921	940,033	3,637,743	3,835,616	1,054,986	304,567	2,539,967	41,500,833
1993(1)	27,314,246	936,890	3,724,211	3,832,027	1,131,552	275,529	1,800,968	39,015,423
1994(1)	27,991,017	1,144,274	3,747,337	3,742,481	1,456,585	289,727	1,795,003	40,166,424
1995(1)	28,124,592	1,450,482	4,297,030	653,879	1,402,940	339,697	3,956,583	40,225,203
1996(1)	27,864,286	1,403,364	3,985,300	708,353	1,272,147	340,269	3,967,010	39,540,729
1997(1)	27,712,258	1,598,494	3,880,809	634,659	1,350,281	558,646	2,922,829	38,657,976
1998(1)	27,055,740	1,471,123	4,193,744	494,022	1,403,840	658,167	3,116,316	38,392,952

(1) Modified accrual basis, all other years cash basis.

CITY OF ERIE, PENNSYLVANIA

Property Tax Levies and Collections
Last Ten Years

Year	Total Tax Levy(1)	Current Tax Collections	Percent of Levy Collected(2)	Delinquent Tax Collections	Total Tax Collections(3)	Total Collections As Percent Of Current Levy	Outstanding Delinquent Taxes(4)	Outstanding Delinquent Taxes As Percent of Current Levy
1989	\$ 20,823,118	\$ 19,433,754	93.3%	\$ 1,316,393	\$ 20,750,147	99.6%	\$ 1,079,722	5.2%
1990	20,847,453	19,627,804	94.1	1,377,050	21,004,854	100.8	1,866,307	9.0
1991	21,707,365	19,709,072	90.8	1,236,680	20,945,752	96.5	1,960,987	9.0
1992	23,085,067	21,411,050	92.7	2,592,839	24,003,889	104.0	1,632,421	7.1
1993	22,873,739	21,054,469	92.0	1,474,700	22,529,169	98.5	1,368,179	6.0
1994	22,838,081	21,149,004	92.6	1,520,056	22,669,060	99.0	1,622,913	7.0
1995	22,862,066	21,314,859	93.2	1,431,989	22,746,848	99.0	1,390,857	6.1
1996	22,841,089	21,337,311	93.4	1,361,590	22,698,901	99.4	1,476,504	6.5
1997	22,848,411	21,342,031	93.4	1,515,280	22,857,311	100.0	1,408,202	6.2
1998	22,934,669	21,447,001	93.5	1,347,321	22,794,322	99.4	1,448,881	6.3

(1) Gross tax levy, net of debit and credit memos, discounts and adjustments.

(2) Current year.

(3) Current and prior years.

(4) Represents delinquent taxes due at the end of the year on taxes levied for that year.

Source: City Treasurer.

Note: 2% rebate until March 31.

CITY OF ERIE, PENNSYLVANIA

Assessed and Estimated Actual
Value of Taxable Property
Last Ten Years

Year	Net Assessed Valuation(1)	Estimated Actual Value(3)	Assessed Valuation As Percent of Market	Tax Title Exempt Property
1989	\$ 537,484,050	\$ 1,163,239,700	46.2%	\$ 283,499,830
1990	546,004,259	1,253,886,400	43.5	267,340,640
1991	548,036,990	1,272,387,800	43.1	271,536,510
1992	547,164,522 (2)	1,395,825,900	39.2	271,563,550
1993	537,745,958 (2)	1,375,825,400	39.1	222,546,460
1994	538,761,050 (2)	1,482,771,200	36.3	260,535,960
1995	535,890,184 (2)	1,486,402,400	36.1	256,459,100
1996	536,387,641 (2)	1,587,587,000	33.8	273,475,070
1997	534,919,470 (2)	1,584,229,000	33.8	273,421,080
1998	538,955,180 (2)	1,731,610,400	31.1	278,574,600

(1) Net of LERTA (Local Economic Revitalization Tax Assistance Act).

(2) Net of debits and credits.

(3) Source: State Tax Equalization Board.

CITY OF ERIE, PENNSYLVANIA

Property Tax Rates - Direct and Overlapping Governments
Last Ten Years

Year	Per \$1000 of Assessed Value			Total
	City	School District	County(1)	
1989	39.75	38.50	31.75	110.00
1990	40.00	45.00	35.50	120.50
1991	40.50	48.00	40.25	128.75
1992	42.78	49.00	41.75	133.53
1993	42.78	49.00	43.50	135.28
1994	42.78	49.00	44.50	136.28
1995	43.23	51.00	45.50	139.73
1996	43.23	51.00	46.00	140.23
1997	43.23	54.00	50.00	147.23
1998	43.23	56.00	51.00	150.23

(1) Calculated on 40% of assessed value.

CITY OF ERIE, PENNSYLVANIA

Annual Requirements to Amortize Long-Term Debt
December 31, 1998

Year Ending Dec. 31	General Fund General Obligation Bonds			Sewer Revenue Fund General Obligation Bonds		
	Principal	Interest	Total	Principal	Interest	Total
1999	\$ 3,565,000	\$ 1,503,948	\$ 5,068,948	\$ 570,000	\$ 829,131	\$ 1,399,131
2000	3,640,000	1,180,116	4,820,116	595,000	806,331	1,401,331
2001	3,820,000	1,000,601	4,820,601	620,000	781,044	1,401,044
2002	3,370,000	808,691	4,178,691	645,000	753,764	1,398,764
2003	3,535,000	640,644	4,175,644	675,000	724,094	1,399,094
2004	3,730,000	446,714	4,176,714	710,000	692,369	1,402,369
2005	3,940,000	236,564	4,176,564	740,000	658,289	1,398,289
2006	4,165,000	12,404	4,177,404	775,000	622,769	1,397,769
2007	4,185,732	0	4,185,732	1,039,260	360,921	1,400,181
2008	4,185,782	0	4,185,782	1,204,219	195,212	1,399,431
2009	4,183,282	0	4,183,282	1,221,719	179,962	1,401,681
2010	4,182,032	0	4,182,032	1,237,969	163,712	1,401,681
2011	4,182,282	0	4,182,282	1,252,719	146,712	1,399,431
2012	4,184,032	0	4,184,032	1,270,969	128,962	1,399,931
2013	4,182,282	0	4,182,282	1,287,719	110,212	1,397,931
2014	4,182,282	0	4,182,282	1,307,719	90,712	1,398,431
2015	4,184,950	0	4,184,950	1,330,050	69,700	1,399,750
2016	4,184,669	0	4,184,669	1,350,332	47,662	1,397,994
2017	4,181,181	0	4,181,181	1,373,819	24,344	1,398,163
2018	4,185,000	0	4,185,000	0	0	0
2019	4,185,000	0	4,185,000	0	0	0
2020	4,185,000	0	4,185,000	0	0	0
2021	4,185,000	0	4,185,000	0	0	0
2022	4,185,000	0	4,185,000	0	0	0
2023	4,185,000	0	4,185,000	0	0	0
2024	4,185,000	0	4,185,000	0	0	0
Total	<u>\$ 105,078,506</u>	<u>\$ 5,829,682</u>	<u>\$ 110,908,188</u>	<u>\$ 19,206,494</u>	<u>\$ 7,385,902</u>	<u>\$ 26,592,396</u>

CITY OF ERIE, PENNSYLVANIA

Computation of Legal Debt Margin
As of December 31, 1998

Nonelectoral Debt Incurring Capacity:

Borrowing base(1)	\$ 81,726,131
Percentage limitation	<u>250</u>
Net nonelectoral debt limit	\$ 204,315,328
Less: net nonelectoral debt incurred	54,003,519
Add: current principal appropriation	<u>4,514,709</u>
Remaining nonelectoral debt incurring capacity	<u><u>\$ 154,826,518</u></u>

Nonelectoral Plus Lease Rental Debt Incurring Capacity:

Borrowing base(1)	\$ 81,726,131
Percentage limitation	<u>350</u>
Net nonelectoral plus lease rental debt limit	\$ 286,041,457
Less: net nonelectoral debt plus lease rental debt incurred	111,789,459
Add: current principal appropriation	<u>4,514,709</u>
Remaining nonelectoral plus lease rental debt incurring capacity	<u><u>\$ 178,766,707</u></u>

(1) The Commonwealth of Pennsylvania has enacted the Local Government Unit Debt Act which limits debt to revenues. Revenues of the last three years are adjusted for various nonrecurring and excludable items. The average of adjusted revenues for the respective years is the borrowing base. Certain percentages are applied to the borrowing base to determine the debt limitations.

CITY OF ERIE, PENNSYLVANIA

Ratio of Net General Bonded Debt to Assessed Value
and Net Bonded Debt Per Capita
Last Ten Years

<u>Year</u>	<u>Net General Bonded Debt</u>	<u>Net Assessed Valuation(1)</u>	<u>Ratio to Assessed Valuation</u>	<u>Population(3)</u>	<u>Net General Bonded Debt Per Capita</u>
1989	\$ 7,193,773	\$ 537,484,050	1.3%	115,190	\$ 62.45
1990	5,568,206	546,004,259	1.0	115,190	51.22
1991	6,424,804	548,036,990	1.2	108,718	59.10
1992	5,588,732	547,164,522 (2)	1.0	108,718	51.41
1993	12,950,000	537,745,958 (2)	2.4	108,718	119.12
1994	12,470,000	538,761,050 (2)	2.3	108,718	114.70
1995	12,015,000	535,890,184 (2)	2.2	108,718	110.52
1996	11,535,000	536,387,641 (2)	2.2	108,718	106.10
1997	19,910,000	534,919,470 (2)	3.7	108,718	183.13
1998	104,285,425	538,955,180 (2)	19.4	108,718	959.23

(1) Net of LERTA (Local Economic Revitalization Tax Assistance Act).

(2) Net of debits and credits.

(3) Sources: Bureau of Census
Office of Revenue Sharing
Erie Chamber of Commerce

CITY OF ERIE, PENNSYLVANIA

Ratio of Annual Debt Service for
General Bonded Debt to Total General Expenditures
Last Ten Years

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Debt Service(1)</u>	<u>Total General Expenditures</u>	<u>Ratio of Debt Service to General Expenditures</u>
1989	\$ 1,760,505	\$ 461,298	\$ 2,221,803	\$ 30,154,187	7.4%
1990	1,623,175	363,945	1,987,120	32,292,094	6.2
1991(2)	583,402	299,952	883,354	36,869,367	2.4
1992(2)	836,072	376,535	1,212,607	40,917,569	3.0
1993(2)	878,856	314,757	1,193,613	42,909,805	2.8
1994(2)	480,000	673,412	1,153,412	44,192,822	2.6
1995(2)	455,000	604,428	1,059,428	41,431,724	2.6
1996(2)	480,000	574,933	1,054,933	43,287,731	2.4
1997(2)	535,000	542,991	1,077,991	42,459,169	2.5
1998(2)	915,000	988,911	1,903,911	39,351,270	4.8

(1) Excludes loans.

(2) Modified accrual basis, all other years cash basis.

CITY OF ERIE, PENNSYLVANIA

Computation of Direct and Overlapping Debt
December 31, 1998

	Net Debt Outstanding	Percentage Applicable to City of Erie	Amount Applicable to City of Erie
Direct Debt:			
1971 Capital Improvement bond	\$ 270,000	100.0%	\$ 270,000
1971 Capital Improvement bond	270,000	100.0	270,000
1993 General obligation bond (B)	205,000	100.0	205,000
1993 General obligation bond (B)	215,000	100.0	215,000
1993 General obligation bond (B)	220,000	100.0	220,000
1993 General obligation bond (B)	230,000	100.0	230,000
1993 General obligation bond (B)	240,000	100.0	240,000
1993 General obligation bond (B)	520,000	100.0	520,000
1993 General obligation bond (B)	280,000	100.0	280,000
1993 General obligation bond (B)	2,380,000	100.0	2,380,000
1993 General obligation bond (B)	1,770,000	100.0	1,770,000
1998 General obligation bond (A)	3,300,000	100.0	3,300,000
1998 General obligation bond (A)	3,365,000	100.0	3,365,000
1998 General obligation bond (A)	3,540,000	100.0	3,540,000
1998 General obligation bond (A)	3,075,000	100.0	3,075,000
1998 General obligation bond (A)	3,705,000	100.0	3,705,000
1998 General obligation bond (A)	4,180,000	100.0	4,180,000
1998 General obligation bond (A)	11,765,000	100.0	11,765,000
1998 General obligation bond (B)	495,000	100.0	495,000
1998 General obligation bond (B)	520,000	100.0	520,000
1998 General obligation bond (B)	545,000	100.0	545,000
1998 General obligation bond (B)	575,000	100.0	575,000
1998 General obligation bond (B)	265,000	100.0	265,000
1998 General obligation bond (B)	15,000	100.0	15,000
1998 General obligation bond (B)	2,235,000	100.0	2,235,000
1998 General obligation bond (B)	5,085,000	100.0	5,085,000
1998 General obligation bond (B)	5,080,000	100.0	5,080,000
1998 General obligation bond (B)	5,080,000	100.0	5,080,000
1998 General obligation bond (B)	5,080,000	100.0	5,080,000
1998 General obligation bond (B)	5,080,000	100.0	5,080,000
1998 General obligation bond (B)	5,080,000	100.0	5,080,000
1998 General obligation bond (B)	5,080,000	100.0	5,080,000
1998 General obligation bond (B)	5,080,000	100.0	5,080,000
1998 General obligation bond (B)	5,085,000	100.0	5,085,000
1998 General obligation bond (B)	5,080,000	100.0	5,080,000
1998 General obligation bond (B)	9,265,000	100.0	9,265,000
1998 General obligation bond (B)	8,370,000	100.0	8,370,000
1998 General obligation bond (B)	16,740,000	100.0	16,740,000
	<u>124,285,000</u>		<u>124,285,000</u>
Overlapping Debt:			
Erie Housing Authority	590,181	100.0	590,181
Erie Municipal Park Authority	265,000	100.0	265,000
Erie School District	82,527,349	100.0	82,527,349
Erie Sewer Authority	52,905,000	100.0	52,905,000
Erie Parking Authority	26,265,000	75.0	19,698,750
Erie City Water Authority	66,628,292	70.0	46,639,804
County of Erie	48,321,055	35.6	17,202,296
Erie Western Pennsylvania Port Authority	9,850,586	30.0	2,955,176
Total	<u>287,352,463</u>		<u>222,783,556</u>
Total Direct and Overlapping Debt	<u>\$ 411,637,463</u>		<u>\$ 347,068,556</u>

CITY OF ERIE, PENNSYLVANIA

Demographic Statistics
1800-1990

<u>Census Year</u>	<u>Population</u>	<u>% Increase (Decrease)</u>	<u>Square Miles</u>	<u>Average Density (Persons/ Square Mile)</u>
1800	81		18.9	4
1810	394	386.4%	18.9	21
1820	635	61.2	18.9	34
1830	1,465	130.7	18.9	78
1840	3,412	132.9	18.9	181
1850	5,858	71.7	18.9	312
1860	9,419	60.8	18.9	501
1870	19,646	108.6	18.9	1,045
1880	27,737	41.2	18.9	1,475
1890	40,634	46.5	18.9	2,161
1900	57,527	41.6	18.9	3,060
1910	66,525	15.6	18.9	3,539
1920	102,093	53.5	18.9	5,430
1930	115,967	13.6	18.9	6,168
1940	116,955	0.9	18.9	6,221
1950	130,803	11.8	18.9	6,958
1960	138,440	5.8	18.9	7,325
1970	129,231	(6.7)	18.9	6,838
1980	119,123	(7.8)	18.9	6,303
1990	108,718	(8.7)	18.9	5,752

CITY OF ERIE, PENNSYLVANIA

Property Values and Construction
Last Ten Years

Year	Commercial		Residential		Miscellaneous	
	Units	Value	Units	Value	Units	Value
1989	230	\$ 10,228,641	300	\$ 12,107,615	136	\$ 597,608
1990	273	20,266,381	303	3,409,847	122	608,214
1991	207	29,957,545	436	7,530,704	158	661,054
1992	110	37,449,514	414	4,847,908	183	324,967
1993	104	39,146,753	369	17,266,869	132	206,455
1994	110	35,304,641	369	10,537,236	109	190,523
1995	124	51,002,534	330	7,804,454	115	230,078
1996	160	35,164,903	419	8,663,135	105	146,324
1997	151	43,393,843	356	5,139,835	87	172,530
1998	168	35,756,892	375	8,023,283	122	196,280

Source: Department of Economic and Community Development.

CITY OF ERIE, PENNSYLVANIA

Financial Institution Deposits
Last Ten Years

<u>Year(1)</u>	<u>Commercial Banks</u>	<u>Savings and Loan Associations</u>	<u>Credit Unions</u>	<u>Total Deposits</u>
1989	\$ 904,183,000	\$ 576,125,000	\$ 216,827,000	\$ 1,697,135,000
1990	921,097,000	586,971,000	237,162,000	1,745,230,000
1991	980,745,000	616,326,000	261,662,000	1,858,733,000
1992	1,005,283,000	596,240,000	302,445,000	1,903,968,000
1993	963,897,000	616,845,000	329,968,000	1,910,710,000
1994	1,004,768,000	629,224,000	343,605,000	1,977,597,000
1995	949,439,000	643,149,000	331,913,000	1,924,501,000
1996	975,829,000	645,720,000	341,075,000	1,962,624,000
1997	997,993,000	681,954,000	345,693,000	2,025,640,000
1998	1,414,158,000	642,888,000	355,954,000	2,413,000,000

(1) Fiscal Year Ended June 30.
Source: PNC Bank, Erie, PA.

CITY OF ERIE, PENNSYLVANIA

Principal Taxpayers
December 31, 1998

Taxpayer	Assessed Valuation	Percent of Taxable Assessed Valuation
Erie Insurance, et al	\$ 12,496,430	2.3%
Baldwin Brothers Incorporated	5,458,620	1.0
International Paper Company	4,231,000	0.8
Lord Manufacturing Corporation	2,797,110	0.5
Covelli, Albert M.	2,150,270	0.4
Friedman, Janice, et al	1,961,480	0.4
Central Mall Partnership	1,796,140	0.3
Bay Area Redevelopment, Lmt.	1,758,910	0.3
Bayside Development Company	1,647,200	0.3
South Shore Developers, et al	1,618,540	0.3
	<u>\$ 35,915,700</u>	<u>6.6%</u>

Source: Erie County Assessment Office.

CITY OF ERIE, PENNSYLVANIA

Miscellaneous Statistical Data
December 31, 1998

Area in Acres:			
Land	12,107.0		
Water	<u>384.0</u>	12,107.0	Acres
Square Miles:			
Land	18.9		
Water	<u>0.6</u>	19.5	Square Miles
Miles of Streets:			
Paved	264.0		
Unpaved	<u>58.7</u>	322.7	Miles
Miles of Sewers		428.2	Miles
Miles of Water Frontage:			
Fronting Presque Isle Bay	4.0		
Fronting Lake Erie	<u>1.6</u>	5.6	Miles

CITY OF ERIE, PENNSYLVANIA

Labor Force
Last Ten Years Annual Average
(Data in Thousands)

<u>Year</u>	<u>Civilian Labor Force</u>	<u>Employment</u>	<u>Unemployment</u>	<u>Unemployment Rate</u>
1989	53.3	50.2	3.0	5.6
1990	54.5	51.0	3.5	6.5
1991	55.4	50.8	4.6	8.3
1992	54.3	49.2	5.1	7.9
1993	52.8	48.2	4.6	8.7
1994	52.0	47.2	4.2	8.2
1995	52.4	47.8	4.6	8.2
1996	52.3	48.3	4.0	7.7
1997	51.1	47.1	4.0	7.9
1998	50.3	46.9	3.4	6.8

Source: Commonwealth of Pennsylvania, Bureau of Research and Statistics.

CITY OF ERIE, PENNSYLVANIA

General Fund
Schedule of Insurance In Force
December 31, 1998

Company	Details of Coverage	Policy Number	Policy Period		Coverage Limits	Deductible	Premium
			From	To			
Coregis Insurance	Public officials liability includes Erie Sewer Authority	POD-000293-1	1/1/98	1/1/99	\$ 1,000,000 aggregate \$ 1,000,000 each loss	\$ 10,000 per occurrence	\$ 9,851
Coregis Insurance	Public officials liability includes Civic Center	POD-000345-1	1/1/98	1/1/99	\$ 1,000,000 aggregate	\$ 50,000 per occurrence	\$ 32,302
Coregis Insurance	Police professional liability	651-007000-8	1/1/98	1/1/99	\$ 2,000,000 aggregate	\$ 25,000	\$ 30,395
Coregis Insurance	General liability Erie Sewer Authority, golf course liability pesticide/herbicide applicator coverage, crossing guards liability, emergency medical technicians, liquor and golf carts	651-007000-8	1/1/98	1/1/99	\$ 2,000,000 aggregate \$ 500,000 each occurrence	\$ 25,000	\$ 29,666
Coregis Insurance	Commercial property, excess property	651-007000-8	1/1/98	1/1/99	\$ 1,000,000 aggregate excess 200,000 aggregate fire and lightning extended coverage malicious mischief	\$ 25,000	\$ 62,080
Coregis Insurance	Cable TV equipment	651-007000-8	1/1/98	1/1/99		\$ 25,000	
Coregis Insurance	Electronic data processing equipment	651-007000-8	1/1/98	1/1/99		\$ 25,000	
Coregis Insurance	Inland floater traffic engineering, 4 traffic counters	651-007000-8	1/1/98	1/1/99		\$ 25,000	
Coregis Insurance	Inland marine floater TV inspection and sealing system	651-007000-8	1/1/98	1/1/99		\$ 25,000	
Coregis Insurance	Fine arts-Perry Memorial	651-007000-8	1/1/98	1/1/99		\$ 25,000	
Coregis Insurance	Auto fleet Bureau of Fire/physical damage	651-007000-8	1/1/98	1/1/99	Full comprehensive coverage on all owned units	\$ 250 fire pumpers and ladder trucks \$ 500 any Bureau of Fire unit in excess of \$20,000	\$ 4,356
Coregis Insurance	Floater policy	651-007000-8	1/1/98	1/1/99	Coverage for equipment not attached to vehicles in various departments	\$ 25,000	
Coregis Insurance	Employees Dishonesty includes officers of Fire Pension Fund and Officers and Employees Retirement Fund also includes Treasurer and employees	651-007000-8	1/1/98	1/1/99	\$ 100,000 \$ 25,000 theft \$ 50,000 forgery	\$ 25,000	

Company	Details of Coverage	Policy Number	Policy Period		Coverage Limits	Deductible	Premium
			From	To			
Kemper Insurance	Boiler and machinery	3XN-026-686-01	1/1/98	1/1/99	\$ 30,000,000 maximum limit per loss	\$ 1,000	\$ 7,500
General Accident	Automobile fleet fire/liability only	BA 0143533-05	1/1/98	1/1/99	\$ 1,000,000 on comprehensive and collision insurance	\$ 200 collision coverage for 1990 and subsequent years and all motorcycles	\$ 164,759
Firemens Fund	Surety bond	37-049-531-1	5/2/98	5/2/99	Gas well at zoo		\$ 250
Cincinnati Insurance	Treasurer bond	58533208-1	1/1/98	12/31/2001	\$ 2,000,000		\$ 4,244
National Grange Mutual Insurance	Controller bond	S-140615-1	1/1/98	12/31/2001	\$ 100,000		\$ 1,139
Commonwealth of Pennsylvania	Workers compensation		1/1/98	1/1/99		Self-Insured with the State	
Zurick-American Insurance	Excess workers compensation	EWS8180112-03	1/1/98	1/1/99	\$ 1,000,000 limit of indemnity		\$ 80,701

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