



2002  
COMPREHENSIVE  
ANNUAL FINANCIAL  
REPORT

YEAR ENDING DECEMBER 31, 2002

CITY OF ERIE  
PENNSYLVANIA

*Richard E. Filippi, Mayor*

**CITY OF ERIE, PENNSYLVANIA**

Comprehensive Annual Financial Report

December 31, 2002



Prepared By:  
Department of Administration and Finance

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# CITY OF ERIE, PENNSYLVANIA

## Comprehensive Annual Financial Report

December 31, 2002

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# CITY OF ERIE, PENNSYLVANIA

## Comprehensive Annual Financial Report

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June 30, 2003

To: **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, 2002 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, is presented fairly 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 this letter of transmittal, the list of principal officials, and the government's organizational 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, which is unaudited, includes selected financial and demographic information, generally presented on a multi-year basis.

The City of Erie, Pennsylvania is required to undergo an annual single audit in conformity with the provisions of the Single Audit Act of 1996 and the U.S. Office of Management and Budget's Circular A-128. Information related to this single audit, including a schedule of federal awards, the independent auditor's reports on internal controls and compliance with applicable laws and regulations, and a schedule of findings and questioned costs are included in a separately issued single audit report.

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	WATER SERVICE
STREET CONSTRUCTION AND MAINTENANCE	SEWER SERVICE
SANITATION	PARKS AND RECREATION
ECONOMIC AND COMMUNITY DEVELOPMENT	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

BUILDING CODE APPEALS  
HOUSING APPEALS  
LICENSE EXAMINERS

ELECTRICAL CONTRACTOR LICENSE EXAMINATION  
CIVIL SERVICE  
ZONING HEARING

**COMMISSIONS:**

BUILDING CODE  
ELECTRICAL CODE  
SHADE TREE

CITY PLANNING  
PLUMBING CODE

COMMUNITY DEVELOPMENT  
TRAFFIC

**PENSIONS:**

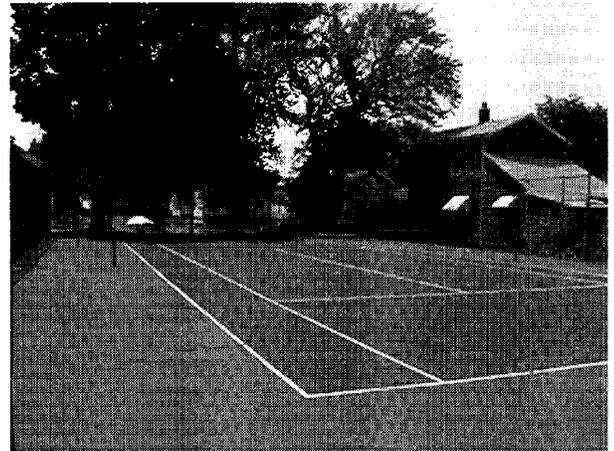
OFFICERS AND EMPLOYEES' RETIREMENT ASSOCIATION  
FIREMEN'S PENSION FUND  
POLICE RELIEF PENSION ASSOCIATION

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 Parking Authority  
Erie Municipal Park Authority  
Erie Metropolitan Transit 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**

In preparing the 2002 budget the Administration utilized the Mayor's Blueprint for Progress to define the goals and priorities of the City of Erie. The Blueprint for Progress defines its priorities as:

1. Neighborhood Revitalization - the cornerstone to a healthy city
2. Proactive Economic Development – creating opportunities for business growth, investment, job creation and retention
3. Public Safety – creating a safe environment to work, live and raise a family
4. Managing for Results – a comprehensive approach to rethinking how city services operate.

Add to the Blueprint for Progress the formation of the Civic Coordinating Committee, a group of business, labor and political leaders, co-chaired by the Mayor and County Executive is leading the way for economic growth and stability. C-cubed was formed in 2002 with significant goals set and detailed plans put in place to achieve those goals. Its vision is:

*To create a vibrant community where everyone works together to attract, retain and grow business to develop prosperity, family sustaining jobs and high quality of life for all Erie county citizens. Within 20 years, Erie County will become the fastest growing and prosperous region in Pennsylvania and on the Great Lakes. We will meet and exceed the national averages in all measures of economic performance.*

This vision along with the goals and objectives put in place to achieve the vision is the driving force behind the new, aggressive, positive outlook that is shaping the region. New attention is being given to job retention, brain gain and cluster development, capitalizing on the many strong attributes and resources of our region.

## **Major Initiatives for 2002**

In preparing this budget and throughout 2002 the priorities as outlined above were taken into consideration in all operations of the City of Erie. Major priorities and projects that were undertaken in 2002 include:

From the Office of Economic & Community Development, we saw more than 90 million dollars invested through the issuance of building permits and the City of Erie helped facilitate several million dollars in grants and loans for various projects. Some highlights of this office include:

- Implementation of a citywide commercial (LERTA) and residential (RIO) 10 year tax abatement program designed to act as an incentive to lure both residential and business investment.
- Initial funding was secured for the Koehler Brewery Square Project, which allowed for the start of demolition and the beginning of reuse of this historic property in the heart of downtown Erie.
- Sunburst Electronics, a Bliley Technologies subsidiary, completed its relocation to a newly constructed facility on the east bayfront.
- Jerilu Fruit & Produce, Bayview Nephrology and the Funding Factory all announced their relocation and expansion to the east bayfront as well. In addition to the construction jobs being created these projects will net a minimum of 388 new jobs.
- Support of the Erie Technology Incubator, also known as the Gannon Incubator. This project provides the space and services necessary to support the creation and growth of small businesses in Erie. ETI will support office-based start-ups in the fields of technology, engineering and professional services.
- The Broadband Initiative began in 2002 with the goal of wiring the city for the future. A consultant was retained with significant steps being taken to ensure the city's viability to offer high-speed internet access to existing and future businesses.
- Downtown growth and development is being led through the implementation of a Business Improvement District, the first phase of which was completed in '02.
- Perhaps the largest initiative in the city's history of economic development began with the facilitation to gain site control of the former International Paper site for productive reuse. An environmental study was contracted to begin the necessary research.
- Efforts to revitalize our neighborhoods began with changes to the Redevelopment Authority. Working with Public Safety we created the Neighborhood Action Team and implemented the Weed and Seed Program and have sought a more aggressive public/private partnership for investment opportunities.

The Office of Communications also undertook a significant step in the advancement of economic development and in efforts to enhance the city's livability by creating the Office of Cultural Affairs. This office's goals are to create opportunities for growth and expansion of arts and culture in our city,

recognize and leverage their economic impact on a community and strategically use arts and culture to impact quality of life for residents. The first venture undertaken by the office was a 3-day ethnic, art and music festival that drove tourism, created civic pride and stimulated the economy. According to the International Festivals and Events Association, CelebrateErie meant 1.35 million dollars for the local economy in 2002.

The Department of Public Works, Property and Parks has taken on a more integral role in the economic development and neighborhood revitalization efforts in addition to their critical role of everyday infrastructure maintenance and improvements. Among the major 2002 accomplishments was the restructuring of the Wastewater Treatment Plants Operational Plan to accommodate the transition and changes made necessary with the plant closing of International Paper. This included a restructuring of personnel that not only resulted in financial savings but a better utilization of plant staff. The Bureau once again met total compliance with all federal and state permits.

The Bureau of Streets 2002 Paving Program milled and resurfaced 28 miles of street at a cost of 1.65 million dollars, cleaned up 400 tons of debris, cleaned and paved 43 alleys, manufactured and installed 2000 regulatory, parking and traffic related signs and played a key role in the first major dump site cleanup that the City of Erie undertook in many years.

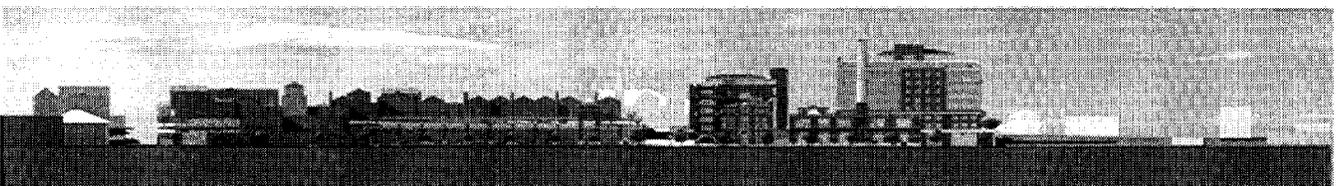
The Bureau of Engineering worked with Norfolk Southern Railroad on the 19<sup>th</sup> Street Relocation Project. This project was completed in September 2002 and resulted in renewed neighborhood pride and rejuvenation. Reorganization of the Traffic Engineering Office has begun with the primary goal to update the records and files from paper based to electronic.

The Bureau of Refuse and Recycling continue to operate the spring clean-up while improving regular services and increasing our recycling efforts with an aggressive recycling campaign "From Pop Cans to Playgrounds" which kicked-off last year.

The Bureau of Parks and Recreation began taking a more proactive approach to renovating our parks and playgrounds and began working closely with the Office of Cultural Affairs on several neighborhood initiatives. A Golf Task force was formed to evaluate and recommend ways to improve the efficiency and profitability of the courses. A five-year 2 million dollar capital improvement plan was recommended and approved in 2003.

Finance & Administration led the way to revamping the Income Tax office. Moving it from the Treasurer's Office to the Finance Office, the Income Tax department went under a comprehensive redesign to bring it into compliance with the law and to begin the effort to collect dollars due the City of Erie from other municipalities. Reevaluation and implementation of a more cost efficient health care plan was implemented and efforts to review the purchasing and payroll procedures to streamline costs also are underway.

Public Safety was a priority in 2002, starting with the reappointment of a Public Safety Director. The Police Department took bold steps to rebuild the department to be more proactive and a greater part of the community. Implementation of the Neighborhood Action Team, the Weed & Seed Program and the Safe Schools program have resulted in a greater presence of our police department in our schools and neighborhoods and have resulted in a significant reduction in crime. Statistics for 2002 show a 12% reduction in major crimes. An investment in technology for officers on the streets is an ongoing goal.



## **Major Initiatives for 2003**

As 2003 got underway we remained focused on the goals and priorities set forth by both the Blueprint for Progress and the Civic Coordinating Committee. Each department within the City of Erie remains focused and steadfast towards these goals of streamlining our operations, efficiently and effectively managing our resources and rebuilding our neighborhoods and economic opportunities. Among the key new developments in addition to those begun in 2002 was the implementation of our Managing for Results plan. This is a 10-point action plan designed to reduce costs, improve efficiencies and productivity, increase revenue and provide opportunity for growth. The 10 priorities are:

1. Reduce Operating Budget by 10%
2. Implement a Hiring Freeze in all departments unless deemed necessary to fulfill the priorities set forth
3. Design a Human Resource Efficiency plan
4. Review and recommend avenues for Smart Sourcing
5. Review the Health Care Plan for additional efficiencies
6. Complete a full analysis of our Bidding and Purchasing Policies
7. Strategic Development of Information Systems Office
8. Seek Uncollected and New Revenue Sources
9. Review of Risk Management Costs/Benefits
10. Reduction of Costs and Expansion of Services through Partnering

We unveiled our Neighborhoods First program, a comprehensive approach to meeting the needs of our neighborhoods. Guided by the residents and the Weed & Seed program we have an action plan designed to rebuild each neighborhood. The four goals of this program are:

1. Strive to increase homeownership in neighborhoods to an average of 75%
2. Identify and Define the Neighborhoods
3. Adopt a Zero Tolerance policy approach to vacant and blighted properties
4. Reduce crime by 10% a year for the next three years

Recognizing both the environmental and financial benefits of recycling, the aggressive marketing plan we implemented in 2002 continues into 2003. The results of the first quarter of 2003 showed a 7% increase in recycling, resulting in thousands of dollars in savings to the city. Continued marketing efforts are expected to result in even greater financial savings.

The Earned Income Tax project, which began in 2002, is resulting in positive financial results for the City of Erie in the millions of dollars. Resolutions to the past discrepancies with the municipalities are expected by mid-year of 2003. From this point forward all future income tax operations will be in compliance with the laws of the Commonwealth.

Priority is being given to the Computer Information Office. All aspects of city operations are being reviewed with the intent of creating efficiencies through technologies.

The Office of Community and Economic Development will continue to work on the projects outlined in the 2002 summary, Koehler Brewing, International Paper, Broadband Implementation, EMI as well as the relocation of GAF and the implementation of the Business Improvement District.

The Public Works Department will also continue its efforts to carry through the many projects begun in 2002 with the intent to have the traffic control automation system completed by years end and the GIS, which was started in 2003 significantly underway.

Public Safety, both Police and Fire, as part of the Weed & Seed team and the Neighborhoods First Action Team are continuing their efforts to carry out and meet the goals set forth in these programs. Resources and effort are focused on diversity recruitment, education and technology.

## **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 judgment 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 set of accounts. The various funds and account groups utilized by the City are described in Note ID. 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, 2002 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 \$38,126,917 in 2002, an increase of 9.18% from 2001. Total taxes account for 72.35% of general revenues compared to 67.04% 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 2001	
			Amount	Percent
Taxes	\$27,585,329	72.35%	\$4,172,071	17.82%
Licenses and Permits	1,421,350	3.73%	(\$306,117)	17.72%
Intergovernmental	3,014,071	7.91%	\$61,182	2.07%
Charges for services	280,102	0.73%	\$2,629	0.95%
Fines and forfeits	1,558,321	4.09%	(\$74,044)	4.54%
Interest earnings	771,782	2.02%	(\$188,845)	19.66%
Miscellaneous	3,495,962	9.17%	(\$462,023)	11.67%
<b>Total</b>	<b>\$38,126,917</b>	<b>100.00%</b>	<b>\$3,204,853</b>	<b>9.18%</b>

The largest dollar amount increase came from taxes. Taxes increased \$4,172,071 that represents 17.82% of the total increase in revenue over 2001.

General Fund expenditures totaled \$43,323,626 an increase of 5.79% over 2001. Variances in levels of expenditures for major functions and a comparison with the prior year are shown in the following table:

Function	Amount	Percent of Total	Increase (Decrease) From 2001	
			Amount	Percent
General government	\$ 5,865,518	13.54%	\$ 189,267	3.33%
Public safety	28,342,905	65.42%	1,502,343	5.60%
Highways and streets	6,607,881	15.25%	546,713	9.02%
Culture and recreation	2,507,322	5.79%	131,991	5.56%
<b>Total</b>	<b>\$43,323,626</b>	<b>100.00%</b>	<b>\$2,370,314</b>	<b>5.79%</b>

### General Fund Balance

The ending undesignated fund balance of the General Fund at December 31, 2002 is \$700,373 compared with a fund balance of \$1,861,406 at December 31, 2001.

### 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, 2002 totaled \$12,089,225; expenditures for the period were \$11,027,099. The combined ending fund balance of the Special Revenue Funds at December 31, 2002 was \$11,910,741 compared to \$11,216,856 at the end of 2001.

### Capital Projects Funds

The Capital Projects Funds account for major capital outlays. Combined revenues for 2002 were \$807,027 a decrease of \$417,511. Expenditures totaled \$4,895,865. The fund balance at December 31, 2002 totaled \$21,877,570 a decrease of \$3,394,441.

### 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 \$24,787,799 in 2002, while expenses were \$21,546,948. The net income,

before operating transfers, for the year amounted to \$3,352,190. The Sewer Revenue Fund showed net income, before operating transfers of \$1,801,638. The Refuse and Recycling Fund showed a net income before operating transfers of \$153,773. The Golf Fund showed a net loss before operating transfers of \$40,889.

### **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, 2002 were \$9,276,559 and operating expenses totaled \$10,107,310. The net operating loss for 2002, before non-operating revenues (investment income), was (\$1,228,431). Combined fund balance in these funds changed from \$1,161,643 in December 2001 to (\$542,078) at December 31, 2002.

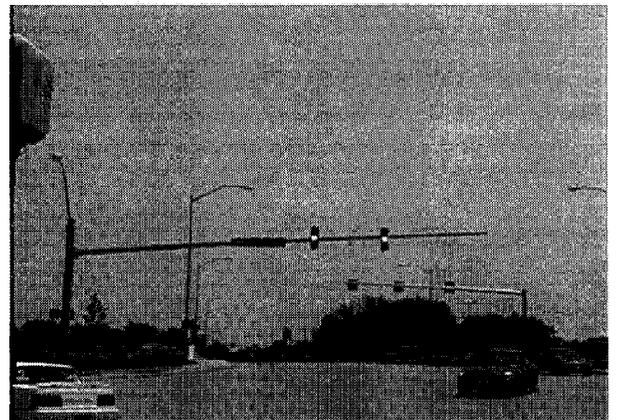
### **Fiduciary Operations Pension Plans (see Note III.B.1.):**

All City employees are covered by one of three pension plans. The plans are all single employer defined benefit pension plans and cover only City employees. 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. The City holds fiduciary responsibility for all assets related to the deferred compensation plan.

The City also established a deferred compensation plan for AFSCME, Teamster, non-bargaining and management employees in accordance with Section 401(A) and 457 of the Internal Revenue Code effective October 1, 2000. The same plan was made available to all fire and police employees on January 1, 2002. The plan is a discretionary matching plan whereby employees may elect to contribute a portion of their salary through payroll deductions and the City will match paid contributions by 50%, not to exceed 2% of their pay. The City has no liability for losses under the plan, but has the duty of due care of an ordinary prudent investor.



### **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, 2002, the General Fixed Assets of the City amounted to \$48,660,597.

**Debt Administration** (see Note III.B.5.):

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 2002 were as follows:

	Amount	Ratio of Debt to Assessed Value (40% of Appraised Value)	Debt per Capita (a)
Net general bonded debt	\$ 91,879,365	16.6%	\$ 885.87

a) Based upon 2000 census population of 103,717.

Outstanding general obligation bonds at December 31, 2002 totaled \$110,045,819 of which \$18,166,454 is proprietary debt and is considered to be self-supporting.

**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. 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, 2002, 100% of investment balances met policy guidelines.

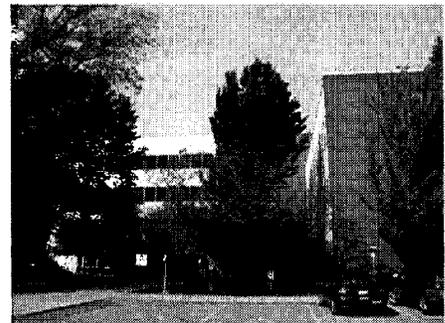
**Risk Management** (see Note III.B.3.):

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 2002, the medical stop-loss amount was \$90,000. The indemnity stop-loss was \$22,500.

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**

State statutes require an annual audit by independent certified public accountants. The City's audit committee selected the firm of McGill, Power, Bell and Associates. In addition to meeting the requirements set forth in state statutes, the audit was also designed to meet the requirements of the federal Single Audit Act of 1996 and the related U.S. Office of Management and Budget's Circular A-128. Generally the auditors in conducting the engagement used accepted auditing standards and the standards set forth in the General Accounting Office's Government Auditing Standards. The auditor's report on the general-purpose financial statements and combining and individual fund statements and schedules is included in the financial section of this report. The auditor's report on internal controls and compliance with applicable laws and regulations can be found in separately issued single audit report.

### **Awards**

The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City for its comprehensive annual financial report for the year ended December 31, 2001. This was the fifth consecutive year that the City has received this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

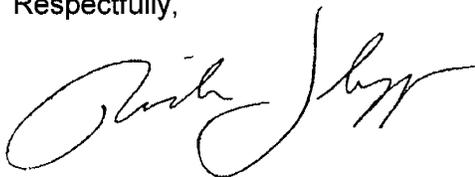
A Certificate of Achievement is valid for a period of one year only. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

### **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 Melanne Page, coordinating the preparation of this report and to our auditors, McGill, Power, Bell and Associates for their interpretation of and guidance in complying with recent accounting guidelines.

We would also like to thank City Council 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,



Richard E. Filippi  
Mayor

# 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, 2001

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.



*William Patrick Pate*

President

*Jeffrey R. Emmer*

Executive Director

**CITY OF ERIE, PENNSYLVANIA**

Comprehensive Annual Financial Report

Year ended December 31, 2002

PRINCIPAL CITY OFFICIALS

**MAYOR**

Richard E. Filippi

**CITY COUNCIL**

James Thompson, President

Mario Bagnoni

Ruby Jenkins-Husband

Joseph J. Borgia

Ian Murray

James Casey

Melvin Witherspoon

**CITY OFFICIALS**

Ortenzia M. Keller ..... City Treasurer

Casimir Kwitowski ..... City Controller

Paul Curry ..... City Solicitor

James E. Klemm ..... City Clerk

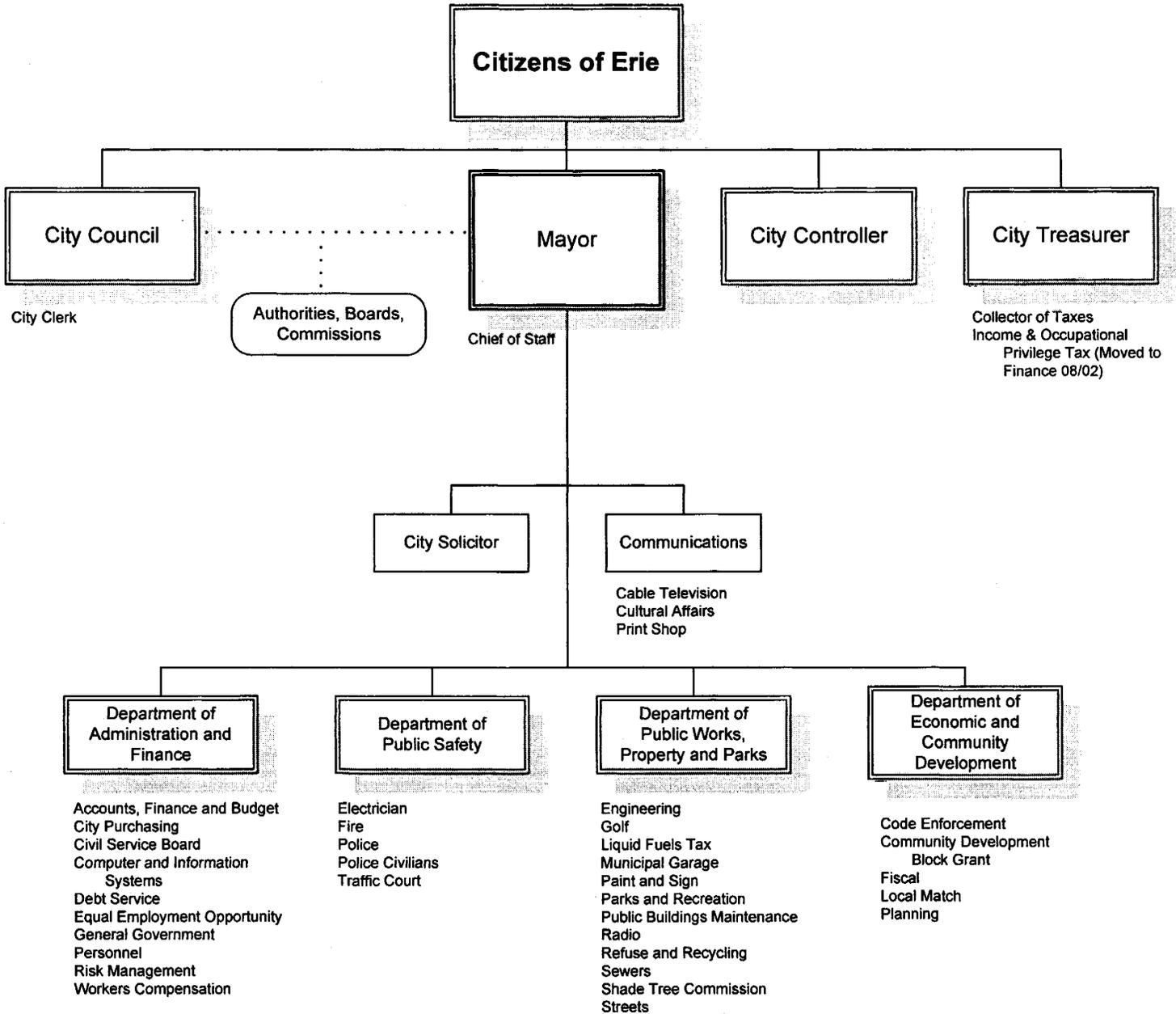
A. Joseph Weindorf ..... Director, Department of Public Safety

Chuck L. Herron ..... Director, Department of Administration & Finance

Douglas Mitchell ..... Director, Department of Public Works, Property & Parks

Jeffrey E. Spaulding ..... Director, Department of Economic & Community Development

**CITY OF ERIE, PENNSYLVANIA**  
 Comprehensive Annual Financial Report  
 Year Ended December 31, 2002  
 ORGANIZATIONAL CHART



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## Independent Auditor's 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, 2002 and for the year then ended, as listed in the table of contents. The 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 component units listed in Note I.B., which are presented in the accompanying general purpose financial statements discretely from the primary government. We also did not audit the financial statements of the pension plans described in Note III.B.1 Those financial statements were audited by other auditors, whose reports thereon have been furnished to us, and our opinion expressed herein insofar as it relates to the amounts included for such component units is based solely on the reports of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform 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 provides a reasonable basis for our opinion.

In our opinion, based on our audit and the reports of the other auditors, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the City as of December 31, 2002, and the results of its operations and cash flows of its proprietary and similar trust fund types for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

Our audit was made 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 stated, in all material respects, in relation to the general purpose financial statements taken as a whole.

Additionally, we did not audit the data included in the introductory and statistical sections of this report and, therefore, express no opinion thereon.

*McGill, Power, Bell & Associates, LLP*

**McGill, Power, Bell & Associates, LLP**  
Erie, Pennsylvania  
May 24, 2003

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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, 2002

	Governmental Fund Types				Proprietary
	General Fund	Special Revenue	Debt Service	Capital Projects	Enterprise
<b>ASSETS</b>					
Cash and Cash Equivalents	\$ 620,856	\$ 2,877,915	\$ 2,335,331	\$ 11,376,066	\$ 11,416,218
Investments	-	-	-	10,647,191	-
Restricted Cash and Cash Equivalents	-	-	-	-	-
Restricted Investments	-	-	-	-	-
Receivables (net of allowance for uncollectibles):					
Accounts	-	-	-	-	2,084,546
Property Tax	3,409,588	-	-	-	-
Earned Income and Occupational Privilege Tax	1,155,003	-	-	-	-
Liens	152,033	574,178	-	119,452	-
Intergovernmental	222,216	863,210	-	-	1,693,565
Interfund	2,359,963	-	-	17,284	3,800,000
Notes	-	493,204	-	-	-
Other	176,699	-	-	-	112,386
Inventory	-	-	-	-	-
Prepaid Items	-	-	-	-	-
Property, Plant and Equipment, net	-	-	-	-	34,004,086
Notes Receivable, net of current obligation	-	9,923,442	-	-	-
Bond Issue Costs	-	-	-	-	389,060
Amount Available in Debt Service Fund	-	-	-	-	-
Amount to be Provided for Long-Term Debt	-	-	-	-	-
<b>Total Assets</b>	<b>\$ 8,096,358</b>	<b>\$ 14,731,949</b>	<b>\$ 2,335,331</b>	<b>\$ 22,159,993</b>	<b>\$ 53,499,861</b>
<b>LIABILITIES</b>					
Accounts Payable	\$ 605,802	\$ 656,305	\$ -	\$ 162,971	\$ 662,597
Accrued Payroll	1,374,617	43,774	-	-	199,576
Accrued Pension Obligation	-	-	-	-	-
Interfund Payable	45,482	-	1,982,758	-	3,860,000
Compensated Absences Payable	1,515,053	55,706	-	-	134,375
Claims and Judgments Payable	-	-	-	-	-
Current Portion of Long-Term Liabilities	-	-	-	-	65,500
Deferred Revenue	3,845,729	2,065,423	-	119,452	6,146,116
Other Liabilities	9,302	-	-	-	-
Due to Other Governments	-	-	-	-	2,131
General Obligation Notes Payable	-	-	-	-	-
General Obligation Bonds Payable	-	-	-	-	18,862,208
<b>Total Liabilities</b>	<b>7,395,985</b>	<b>2,821,208</b>	<b>1,982,758</b>	<b>282,423</b>	<b>29,932,503</b>
<b>FUND EQUITY (DEFICIT)</b>					
Investment in General Fixed Assets	-	-	-	-	-
Contributed Capital	-	-	-	-	3,532,918
Retained Earnings:					
Unreserved (Deficit)	-	-	-	-	20,034,440
Fund Balance:					
Reserved:					
Encumbrances	282,792	112,650	-	3,070,074	-
Noncurrent Notes Receivable	-	9,923,442	-	-	-
Equity in Authority Rentals	-	-	-	-	-
Land Held for Resale	-	-	-	-	-
Employees' Pension Benefits	-	-	-	-	-
Unreserved:					
Designated for Endowment Principal	-	-	-	12,750,000	-
Undesignated	417,581	1,874,649	352,573	6,057,496	-
<b>Total Fund Equity (Deficit)</b>	<b>700,373</b>	<b>11,910,741</b>	<b>352,573</b>	<b>21,877,570</b>	<b>23,567,358</b>
<b>Total Liabilities and Fund Equity (Deficit)</b>	<b>\$ 8,096,358</b>	<b>\$ 14,731,949</b>	<b>\$ 2,335,331</b>	<b>\$ 22,159,993</b>	<b>\$ 53,499,861</b>

See accompanying notes.

Fund Types	Fiduciary Fund Types		Account Groups		Total Primary Government (Memorandum Only)	Component Units		Total Component Units (Memorandum Only)	Total Reporting Entity (Memorandum Only)
	Internal Service	Trust and Agency	General Fixed Assets	General Long-Term Debt		Governmental Fund Types	Proprietary Fund Types		
\$ -	\$ 9,861,499	\$ -	\$ -	\$ 38,487,885	\$ 151,765	\$ 7,571,861	\$ 7,723,626	\$ 46,211,511	
-	168,676,668	-	-	179,323,859	6,838	273,144	279,982	179,603,841	
3,638,247	-	-	-	3,638,247	164,523	381,752	546,275	4,184,522	
-	-	-	-	-	-	27,267,786	27,267,786	27,267,786	
-	-	-	-	2,084,546	234,953	148,165	383,118	2,467,664	
-	-	-	-	3,409,588	-	-	-	3,409,588	
-	-	-	-	1,155,003	-	-	-	1,155,003	
-	-	-	-	845,663	-	-	-	845,663	
-	-	-	-	2,778,991	-	121,001	121,001	2,899,992	
45,482	-	-	-	6,222,729	32,072	-	32,072	6,254,801	
-	-	-	-	493,204	425,000	-	425,000	918,204	
604,265	1,024,994	-	-	1,918,344	-	251,667	251,667	2,170,011	
-	-	-	-	-	-	175,806	175,806	175,806	
-	-	-	-	-	-	304,891	304,891	304,891	
-	-	48,660,597	-	82,664,683	68,914	116,981,514	117,050,428	199,715,111	
-	-	-	-	9,923,442	-	-	-	9,923,442	
-	-	-	-	389,060	-	2,355,073	2,355,073	2,744,133	
-	-	-	352,573	352,573	-	-	-	352,573	
-	-	-	95,671,221	95,671,221	793,579	-	793,579	96,464,800	
<u>\$ 4,287,994</u>	<u>\$ 179,563,161</u>	<u>\$ 48,660,597</u>	<u>\$ 96,023,794</u>	<u>\$ 429,359,038</u>	<u>\$ 1,877,644</u>	<u>\$ 155,832,660</u>	<u>\$ 157,710,304</u>	<u>\$ 587,069,342</u>	
\$ 614,084	\$ 248,640	\$ -	\$ -	\$ 2,950,399	\$ 87,862	\$ 666,506	\$ 754,368	\$ 3,704,767	
10,684	-	-	-	1,628,651	-	929,803	929,803	2,558,454	
-	-	-	-	-	-	39,387	39,387	39,387	
334,489	-	-	-	6,222,729	32,072	-	32,072	6,254,801	
5,831	-	-	-	1,710,965	-	-	-	1,710,965	
3,864,984	-	-	-	3,864,984	-	-	-	3,864,984	
-	-	-	-	65,500	4,791	2,783,887	2,788,678	2,854,178	
-	-	-	-	12,176,720	-	158,497	158,497	12,335,217	
-	-	-	627,473	636,775	79,892	624,607	704,499	1,341,274	
-	5,077,710	-	-	5,079,841	-	6,448,041	6,448,041	11,527,882	
-	-	-	-	-	736,716	1,667,067	2,403,783	2,403,783	
-	-	-	95,396,321	114,258,529	90,000	81,062,156	81,152,156	195,410,685	
<u>4,830,072</u>	<u>5,326,350</u>	<u>-</u>	<u>96,023,794</u>	<u>148,595,093</u>	<u>1,031,333</u>	<u>94,379,951</u>	<u>95,411,284</u>	<u>244,006,377</u>	
-	-	48,660,597	-	48,660,597	-	-	-	48,660,597	
-	-	-	-	3,532,918	-	33,363,047	33,363,047	36,895,965	
(542,078)	-	-	-	19,492,362	-	28,089,662	28,089,662	47,582,024	
-	-	-	-	3,465,516	-	-	-	3,465,516	
-	-	-	-	9,923,442	-	-	-	9,923,442	
-	-	-	-	-	515,000	-	515,000	515,000	
-	-	-	-	-	68,914	-	68,914	68,914	
-	174,236,811	-	-	174,236,811	-	-	-	174,236,811	
-	-	-	-	12,750,000	-	-	-	12,750,000	
-	-	-	-	8,702,299	262,397	-	262,397	8,964,696	
(542,078)	174,236,811	48,660,597	-	280,763,945	846,311	61,452,709	62,299,020	343,062,965	
<u>\$ 4,287,994</u>	<u>\$ 179,563,161</u>	<u>\$ 48,660,597</u>	<u>\$ 96,023,794</u>	<u>\$ 429,359,038</u>	<u>\$ 1,877,644</u>	<u>\$ 155,832,660</u>	<u>\$ 157,710,304</u>	<u>\$ 587,069,342</u>	

## CITY OF ERIE, PENNSYLVANIA

Combined Statement of Revenues, Expenditures and Changes in Fund Balance - All Governmental Fund Types and Discretely Presented Component Units  
For the Year Ended December 31, 2002

	Governmental Fund Types			
	General Fund	Special Revenue	Debt Service	Capital Projects
<b>REVENUES</b>				
Taxes	\$ 27,585,329	\$ -	\$ 3,138,791	\$ -
Licenses and Permits	1,421,350	-	-	-
Intergovernmental	3,014,071	11,818,384	1,435,919	-
Charges for Services	280,102	-	-	-
Fines and Forfeits	1,558,321	-	-	-
Interest Earnings	771,782	305,003	37,127	795,027
Miscellaneous	3,495,962	(34,162)	-	12,000
Total Revenues	<u>38,126,917</u>	<u>12,089,225</u>	<u>4,611,837</u>	<u>807,027</u>
<b>EXPENDITURES</b>				
Current:				
General Government	5,865,518	-	-	582,947
Public Safety	28,342,905	757,458	-	-
Highways and Streets	6,607,881	1,505,433	-	-
Sanitation	-	322,106	-	-
Culture and Recreation	2,507,322	1,545,301	-	-
Economic and Community Development	-	6,896,801	-	-
Capital Outlay	-	-	-	4,312,918
Debt Service:				
Principal	-	-	4,527,717	-
Interest	-	-	3,837,365	-
Total Expenditures	<u>43,323,626</u>	<u>11,027,099</u>	<u>8,365,082</u>	<u>4,895,865</u>
Excess of Revenues Over (Under) Expenditures	<u>(5,196,709)</u>	<u>1,062,126</u>	<u>(3,753,245)</u>	<u>(4,088,838)</u>
<b>OTHER FINANCING SOURCES AND (USES)</b>				
Proceeds from Sale of Fixed Assets	-	-	-	255,567
Proceeds from General Long-Term Debt	18,700,000	-	-	15,561,600
Operating Transfers In	4,633,289	247,667	800,148	747,112
Payments to Refunded Bond Escrow Agent	-	-	-	(14,684,263)
Fund Unfunded Portion of Pension Funds	(18,312,464)	-	-	-
Operating Transfers (Out)	(51,223)	(589,167)	-	(1,185,619)
Total Other Financing Sources And (Uses)	<u>4,969,602</u>	<u>(341,500)</u>	<u>800,148</u>	<u>694,397</u>
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	<u>(227,107)</u>	<u>720,626</u>	<u>(2,953,097)</u>	<u>(3,394,441)</u>
Fund Balance (Deficit), January 1, 2002	2,237,756	11,190,115	3,305,670	25,272,011
Prior Period Adjustments	(1,310,276)	-	-	-
Fund Balance (Deficit), December 31, 2002	<u>\$ 700,373</u>	<u>\$ 11,910,741</u>	<u>\$ 352,573</u>	<u>\$ 21,877,570</u>

See accompanying notes.

Total Primary Government (Memorandum Only)	Component Units	Total Reporting Entity (Memorandum Only)
\$ 30,724,120	\$ -	\$ 30,724,120
1,421,350	-	1,421,350
16,268,374	1,208,752	17,477,126
280,102	570,908	851,010
1,558,321	-	1,558,321
1,908,939	10,928	1,919,867
<u>3,473,800</u>	<u>30</u>	<u>3,473,830</u>
<u>55,635,006</u>	<u>1,790,618</u>	<u>57,425,624</u>
6,448,465	1,060,041	7,508,506
29,100,363	-	29,100,363
8,113,314	-	8,113,314
322,106	-	322,106
4,052,623	-	4,052,623
6,896,801	1,084,316	7,981,117
4,312,918	155,000	4,467,918
4,527,717	45,421	4,573,138
<u>3,837,365</u>	<u>5,054</u>	<u>3,842,419</u>
<u>67,611,672</u>	<u>2,349,832</u>	<u>69,961,504</u>
<u>(11,976,666)</u>	<u>(559,214)</u>	<u>(12,535,880)</u>
255,567	-	255,567
34,261,600	600,000	34,861,600
6,428,216	54,170	6,482,386
(14,684,263)	-	(14,684,263)
(18,312,464)	-	(18,312,464)
<u>(1,826,009)</u>	<u>(54,170)</u>	<u>(1,880,179)</u>
<u>6,122,647</u>	<u>600,000</u>	<u>6,722,647</u>
(5,854,019)	40,786	(5,813,233)
42,005,552	290,525	42,296,077
<u>(1,310,276)</u>	<u>-</u>	<u>(1,310,276)</u>
<u>\$ 34,841,257</u>	<u>\$ 331,311</u>	<u>\$ 35,172,568</u>

## CITY OF ERIE, PENNSYLVANIA

Combined Statement of Revenues, Expenditures and Changes in Fund Balance (Cash Basis)  
Budget and Actual (Including Encumbrances) - General, Budgeted Special Revenue, Debt Service and Budgeted Capital Projects Funds  
For the Year Ended December 31, 2002

	General Fund		
	Budget	Actual	Variance Favorable / (Unfavorable)
<b>REVENUES</b>			
Taxes	\$ 26,296,209	\$ 27,907,714	\$ 1,611,505
Licenses and Permits	1,635,700	1,482,224	(153,476)
Intergovernmental	3,573,329	3,033,708	(539,621)
Charges for Services	286,000	278,802	(7,198)
Fines and Forfeits	1,705,109	1,568,717	(136,392)
Interest Earnings	1,000,000	773,135	(226,865)
Miscellaneous	<u>4,002,062</u>	<u>3,603,373</u>	<u>(398,689)</u>
Total Revenues	<u>38,498,409</u>	<u>38,647,673</u>	<u>149,264</u>
<b>EXPENDITURES</b>			
Current:			
General Government	6,716,863	6,213,072	503,791
Public Safety	30,359,570	28,570,268	1,789,302
Highways and Streets	6,367,669	5,936,282	431,387
Culture and Recreation	2,675,941	2,554,670	121,271
Capital Outlay	-	-	-
Debt Service:			
Principal	-	-	-
Interest	-	-	-
Total Expenditures	<u>46,120,043</u>	<u>43,274,292</u>	<u>2,845,751</u>
Excess of Revenues Over (Under) Expenditures	<u>(7,621,634)</u>	<u>(4,626,619)</u>	<u>2,995,015</u>
<b>OTHER FINANCING SOURCES AND (USES)</b>			
Operating Transfers In	4,967,567	4,633,289	(334,278)
Operating Transfers (Out)	(27,698)	(51,223)	(23,525)
Proceeds from Sale of Fixed Assets	-	-	-
Fund Unfunded Portion of Pension Funds	-	(18,312,464)	(18,312,464)
Proceeds from General Long-Term Debt	-	<u>18,700,000</u>	<u>18,700,000</u>
Total Other Financing Sources and (Uses)	<u>4,939,869</u>	<u>4,969,602</u>	<u>29,733</u>
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	<u>(2,681,765)</u>	<u>342,983</u>	<u>3,024,748</u>
Fund Balance (Deficit), January 1, 2002	2,681,765	466,937	(2,214,828)
Prior Year Encumbrances Paid in the Current Year	-	<u>460,543</u>	<u>460,543</u>
Fund Balance (Deficit), December 31, 2002	<u>\$ -</u>	<u>1,270,463</u>	<u>\$ 1,270,463</u>
<b>RECONCILIATION TO GAAP BASIS FUND BALANCE</b>			
Encumbrances Recognized as Current Year Expenditures		282,792	
Recognition of Accrual Basis Adjustments		(852,882)	
Individual Funds not Budgeted		-	
Fund Balance (Deficit), December 31, 2002		<u>\$ 700,373</u>	

See accompanying notes.

Liquid Fuels Tax Fund  
(A Special Revenue Fund)

Debt Service Fund

Capital Improvement Fund  
(A Capital Projects Fund)

Liquid Fuels Tax Fund (A Special Revenue Fund)			Debt Service Fund			Capital Improvement Fund (A Capital Projects Fund)		
Budget	Actual	Variance Favorable / (Unfavorable)	Budget	Actual	Variance Favorable / (Unfavorable)	Budget	Actual	Variance Favorable / (Unfavorable)
\$ -	\$ -	\$ -	\$ 3,138,791	\$ 3,138,791	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-	-	-
1,731,067	1,731,067	-	3,980,376	1,435,919	(2,544,457)	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
33,633	33,633	-	100,000	37,127	(62,873)	709,220	528,041	(181,179)
5,391	5,391	-	-	-	-	12,000	24,000	12,000
<u>1,770,091</u>	<u>1,770,091</u>	-	<u>7,219,167</u>	<u>4,611,837</u>	<u>(2,607,330)</u>	<u>721,220</u>	<u>552,041</u>	<u>(169,179)</u>
-	-	-	-	-	-	587,739	216,635	371,104
-	-	-	-	-	-	-	-	-
1,588,654	1,701,604	(112,950)	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	1,474,478	1,048,551	425,927
-	-	-	4,449,117	4,527,717	(78,600)	-	-	-
-	-	-	4,171,512	3,837,365	334,147	-	-	-
<u>1,588,654</u>	<u>1,701,604</u>	<u>(112,950)</u>	<u>8,620,629</u>	<u>8,365,082</u>	<u>255,547</u>	<u>2,062,217</u>	<u>1,265,186</u>	<u>797,031</u>
<u>181,437</u>	<u>68,487</u>	<u>(112,950)</u>	<u>(1,401,462)</u>	<u>(3,753,245)</u>	<u>(2,351,783)</u>	<u>(1,340,997)</u>	<u>(713,145)</u>	<u>(966,210)</u>
-	-	-	1,401,462	800,148	(601,314)	-	747,112	747,112
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	58,000	255,567	197,567
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	<u>1,401,462</u>	<u>800,148</u>	<u>(601,314)</u>	<u>58,000</u>	<u>1,002,679</u>	<u>944,679</u>
181,437	68,487	(112,950)	-	(2,953,097)	(2,953,097)	(1,282,997)	289,534	1,572,531
(181,437)	621,159	802,596	-	3,305,670	3,305,670	1,282,997	12,453,659	11,170,662
-	41,723	41,723	-	-	-	-	571,589	571,589
<u>\$ -</u>	<u>731,369</u>	<u>\$ 731,369</u>	<u>\$ -</u>	<u>352,573</u>	<u>\$ 352,573</u>	<u>\$ -</u>	<u>13,314,782</u>	<u>\$ 13,314,782</u>
	112,650	-		-			412,879	
	303,022	-		-			(139,584)	
	<u>10,763,700</u>			-			<u>8,289,493</u>	
	<u>\$ 11,910,741</u>			<u>\$ 352,573</u>			<u>\$ 21,877,570</u>	

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## CITY OF ERIE, PENNSYLVANIA

Combined Statement of Revenues, Expenses and Changes in Fund Equity - All Proprietary Funds and Discretely Presented Component Units

For the Year Ended December 31, 2002

	Enterprise	Internal Service	Total Primary Government (Memorandum Only)	Component Units	Total Reporting Entity (Memorandum Only)
<b>OPERATING REVENUES</b>					
Intergovernmental	\$ -	8,842,274	\$ 8,842,274	5,478,637	\$ 14,320,911
Charges for Services	22,426,293	-	22,426,293	7,668,075	30,094,368
Lease Rental	2,078,493	-	2,078,493	-	2,078,493
Rental Income	234,983	-	234,983	-	234,983
Miscellaneous	<u>48,030</u>	<u>434,285</u>	<u>482,315</u>	<u>103,205</u>	<u>585,520</u>
Total Operating Revenues	<u>24,787,799</u>	<u>9,276,559</u>	<u>34,064,358</u>	<u>13,249,917</u>	<u>47,314,275</u>
<b>OPERATING EXPENSES</b>					
Personnel Services	5,813,393	124,165	5,937,558	5,997,999	11,935,557
Other Personnel Services	2,479,458	-	2,479,458	2,213,482	4,692,940
Services and Fees	2,955,161	121,509	3,076,670	236,238	3,312,908
Utilities	1,401,421	-	1,401,421	377,080	1,778,501
Rent	85,120	-	85,120	270	85,390
Insurance	106,514	8,677,990	8,784,504	337,640	9,122,144
Materials, Supplies, and Maintenance	1,173,620	1,191	1,174,811	1,751,876	2,926,687
Workers Compensation Claims	-	1,182,455	1,182,455	-	1,182,455
Depreciation	1,982,978	-	1,982,978	6,761,250	8,744,228
Amortization	249,930	-	249,930	-	249,930
Other Expenses	<u>5,299,353</u>	<u>-</u>	<u>5,299,353</u>	<u>485,058</u>	<u>5,784,411</u>
Total Operating Expenses	<u>21,546,948</u>	<u>10,107,310</u>	<u>31,654,258</u>	<u>18,160,893</u>	<u>49,815,151</u>
Operating Income (Loss)	<u>3,240,851</u>	<u>(830,751)</u>	<u>2,410,100</u>	<u>(4,910,976)</u>	<u>(2,500,876)</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>					
Intergovernmental Revenue	1,191,667	-	1,191,667	4,833,184	6,024,851
Investment Earnings	412,331	(397,680)	14,651	1,333,096	1,347,747
Interest Expense	(1,492,659)	-	(1,492,659)	(4,036,936)	(5,529,595)
Other Expenses	<u>-</u>	<u>-</u>	<u>-</u>	<u>(58,818)</u>	<u>(58,818)</u>
Net Nonoperating Revenues (Expenses)	<u>111,339</u>	<u>(397,680)</u>	<u>(286,341)</u>	<u>2,070,526</u>	<u>1,784,185</u>
Net Income (Loss) Before Operating Transfers	<u>3,352,190</u>	<u>(1,228,431)</u>	<u>2,123,759</u>	<u>(2,840,450)</u>	<u>(716,691)</u>
<b>OPERATING TRANSFERS</b>					
Operating Transfers In	4,819,460	728,567	5,548,027	-	5,548,027
Operating Transfers (Out)	<u>(8,950,234)</u>	<u>(1,200,000)</u>	<u>(10,150,234)</u>	<u>-</u>	<u>(10,150,234)</u>
Net Operating Transfers	<u>(4,130,774)</u>	<u>(471,433)</u>	<u>(4,602,207)</u>	<u>-</u>	<u>(4,602,207)</u>
Net Loss	(778,584)	(1,699,864)	(2,478,448)	(2,840,450)	(5,318,898)
Fund Equity, January 1, 2002	22,763,063	1,161,643	23,924,706	44,934,669	68,859,375
Prior Period Adjustments	(59,126)	(3,857)	(62,983)	-	(62,983)
Increase to Contributed Capital	<u>1,642,005</u>	<u>-</u>	<u>1,642,005</u>	<u>10,413,369</u>	<u>12,055,374</u>
Fund Equity (Deficit), December 31, 2002	<u>\$ 23,567,358</u>	<u>\$ (542,078)</u>	<u>\$ 23,025,280</u>	<u>\$ 52,507,588</u>	<u>\$ 75,532,868</u>

See accompanying notes.

# CITY OF ERIE, PENNSYLVANIA

Combined Statement of Revenues, Expenses and Changes in Fund Equity (Cash Basis)

Budget and Actual ~ Enterprise and Internal Service Funds

For the Year Ended December 31, 2002

	Enterprise Funds Sewer Revenue ~ Refuse & Recycling ~ Golf		
	Budget	Actual	Variance Favorable / (Unfavorable)
<b>OPERATING REVENUES</b>			
Intergovernmental	\$ -	\$ -	\$ -
Charges for Services	20,757,172	21,396,243	639,071
Rental Income	230,000	234,983	4,983
Miscellaneous	<u>212,600</u>	<u>44,452</u>	<u>(168,148)</u>
<b>Total Operating Revenues</b>	<b>21,199,772</b>	<b>21,675,678</b>	<b>475,906</b>
<b>OPERATING EXPENSES</b>			
Personnel Services	5,813,789	5,770,989	42,800
Other Personnel Services	2,491,356	2,475,568	15,788
Services and Fees	3,941,831	3,039,989	901,842
Utilities	2,356,733	1,401,538	955,195
Rent	93,136	80,654	12,482
Insurance	111,514	106,514	5,000
Materials, Supplies, and Maintenance	1,750,627	1,298,455	452,172
Capital Outlay	557,597	357,385	200,212
Workers Compensation and Other Claims	-	-	-
Other Expenses	<u>5,363,851</u>	<u>5,147,999</u>	<u>215,852</u>
<b>Total Operating Expenses</b>	<b>22,480,434</b>	<b>19,679,091</b>	<b>2,801,343</b>
<b>Operating Income (Loss)</b>	<b>(1,280,662)</b>	<b>1,996,587</b>	<b>3,277,249</b>
<b>NONOPERATING REVENUES (EXPENSES)</b>			
Operating Transfers In	1,552,485	1,019,460	(533,025)
Operating Transfers (Out)	(1,200,000)	(2,291,245)	(1,091,245)
Bond and Loan Principal	(663,005)	(130,000)	533,005
Intergovernmental Revenue	1,392,495	11,502	(1,380,993)
Investment Earnings	90,100	354,455	264,355
Interest Expense	<u>(735,742)</u>	<u>(1,492,659)</u>	<u>(756,917)</u>
<b>Net Nonoperating Revenues (Expenses)</b>	<b>436,333</b>	<b>(2,528,487)</b>	<b>(2,964,820)</b>
<b>Net Income (Loss)</b>	<b>(844,329)</b>	<b>(531,900)</b>	<b>312,429</b>
Fund Equity (Deficit) , January 1, 2002	<u>844,329</u>	<u>4,104,471</u>	<u>3,260,142</u>
Fund Equity (Deficit) , December 31, 2002	<u>\$ -</u>	<u>3,572,571</u>	<u>\$ 3,572,571</u>
<b>RECONCILIATION TO GAAP BASIS FUND BALANCE</b>			
Recognition of Accrual Basis Adjustments		1,651,452	
Bond and Loan Principal and Capital Outlay Budgeted as Expenses		503,284	
Depreciation Expense, not Budgeted		(1,578,538)	
Individual Funds/Components not Budgeted		<u>19,418,589</u>	
Fund Equity (Deficit), December 31, 2002		<u>\$ 23,567,358</u>	

See accompanying notes.

Internal Service Fund Workers Compensation Claims and Risk Management			Total (Memorandum Only)		
Budget	Actual	Variance Favorable / (Unfavorable)	Budget	Actual	Variance Favorable / (Unfavorable)
\$ 1,954,071	\$ 1,880,749	\$ (73,322)	\$ 1,954,071	\$ 1,880,749	\$ (73,322)
-	-	-	20,757,172	21,396,243	639,071
-	-	-	230,000	234,983	4,983
<u>712,022</u>	<u>853,211</u>	<u>141,189</u>	<u>924,622</u>	<u>897,663</u>	<u>(26,959)</u>
2,666,093	2,733,960	67,867	23,865,865	24,409,638	543,773
124,230	121,901	2,329	5,938,019	5,892,890	45,129
-	-	-	2,491,356	2,475,568	15,788
131,076	115,270	15,806	4,072,907	3,155,259	917,648
-	-	-	2,356,733	1,401,538	955,195
-	-	-	93,136	80,654	12,482
790,931	615,371	175,560	902,445	721,885	180,560
1,700	1,191	509	1,752,327	1,299,646	452,681
-	-	-	-	-	200,212
1,107,000	1,176,117	(69,117)	1,107,000	1,176,117	(69,117)
-	-	-	<u>5,363,851</u>	<u>5,147,999</u>	<u>215,852</u>
<u>2,154,937</u>	<u>2,029,850</u>	<u>125,087</u>	<u>24,077,774</u>	<u>21,351,556</u>	<u>2,926,430</u>
511,156	704,110	192,954	(211,909)	3,058,082	3,470,203
561,937	-	(561,937)	2,114,422	1,019,460	(1,094,962)
(1,200,000)	(1,200,000)	-	(2,400,000)	(3,491,245)	(1,091,245)
-	-	-	(663,005)	(130,000)	533,005
-	-	-	1,392,495	11,502	(1,380,993)
5,000	(366,108)	(371,108)	95,100	(11,653)	(106,753)
-	-	-	<u>(735,742)</u>	<u>(1,492,659)</u>	<u>(756,917)</u>
<u>(633,063)</u>	<u>(1,566,108)</u>	<u>(933,045)</u>	<u>(196,730)</u>	<u>(4,094,595)</u>	<u>(3,897,865)</u>
(121,907)	(861,998)	(740,091)	(966,236)	(1,393,898)	(427,662)
<u>121,907</u>	<u>2,174,498</u>	<u>2,052,591</u>	<u>966,236</u>	<u>6,278,969</u>	<u>5,312,733</u>
<u>\$ -</u>	<u>1,312,500</u>	<u>\$ 1,312,500</u>	<u>\$ -</u>	<u>4,885,071</u>	<u>\$ 4,885,071</u>
	(823,190)			828,262	
	-			503,284	
	-			(1,578,538)	
	<u>(1,031,388)</u>			<u>18,387,201</u>	
	<u>\$ (542,078)</u>			<u>\$ 23,025,280</u>	

## CITY OF ERIE, PENNSYLVANIA

Combined Statement of Cash Flows - All Proprietary Funds and Discretely Presented Component Units

For the Year Ended December 31, 2002

CASH FLOWS FROM OPERATING ACTIVITIES	Enterprise	Internal Service	Total Primary Government (Memorandum Only)	Component Units	Total Reporting Entity (Memorandum Only)
Operating Income (Loss)	\$ 3,240,851	\$ (830,757)	\$ 2,410,094	\$ (4,910,976)	\$ (2,500,882)
Adjustments to Reconcile Operating Income (Loss) to Net Cash from Operating Activities:					
Other Nonoperating Income (Expense)	-	-	-	(58,818)	(58,818)
Noncash Items Included in Operating Income (Loss):					
Depreciation	1,982,978	-	1,982,978	6,777,862	8,760,840
Amortization	249,930	-	249,930	-	249,930
(Increase) Decrease in Current Assets:					
Accounts Receivable	(8,229)	-	(8,229)	89,017	80,788
Intergovernmental Receivable	(1,427,402)	-	(1,427,402)	985,800	(441,602)
Interfund Receivable	(1,450,000)	-	(1,450,000)	-	(1,450,000)
Other Receivables	7,183	721,936	729,119	573,656	1,302,775
Inventory	-	-	-	32,189	32,189
Prepaid Insurance	-	-	-	(48,927)	(48,927)
Increase (Decrease) in Current Liabilities:					
Accounts Payable	246,672	74,804	321,476	(400,045)	(78,569)
Accrued Payroll	21,522	2,751	24,273	1,614	25,887
Interfund Payable	1,450,000	334,489	1,784,489	-	1,784,489
Accrued Pension Obligation	-	-	-	5,051	5,051
Compensated Absences Payable	29,412	1,838	31,250	-	31,250
Claims and Judgements Payable	-	587,129	587,129	-	587,129
Due to Other Governments	997	-	997	727,821	728,818
Deferred Revenue	(1,049,618)	-	(1,049,618)	30,774	(1,018,844)
Other Liabilities	-	-	-	(162,342)	(162,342)
Net Cash Provided (Used) by Operating Activities	<u>3,294,296</u>	<u>892,190</u>	<u>4,186,486</u>	<u>3,642,676</u>	<u>7,829,162</u>
 <b>CASH FLOWS FROM NONCAPITAL AND RELATED FINANCING ACTIVITIES</b>					
Intergovernmental Revenue	1,191,667	-	1,191,667	4,833,184	6,024,851
Proceeds from Note to Sewer Authority	4,890,000	-	4,890,000	-	4,890,000
Operating Transfers In	4,819,460	728,567	5,548,027	-	5,548,027
Operating Transfers Out	<u>(8,950,234)</u>	<u>(1,200,000)</u>	<u>(10,150,234)</u>	<u>-</u>	<u>(10,150,234)</u>
Net Cash Provided (Used) by Noncapital and Related Financing Activities	<u>1,950,893</u>	<u>(471,433)</u>	<u>1,479,460</u>	<u>4,833,184</u>	<u>6,312,644</u>

See accompanying notes.

<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>	<b>Enterprise</b>	<b>Internal Service</b>	<b>Total Primary Government (Memorandum Only)</b>	<b>Component Units</b>	<b>Total Reporting Entity (Memorandum Only)</b>
Net Proceeds from Refunding Revenue Bonds	\$ -	\$ -	\$ -	\$ -	\$ -
Proceeds from the Sale of Property, Plant and Equipment	-	-	-	-	-
Purchases of Property, Plant and Equipment	(2,370,794)	-	(2,370,794)	(14,601,633)	(16,972,427)
Bond issue costs	(301,539)	-	(301,539)	-	(301,539)
Contributions and Capital Grants	1,642,005	-	1,642,005	10,413,369	12,055,374
Repayments of Long-Term Debt Principal	(8,375,664)	-	(8,375,664)	(7,449,989)	(15,825,653)
Repayments of Long-Term Debt Interest	(1,476,293)	-	(1,476,293)	(3,910,847)	(5,387,140)
<b>Net Cash Provided (Used) by Capital and Related Financing Activities</b>	<b>(1,062,631)</b>	<b>-</b>	<b>(1,062,631)</b>	<b>(10,353,170)</b>	<b>(11,415,801)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>					
Proceeds from the Sale and Redemption of Investments	-	3,328,846	3,328,846	120,594	3,449,440
Net Interest Earnings	412,331	(397,680)	14,651	1,262,943	1,277,594
Purchases of Investments	-	-	-	(2,834,637)	(2,834,637)
<b>Net Cash Provided (Used) by Investing Activities</b>	<b>412,331</b>	<b>2,931,166</b>	<b>3,343,497</b>	<b>(1,451,100)</b>	<b>1,892,397</b>
<b>Net Change in Cash and Cash Equivalents</b>	<b>4,594,889</b>	<b>3,351,923</b>	<b>7,946,812</b>	<b>(3,328,410)</b>	<b>4,618,402</b>
Cash and Cash Equivalents, January 1, 2002	6,821,329	286,324	7,107,653	11,282,023	18,389,676
Cash and Cash Equivalents, December 31, 2002	\$ 11,416,218	\$ 3,638,247	\$ 15,054,465	\$ 7,953,613	\$ 23,008,078

**RECONCILIATION TO THE COMBINED BALANCE SHEET:**

**Balance at January 1, 2002**

Cash and Cash Equivalents	\$ 6,821,329	\$ 286,324	\$ 7,107,653	\$ 5,547,560	\$ 12,655,213
Restricted Cash and Cash Equivalents	-	-	-	5,734,463	5,734,463
<b>Cash and Cash Equivalents at January 1, 2002</b>	<b>\$ 6,821,329</b>	<b>\$ 286,324</b>	<b>\$ 7,107,653</b>	<b>\$ 11,282,023</b>	<b>\$ 18,389,676</b>

**Balance at December 31, 2002**

Cash and Cash Equivalents	\$ 11,416,218	\$ 3,638,247	\$ 15,054,465	\$ 7,571,861	\$ 22,626,326
Restricted Cash and Cash Equivalents	-	-	-	381,752	381,752
<b>Cash and Cash Equivalents at December 31, 2002</b>	<b>\$ 11,416,218</b>	<b>\$ 3,638,247</b>	<b>\$ 15,054,465</b>	<b>\$ 7,953,613</b>	<b>\$ 23,008,078</b>

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**CITY OF ERIE, PENNSYLVANIA**  
Statement of Changes in Plan Net Assets - Trust Funds  
For the Year Ended December 31, 2002

	<u>Total Trust Funds</u>
<b>ADDITIONS</b>	
Contributions	
Employer	\$ 19,984,020
Plan Members	<u>3,612,932</u>
Total Contributions	<u>23,596,952</u>
Investment Earnings	
Investment Income (Loss)	(20,418,004)
Less: Investment Expenses	<u>617,359</u>
Total Investment Earnings	<u>(21,035,363)</u>
Total Additions	<u>2,561,589</u>
<b>DEDUCTIONS</b>	
Benefits Paid	11,966,552
Administrative Expenses	<u>157,086</u>
Total Deductions	<u>12,123,638</u>
Net Increase (Decrease) to Plan Net Assets	<u>\$ (9,562,049)</u>
<b>NET ASSETS HELD IN TRUST FOR PENSION BENEFITS</b>	
Plan Net Assets, January 1, 2002	183,798,860
Net Increase (Decrease) to Plan Net Assets in Current Year	<u>(9,562,049)</u>
Plan Net Assets, December 31, 2002	<u>\$ 174,236,811</u>

# CITY OF ERIE, PENNSYLVANIA

Notes to Financial Statements

December 31, 2002

## 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 accounting principles generally accepted in the United States of America (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 GAAP, these financial statements present the City of Erie, Pennsylvania (the primary government) and its component units. The component units discussed in Note I.B. - *Individual Component Unit Disclosures*, 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 separate columns 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 VII.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.

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.

# CITY OF ERIE, PENNSYLVANIA

Notes to Financial Statements (continued)

December 31, 2002

## I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (continued)

### B. Individual Component Unit Disclosures, (continued)

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 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 VII.D.)

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. In 2002 and prior years, the City entered into Guaranty Agreements whereby the City will guarantee payment of principal and interest on the 2001 series of bonds and on notes 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 VII.E.)

The condensed financial information for the five discretely presented component units can be found on page 73. 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.

#### Administrative Offices:

Redevelopment Authority of the City of Erie  
126 West 9th Street  
Erie, Pennsylvania 16501  
December 31, 2002  
Qualified opinion dated April 21, 2003

Erie Parking Authority  
25 East 10th Street  
Erie, Pennsylvania 16501  
December 31, 2002  
Unqualified opinion dated February 17, 2003

Erie Metropolitan Transit Authority  
127 East 14th Street  
Erie, Pennsylvania 16503  
June 30, 2002  
Unqualified opinion dated August 8, 2002

Erie Sewer Authority  
c/o PNC Bank  
P.O. Box 8480  
Erie, Pennsylvania 16501  
December 31, 2002  
Unqualified opinion dated February 10, 2003

Erie Municipal Park Authority  
National City Bank  
300 Fourth Avenue  
Pittsburgh, Pennsylvania 15278-2331  
December 31, 2002  
Unqualified opinion dated April 11, 2003

# CITY OF ERIE, PENNSYLVANIA

Notes to Financial Statements (continued)

December 31, 2002

## I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (continued)

### 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 in 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.

### 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 eight 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.

# CITY OF ERIE, PENNSYLVANIA

Notes to Financial Statements (continued)

December 31, 2002

## I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (continued)

### D. Basis of Presentation - Fund Accounting (continued)

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 accounting principles generally accepted in the United States of America 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 Fund - The Internal Service fund is 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 this fund are those related to the City's self-insurance for workers compensation, the employee's health benefit plan and all other insurance costs of the City.

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

### 3. Fiduciary Fund Types - Fiduciary Funds generally include expendable trust, non-expendable trust, agency and similar funds. The focus of non-expendable trust funds 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 defined benefit pension plans and the plan created and maintained in accordance with §401(a) of the Internal Revenue Code. The City also maintains and accounts for the Deferred Compensation Plans created in accordance with §457 of the Internal Revenue Code.

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.

# CITY OF ERIE, PENNSYLVANIA

Notes to Financial Statements (continued)

December 31, 2002

## I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (continued)

### D. Basis of Presentation - Fund Accounting (continued)

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 a portion of the 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, Pension Trust Funds 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 are accounted for using the accrual basis of accounting. Revenues are recognized when they are earned; expenses are recognized when they are incurred.

### F. Budgetary Data

1. **Budget Policy** - The City annually adopts the Budget for the General Fund, Liquid Fuels Tax Fund (a Special Revenue Fund), Debt Service Fund, Capital Improvement Fund (a Capital Projects Fund), Sewer Revenue, Refuse and Recycling and Golf Funds (Enterprise Funds), and the Workers Compensation and Risk Management components of the Internal Service Fund. 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 5% of the budget unit's (i.e. Office of City Council, Office of City Clerk, etc.) 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 fund level for the General Fund, Liquid Fuels Tax Fund (a Special Revenue Fund), Capital Improvement Fund (a Capital Projects Fund), Sewer Revenue, Refuse and Recycling and Golf Funds (Enterprise Funds), and the Workers Compensation and Risk Management components of the Internal Service Fund, as adopted by Council Ordinance.

2. **Encumbrances** - Encumbrances outstanding at year-end do not represent expenditures or liabilities in accordance with 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 accounting principles generally accepted in the United States of America 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 of fund balance 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.

# CITY OF ERIE, PENNSYLVANIA

Notes to Financial Statements (continued)

December 31, 2002

## I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (continued)

### F. Budgetary Data, (continued)

#### 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), Debt Service Fund, Capital Improvement Fund (a Capital Projects Fund), Sewer Revenue, Refuse and Recycling and Golf Funds (Enterprise Funds), and the Workers Compensation and Risk Management components of the Internal Service Fund. 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 (i.e. Office of City Council, Office of City Clerk, etc.) 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 the cash basis of accounting.

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 Funds, 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 1.342% to 6.57% and are due at various dates through January 2012. 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.

#### 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.

**CITY OF ERIE, PENNSYLVANIA**

Notes to Financial Statements (continued)

December 31, 2002

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (continued)

G. Assets, Liabilities and Fund Equity, (continued)

4. 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.

General Fixed Assets

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 \$48,660,597 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:

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.

- 5. Due to Other Governments - Taxes that are being held by the City but are owed to other taxing authorities.
- 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 anticipated 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 anticipated 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.

# CITY OF ERIE, PENNSYLVANIA

Notes to Financial Statements (continued)

December 31, 2002

## I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (continued)

### G. Assets, Liabilities and Fund Equity, (continued)

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 from time to time throughout the year. See Note III.A. *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 accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and the accompanying notes. Accordingly, actual results could differ from those estimates.

### H. Revenues, Expenditures and Expenses

1. Governmental Fund Revenues - Substantially all Governmental Fund revenues are accrued except for licenses, permits, 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.
2. Compensated Absences - The City accrues accumulated unpaid vacation when (a) the obligation related to rights that vest or accumulate, (b) the payment of the obligation is probable and (c) the amount can be reasonably estimated. The City also accrues accumulated unpaid sick time when (a) the obligation related 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 Balance of Individual Funds

The HUD Programs Fund, a Special Revenue Fund, had a total Unreserved Fund deficit of \$617,573. The Internal Service Fund had a total Unreserved Fund deficit of \$542,078.

### C. 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 accounting principles generally accepted in the United States of America 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.

# CITY OF ERIE, PENNSYLVANIA

Notes to Financial Statements (continued)

December 31, 2002

## 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.

Cash and Cash Equivalents - The City's cash deposits, which include certificates of deposit and money market funds 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.

Category	<u>Carrying Amount</u>	<u>Bank Balance</u>
(1) Insured or collateralized with securities held by the City or by its agent in the City's name.	\$ 844,718	\$ 897,099
(2) Collateralized with securities held by the pledging financial institutions' trust department or agent in the City's name.	23,327	23,303
(3) Uncollateralized, including any bank balance that is collateralized with securities held by the pledging financial institution, or by its trust department or agent but not in the entity's name.	<u>40,832,173</u>	<u>39,709,157</u>
Total -----	<u>\$ 41,700,218</u>	<u>\$ 40,629,559</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 counterparty's 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	\$ -	\$ -	\$ 38,742,156
Corporate Bonds	-	-	29,995,968
Fixed Income Obligation	-	-	4,261,081
Common Stocks	-	-	74,313,599
International Mutual Funds	-	-	7,962,620
Mutual Funds	-	-	22,919,507
Short-Term Investments	-	-	1,128,930
Total Investments	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 179,323,858</u>

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

Cash and cash equivalent	\$ 41,700,218
Investments	179,323,858
Total	<u>\$ 221,024,076</u>

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

Cash and Cash Equivalents	\$ 38,487,885
Investments	179,323,858
Restricted Cash and Cash Equivalents	3,638,246
Cash Overdraft (included with Accounts Payable)	(425,913)
Total	<u>\$ 221,024,076</u>

# CITY OF ERIE, PENNSYLVANIA

Notes to Financial Statements (continued)

December 31, 2002

### 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, 2002 for services provided through December 31, 2002, net of an allowance for uncollectible accounts as follows:

	Sewer Revenue Fund	Refuse and Recycling Fund	Total
Gross Accounts Receivable	\$ 2,020,170	\$ 664,376	\$ 2,684,546
Less: Allowance for Uncollectible Receivables	<u>450,000</u>	<u>150,000</u>	<u>600,000</u>
Accounts Receivable, net	<u>\$ 1,570,170</u>	<u>\$ 514,376</u>	<u>\$ 2,084,546</u>

The allowance generally represents accounts that are more than one year old, 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 \$24,385,535 on January 1, 2002 based on a gross assessed valuation of \$56,736,936 at 42.98 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 December 31, 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, 2002. Current real estate taxes receivable at December 31, 2002 consists of the face value of the tax levy uncollected at December 31, 2002.

The receivable for outstanding delinquent tax levies at December 31, 2002 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, 2002. In accordance with accounting principles generally accepted in the United States of America, revenue from these receivables are recognized only to the extent received within 60 days of December 31, 2002. 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 2002 and Prior	\$ 1,568,796
Balance Held by City Treasurer for 2002	1,855,452
Provision for Uncollectible Receivables	<u>(14,660)</u>
Total Property Tax Receivable	3,409,588
Cash Received in January and February 2003 and Recognized as Revenue	(245,850)
Total Lien Receivable (Note III.A.6)	152,033
Other deferred revenue	<u>529,958</u>
Total Deferred Revenue	<u>\$ 3,845,729</u>

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, 2002, as well as the City's share of the fourth quarter, 2002 taxes collected by the tax collector in January and February 2003 as follows:

Estimated Share of December 31, 2002 Cash Balance	\$ <u>100,000</u>
Estimated Share of January and February 2003 Cash Receipts	<u>1,055,003</u>
Total Receivable	<u>\$ 1,155,003</u>

# CITY OF ERIE, PENNSYLVANIA

Notes to Financial Statements (continued)

December 31, 2002

### III. DETAIL NOTES - ALL FUNDS and ACCOUNT GROUPS, (continued)

#### A. Assets, (continued)

5. Notes Receivable - The City has made various loans to certain Erie businesses through the Urban Development Action Grant, Community Development Block Grant, Enterprise Loan Grant and Home Investment Partnership Program, four programs included with the Special Revenue Fund. The notes bear interest ranging from 1.0% to 6.0% with various maturities. During 2002, payments made to the City totaled \$594,502 representing \$465,654 of principal and \$128,848 of interest. The detailed activity is presented on the following page.

Balance Outstanding at December 31, 2001	\$	9,432,221
2002 Loans		1,351,923
2002 Accrued Interest on Loans		98,156
Principal Repayments		<u>(465,654)</u>
Balance Outstanding at December 31, 2002	\$	<u>10,416,646</u>

6. Liens Receivable and Deferred Revenue - 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 lienied 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	\$ 264,360	\$ 1,124,009	\$ 169,978
Less: Provision for Uncollectible Receivables	<u>112,327</u>	<u>549,831</u>	<u>50,526</u>
Net Lien Receivable	<u>\$ 152,033</u>	<u>\$ 574,178</u>	<u>\$ 119,452</u>

The lien receivables have been reported as deferred revenue to the extent not susceptible to accrual. Deferred revenue for the General Fund, Special Revenue Fund, Capital Projects Fund and Enterprise Fund at December 31, 2002 is \$3,845,729, \$2,065,423, \$119,452 and \$6,146,116, respectively. (See Note III.A.3.)

7. Intergovernmental Receivable - The intergovernmental receivable represents amounts due to the City from other governmental entities.
8. Other Receivables - Other receivables represent amounts due to the City as of December 31, 2002 from interest income, gas well revenue and other miscellaneous revenues. In the Trust and Agency Fund, a receivable of \$1,024,994 represents amounts due to the City from accrued interest for the three single-employer defined benefit pension plans
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 40-year period, as amended on September 11, 2001. The lease calls for quarterly payments totaling \$1,250,000 with an annual 4½% inflation increase beginning in 1992. Annual lease payments to the City under the modification will increase in the year 2016 to \$3,600,000 per year and then increase further by \$200,000 in the years 2020, 2025, and 2030 at which time they will become \$4,200,000. 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.

# CITY OF ERIE, PENNSYLVANIA

Notes to Financial Statements (continued)

December 31, 2002

### III. DETAIL NOTES - ALL FUNDS and ACCOUNT GROUPS, (continued)

#### A. Assets, (continued)

2003.....	\$	2,119,852
2004.....		2,215,245
2005.....		2,314,931
2006.....		2,419,103
2007.....		2,527,963
2008 and thereafter.....		<u>82,379,379</u>
Total Lease Receivable.....	\$	<u>93,976,473</u>

10. Prepaid items - Prepaid items represent a pro-rata share of insurance premiums paid during 2002, which provides coverage through various dates in 2003.

#### 11. Fixed Assets

A summary of general fixed assets at December 31, 2002 is as follows:

	<u>Balance</u> <u>January 1, 2002</u>	<u>Additions</u>	<u>Dispositions</u>	<u>Balance</u> <u>December 31, 2002</u>
Land	\$ 801,667	\$ -	\$ 255,567	\$ 546,100
Building and Improvements	19,667,011	1,320,048	-	20,987,059
Vehicles and Equipment	<u>24,913,383</u>	<u>2,236,285</u>	<u>22,230</u>	<u>27,127,438</u>
Total	<u>\$ 45,382,061</u>	<u>\$ 3,556,333</u>	<u>\$ 277,797</u>	<u>\$ 48,660,597</u>

A summary of Proprietary Fund type fixed assets at December 31, 2002 is as follows:

	<u>Balance</u> <u>January 1, 2002</u>	<u>Additions</u>	<u>Dispositions</u>	<u>Balance</u> <u>December 31, 2002</u>
Land	\$ 730,999	\$ -	\$ -	\$ 730,999
Building and Improvements	9,700,744	33,456	-	9,734,200
Improvements Other than Buildings	51,485,438	365,107	-	51,850,545
Vehicles and Equipment	11,672,698	192,360	-	11,865,058
Construction In Progress	<u>835,242</u>	<u>1,779,871</u>	<u>-</u>	<u>2,615,113</u>
Total	74,425,121	2,370,794	-	76,795,915
Less: Accumulated Depreciation	<u>40,808,851</u>	<u>1,982,978</u>	<u>-</u>	<u>42,791,829</u>
Net Fixed Assets	<u>\$ 33,616,270</u>	<u>\$ 387,816</u>	<u>\$ -</u>	<u>\$ 34,004,086</u>

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

# CITY OF ERIE, PENNSYLVANIA

Notes to Financial Statements (continued)

December 31, 2002

## III. DETAIL NOTES - ALL FUNDS and ACCOUNT GROUPS, (continued)

### B. Liabilities, (continued)

- 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. Plan assets are retained by the City of Erie Aggregate Pension Fund as a part of an aggregation of municipal pension assets pursuant to §607(b) of Act 205 for distressed municipalities. The Aggregate Pension Board of the City of Erie is responsible for the management of the plan assets. The funds are not subject to the provisions of the Employee Retirement Income Security Act of 1974 (ERISA).

Additionally, the City established a defined contribution deferred compensation plan for AFSCME, Teamster, non-bargaining and management employees in accordance with §401(a) of the Internal Revenue Code effective October 1, 2000. There are approximately 400 employees eligible to participate. The primary purpose of this plan is to attract and retain qualified personnel by permitting them to provide for benefits in the event of their retirement or death.

The information pertaining to the particular plans is explained in the following:

#### Officers' and Employees' Retirement Association

##### Plan Description

Ordinance 15-1962 established the Plan for officers and employees of the City of Erie, other than firemen and policemen. Fund assets are retained by the City of Erie Aggregate Pension Fund as part of an aggregation of municipal pension assets pursuant to Section 607 (b) of Act 205 for distressed communities. The Aggregated Pension Board is responsible for management of Fund assets. The Fund is not subject to the provisions of the Employee Retirement Income and Security Act of 1974.

The Fund is a single-employer, defined-benefit plan that covers all full-time officers and employees, other than firefighters and police officers, of the City of Erie. Participants become eligible to participate on their first day of employment.

As of January 1, 2002 and 2001 (date of latest actuarial valuation), employee membership data is as follows, excluding Erie City Water Authority employees:

	<u>2002</u>	<u>2001</u>
Retirees and beneficiaries currently receiving benefits and terminated employees entitled to benefits but not yet receiving them	<u>343</u>	<u>345</u>
Active participants, vested and non-vested	<u>441</u>	<u>430</u>

Participants with twenty or more years contributory service are entitled to monthly benefits for life, beginning at age 55, equal to fifty percent of the benefit compensation base, as defined by the Fund, adjusted for service increments and other offsets, as defined in the Fund. Participants with twenty or more years service retiring prior to age fifty-five may receive the same monthly benefit, at age fifty-five, by continuing their contributions to the Fund until attaining age fifty-five. Participants terminating prior to age fifty-five with at least twelve, but less than twenty years service, are eligible for prorated early retirement benefits when they reach age sixty. The benefit will be equal to the participant's accrued benefit at the date of termination prorated by the percentage that the participant's years of service bears to twenty years. Participants terminating prior to age fifty-five may elect to receive a refund of their contributions, without interest, in lieu of an early retirement benefit. Terminated participants with less than twelve years service shall be entitled only to the total amount of their contributions paid into the Fund, without interest. Other Plan provisions provide for the payment of retirement benefits based upon total and permanent disability or death. Increases on 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.

All participants of the Fund are required to contribute the following percentages of their gross monthly wages to the Fund – (a) four and one-half percent for single coverage employees with no social security buyback, (b) five percent for joint coverage with no social security buyback or (c) six and one-half percent for joint coverage with 40% PIA offset buyback. The City remits participant contributions immediately after each pay period. The City makes annual contributions to the Fund equal to the amount required by state statute (per minimum funding standards or the Minimum Municipal Obligation). During 2002, the City of Erie issued General Obligation Bonds, Series 2001D to fund the unfunded portion of the Plan. In February 2002, \$6,925,566 was transferred into the fund from the bond proceeds.

# CITY OF ERIE, PENNSYLVANIA

Notes to Financial Statements (continued)

December 31, 2002

### III. DETAIL NOTES - ALL FUNDS and ACCOUNT GROUPS, (continued)

#### B. Liabilities, (continued)

##### Summary of Significant Accounting Policies

The fund's policy is to prepare its financial statements on the accrual basis of accounting. Income is recognized when earned. Fund participant contributions are recognized in the period in which contributions are withheld from the participants' wages and salaries. Employer contributions are recognized when due and the employer has made a formal commitment to provide the contributions. Benefit payments, expenditures and refunds are recognized when due and payable in accordance with the terms of the plan.

In accordance with Statement on Governmental Accounting Standards (GASB) No. 35, investments are reported at fair 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 fair value of investments maintained in trust is \$52,571,997 at December 31, 2002. Gains (losses) on unrealized appreciation (depreciation) of investments' fair value above (below) cost are recognized in the period of appreciation (depreciation).

The plan issues stand-alone financial statements, which contain the schedule of employer contributions and the schedule of funding progress, and those statements can be obtained from the administrative office of the Plan or from the City Controller's office in the Municipal Building.

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

##### Funding Status and Progress of Plan

Presented below is the "Actuarial Accrued Liability" of the Fund as determined in the Fund's January 1, 2002 and 2001 actuarial valuations. The standard measurement is the actuarial present value of total projected benefits. This standard measurement reflects the present value of the cost to finance benefits payable in the future, discounted to reflect the expected effects of the time value (present value) of money and the probabilities of payment. Total projected benefits include all benefits estimated to be payable to plan members as a result of their service through the valuation date and their expected future service

The actuarial accrued liability represents the actuarial present value of estimated pension benefits that will be paid in future years to each employee included in the valuation as a result of employee services performed to date and adjusted for effects of projected salary increases; allocated on a level basis over the earnings of the employee between entry age into and assumed exit age from the Fund. The portion of this actuarial present value allocated to a valuation year is called the "normal cost". The portion of this actuarial present value not provided for at a valuation date by the actuarial present value of future normal costs is called the "actuarial accrued liability".

Significant actuarial assumptions used to determine the actuarial accrued liability are summarized below.

- The present value of future pension payments was computed using a discount rate of 8%.
- The discount rate is equal to the estimated long-term rate of return on current and future investments of the Fund, net of investment expense.
- The future pension payments assume average compound annual salary rate increase of 5%.
- Future benefits assume retirement age will occur at the later of age sixty-two or twelve years of contributory service.

The summary of the Fund's unfunded actuarial accrued liability is presented below.

	<i>January 1,</i>	
	<u>2002</u>	<u>2001</u>
Present value of benefits at attained age		
Active participants	\$ 52,223,863	\$ 48,549,991
Inactive participants	865,206	979,383
Retirees and beneficiaries receiving benefits	30,182,461	28,976,420
Total present value of projected benefits	83,271,530	78,505,794
Actuarial present value of future normal costs	15,693,732	14,328,534
Actuarial accrued liability	67,577,798	64,177,260
Actuarial value of assets at fair value	51,922,482	54,919,649
Unfunded actuarial accrued liability	\$ 15,655,316	\$ 9,257,611

**CITY OF ERIE, PENNSYLVANIA**

Notes to Financial Statements (continued)

December 31, 2002

III. DETAIL NOTES - ALL FUNDS and ACCOUNT GROUPS, (continued)

B. Liabilities, (continued)

Employee contributions at January 1, 2002 and 2001 consist of:

	<u>2002</u>	<u>2001</u>
All active participants	\$ 10,637,200	\$ 10,050,774

No changes in actuarial assumptions or benefit provisions that would significantly affect the valuations of the pension benefit obligation occurred during 2002 or 2001.

Periodic employer contributions to the Fund are determined on an actuarial basis using the entry age normal actuarial cost method. Normal cost is funded on a current basis. The unfunded actuarial accrued liability consists of various components, which are funded over the following periods: (a) Initial liability – 40 years; (b) Assumption changes – 20 years; (c) Benefit changes – 20 years; and (d) Actuarial gains and losses – 15 years. Periodic contributions for both normal cost and the amortization of the unfunded actuarial accrued liability should provide sufficient resources to pay employee pension benefits on a timely basis.

A comparison of the preliminary pension costs based on the respective actuarial valuations and the actual pension contributions are as follows:

	<i>January 1,</i>	
	<u>2002</u>	<u>2001</u>
Preliminary Minimum Pension Cost		
Normal Cost	\$ 1,471,903	\$ 1,359,543
Administrative expenses	66,202	64,402
Amortization of the unfunded actuarial accrued liability	<u>1,179,771</u>	<u>472,410</u>
Actuarial present value or future normal costs	<u>\$ 2,717,876</u>	<u>\$ 1,896,355</u>
 Total current year pension contributions	 <u>\$ 8,773,723</u>	 <u>\$ 1,636,958</u>
 Actual funding level of minimum pension cost	 <u>322.82%</u>	 <u>86.32%</u>

For the years ended December 31, 2002 and 2001, the pension contributions to the Fund were based on total covered payroll of the previous fiscal year. Employee contributions were based on total covered payroll of the current fiscal year. Total covered payroll was as follows:

	<i>December 31,</i>			
	<u>2002</u>	<i>Covered Payroll %</i>	<u>2001</u>	<i>Covered Payroll %</i>
Per January 1, 2002 and 2001 actuarial valuations				
Covered payroll for the prior fiscal year	<u>\$ 15,677,329</u>		<u>\$ 14,516,359</u>	
Contributions - Year ended December 31,				
Employers' contributions	\$ 7,591,497	48.42%	\$ 521,860	3.59%
Employee contributions	<u>1,072,542</u>	<u>6.84%</u>	<u>1,115,098</u>	<u>7.68%</u>
	<u>\$ 8,664,039</u>	<u>55.26%</u>	<u>\$ 1,636,958</u>	<u>11.28%</u>

# CITY OF ERIE, PENNSYLVANIA

Notes to Financial Statements (continued)

December 31, 2002

## III. DETAIL NOTES - ALL FUNDS and ACCOUNT GROUPS, (continued)

### B. Liabilities, (continued)

The following specific information was used in the actuarial valuation dated January 1, 2002 and 2001:

- Actuarial cost method	Entry age
- Unfunded actuarial liability amortization method	Level percent
- Remaining amortization period	25 years
- Asset valuation method	Market
- Investment rate of return	8.0% per annum
- Projected salary increases	5.0% per annum
- Cost-of-living adjustments	None

#### Police Relief and Pension Association

##### Plan Description

Ordinance 15-1962 established the Plan for all police officers of the City of Erie. Fund assets are retained by the City of Erie Aggregate Pension Fund as part of an aggregation of municipal pension assets pursuant to Section 607 (b) of Act 205 for distressed communities. The Aggregated Pension Board is responsible for management of Fund assets. The Fund is not subject to the provisions of the Employee Retirement Income and Security Act of 1974.

The Fund is a single-employer, defined-benefit plan that covers all police officers of the City of Erie. Participants become eligible to participate on their first day of employment.

As of January 1, 2002 (date of latest actuarial valuation), employee membership data is as follows:

	<u>2002</u>
Retirees, and beneficiaries, including widows, court-ordered, and guardians currently receiving benefits	<u>238</u>
Current employees including fully and partially vested, and non-vested	<u>441</u>
Terminated employees – vested, but not currently receiving benefits	<u>1</u>

A member may retire upon completing twenty years of service and having attained age fifty. The retirement allowance, payable monthly for life, without regard for service increments, is one-half the member's annual salary at date of retirement. Service increments earned for each year of service in excess of twenty increases the monthly benefit by one-fortieth for each year to a maximum of \$300 per month additional benefit. Members who have twelve years service and terminate before twenty years service, and have attained age fifty, may receive such portion of the pension as the period of service to the date of termination bears to the full twenty year period of service. Other Plan provisions provide for the payment of retirement benefits based upon total and permanent disability or death. 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. Adjustments to the 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. In accordance with a new labor agreement, members who retire after January 1, 2002 will receive cost of living adjustments which will provide that the pension of a retired officer shall not drop below 50% of the monthly salary being paid to a Class A patrolman.

# CITY OF ERIE, PENNSYLVANIA

Notes to Financial Statements (continued)

December 31, 2002

### III. DETAIL NOTES - ALL FUNDS and ACCOUNT GROUPS, (continued)

#### B. Liabilities, (continued)

Members are required to contribute 5% of their annual covered salary. Effective January 1, 2000, the employee contribution rate for officers hired after January 1, 1981 shall increase by one-half of one percent to a total of five and one-half percent. Effective January 1, 2002, said rate for officers will increase by an additional one-half of one percent to a total of six percent. The City remits participant contributions immediately after each pay period. The City makes annual contributions to the Fund equal to the amount required by state statute (per minimum funding standards or the Minimum Municipal Obligation).

#### Summary of Significant Accounting Policies

The fund's policy is to prepare its financial statements on the accrual basis of accounting. Income is recognized when earned. Fund participant contributions are recognized in the period in which contributions are withheld from the participants' wages and salaries. Employer contributions are recognized when due and the employer has made a formal commitment to provide the contributions. Benefit payments, expenditures and refunds are recognized when due and payable in accordance with the terms of the plan.

In accordance with Statement on Governmental Accounting Standards (GASB) No. 35, investments are reported at fair 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 fair value of investments maintained in trust is \$62,322,429 at December 31, 2002. Gains (losses) on unrealized appreciation (depreciation) of investments' fair value above (below) cost are recognized in the period of appreciation (depreciation).

The plan issues stand-alone financial statements, which contain the schedule of employer contributions and the schedule of funding progress, and those statements can be obtained from the administrative office of the Plan or from the City Controller's office in the Municipal Building.

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

For the year ended December 31, 1998, the City of Erie, in addition to its normal funding, contributed \$18,368,562 of bond proceed to the Fund to reduce future years' Minimum Municipal Obligation.

#### Funding Status and Progress of Plan

The summary of the Fund's schedule of funding progress is presented below.

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets</u> (a)	<u>Actuarial Accrued Liability (AAL) - Entry Age</u> (b)	<u>Unfunded AAL (UAAL)</u> (b-a)	<u>Funded Ratio</u> (a/b)	<u>Covered Payroll</u> (c)	<u>UAAL as a Percentage of Covered Payroll</u> ((b-a)/c)
January 1, 1993	\$ 21,985,188	\$ 69,204,469	\$ 47,219,281	31.77%	\$ 6,344,455	744.26%
January 1, 1994	27,142,479	72,331,171	45,188,692	37.53%	6,841,264	660.53%
January 1, 1995	29,242,009	74,889,723	45,647,714	39.05%	7,061,494	646.43%
January 1, 1996	39,283,577	78,400,724	39,117,147	50.11%	6,897,732	567.10%
January 1, 1997	46,636,702	80,211,253	33,574,551	58.14%	7,785,905	431.22%
January 1, 1998	57,048,494	79,334,122	22,285,628	71.91%	7,985,915	279.06%
January 1, 1999	82,777,559	76,075,535	(6,702,024)	108.81%	8,117,183	-82.57%
January 1, 2000	86,795,663	82,005,769	(4,789,894)	105.84%	8,307,807	-57.66%
January 1, 2001	82,623,003	74,986,733	(7,636,270)	110.18%	7,968,804	-95.83%
January 1, 2002	77,544,714	78,431,402	886,688	98.87%	9,587,540	9.25%

**CITY OF ERIE, PENNSYLVANIA**

Notes to Financial Statements (continued)

December 31, 2002

III. DETAIL NOTES - ALL FUNDS and ACCOUNT GROUPS, (continued)

B. Liabilities, (continued)

Employer contributions are as follows:

<u>Year ended December 31,</u>	<u>Annual Required Contribution</u>	<u>Percentage Contributed</u>
1993	\$ 5,186,774	101.0%
1994	5,203,963	100.4%
1995	5,028,735	100.8%
1996	4,958,935	101.0%
1997	4,341,905	101.0%
1998	3,631,007	559.8%
1999	2,477,666	32.3%
2000	-	N/A
2001	144,796	101.0%
2002	-	N/A

Firemens' Pension Fund

Plan Description

Ordinance 15-1962 established the Plan for all full-time firefighters of the City of Erie. Fund assets are retained by the City of Erie Aggregate Pension Fund as part of an aggregation of municipal pension assets pursuant to Section 607 (b) of Act 205 for distressed communities. The Aggregated Pension Board is responsible for management of Fund assets. The Fund is not subject to the provisions of the Employee Retirement Income and Security Act of 1974.

The Fund is a single-employer, defined-benefit plan that covers all full-time firefighters of the City of Erie. Participants become eligible to participate on their first day of employment.

As of January 1, 2002 (date of latest actuarial valuation), employee membership data is as follows:

	<u>2002</u>
Retirees and beneficiaries currently receiving benefits	<u>184</u>
Current employees, including fully vested, partially vested and non-vested	<u>176</u>

A member may retire upon completing twenty years of service and having attained age fifty unless the member entered the service of the fire department before December 22, 1965 in which case the member may retire without regard to age. The retirement allowance, payable monthly for life, without regard for service increments, is the higher of one-half the member's annual salary at date of retirement or one-half the highest average annual salary received during any five years of service preceding retirement. Service increments, earned for each year of service in excess of twenty, increase the monthly benefit by one fortieth for each year to a maximum of \$300 per month additional benefit. Members who retire on or after January 1, 1998 will receive a cost of living increase under the plan such that their pension benefit shall not drop below fifty percent of the monthly salary being paid to a Class A Firefighter. Other Plan provisions provide for the payment of retirement benefits based upon total and permanent disability or death. Increases on 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.

# CITY OF ERIE, PENNSYLVANIA

Notes to Financial Statements (continued)

December 31, 2002

### III. DETAIL NOTES - ALL FUNDS and ACCOUNT GROUPS, (continued)

#### B. Liabilities, (continued)

Members are required to contribute 6% of their annual covered salary. The City remits participant contributions immediately after each pay period. The City makes annual contributions to the Fund equal to the amount required by state statute (per minimum funding standards or the Minimum Municipal Obligation). During 2002, the City of Erie issued General Obligation Bonds, Series 2001D to fund the unfunded portion of the Plan. In February 2002, \$11,386,898 was transferred into the fund from the bond proceeds.

#### Summary of Significant Accounting Policies

The fund's policy is to prepare its financial statements on the accrual basis of accounting. Income is recognized when earned. Fund participant contributions are recognized in the period in which contributions are withheld from the participants' wages and salaries. Employer contributions are recognized when due and the employer has made a formal commitment to provide the contributions. Benefit payments, expenditures and refunds are recognized when due and payable in accordance with the terms of the plan.

In accordance with Statement on Governmental Accounting Standards (GASB) No. 35, investments are reported at fair 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 fair value of investments maintained in trust is \$42,274,062 at December 31, 2002. Gains (losses) on unrealized appreciation (depreciation) of investments' fair value above (below) cost are recognized in the period of appreciation (depreciation).

The plan issues stand-alone financial statements, which contain the schedule of employer contributions and the schedule of funding progress, and those statements can be obtained from the administrative office of the Plan or from the City Controller's office in the Municipal Building.

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

#### Funding Status and Progress of Plan

Total payroll and covered payroll for the year ended December 31, 2002 was \$8,161,613 and \$7,547,200, respectively. In 2002, net contributions made totaled \$12,386,691, as follows:

	<u>Amount</u>	<u>Covered Payroll %</u>
Municipal Contribution - City of Erie, PA - MMO	\$ 572,057	7.58%
Municipal Contribution - City of Erie, PA - bond proceeds	11,386,898	150.88%
Member Contributions	492,680	6.53%
Member Contribution Refunds	(64,944)	-0.86%
	\$ 12,386,691	

# CITY OF ERIE, PENNSYLVANIA

Notes to Financial Statements (continued)

December 31, 2002

## III. DETAIL NOTES - ALL FUNDS and ACCOUNT GROUPS, (continued)

### B. Liabilities, (continued)

#### Deferred Compensation Plan (Employer Match)

The City's policy is to prepare the financial statements on the accrual basis of accounting. Income is recognized when earned. Employer contributions are recognized when due and the employer has made a formal commitment to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan.

Participation in the plan is optional. The plan is a discretionary, defined contribution matching plan, whereby the employees may elect to contribute up a percentage of their salary, not to exceed the IRS limits, into the deferred compensation plan through payroll deduction and the City will match the first 4% of paid contributions by 50%. The employer contribution is made into this plan and was \$433,568 for 2002 while the employee contribution is made into the §457 Plan (Note III.B.2).

In accordance with Statement of Governmental Accounting Standards (GASB) No. 27, investments are reported at fair 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 fair value of investments maintained in trust is \$582,075 at December 31, 2002. Gains (losses) on unrealized appreciation (depreciation) of investments' fair value above (below) cost are recognized in the period of appreciation (depreciation).

The plan held no investments in a single entity at year-end that represent 5% or more of net assets available for benefits.

#### Deferred Compensation Plan (Employee Contribution)

The City offers its' employees two deferred compensation plans created in accordance with Internal Revenue Code §457. The City of Erie 457 Deferred Compensation Plan is the original plan that has been left open for employees who choose not to transfer their assets into the new plan. The City of Erie, PA Deferred Compensation Program (§457) is the new plan that all new employees have the option of entering. The plans, administered by the City and available to all City employees, permit the employees 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. The total contribution into the plan for 2002 was \$1,601,139.

The City's policy is to prepare the financial statements on the accrual basis of accounting. Income is recognized when earned. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan.

In accordance with Statement of Governmental Accounting Standards (GASB) No. 27, investments are reported at fair 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 fair value of investments maintained in trust is \$10,921,105 at December 31, 2002. Gains (losses) on unrealized appreciation (depreciation) of investments' fair value above (below) cost are recognized in the period of appreciation (depreciation).

The plans currently have no retirees or terminated employees and 579 active employees for a total of 579 participants.

All amounts of compensation deferred under these plans, all property and rights purchased with those amounts and all income attributable to those amounts, property or rights are held in trust for the exclusive benefit of the participants and their beneficiaries.

2. Risk Management - The City accounts for its various insurance programs in the Internal Service Fund. 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 Fund. 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 components of this fund are Workers Compensation, Employees' Health Benefit Plan and Risk Management.

During 2000, the City purchased annuity contracts totaling \$5,513,749 to satisfy some prior year worker's compensation claims. The corresponding liability was removed from the balance sheet at December 31, 2000; however, none of the claimants had signed an agreement with the City releasing them from further obligation. During 2001 and 2002, the City settled seven of these claims and has signed agreements releasing themselves from further liability. The City used operating funds to settle these claims and has recorded a receivable in the amount of \$1,256,646, which represents the fair value of the annuities associated with each of the prior year claims at December 31, 2001. During 2002, the City settled the final three of these claims and has signed agreements releasing themselves from further liability. The City used operating funds to settle these claims and has recorded a receivable in the amount of \$604,265, which represents the fair value of the annuities associated with each of the prior year claims at December 31, 2002. The remaining contingent liability is \$3,454,007 at December 31, 2002.

# CITY OF ERIE, PENNSYLVANIA

Notes to Financial Statements (continued)

December 31, 2002

### III. DETAIL NOTES - ALL FUNDS and ACCOUNT GROUPS, (continued)

#### B. Liabilities, (continued)

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, 2002 the plan was determined to have been underfunded by a net amount of \$440,164 and is included with accounts payable in the Combined Balance Sheet.

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 catastrophes. 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, 2002 there were no material amounts of claims liabilities. Settlement amounts have not exceeded insurance coverage for the current year or the three prior years.

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 2002, the medical stop-loss amount was \$90,000 and the indemnity stop-loss was \$22,500.

Unpaid Claims Liabilities - Workers' Compensation - The following represents the changes in approximate aggregate liabilities for the City from January 1, 2001 to December 31, 2002.

Balance, January 1, 2001	\$	2,361,092
Incurred Claims and Claims Adjustment Expenses		
Provision for Insured Events of the Current Year		371,655
Increases in Provision for Insured Events of Prior Year		<u>(616,506)</u>
Total Incurred Claims and Claims Adjustment Expenses		2,116,241
Less: Payments		
Claims and Claim Adjustment Expenses Attributable to Insured Events of the Current Year		270,067
Claims and Claim Adjustment Expenses Attributable to Insured Events of Prior Year		<u>68,319</u>
Total Payments		<u>338,386</u>
Balance, December 31, 2001		1,777,855
Incurred Claims and Claims Adjustment Expenses:		
Provision for Insured Events of the Current Year		561,346
Increases in Provision for Insured Events of Prior Year		<u>(136,017)</u>
Total Incurred Claims and Claims Adjustment Expenses		2,203,184
Less: Payments		
Claims and Claim Adjustment Expenses Attributable to Insured Events of the Current Year		384,361
Claims and Claim Adjustment Expenses Attributable to Insured Events of the Prior Year		<u>45,485</u>
Total Payments		<u>429,846</u>
Balance, December 31, 2002	\$	<u>1,773,338</u>

# CITY OF ERIE, PENNSYLVANIA

Notes to Financial Statements (continued)

December 31, 2002

## III. DETAIL NOTES - ALL FUNDS and ACCOUNT GROUPS, (continued)

### B. Liabilities, (continued)

3. 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 Fund represents the open reserves for workers compensation claims.

The City is also involved in various other litigation claims related to property damage, personal injury, civil rights and other matters, which the City is vigorously defending. The individual cases range from \$2,000 to \$500,000. With regard to unsettled cases, the range of possible outcomes varies from remote to reasonably possible. The City's aggregate potential liability is \$3,438,000, of which \$1,500,000 has been determined to have a probable outcome with the remaining amount of \$1,938,000 ranging from reasonably possible to remote outcomes.

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 \$607,000 of property taxes representing taxes levied and collected in excess of the LERTA abatement.

### 4. Lease Agreements

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 Authority retains the leased property. 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. The note was paid off in 2002.

In 1995 the Authority refunded the 1972 bonds and has issued numerous other bond issues and notes in conjunction with this lease. The activities are more fully described in Note VII.E.6. The annual lease payments are based on the debt service requirements of the Authority, including an additional amount to cover the administrative expenses of the Authority.

Repayment by the Authority is through semi-annual lease payments from the City in amounts necessary to retire the Authority's bonds and notes. The lease payments are due on April 15 and October 15 through 2026.

# CITY OF ERIE, PENNSYLVANIA

Notes to Financial Statements (continued)

December 31, 2002

### III. DETAIL NOTES - ALL FUNDS and ACCOUNT GROUPS, (continued)

#### B. Liabilities, (continued)

The remaining lease payments as of December 31, 2002 are as follows:

	Bonds	Notes	Other	Total
2003.....	\$ 4,256,951	\$ 394,640	\$ 574,195	\$ 5,225,786
2004.....	4,379,126	404,637	437,913	5,221,676
2005.....	4,372,007	407,393	437,201	5,216,601
2006.....	4,375,784	407,393	437,578	5,220,755
2007.....	4,373,905	407,393	437,391	5,218,689
2008.....	4,371,004	146,041	437,100	4,954,145
2009.....	4,377,013	9,064	437,701	4,823,778
2010.....	4,596,112	-	459,611	5,055,723
2011.....	4,642,460	-	464,246	5,106,706
2012.....	4,639,889	-	463,989	5,103,878
2013.....	4,638,860	-	463,886	5,102,746
2014.....	4,639,516	-	463,953	5,103,469
2015.....	4,777,780	-	477,777	5,255,557
2016.....	4,786,675	-	478,668	5,265,343
2017.....	4,782,081	-	478,208	5,260,289
2018.....	4,786,426	-	478,643	5,265,069
2019.....	4,787,010	-	478,701	5,265,711
2020.....	4,788,670	-	478,867	5,267,537
2021.....	5,359,622	-	(96,538)	5,263,084
2022.....	4,785,000	-	478,500	5,263,500
2023.....	4,785,000	-	478,500	5,263,500
2024.....	4,785,000	-	478,500	5,263,500
2025.....	4,785,000	-	478,500	5,263,500
2026.....	4,785,000	-	478,500	5,263,500
Minimum Lease Obligation.....	<u>\$ 111,655,891</u>	<u>\$ 2,176,561</u>	<u>\$ 10,681,590</u>	<u>\$ 124,514,042</u>

The lease rental payment for 2002 was \$5,104,634.

# CITY OF ERIE, PENNSYLVANIA

Notes to Financial Statements (continued)

December 31, 2002

### III. DETAIL NOTES - ALL FUNDS and ACCOUNT GROUPS, (continued)

#### B. Liabilities, (continued)

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, 2002 are \$87,771. 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 total expenditure for the Erie Municipal Park Authority lease for 2002 was \$53,000.

Other Lease Agreements - The City has historically entered into other capital lease agreements to purchase equipment (fire trucks and equipment, computers, and telephone system). The City had five capital lease agreements for equipment during the year ended December 31, 2002.

The remaining lease payments as of December 31, 2002 are as follows:

2003.....	\$	249,751
2004.....		246,474
2005.....		156,628
2006.....		52,979
2007.....		3,353
Total Lease Payments.....		709,185
Less: Interest Portion.....		81,712
Minimum Lease Obligation.....	\$	627,473

The Capital lease obligation above of \$627,473 is recorded in the General Long-Term Debt Account Group. Assets capitalized under capital lease agreements total approximately \$2,141,943.

#### 5. Long-Term Debt

*General Long-Term Debt Account Group:* General obligation notes 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 \$264,356,660 of non-electoral indebtedness.

##### 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. The bonds were paid off in January 2002.

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 2.60% to 5.125% 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 (See Note III.B.6.). The 2001 Bond series E defeased \$5,420,000 maturity value of the Series B of 1993 (See Note III.B.6.).

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 to pay the costs of issuing and insuring the Bonds. The 1997 General Obligation Bond was defeased during 1998. (See Note III.B.6.)

# CITY OF ERIE, PENNSYLVANIA

Notes to Financial Statements (continued)

December 31, 2002

## III. DETAIL NOTES - ALL FUNDS and ACCOUNT GROUPS, (continued)

### B. Liabilities, (continued)

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 certain of the City's general obligation bonds, funding capital projects, and paying the costs of issuing the 1998B Bonds. The 1998A Bonds and 1998B Bonds maturing on November 15, 1999 through and including November 15, 2003 were issued as current interest bonds and will bear interest at varying rates from 3.10% to 5.60%. Interest is 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 were issued as capital appreciation bonds and do not pay interest currently but will accrete in value and interest will be payable at maturity. Principal and compounded accreted value of the 1998 Bonds will be paid to the registered owners, when due, upon surrender of the 1998 Bonds to the designated Paying Agent. The 2001 Bond series B defeased \$9,755,000 maturity value of the 1998B Bonds (Note III.B.6). The 2001 Bond series F defeased \$10,091,656 maturity value of the Series B of 1998 (Note III.B.6.) Outstanding principal, including compounded accreted value, of the 1998A and 1998B bonds at December 31, 2002 is \$19,650,000 and \$29,479,316, respectively. Outstanding principal, including compounded accreted value, of the 1998B Bonds in the amount of \$8,254,208 is being classified as Proprietary Fund debt based on the nature of the uses of the funds and the expected source of debt retirement. The remaining \$21,225,107 of the 1998B Bonds is included in the General Long-Term Debt Account Group.

On February 21, 2001, the City issued \$28,698,631 principal amount of Taxable General Obligation Bonds, Series of 2001A, (the "2001A Bonds"), the Tax-Exempt General Obligation Bonds, Series of 2001B (the "2001B Bonds") and the Tax-Exempt General Obligation Bonds, Series of 2001C, (the "2001C Bonds"). The 2001A Bonds, in the principal amount of \$5,115,000, were issued for the purpose of refunding the taxable General Obligation Note, Series of 2000 and paying the costs of issuing the 2001A Bonds. The 2001B Bonds in the principal amount of \$8,995,000 were issued for the purpose of refunding the \$2,500,000 Note issued September 15, 1999, refunding the \$500,000 Note issued June 30, 2000 and refunding certain of the City's general obligation bonds and paying the costs of issuing the 2001B Bonds. The 2001C Bonds in the principal amount of \$14,588,631 were issued for the purpose funding capital projects and paying the costs of issuing the 2001C Bonds. The 2001A Bonds, the 2001B Bonds and the 2001C Bonds maturing on November 15, 2002 through and including November 15, 2008 were issued as current interest bonds and will bear interest at varying rates from 3.30% to 6.625% from January 15, 2001. Interest is payable semiannually on May 15 and November 15 of each year, commencing May 15, 2001. The 2001C Bonds maturing on November 15, 2009 through and including November 15, 2027 were issued as capital appreciation bonds and do not pay interest currently but will accrete in value and interest will be payable at maturity. Principal and compounded accreted value of the 2001 Bonds will be paid to the registered owners, when due, upon surrender of the 2001 Bonds to the designated Paying Agent. The 2001 Bond series E defeased \$6,910,000 maturity value of the Series C of 2001 (See Note III.B.6.). Outstanding principal, including compounded accreted value, of the 2001A, 2001B and 2001C bonds at December 31, 2002 is \$4,540,000, \$8,985,000 and \$8,549,714, respectively. Outstanding principal of the 2001B Bonds in the amount of \$1,617,300 is being classified as Proprietary Fund debt based on the nature of the uses of the funds and expected source of debt retirement. The remaining \$7,367,700 of the 2001B Bonds, the 2001 A Bond, and the 2001 C Bonds are included in the General Long-Term Debt Account Group.

On January 18, 2002, the City issued \$43,320,000 principal amount of Taxable General Obligation Bonds, Series of 2001D, (the "2001D Bonds"), the Tax-Exempt General Obligation Bonds, Series of 2001E (the "2001E Bonds") and the Taxable General Obligation Bonds, Series of 2001F, (the "2001F Bonds"). The 2001D Bonds, in the principal amount of \$18,700,000, were issued for the purpose of funding a portion of the City's unfunded actuarial accrued pension liability and paying the costs of issuing the 2001D Bonds. The 2001E Bonds in the principal amount of \$13,530,000 were issued for the purpose of refunding the entire amount of the City's General Obligation Bonds, Series of 1993B, the refunding of a portion of the City's General Obligation Bonds Series 2001C, and paying the costs of issuing the 2001E Bonds. The 2001F Bonds in the principal amount of \$11,090,000 were issued for the purpose refunding a portion of the City's General Obligation Bonds, Series of 1998B and paying the costs of issuing the 2001F Bonds. The 2001D Bonds, the 2001E Bonds and the 2001F Bonds maturing on November 15, 2013 through and including November 15, 2025 were issued as current interest bonds and will bear interest at varying rates from 2.50% to 6.70% from January 15, 2002. Interest is payable semiannually on May 15 and November 15 of each year, commencing May 15, 2002. Principal of the 2001 D, E and F Bonds will be paid to the registered owners, when due, upon surrender of these Bonds to the designated Paying Agent. Outstanding principal of the 2001D, 2001E and 2001F bonds at December 31, 2002 is \$18,505,000, \$13,525,000, and \$11,090,000, respectively. Outstanding principal of the 2001E and F Bonds in the amount of \$5,951,000 and \$3,105,200 are being classified as Proprietary Fund debt based on the nature of the uses of the funds and expected source of debt retirement. The 2001 D and the remaining \$7,574,000 and \$7,984,800 of the 2001E and F Bonds are included in the General Long-Term Debt Account Group.

**CITY OF ERIE, PENNSYLVANIA**

Notes to Financial Statements (continued)

December 31, 2002

III. DETAIL NOTES - ALL FUNDS and ACCOUNT GROUPS, (continued)

B. Liabilities, (continued)

The annual debt service requirements to maturity, including principal and interest, for the General Obligation Bonds as of December 31, 2002, are presented below.

	General Long Term Debt Account Group	Sewer Revenue Fund
2003.....	\$ 8,197,091	\$ 647,664
2004.....	8,247,386	591,297
2005.....	8,244,500	590,925
2006.....	8,239,148	590,542
2007.....	7,754,480	900,621
2008.....	7,978,649	938,508
2009.....	7,679,416	1,198,205
2010.....	7,594,497	1,204,617
2011.....	7,983,215	1,191,324
2012.....	7,860,012	1,192,014
2013.....	5,262,988	2,009,032
2014.....	5,024,233	2,117,628
2015.....	4,827,456	2,192,881
2016.....	4,095,155	1,554,243
2017.....	3,799,788	1,652,023
2018.....	3,078,916	1,279,683
2019.....	2,956,849	1,248,050
2020.....	2,849,600	1,222,742
2021.....	2,744,260	1,196,776
2022.....	2,643,053	1,170,584
2023.....	2,553,592	1,148,263
2024.....	2,470,337	1,127,628
2025.....	2,738,442	724,750
2026.....	1,715,810	-
Total principal and interest	126,538,873	27,690,000
Less: Interest, other than accreted interest	31,142,552	8,762,292
Total Outstanding Liability	95,396,321	18,927,708
Less: Accreted Interest	3,516,956	761,254
Total General Obligation Bonds	\$ 91,879,365	\$ 18,166,454

# CITY OF ERIE, PENNSYLVANIA

Notes to Financial Statements (continued)

December 31, 2002

### III. DETAIL NOTES - ALL FUNDS and ACCOUNT GROUPS, (continued)

#### B. Liabilities, (continued)

Changes in long-term debt payable during 2002 are summarized as follows:

	<u>Balance</u> <u>January 1, 2002</u>	<u>Incurred</u> <u>(Including</u> <u>accreted interest)</u>	<u>Retired</u> <u>(Including</u> <u>deceased amounts)</u>	<u>Balance</u> <u>December 31, 2002</u>
<u>General Long-Term Debt</u>				
Capital Lease Obligation	\$ 473,719	\$ 368,494	\$ 214,740	\$ 627,473
General Obligation Bonds	<u>77,220,959</u>	<u>36,666,355</u>	<u>18,490,993</u>	<u>95,396,321</u>
Total General Long-Term Debt	77,694,678	37,034,849	18,705,733	96,023,794
 <u>Proprietary Fund Debt</u>				
Sewer Revenue Fund:				
General Obligation Bonds	<u>17,483,718</u>	<u>9,819,654</u>	<u>8,375,664</u>	<u>18,927,708</u>
Total Proprietary Fund Debt	<u>17,483,718</u>	<u>9,819,654</u>	<u>8,375,664</u>	<u>18,927,708</u>
Total Debt	<u>\$ 95,178,396</u>	<u>\$ 46,854,503</u>	<u>\$ 27,081,397</u>	<u>\$ 114,951,502</u>

#### 6. Deceased Debt

On January 18, 2002, the City of Erie issued general obligation bonds of \$13,530,000 (par value) with an interest rates ranging from 2.50% to 5.25% to advance refund the entire amount of the City's General Obligation Bonds Series of 1993B and the refunding of a portion of the City's General Obligation Bonds of 2001C. The 2001 series E bonds mature on November 15, 2025, and are callable on November 15, 2012. The new series E of 2001 bonds were issued at a discounted price of \$13,264,530 and, after paying issuance costs and an insurance reserve deposit of \$988,484 the net proceeds were \$12,276,047. The net proceeds from the issuance of the general obligation bonds were used to purchase U.S. Government securities and those securities were deposited in an irrevocable trust with an escrow agent to provide debt service payments until the Series of 1993B and 2001C bonds are called on November 1, 2017 and November 15, 2011. The advance refunding met the requirements of an in-substance debt defeasance and this portion of the Series of 2001 and 1993 were removed from the City's general long-term debt account group.

As a result of the advance refunding, the City increased its debt service requirements by \$9,067,912, which resulted in an economic loss (difference between the present value of the debt service payments on the old and new debt) of \$1,242,183.

On January 18, 2002, the City of Erie issued general obligation bonds of \$11,090,000 (par value) with an interest rates ranging from 5.75% to 6.70% to advance refund a portion of the City's General Obligation Bonds Series of 1998B. The 2001 series F bonds mature on November 15, 2007, 2011, & 2016 and are not subject to optional redemption prior to maturity. The new series F of 2001 bonds were issued at a discounted price of \$11,049,617 and, after paying issuance costs and an insurance reserve deposit of \$202,846 the net proceeds were \$10,846,773. The net proceeds from the issuance of the general obligation bonds were used to purchase U.S. Government securities and those securities were deposited in an irrevocable trust with an escrow agent to provide debt service payments until the Series of 1998B bonds are called on November 15, 2012. The advance refunding met the requirements of an in-substance debt defeasance and this portion of the Series of 1998 were removed from the City's general long-term debt account group.

As a result of the advance refunding, the City increased its debt service requirements by \$6,110,667, which resulted in an economic loss (difference between the present value of the debt service payments on the old and new debt) of \$218,308.

#### Prior Year's Debt Defeasance

In prior years, the City has defeased various bond issues by creating separate irrevocable trust funds. New debt has been issued and the proceeds have been used to purchase U.S. government securities that were placed in the trust funds. The investments and fixed earnings from the investments are sufficient to fully service the defeased debt until the debt is called or matures. For financial reporting purposes, the debt has been considered defeased and therefore removed as a liability from the City's financial statements. As of December 31, 2002, the amount of defeased debt outstanding but removed from the General Long-Term Debt Account Group amounted to \$35,330,000.

**CITY OF ERIE, PENNSYLVANIA**

Notes to Financial Statements (continued)

December 31, 2002

III. DETAIL NOTES - ALL FUNDS and ACCOUNT GROUPS, (continued)

B. Liabilities, (continued)

7. Compensated Absences - Vested or accumulated vacation leave and sick pay 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 and sick pay 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 \$1,710,965, which represents an increase of \$71,150 from the prior year, and is recorded in the appropriate funds as a current liability.
8. Other Post-employment Benefits - In addition to pension benefits described in Note III.B.1., the City provides post-employment 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 2002, the cost of post-employment benefits was \$707,343 for the 59 eligible Police retirees and \$441,012 for the 34 eligible Firefighter retirees.

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, 2002 consisted of the following individual fund receivables and payables.

	<u>Receivables</u>	<u>Payables</u>
General Fund:		
Golf Fund	\$ 60,000	\$ -
Debt Service Fund	1,965,474	-
Internal Service Fund	334,489	45,482
Debt Service Fund:		
General Fund	-	1,965,474
Capital Improvements Fund	-	17,284
Sewer Revenue Fund:		
Sewer Reserve Fund	3,800,000	-
Capital Improvements Fund:		
Debt Service Fund	17,284	-
Sewer Reserve Fund:		
Sewer Revenue Fund	-	3,800,000
Golf Fund:		
General Fund	-	60,000
Internal Service Fund:		
General Fund	<u>45,482</u>	<u>334,489</u>
	<u>\$ 6,222,729</u>	<u>\$ 6,222,729</u>

# CITY OF ERIE, PENNSYLVANIA

Notes to Financial Statements (continued)

December 31, 2002

### III. DETAIL NOTES - ALL FUNDS and ACCOUNT GROUPS, (continued)

#### 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 non-current 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. Additionally, a portion of the proceeds of the General Obligation Bonds of 2001 has been used to construct certain sewer assets. Since the corresponding debt is not reflected in the Sewer Revenue Fund, contributed capital is presented to reflect the value of income producing assets purchased/constructed by the Capital Projects Fund.

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 endowment principal is a portion of the Capital Project Fund's unreserved fund balance that has been designated to record the initial lease rental received from the Erie City Water Authority (a.k.a. Erie Water Works). At the date at which this agreement was amended and extended the amount designated was increased to \$12,750,000.

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

### IV. SEGMENT INFORMATION – ENTERPRISE FUNDS

The City maintained, during 2002, five Enterprise Funds, which provide the following services:

	<u>Utilities</u>			<u>Recreation</u>		Total Enterprise Fund
	<u>Sewer Revenue</u>	<u>Sewer Reserve</u>	<u>Water Revenue</u>	<u>Refuse and Recycling</u>	<u>Golf</u>	
Operating Revenue	\$ 17,927,255	\$ -	\$ 2,078,493	\$ 3,756,952	\$ 1,025,099	\$ 24,787,799
Operating Expenses						
before depreciation	14,772,988	-	-	3,503,093	1,037,929	19,314,040
Depreciation	<u>1,400,969</u>	-	<u>654,370</u>	<u>104,571</u>	<u>72,998</u>	<u>2,232,908</u>
Operating Income	1,753,298	-	1,424,123	149,288	(85,828)	3,240,851
Nonoperating revenue						
(expense)	48,340	57,846	-	4,485	638	111,339
Operating Transfers In	1,019,460	3,800,000	-	-	-	4,819,460
Operating Transfers (Out)	<u>(5,891,245)</u>	<u>(1,000,000)</u>	<u>(1,858,989)</u>	<u>(200,000)</u>	<u>-</u>	<u>(8,950,234)</u>
Net Income (Loss)	<u>\$ (3,070,147)</u>	<u>\$ 2,857,846</u>	<u>\$ (434,866)</u>	<u>\$ (46,227)</u>	<u>\$ (85,190)</u>	<u>\$ (778,584)</u>
Current Assets	\$ 10,035,048	\$ 8,290,775	\$ -	\$ 773,846	\$ 7,046	\$ 19,106,715
Fixed Asset Additions	574,725	-	-	1,946	14,254	590,925
Other Assets	<u>15,441,415</u>	<u>-</u>	<u>17,273,930</u>	<u>494,199</u>	<u>592,677</u>	<u>33,802,221</u>
Total Assets	<u>\$ 26,051,188</u>	<u>\$ 8,290,775</u>	<u>\$ 17,273,930</u>	<u>\$ 1,269,991</u>	<u>\$ 613,977</u>	<u>\$ 53,499,861</u>
Current Liabilities	\$ 4,709,383	\$ -	\$ -	\$ 126,556	\$ 86,109	\$ 6,478,204
Bonds and Other Liabilities	18,862,208	-	6,146,116	-	2,131	25,010,455
Current Capital Contributions	2,477,247	-	-	1,055,671	-	3,532,918
Other Equity	<u>2,350</u>	<u>8,290,775</u>	<u>11,127,814</u>	<u>87,764</u>	<u>525,737</u>	<u>20,078,284</u>
Total Liabilities and Equity	<u>\$ 26,051,188</u>	<u>\$ 8,290,775</u>	<u>\$ 17,273,930</u>	<u>\$ 1,269,991</u>	<u>\$ 613,977</u>	<u>\$ 55,099,861</u>

# CITY OF ERIE, PENNSYLVANIA

Notes to Financial Statements (continued)

December 31, 2002

## V. SUMMARY DISCLOSURE OF SIGNIFICANT COMMITMENTS and CONTINGENCIES

### A. Debt Guaranty Agreements

The Erie Sewer Authority's Revenue Bonds, Series A and B of 2001, refunded the 1998 series A and B, restructured debt service requirements, financed various sewer projects, and are fully insured by an independent insurance company against default. The City agreed to guaranty this component unit's bond in the form of a Guaranty Agreement whereby the City will guarantee payment of principal and interest. The insurance company's guarantee would become effective if both the Authority and the City failed to meet the obligation. Bonds outstanding at December 31, 2002 are \$20,799,734. (See Notes III.B.4. and VII.E.6)

The Erie Sewer Authority's Revenue Bonds, Series of 2001, refunded the 2000 series and are fully insured by an independent insurance company against default. The City agreed to guaranty this component unit's 2000 Series in the form of a Guaranty Agreement whereby the City will guarantee payment of principal and interest. The insurance company's guarantee would become effective if both the Authority and the City failed to meet the obligation. Bonds outstanding at December 31, 2002 are \$13,905,000. (See Notes III.B.4., and VII.E.6)

The Erie Parking Authority's Guaranteed Parking Revenue Bonds, Series 1998A and 1998B, refunded the 1987 series and advance refunded the 1995 series and are fully insured by an independent insurance company against default. The City will guarantee payment of principal and interest. The insurance company's guarantee would become effective if both the Authority and the City failed to meet the obligation. Bonds outstanding at December 31, 2002 are \$13,610,000. (See Notes I.B., and VII.D.8.)

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 guarantee payment of principal and interest. The insurance company's guarantee would become effective if both the Authority and the City failed to meet the obligation. Bonds outstanding at December 31, 2002 are \$10,040,000. (See Notes I.B., and VII.D.8.)

During 1999, 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, 2002 is \$677,856. (See Notes I.B and VII.E.6)

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, 2002 is \$1,384,098. (See Note I.B and VII.E.6)

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 \$3,501,795 and \$1,547,920, respectively, at December 31, 2002. (See Notes I.B)

### B. Financial Award 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.

# CITY OF ERIE, PENNSYLVANIA

Notes to Financial Statements (continued)

December 31, 2002

## 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 §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 believes 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 Grant Funds," a Special Revenue Fund. The balance available for expenditure is \$530,679.

### 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, 2002".

### C. Special Revenue - Liquid Fuels Tax Fund

The initial budget for the Liquid Fuels Tax Fund, a 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.

### D. Prior Period Adjustments and Restatements

#### 1. General Fund Restatement

At December 31, 2001, compensated absences was understated by \$1,310,276. As a result, salaries expense was understated in prior years. The restatement has the effect of decreasing beginning fund balance by \$1,310,276 in the General Fund in the current year.

#### 2. Special Revenue Fund Restatement

At December 31, 2001, compensated absences was understated by \$26,741. As a result, salaries expense was understated in prior years. The restatement has the effect of decreasing beginning retained earnings by \$26,741 in the Special Revenue Fund in the current year.

#### 3. Enterprise Fund Restatement

At December 31, 2001, compensated absences was understated by \$134,373. As a result, salaries expense was understated in prior years. The restatement has the effect of decreasing beginning retained earnings by \$134,373 in the Enterprise Fund in the current year.

#### 4. Internal Service Fund Restatement

At December 31, 2001, compensated absences was understated by \$3,857. As a result, salaries expense was understated in prior years. The restatement has the effect of decreasing beginning retained earnings by \$3,857 in the Internal Service Fund in the current year.

**CITY OF ERIE, PENNSYLVANIA**

Notes to Financial Statements (continued)

December 31, 2002

VI. OTHER DISCLOSURES (continued),

E. Subsequent Events

1. Tax and Revenue Anticipation Note - The City issued a tax and revenue anticipation note of \$5,000,000 on January 3, 2003, bearing an interest rate of 1.98%, payable December 31, 2003.

F. New Pronouncement

In June 1999, the Governmental Accounting Standards board (GASB) issued Statement 34 "Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments." This Statement establishes new financial reporting requirements for state and local governments throughout the United States. When implemented, it will require new information and restructure much of the information that governments have presented in the past. Comparability with reports issued in all prior years will be affected. The City has not yet determined the full impact that adoption of GASB Statement 34 will have on the financial statements.

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 accompanying financial information has been prepared on the modified accrual basis of accounting. Under this method, revenues are recorded when susceptible to accrual, for example, both measurable and available. 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. At December 31, 2002, the deposits of the Authority can be categorized to indicate the level of risk assumed. Category 1 includes bank balances insured or collateralized with securities held by the entity or its agent in the Authority's name. Category 2 includes bank balances collateralized with securities held by the pledging financial institution's trust department of agent in the Authority's name. Category 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		
Cash	\$ 313,836	\$ -	\$ 2,765	\$ 316,601	\$ 292,162

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.

**CITY OF ERIE, PENNSYLVANIA**

Notes to Financial Statements (continued)

December 31, 2002

**VII. COMPONENT UNIT DISCLOSURES**

**A. Redevelopment Authority of the City of Erie (continued),**

- 4. 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 non-interest bearing note secured by various parcels of real estate. The net proceeds from sales are applied against the principal balance of the note due in full on May 14, 1999. As of December 31, 2002, the balance of this loan remained at \$104,000 and the terms of the loan have not been renegotiated. The second loan is an open-end mortgage agreement entered into November 25, 2002 with a local bank. The original amount of this mortgage was for \$175,000. The term of this loan is for 20 years and requires monthly payments of \$1,249, which includes interest at 5.95%. This interest rate is fixed for 10 years, at which time it will adjust to a new rate as described in the loan agreement. This new rate shall be effective for the remaining 10 years of the term of this loan. The Authority's main office building serves as collateral for this loan. As of December 31, 2002, the outstanding balance was \$174,579. Notes payable also consist of a line of credit with a local bank. This line of credit has a maximum of \$50,000 available and carries an interest rate of prime plus .25%. As of December 31, 2002, the outstanding balances was \$37,928.
- 5. Compensated Absences - 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.
- 6. 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 for the plan year ended September 15, 2002, were calculated using the total compensation of eligible participants in the amount of \$246,258. Both the Authority and the covered employees made the required contributions, amounting to \$16,729 from the Authority and \$13,856 from the covered employees, or \$30,585 in total.
- 7. Operating Lease - The Authority is committed under a month-by-month lease for office space. This is considered for accounting purposes to be an operating lease. Lease expenditures for the year ending December 31, 2002 amounted to \$12,600. This lease was terminated as of April 30, 2003.
- 8. Capital Lease - The Authority entered into a lease agreement with ETG Communications for a new phone system. The lease is for a period of five years and the Authority makes monthly payments of \$92. Upon termination of the lease the leased property becomes the property of the Authority. Therefore, this lease, with a capitalized cost of \$5,520, is being accounted for as a capital lease.

The remaining lease payments as of December 31, 2002 are as follows:

2003.....	\$	<u>184</u>
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- 9. Transactions with the Primary Government - During 2002, the Redevelopment Authority received \$1,196,732 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.

**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.

**CITY OF ERIE, PENNSYLVANIA**

Notes to Financial Statements (continued)

December 31, 2002

VII. COMPONENT UNIT DISCLOSURES, (continued)

B. Erie Municipal Park Authority (continued),

2. Basis of Accounting - The accompanying financial information has been prepared on the modified accrual basis of accounting. Under this method revenues are recorded when susceptible to accrual, for example, both measurable and available. Expenditures, other than interest on long-term debt, are recorded when the related fund liability is incurred, if measurable.
3. Investments - The investments stated at fair value at December 31, 2002 consist of U.S. Treasury trust obligations.
4. 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.
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, 2002 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>\$ 90,000</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, 2002, the Authority has redeemed principal amount of bonds prior to normal redemption, which would have matured in 2004, in the amount of \$490,000. For the year ended December 31, 2002, the Authority redeemed \$45,000 in face amount of bonds.

The Authority has incurred certain debt with a bank for the purpose of loaning the proceeds to the Erie Zoological Society to finance its construction and improvements to the Children's Zoo. As funds are drawn down for construction and improvements, the Authority records both a liability for the note payable and an asset for the loan receivable from the Erie Zoological Society. The debt, referred to as Series 2002A, amounts to \$425,000. Interest only payments in the amount of \$1,152 are due from November 5, 2002 through September 5, 2003 and bear interest at 3.15%. Principal and interest payments in the amount of \$7,674 begin October 5, 2003 and end May 5, 2005

6. Transactions with the Primary Government - The offsetting asset and liability represents the aggregate remaining bond principal outstanding as of December 31, 2002 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 \$106,000 at December 31, 2002. The difference between the aggregate lease rentals to be received and outstanding bond principal represents bond interest and administrative expenses to be paid in the future. (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.
2. Basis of Accounting - The records covering transit operations are maintained on the accrual basis of accounting. Under this method revenues are recognized when they are earned and expenses are recognized when they are incurred. 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 also maintained on the accrual basis.

# CITY OF ERIE, PENNSYLVANIA

Notes to Financial Statements (continued)

December 31, 2002

VII. COMPONENT UNIT DISCLOSURES, (continued)

C. Erie Metropolitan Transit Authority, (continued)

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 PaineWebber; federal securities mutual funds and U.S. Treasury Notes. Investments are carried at fair value, which approximates cost.

4. Investments - Certain investments are restricted by grant agreements. The restricted amounts are as follows:

Pennsylvania Department of Transportation, Act 26, Section 1310	\$	2,471,143
Pennsylvania Department of Transportation, Act 3, Additional Supplemental Grant and Base Supplemental Grant		1,169,522
	\$	3,640,665

Pennsylvania statutes provide for investment of governmental funds into certain authorized investment types including U.S. Treasury bills, other short-term U.S. and Pennsylvania government obligations, and insured or collateralized time deposits and certificates of deposit. The statutes do not prescribe regulations related to demand deposits; however, they do allow the pooling of governmental funds for investment purposes.

The deposits and investments policy of the Authority adheres to statutes and prudent business practice. Deposits of the governmental funds are either maintained in demand deposits or certificates of deposit.

Cash and cash equivalents consist of the following:

Category	Carrying Amount	Bank Balance
(1) Insured or collateralized with securities held by the Authority or by its agent in the Authority's name.	\$ 606,477	\$ 606,477
(2) Collateralized with securities held by the pledging financial institutions' trust department or agent in the Authority's name.	-	-
(3) Uncollateralized, including any bank balance that is collateralized with securities held by the pledging financial institution, or by its trust department or agent but not in the entity's name.	2,365,440	2,792,055
Total	\$ 2,971,917	\$ 3,398,532

Investments are stated at fair value, which approximates cost. Details are as follows:

	Carrying Amount
Mutual Funds investing in securities of	
U.S. Government and/or U.S. Government agencies (uncategorized)	\$ 1,969,673
Pennsylvania Local Government Income Trust (uncategorized)	364,796
U.S. Government Agencies	339,066
Repurchase agreements	298,981
Money market funds (uncategorized)	922,518
Total	\$ 3,895,034

# CITY OF ERIE, PENNSYLVANIA

Notes to Financial Statements (continued)

December 31, 2002

## VII. COMPONENT UNIT DISCLOSURES, (continued)

### C. Erie Metropolitan Transit Authority, (continued)

5. 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	Balance January 1, 2002	Additions	Reclassifications and Transfers	Dispositions	Balance December 31, 2002
Land	N/A	\$ 189,369	\$	\$	\$	\$ 189,369
Land Improvements	10-15	241,859				241,859
Buildings and Improvements	5-33	4,009,858	2,428	(179)		4,012,107
Buses	5-12	18,210,346	2,618,232	(4,316)	2,737,948	18,086,314
Fare Boxes	12	405,821				405,821
Vehicles and Equipment	4-7	315,990		4,316		320,306
Shop and Garage Equipment	5-12	1,185,528	95,078		30,347	1,250,259
Office Furniture and Equipment	5-10	359,006	7,961	179	7,616	359,530
Radio Equipment	12	659,633	221,415		389,183	491,865
Bus Shelters	12-15	237,228	3,052			240,280
Suburban Mobility Study	N/A	99,341				99,341
Construction in Progress	N/A	456,552	7,068,468			7,525,020
Park and Ride	30	1,937,802				1,937,802
CNG Facility	30	1,620,317				1,620,317
Total		29,928,650	10,016,634	-	3,165,094	36,780,190
Less: Accumulated Depreciation		13,372,045	2,117,041	-	(3,165,094)	12,323,992
Net Investment in Transit System		<u>\$ 16,556,605</u>	<u>\$ 7,899,593</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 24,456,198</u>

The 2002 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.

6. Inventories - Inventories, which consist primarily of replacement parts, fuel and oil, and tokens and tickets, are generally valued at the most recent purchase price. Garage and office supplies are not inventoried.
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.

In 1994, the Authority adopted a Non-Bargained Employees Supplemental Retirement Plan, which was implemented to provide supplemental benefits to the Authority's non-bargained employees. The plan is contributory and provides monthly payments upon retirement at age 65. Early retirement is permitted after age 52 and 15 years of service. Contributions to the supplemental plan are provided 60% from the employer and 40% from the employee. Both plans issue financial reports that include financial statements. Those reports may be obtained by contacting the Erie Metropolitan Transit Authority.

The annual required contributions for the current year were determined as part of the May 1, 1999 actuarial valuation using the entry age normal cost method. The actuarial assumptions included (a) 7% investment rate of return and (b) projected salary increases of 4% per year for the Regular Plan and 3% per year for the Supplemental Plan. The actuarial value of assets was determined using the five-year moving average appreciation method. The unfunded actuarial accrued liability is being amortized on the level dollar payment method on a closed basis. The remaining amortization period at April 30, 1999 was 13 years for the Regular Plan and 17 years for the Supplemental Plan.

# CITY OF ERIE, PENNSYLVANIA

Notes to Financial Statements (continued)

December 31, 2002

VII. COMPONENT UNIT DISCLOSURES, (continued)

C. Erie Metropolitan Transit Authority, (continued)

Trend Information

	<u>Plan Year Ending</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
Regular Plan				
	04/30/99	\$ 233,159	103.6%	\$ -
	04/30/00	257,844	107.3%	-
	04/30/01	252,868	112.8%	-
Supplemental Plan				
	04/30/99	\$ 14,633	832.0%	\$ -
	04/30/00	20,488	113.7%	-
	04/30/01	20,729	144.1%	-

The Plan issues stand-alone financial statements, which contain the schedule of employer contributions and the schedule of funding progress, and those statements can be obtained from it's administrative office or from the City clerk's office in the Municipal Building.

8. Line of Credit - The Authority has available a revolving credit agreement for a maximum of \$100,000 with a local bank which has been extended through May 15, 2003. The line is unsecured and bears interest at the prime rate minus 1½ percent.

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. Basis of Accounting - The accompanying financial information had been prepared on the accrual basis of accounting. Under this method revenues are recognized when they are earned, and expenses are recognized when they are incurred.
3. 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.
4. Cash and Investments - The Authority considers all highly liquid investments (including restricted assets) with a maturity of three months of less to be cash equivalents.

**CITY OF ERIE, PENNSYLVANIA**

Notes to Financial Statements (continued)

December 31, 2002

VII. COMPONENT UNIT DISCLOSURES, (continued)

C. Erie Parking Authority, (continued)

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

<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	\$ 363,449	\$ 363,227
(2) Collateralized with securities held by the pledging financial institutions trust department of agent in the Authority's name	-	-
(3) Uncollateralized (including those collateralized with securities held by pledging institutions trust department or agent but not in the name of the Authority)	<u>4,616,008</u>	<u>4,651,887</u>
<b>Total</b>	<u>\$ 4,979,457</u>	<u>\$ 5,015,114</u>

Investments - The Authority's investments are categorized below to give an indication of the level of credit risk assumed at year-end. Investments in pooled money market funds are not categorized.

Category 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. Category 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. Category 3 includes uninsured and unregistered investments held by the financial institution's trust department or agent, but not in the Authority's name. Investments are categorized as to the risk assumed at year-end.

	<u>Category</u>			<u>Fair Value/ Carrying Amount</u>
	<u>1</u>	<u>2</u>	<u>3</u>	
Repurchase Agreements	\$ 140			\$ 140
FHLB note bearing interest at 5.32%, maturing 03/03/2003	<u>1,909,677</u>			<u>1,956,490</u>
	<u>\$ 1,909,817</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,956,630</u>

The repurchase agreements are restricted for revenue bond debt service and capital improvements and will be held to maturity.

5. 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

**CITY OF ERIE, PENNSYLVANIA**

Notes to Financial Statements (continued)

December 31, 2002

VII. COMPONENT UNIT DISCLOSURES, (continued)

D. Erie Parking Authority, (continued)

A summary of property activity for 2002 is as follows:

	Balance <u>January 1, 2002</u>	<u>Additions</u>	<u>Dispositions</u>	Balance <u>December 31, 2002</u>
Land	\$ 2,285,377	\$ -	\$ -	\$ 2,285,377
Parking Facilities	31,023,991	27,145	-	31,051,136
Metered Collection Equipment	501,287	32,902	-	534,189
Other Equipment and Vehicles	<u>384,165</u>	<u>90,059</u>	<u>22,614</u>	<u>451,610</u>
Total Fixed Assets	34,194,820	150,106	22,614	34,322,312
Less: Accumulated Depreciation	<u>11,767,184</u>	<u>912,151</u>	<u>(22,614)</u>	<u>12,656,721</u>
Net Fixed Assets	<u>\$ 22,427,636</u>	<u>\$ (762,045)</u>	<u>\$ -</u>	<u>\$ 21,665,591</u>

6. 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, 2002 amounted to \$34,192.
7. 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 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 Plan issues stand-alone financial statements, which contain the schedule of employer contributions and the schedule of funding progress, and those statements can be obtained from it's administrative office or from the City Clerk's office in the Municipal Building.

Funding Policy

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.

Annual Pension Cost and Net Pension Obligation

Annual Required Contribution	\$ 36,810
Interest on Net Pension Obligation	2,577
Adjustment to Annual Required Contribution	<u>-</u>
Annual Pension Cost	39,387
Contributions Made	<u>(34,336)</u>
Increase in Net Pension Obligation	5,051
Net Pension Obligation Beginning of Year	<u>34,336</u>
Net Pension Obligation End of Year	<u>\$ 39,387</u>

The annual required contribution was determined as part of January 1, 2003 actuarial valuation using the entry age actuarial cost method. The actuarial assumptions including (a) a 7.0% per year assumed rate of return on the investment of present and future assets compounded annually, and (b) retirement of employees at their normal retirement dates. The actuarial value of assets was determined using the fair market value of assets.

**CITY OF ERIE, PENNSYLVANIA**

Notes to Financial Statements (continued)

December 31, 2002

VII. COMPONENT UNIT DISCLOSURES, (continued)

D. Erie Parking Authority, (continued)

Trend Information

Fiscal Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
12/31/00	\$ 33,904	100%	\$ 33,904
12/31/01	34,336	100%	34,336
12/31/02	39,387	0	39,387

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 \$47,796 in 2002. At December 31, 2002, the plan has \$2,830 in forfeitures available to reduce future contributions by the Authority.

8. 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 1, 2015.	\$ 10,040,000
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>13,610,000</u>
Outstanding Principal at December 31, 2002	23,650,000
Less: Original Issue Discount	383,208
Less: Deferred Amount of Refunding	1,083,585
Less: Current Maturities	<u>725,000</u>
Total Long-Term Portion	<u>\$ 21,458,207</u>

The following summarizes the maturities due subsequent to December 31, 2002, for future debt obligation payments, including \$14,566,145 of interest.

2003.....	\$ 1,912,335
2004.....	1,909,758
2005.....	1,909,876
2006.....	1,912,886
2007.....	1,908,799
2008 and thereafter.....	<u>28,662,491</u>
	<u>\$ 38,216,145</u>

During fiscal year ended December 31, 1998, the Authority defeased the Series of 1995 notes by placing a portion of the proceeds of the Series of 1998 bonds in an irrevocable trust with an escrow agent to provide for all future debt service payments on the old bonds. As of December 31, 2002, \$8,500,000 of the Series of 1995 bonds are outstanding and are considered defeased.

9. Subsequent Event – The Authority approved issuance of General Obligation Bonds, Series of 2003, which will occur in April 2003. The proceeds from the bonds, which are to be issued in the approximate amount of \$9,000,000, will be used to provide for certain capital improvements of the Authority.

**CITY OF ERIE, PENNSYLVANIA**

Notes to Financial Statements (continued)

December 31, 2002

VII. COMPONENT UNIT DISCLOSURES, (continued)

E. 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 information had been prepared on the accrual basis of accounting. Under this method revenues are recognized when they are earned, and expenses are recognized when they are incurred.
3. Deposit - At December 31, 2002, the deposits of the Authority can be categorized to indicate the level of risk assumed.

Category 1 includes bank balances insured or collateralized with securities held by the entity or its agent in the Authority's name. Category 2 includes bank balances collateralized with securities held by the pledging financial institution's trust department or agent in the Authority's name. Category 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	\$ 2,239	\$ -	\$ -	\$ 2,239	\$ 2,239

4. Investments - The Authority's investments are categorized below to give an indication of the level of credit risk assumed at year-end.

Category 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. Category 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. Category 3 includes uninsured and unregistered investments held by the financial institution's trust department or agent, but not in the Authority's name. Investments are categorized as to the risk assumed at year-end.

	Category			Fair Value/ Carrying Amount
	1	2	3	
Unrestricted Investments	\$ -	\$ 18,775	\$ -	\$ 18,775
Restricted Investments	100,000	21,570,491	-	21,670,491
Total	<u>100,000</u>	<u>21,589,266</u>	<u>-</u>	<u>21,689,266</u>

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. Building and equipment are recorded at cost. Depreciation is computed using the straight-line method over the estimated useful lives of the assets. These facilities are leased under a lease agreement, which is fully described in Note III.B.4.
6. Long-Term Debt - The Erie Sewer Authority has entered into the following debt agreements:

Sewer Revenue Bonds, Series 2002, bearing interest ranging from 2.0% to 4.125%	\$ 5,205,000
Sewer Revenue Bonds, Series A and B of 2001, bearing interest ranging from 2.5% to 5.5%	20,799,734
Sewer Revenue Bonds, Series of 2001, bearing interest ranging from 3.0% to 5.125%	13,905,000
Sewer Revenue Bonds, Series of 1999, bearing interest ranging from 3.0% to 4.95%	23,855,000
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	1,348,098
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 January 1, 2015	677,856
Outstanding Principal at December 31, 2002	65,610,688
Less: Current Maturities	2,058,887
Total Long-Term Portion	<u>\$ 63,551,801</u>

**CITY OF ERIE, PENNSYLVANIA**

Notes to Financial Statements (continued)

December 31, 2002

VII. COMPONENT UNIT DISCLOSURES, (continued)

E. Erie Sewer Authority, (continued)

The following summarizes the maturities due subsequent to December 31, 2002 for outstanding indebtedness of the Authority:

2003.....	\$.....	2,058,887
2004.....		2,253,440
2005.....		2,324,304
2006.....		2,410,324
2007.....		2,496,668
2008 and thereafter.....		<u>71,328,385</u>
		<u>\$ 82,872,008</u>

The total principal outstanding as reported on the Combined Balance Sheet at December 31, 2002 is net of \$2,460,785 of unamortized cost of advanced refunding relating to the Series A and B of 2001, Series of 2001, and Series of 1999 bonds.

Sewer Revenue Bonds, Series of 2000

The Sewer Revenue Bonds, Series of 2000, in the principal amount of \$12,970,000, were issued on June 15, 2000 to finance various sewer projects, fund a Debt Service Reserve Fund and pay the costs of issuing the bonds. The 2000 Bonds were refunded by the Sewer Revenue Bonds, Series of 2001. The principal and interest payable on 2000 Bonds by the escrow agent at December 31, 2002 was \$12,685,000, and \$5,560,922, respectively.

Sewer Revenue Bonds, Series A and B of 1998

The Sewer Revenue Bonds, Series A and B of 1998, in the principal amount of \$18,465,000, were issued on June 15, 1998 to refund the Sewer Revenue Bonds, Series of 1995, construct new relief sewer lines, fund the interest on the bonds to December 31, 1998, fund a Debt Service Reserve Fund and pay the costs of issuing the bonds. The 1998 Bonds were refunded by the Sewer Revenue Bonds, Series A and B of 2001. The principal and interest payable on Series A and B of 1998 Bonds by the escrow agent at December 31, 2002 was \$17,305,000, and \$11,550,599, respectively.

Sewer Revenue Bonds, Series of 1997

The Sewer Revenue Bonds, Series of 1997, in the principal amount of \$17,500,000, were issued on April 15, 1997 to design and construct capital improvements to the waste water treatment plant including an outfall relief sewer, headworks and an overflow relief facility, fund the interest on the bonds to December 1, 1997, fund a Debt Service Reserve Fund and pay the costs of issuing the bonds. The 1997 Bonds were refunded by the Sewer Revenue Bonds, Series of 1999. The principal and interest payable on 1997 Bonds by the escrow agent at December 31, 2002 was \$14,630,000, and \$3,231,606, respectively.

Sewer Revenue Bonds, Series of 1996

The Sewer Revenue Bonds, Series of 1996, in the principal amount of \$10,000,000, were issued on April 15, 1996 to design and construct capital improvements to the waste water treatment plant, fund the interest on the bonds to December 1, 1996, fund a Bond Reserve Fund and pay the costs of issuing the bonds. The 1996 Bonds were refunded by the Sewer Revenue Bonds, Series of 1999. The principal and interest payable on 1996 Bonds by the escrow agent at December 31, 2002 was \$7,540,000, and \$612,133, respectively.

7. During the year ended December 31, 2002, the Authority received notice that Mendon Pipeline Inc. had filed a suit against the Authority concerning a construction contract that resulted in Mendon Pipeline's removal of asbestos covered steam pipe from a project site. The case is still in the discovery phase.

**CITY OF ERIE, PENNSYLVANIA**

Notes to Financial Statements (continued)

December 31, 2002

VII. COMPONENT UNIT DISCLOSURES, (continued)

E. Erie Sewer Authority, (continued)

8. Removal of Contaminated Soil – East Side Interceptor Sewer Project - During the year ended December 31, 1998 the Authority incurred additional expenses of approximately \$140,000 to remove contaminated soil from the project site. The Authority intends to proceed against present and prior property owners to recover these expenses. The Authority has not recorded a receivable for this amount as of December 31, 2002.
9. Removal of Abandoned Oil Pipelines – Relief Outfall Construction Project - During the year ended December 31, 1998 the Authority incurred expenses of approximately \$252,325 to remove abandoned oil pipelines from the project site. The Authority has received a settlement offer of \$10,000 from the current property owner. The Authority is currently pursuing acquisition of funds under the Oil Spill Trust Fund. If the Authority is unable to recover the expenses from the Oil Spill Trust Fund, it will proceed against the present and prior property owners to recover the expenses. The Authority has not recorded a receivable for this amount as of December 31, 2002.

F. Other Component Unit Disclosures

	<u>Government Funds</u>		<u>Proprietary Funds</u>			
	<u>Redevelopment Authority of the City of Erie</u>	<u>Erie Municipal Park Authority</u>	<u>Erie Metropolitan Transit Authority</u>	<u>Erie Parking Authority</u>	<u>Erie Sewer Authority</u>	<u>Total</u>
Current Assets	\$ 469,187	\$ 120,964	\$ 7,387,659	\$ 7,072,572	\$ 23,875,695	\$ 38,926,077
Fixed Assets	68,914	-	24,456,198	21,665,591	70,859,725	117,050,428
Amounts to be provided for long-term debt	278,579	940,000	-	-	-	1,218,579
Other Assets	-	-	-	515,220	-	515,220
Total Assets	<u>\$ 816,680</u>	<u>\$ 1,060,964</u>	<u>\$ 31,843,857</u>	<u>\$ 29,253,383</u>	<u>\$ 94,735,420</u>	<u>\$ 157,710,304</u>
Current Liabilities	\$ 120,577	\$ -	\$ 1,119,856	\$ 838,171	\$ 4,287,120	\$ 6,455,724
Due to Primary Government	-	-	6,448,041	-	-	6,448,041
Bonds and other Liabilities	395,756	515,000	2,960	21,853,986	59,829,817	83,022,519
Total Equity	<u>300,347</u>	<u>545,964</u>	<u>24,273,000</u>	<u>6,561,226</u>	<u>30,618,483</u>	<u>61,784,020</u>
Total Liabilities and Equity	<u>\$ 816,680</u>	<u>\$ 1,060,964</u>	<u>\$ 31,843,857</u>	<u>\$ 29,253,383</u>	<u>\$ 94,735,420</u>	<u>\$ 157,710,304</u>

	<u>Governmental Funds</u>		
	<u>Redevelopment Authority of the City of Erie</u>	<u>Erie Municipal Park Authority</u>	<u>Total</u>
Revenue	\$ 1,736,017	\$ 426,601	\$ 2,162,618
Proceeds of Long Term Debt	175,000	-	175,000
Current Expenditures	(1,866,182)	(433,175)	(2,299,357)
Debt Service Expenditures	(421)	(50,054)	(50,475)
Excess (deficiency) of Revenue	<u>\$ 44,414</u>	<u>\$ (56,628)</u>	<u>\$ (12,214)</u>

**CITY OF ERIE, PENNSYLVANIA**

Notes to Financial Statements (continued)

December 31, 2002

VII. COMPONENT UNIT DISCLOSURES, (continued)

F. Other Component Unit Disclosures, (continued)

	Proprietary Funds			
	Erie Metropolitan Transit Authority	Erie Parking Authority	Erie Sewer Authority	Total
Operating Revenue	\$ 3,935,817	\$ 4,101,805	\$ 5,212,295	\$ 13,249,917
Operating Expense	(9,376,802)	(2,022,841)	-	(11,399,643)
Depreciation	<u>(2,117,042)</u>	<u>(912,151)</u>	<u>(3,732,057)</u>	<u>(6,761,250)</u>
Operating Income (Loss)	(7,558,027)	1,166,813	1,480,128	(4,910,976)
Operating Grants, etc.	4,833,184	-	-	4,833,184
Other Non-operating Income (Expense)	<u>125,154</u>	<u>(1,116,427)</u>	<u>(1,771,385)</u>	<u>(2,762,658)</u>
Net Income (Loss)	<u>\$ (2,599,689)</u>	<u>\$ 50,386</u>	<u>\$ (291,147)</u>	<u>\$ (2,840,450)</u>
Current Capital Contributions	<u>\$ 10,015,569</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 10,015,569</u>

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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

Individual Schedule of Revenues, Expenditures and Changes in Fund Balance (Cash Basis)

Budget and Actual (Including Encumbrances) - General Fund

For the Year Ended December 31, 2002

	Budget	Actual	Variance Favorable / (Unfavorable)
<b>REVENUES</b>			
Taxes	\$ 26,296,209	\$ 27,907,714	\$ 1,611,505
Licenses and Permits	1,635,700	1,482,224	(153,476)
Intergovernmental	3,573,329	3,033,708	(539,621)
Charges for Services	286,000	278,802	(7,198)
Fines and Forfeits	1,705,109	1,568,717	(136,392)
Interest Earnings	1,000,000	773,135	(226,865)
Miscellaneous	<u>4,002,062</u>	<u>3,603,373</u>	<u>(398,689)</u>
Total	38,498,409	38,647,673	149,264
<b>EXPENDITURES</b>			
<b>GENERAL GOVERNMENT</b>			
Office of City Council	\$ 144,085	\$ 121,863	\$ 22,222
Office of City Clerk	193,718	184,024	9,694
Office of Mayor	545,778	507,346	38,432
Office of Cable Television	755	223	532
Office of City Solicitor	385,466	371,435	14,031
Office of City Treasurer	18,706	18,323	383
Office of Collector of Taxes - City	196,096	167,363	28,733
Office of Collector of Taxes - School	192,981	165,072	27,909
Office of Collector of Taxes - County	186,889	162,696	24,193
Office of Collector of Taxes - Earned Income and Occupation Privilege Tax	622,927	567,330	55,597
Office of City Controller	215,338	195,718	19,620
Office of Director of Administration and Finance	170,412	158,470	11,942
Office of Revenue	208,274	201,581	6,693
Office of Personnel	255,724	246,231	9,493
Division of Civil Service Board	2,125	1,532	593
Office of Accounts, Finance and Budget	332,717	315,582	17,135
Office of Computer and Information Systems	340,114	315,131	24,983
Office of Purchasing	164,223	158,945	5,278
Office of Reproduction / Print Shop	170,267	137,653	32,614
Bureau of Public Building Maintenance	813,005	729,662	83,343
Office of Local Match	816,695	746,404	70,291
Office of General Government	<u>740,568</u>	<u>740,488</u>	<u>80</u>
Total General Government	6,716,863	6,213,072	503,791
<b>PUBLIC SAFETY</b>			
Office of Public Safety	105,756	89,553	16,203
Office of Police Civilians	2,009,213	1,887,790	121,423
Bureau of Police	13,538,693	12,809,333	729,360
Office of Traffic Court	645,149	620,290	24,859
Bureau of Fire	13,602,666	12,746,750	855,916
Division of Electrician	<u>458,093</u>	<u>416,552</u>	<u>41,541</u>
Total Public Safety	30,359,570	28,570,268	1,789,302

## CITY OF ERIE, PENNSYLVANIA

Individual Schedule of Revenues, Expenditures and Changes in Fund Balance (Cash Basis)

Budget and Actual (Including Encumbrances) - General Fund (Continued)

For the Year Ended December 31, 2002

	Budget	Actual	Variance Favorable / (Unfavorable)
<b>EXPENDITURES (continued)</b>			
<b>HIGHWAYS AND STREETS</b>			
Office of Director of Public Works, Property, and Parks	230,322	215,331	14,991
Bureau of Engineering	601,107	544,746	56,361
Bureau of Streets	3,265,328	3,073,369	191,959
Division of Paint and Sign	343,926	318,583	25,343
Bureau of Municipal Garage	1,729,412	1,600,940	128,472
Division of Radio	<u>197,574</u>	<u>183,313</u>	<u>14,261</u>
Total Highways and Streets	6,367,669	5,936,282	431,387
<b>CULTURE AND RECREATION</b>			
Bureau of Parks and Recreation	2,624,971	2,506,724	118,247
Division of Shate Tree Commission	<u>50,970</u>	<u>47,946</u>	<u>3,024</u>
Total Culture and Recreation	<u>2,675,941</u>	<u>2,554,670</u>	<u>121,271</u>
Total Expenditures	<u>46,120,043</u>	<u>43,274,292</u>	<u>2,845,751</u>
Excess of Revenues Over (Under) Expenditures	(7,621,634)	(4,626,619)	(2,696,487)
<b>OTHER FINANCING SOURCES (USES)</b>			
Operating Transfers In	4,967,567	4,633,289	(334,278)
Operating Transfers (Out)	(27,698)	(51,223)	(23,525)
Fund Unfunded Portion of Pension Plans	-	(18,312,464)	(18,312,464)
Proceeds from Long-Term Debt	<u>-</u>	<u>18,700,000</u>	<u>18,700,000</u>
Total Other Financing Sources (Uses)	4,939,869	4,969,602	29,733
Total Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing (Uses)	(2,681,765)	342,983	3,024,748
Fund Balance (Deficit), January 1, 2002	2,681,765	466,937	(2,214,828)
Prior Year Encumbrances Paid in the Current Year	<u>-</u>	<u>460,543</u>	<u>460,543</u>
Fund Balance (Deficit), December 31, 2002	<u>\$ -</u>	<u>1,270,463</u>	<u>\$ 1,270,463</u>
<b>RECONCILIATION TO GAAP BASIS FUND BALANCE</b>			
Encumbrances Recognized as Current Year Expenditures		282,792	
Recognition of Accrual Basis Adjustments		<u>(852,882)</u>	
Fund Balance (Deficit), December 31, 2002		<u>\$ 700,373</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.

**HUD Programs** – 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 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.

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

**Other Grant Funds** – federal, state and local funded projects for the construction of a baseball park; public safety; equipment purchases; recycling projects; development and implementation of bridge, street and traffic signalization projects; park and playground improvements; summer recreation and senior citizen programs; enterprise marketing and assistance programs; various site improvements and renovations.

**CITY OF ERIE, PENNSYLVANIA**  
 Combining Balance Sheet - Special Revenue Funds  
 December 31, 2002

	HUD Programs	Liquid Fuels Tax Fund	BUDAG Revolving Account	Other Grant Programs	Total Special Revenue Funds
<b>ASSETS</b>					
Cash and Cash Equivalents	\$ 2,914	\$ 1,265,945	\$ 917,837	\$ 691,219	\$ 2,877,915
Receivables (net of allowance for uncollectibles):					
Liens	574,178	-	-	-	574,178
Intergovernmental	184,422	-	-	678,788	863,210
Notes	1,800	-	52,820	438,584	493,204
Notes Receivable, net of current obligation	5,041,713	-	506,162	4,375,567	9,923,442
Total Assets	\$ 5,805,027	\$ 1,265,945	\$ 1,476,819	\$ 6,184,158	\$ 14,731,949
<b>LIABILITIES</b>					
Accounts Payable	\$ 401,148	\$ 118,904	\$ -	\$ 136,253	\$ 656,305
Accrued Payroll	33,814	-	-	9,960	43,774
Compensated Absences Payable	55,706	-	-	-	55,706
Deferred Revenue	890,219	-	-	1,175,204	2,065,423
Total Liabilities	1,380,887	118,904	-	1,321,417	2,821,208
<b>FUND EQUITY</b>					
Fund Balance:					
Reserved:					
Encumbrances	-	112,650	-	-	112,650
Noncurrent Notes Receivable	5,041,713	-	506,162	4,375,567	9,923,442
Unreserved:					
Undesignated (Deficit)	(617,573)	1,034,391	970,657	487,174	1,874,649
Total Fund Equity	4,424,140	1,147,041	1,476,819	4,862,741	11,910,741
Total Liabilities and Fund Equity (Deficit)	\$ 5,805,027	\$ 1,265,945	\$ 1,476,819	\$ 6,184,158	\$ 14,731,949

## CITY OF ERIE, PENNSYLVANIA

Combining Statement of Revenues, Expenditures and Changes in Fund Balance - Special Revenue Funds

For the Year Ended December 31, 2002

REVENUES	HUD Programs	Liquid Fuels Tax Fund	BUDAG Revolving Account	Other Grant Programs	Total Special Revenue Funds
Intergovernmental	\$ 4,015,620	\$ 1,731,067	\$ -	\$ 6,071,697	\$ 11,818,384
Interest Earnings	84,434	33,633	49,667	137,269	305,003
Miscellaneous	<u>63,827</u>	<u>5,391</u>	<u>-</u>	<u>(103,380)</u>	<u>(34,162)</u>
Total Revenues	<u>4,163,881</u>	<u>1,770,091</u>	<u>49,667</u>	<u>6,105,586</u>	<u>12,089,225</u>
<b>EXPENDITURES</b>					
Current:					
Public Safety	-	-	-	757,458	757,458
Highways and Streets	-	1,505,433	-	-	1,505,433
Sanitation	24,872	-	-	297,234	322,106
Culture and Recreation	193,502	-	-	1,351,799	1,545,301
Economic and Community Development	<u>3,899,004</u>	<u>-</u>	<u>-</u>	<u>2,997,797</u>	<u>6,896,801</u>
Total Expenditures	<u>4,117,378</u>	<u>1,505,433</u>	<u>-</u>	<u>5,404,288</u>	<u>11,027,099</u>
Excess of Revenues Over (Under) Expenditures	46,503	264,658	49,667	701,298	1,062,126
<b>OTHER FINANCING SOURCES AND (USES)</b>					
Operating Transfers In	-	-	-	247,667	247,667
Operating Transfers (Out)	<u>(366,500)</u>	<u>-</u>	<u>(30,609)</u>	<u>(192,058)</u>	<u>(589,167)</u>
Total Other Financing Sources and (Uses)	<u>(366,500)</u>	<u>-</u>	<u>(30,609)</u>	<u>55,609</u>	<u>(341,500)</u>
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(319,997)	264,658	19,058	756,907	720,626
Fund Balance (Deficit), January 1, 2002	4,744,137	882,383	1,457,761	4,105,834	11,190,115
Prior Period Adjustments	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balance (Deficit), December 31, 2002	<u>\$ 4,424,140</u>	<u>\$ 1,147,041</u>	<u>\$ 1,476,819</u>	<u>\$ 4,862,741</u>	<u>\$ 11,910,741</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.

**General Obligation Bond Fund** – to account for capital additions and improvements to storm sewers, street, public buildings, park and recreation facilities, real estate acquisition, equipment acquisitions and refunding certain debts utilizing funds from various bond issues, the most recent of which is the Series 2001C.

**CITY OF ERIE, PENNSYLVANIA**  
 Combining Balance Sheet - Capital Projects Funds  
 December 31, 2002

	Paving and Sewer Revolving	Capital Improvement	General Obligation Bond Funds	Total Capital Projects Funds
<b>ASSETS</b>				
Cash and Cash Equivalents	\$ 538,059	\$ 3,038,421	\$ 7,799,586	\$ 11,376,066
Investments	-	10,647,191	-	10,647,191
Receivables (net of allowance for uncollectibles):				
Liens	119,452	-	-	119,452
Interfund	-	17,284	-	17,284
Other	-	-	-	-
Total Assets	\$ 657,511	\$ 13,702,896	\$ 7,799,586	\$ 22,159,993
<b>LIABILITIES</b>				
Accounts Payable	\$ -	\$ 114,819	\$ 48,152	\$ 162,971
Accrued Payroll	-	-	-	-
Interfund Payable	-	-	-	-
Deferred Revenue	119,452	-	-	119,452
Total Liabilities	119,452	114,819	48,152	282,423
<b>FUND BALANCE:</b>				
Fund Balance:				
Reserved:				
Encumbrances	-	412,879	2,657,195	3,070,074
Unreserved:				
Designated for Endowment Principal	-	12,750,000	-	12,750,000
Undesignated (Deficit)	538,059	425,198	5,094,239	6,057,496
Total Fund Balance	538,059	13,588,077	7,751,434	21,877,570
Total Liabilities and Fund Balance	\$ 657,511	\$ 13,702,896	\$ 7,799,586	\$ 22,159,993

**CITY OF ERIE, PENNSYLVANIA**

Combining Statement of Revenues, Expenditures and Changes in Fund Balance - Capital Projects Funds

For the Year Ended December 31, 2002

	Paving and Sewer Revolving	Capital Improvement	General Obligation Bond Funds	Total Capital Projects Funds
<b>REVENUES</b>				
Interest Earnings	\$ 16,031	\$ 465,244	\$ 313,752	\$ 795,027
Miscellaneous	-	12,000	-	12,000
Total Revenues	<u>16,031</u>	<u>477,244</u>	<u>313,752</u>	<u>807,027</u>
<b>EXPENDITURES</b>				
Current:				
General Government	-	109,110	473,837	582,947
Capital Outlay	-	807,983	3,504,935	4,312,918
Principal	-	-	-	-
Total Expenditures	<u>-</u>	<u>917,093</u>	<u>3,978,772</u>	<u>4,895,865</u>
Excess of Revenues Over (Under) Expenditures	16,031	(439,849)	(3,665,020)	(4,088,838)
<b>OTHER FINANCING SOURCES AND (USES)</b>				
Operating Transfers In	-	747,112	-	747,112
Operating Transfers (Out)	-	-	(1,185,619)	(1,185,619)
Payments to Refunded Bond Escrow Agent	-	-	(14,684,263)	(14,684,263)
Proceeds from Sale of Fixed Assets	-	255,567	-	255,567
Proceeds of Refunding Bonds	-	-	15,561,600	15,561,600
Total Other Financing Sources And (Uses)	<u>-</u>	<u>1,002,679</u>	<u>(308,282)</u>	<u>694,397</u>
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	16,031	562,830	(3,973,302)	(3,394,441)
Fund Balance (Deficit), January 1, 2002	<u>522,028</u>	<u>13,025,247</u>	<u>11,724,736</u>	<u>25,272,011</u>
Fund Balance (Deficit), December 31, 2002	<u>\$ 538,059</u>	<u>\$ 13,588,077</u>	<u>\$ 7,751,434</u>	<u>\$ 21,877,570</u>

**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.

**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.

**CITY OF ERIE, PENNSYLVANIA**

Combining Balance Sheet - Enterprise Funds

December 31, 2002

	Sewer Revenue	Sewer Reserve	Water Revenue	Refuse and Recycling	Golf	Total Enterprise Funds
<b>ASSETS</b>						
Current Assets:						
Cash and Cash Equivalents	\$ 6,658,927	\$ 4,490,775	\$ -	\$ 259,470	\$ 7,046	\$ 11,416,218
Receivables (net of allowance for uncollectibles):						
Accounts	1,570,170	-	-	514,376	-	2,084,546
Intergovernmental	1,693,565	-	-	-	-	1,693,565
Interfund	-	3,800,000	-	-	-	3,800,000
Other	112,386	-	-	-	-	112,386
Total Current Assets	10,035,048	8,290,775	-	773,846	7,046	19,106,715
Property, Plant and Equipment:						
Land	-	-	592,369	-	138,630	730,999
Buildings and Improvements	1,146,766	-	7,923,777	-	663,657	9,734,200
Improvements Other than Building	16,070,628	-	35,211,685	-	568,232	51,850,545
Equipment and Vehicles	5,260,546	-	5,063,140	1,092,870	448,502	11,865,058
Construction in Progress	2,615,113	-	-	-	-	2,615,113
Total Property, Plant and Equipment:	25,093,053	-	48,790,971	1,092,870	1,819,021	76,795,915
Less: Accumulated Depreciation	9,465,973	-	31,517,041	596,725	1,212,090	42,791,829
Net Property, Plant and Equipment	15,627,080	-	17,273,930	496,145	606,931	34,004,086
Bond Issue Costs	389,060	-	-	-	-	389,060
Total Assets	\$ 26,051,188	\$ 8,290,775	\$ 17,273,930	\$ 1,269,991	\$ 613,977	\$ 53,499,861
<b>LIABILITIES</b>						
Current Liabilities:						
Accounts Payable	\$ 603,839	\$ -	\$ -	\$ 54,200	\$ 4,558	\$ 662,597
Accrued Payroll	138,217	-	-	51,692	9,667	199,576
Interfund Payable	3,800,000	-	-	-	60,000	3,860,000
Compensated Absences Payable	101,827	-	-	20,664	11,884	134,375
Current Portion of Long-Term Liabilities	65,500	-	-	-	-	65,500
Due to Other Governments	-	-	-	-	2,131	2,131
Total Current Liabilities	4,709,383	-	-	126,556	88,240	4,924,179
Long-Term Liabilities:						
Deferred Revenue	-	-	6,146,116	-	-	6,146,116
General Obligation Bonds Payable	18,862,208	-	-	-	-	18,862,208
Total Long-Term Liabilities	18,862,208	-	6,146,116	-	-	25,008,324
Total Liabilities	23,571,591	-	6,146,116	126,556	88,240	29,932,503
<b>FUND EQUITY</b>						
Contributed Capital	2,477,247	-	-	1,055,671	-	3,532,918
Retained Earnings:						
Unreserved (Deficit)	2,350	8,290,775	11,127,814	87,764	525,737	20,034,440
Total Fund Equity	2,479,597	8,290,775	11,127,814	1,143,435	525,737	23,567,358
Total Liabilities and Fund Equity (Deficit)	\$ 26,051,188	\$ 8,290,775	\$ 17,273,930	\$ 1,269,991	\$ 613,977	\$ 53,499,861

See Independent Auditor's Report.

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## CITY OF ERIE, PENNSYLVANIA

Combining Statement of Revenues, Expenses and Changes in Fund Equity - Enterprise Funds

For the Year Ended December 31, 2002

	Sewer Revenue	Sewer Reserve	Water Revenue	Refuse and Recycling	Golf	Total Enterprise Funds
<b>OPERATING REVENUES</b>						
Charges for Services	\$ 17,855,896	\$ -	\$ -	\$ 3,755,581	\$ 814,816	\$ 22,426,293
Lease Rental	-	-	2,078,493	-	-	2,078,493
Rental Income	30,000	-	-	-	204,983	234,983
Miscellaneous	<u>41,359</u>	<u>-</u>	<u>-</u>	<u>1,371</u>	<u>5,300</u>	<u>48,030</u>
Total Operating Revenues	17,927,255	-	2,078,493	3,756,952	1,025,099	24,787,799
<b>OPERATING EXPENSES</b>						
Personnel Services	3,927,616	-	-	1,366,370	519,407	5,813,393
Other Personnel Services	1,744,308	-	-	553,199	181,951	2,479,458
Services and Fees	1,495,590	30	-	1,430,182	29,359	2,955,161
Utilities	1,349,805	-	-	8,352	43,264	1,401,421
Rent	11,032	-	-	-	74,088	85,120
Insurance	90,332	-	-	13,482	2,700	106,514
Materials, Supplies, and Maintenance	865,904	-	-	128,891	178,825	1,173,620
Depreciation	1,151,039	-	654,370	104,571	72,998	1,982,978
Amortization	249,930	-	-	-	-	249,930
Other Expenses	<u>5,288,401</u>	<u>-</u>	<u>-</u>	<u>2,617</u>	<u>8,335</u>	<u>5,299,353</u>
Total Operating Expenses	<u>16,173,957</u>	<u>30</u>	<u>654,370</u>	<u>3,607,664</u>	<u>1,110,927</u>	<u>21,546,948</u>
Operating Income (Loss)	1,753,298	(30)	1,424,123	149,288	(85,828)	3,240,851
<b>NONOPERATING REVENUES (EXPENSES)</b>						
Intergovernmental Revenue	1,191,667	-	-	-	-	1,191,667
Investment Earnings	349,332	57,876	-	4,485	638	412,331
Interest Expense	<u>(1,492,659)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,492,659)</u>
Net Nonoperating Revenues (Expenses)	<u>48,340</u>	<u>57,876</u>	<u>-</u>	<u>4,485</u>	<u>638</u>	<u>111,339</u>
Net Income (Loss) Before Operating Transfers	1,801,638	57,846	1,424,123	153,773	(85,190)	3,352,190
<b>OPERATING TRANSFERS</b>						
Operating Transfers In	1,019,460	3,800,000	-	-	-	4,819,460
Operating Transfers (Out)	<u>(5,891,245)</u>	<u>(1,000,000)</u>	<u>(1,858,989)</u>	<u>(200,000)</u>	<u>-</u>	<u>(8,950,234)</u>
Net Operating Transfers	<u>(4,871,785)</u>	<u>2,800,000</u>	<u>(1,858,989)</u>	<u>(200,000)</u>	<u>-</u>	<u>(4,130,774)</u>
Net Income (Loss)	(3,070,147)	2,857,846	(434,866)	(46,227)	(85,190)	(778,584)
Fund Equity (Deficit) at January 1, 2002	3,952,581	5,432,929	11,562,680	1,196,231	618,642	22,763,063
Prior Period Adjustments	(44,842)	-	-	(6,569)	(7,715)	(59,126)
Increase to Contributed Capital	<u>1,642,005</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,642,005</u>
Fund Equity (Deficit) at December 31, 2002	<u>\$ 2,479,597</u>	<u>\$ 8,290,775</u>	<u>\$ 11,127,814</u>	<u>\$ 1,143,435</u>	<u>\$ 525,737</u>	<u>\$ 23,567,358</u>

See Independent Auditor's Report.

**CITY OF ERIE, PENNSYLVANIA**

Statements of Revenues, Expenses and Changes in Fund Equity (Cash Basis)

Budget and Actual - Budgeted Enterprise Funds

For the Year Ended December 31, 2002

	Sewer Revenue Fund		
	Budget	Actual	Variance Favorable / (Unfavorable)
<b>OPERATING REVENUES</b>			
Charges for Services	\$ 16,270,351	\$ 16,824,416	\$ 554,065
Rental Income	30,000	30,000	-
Miscellaneous	<u>211,600</u>	<u>37,781</u>	<u>(173,819)</u>
Total Operating Revenues	16,511,951	16,892,197	380,246
<b>OPERATING EXPENSES</b>			
Personnel Services	4,023,726	3,899,526	124,200
Other Personnel Services	1,757,492	1,735,584	21,908
Services and Fees	2,265,632	1,545,576	720,056
Utilities	2,302,780	1,349,922	952,858
Rent	18,800	6,566	12,234
Insurance	95,332	90,332	5,000
Materials, Supplies, and Maintenance	1,349,719	966,885	382,834
Capital Outlay	509,863	340,335	169,528
Other Expenses	<u>5,345,739</u>	<u>5,135,511</u>	<u>210,228</u>
Total Operating Expenses	<u>17,669,083</u>	<u>15,070,237</u>	<u>2,598,846</u>
Operating Income (Loss)	(1,157,132)	1,821,960	2,979,092
<b>NONOPERATING REVENUES (EXPENSES)</b>			
Operating Transfers In	1,552,485	1,019,460	(533,025)
Operating Transfers (Out)	(1,000,000)	(2,091,245)	(1,091,245)
Bond and Loan Principal	(663,005)	(130,000)	533,005
Intergovernmental Revenue	1,323,295	11,502	(1,311,793)
Investment Earnings	80,000	349,332	269,332
Interest Expense	<u>(735,742)</u>	<u>(1,492,659)</u>	<u>(756,917)</u>
Net Nonoperating Revenues (Expenses)	<u>557,033</u>	<u>(2,333,610)</u>	<u>(2,890,643)</u>
Net Income (Loss)	(600,099)	(511,650)	88,449
Fund Equity (Deficit) , January 1, 2002	<u>600,099</u>	<u>2,203,478</u>	<u>1,603,379</u>
Fund Equity (Deficit) , December 31, 2002	<u>\$ -</u>	<u>1,691,828</u>	<u>\$ 1,691,828</u>
<b>RECONCILIATION TO GAAP BASIS FUND BALANCE</b>			
Recognition of Accrual Basis Adjustments		1,701,654	
Bond and Loan Principal and Capital Outlay Budgeted as Expenses		487,084	
Depreciation Expense, not Budgeted		(1,400,969)	
Individual Funds not Budgeted		<u>-</u>	
Fund Equity (Deficit), December 31, 2002		<u>\$ 2,479,597</u>	

Refuse and Recycling Fund			Golf Fund			Total - Enterprise Funds		
Budget	Actual	Variance Favorable / (Unfavorable)	Budget	Actual	Variance Favorable / (Unfavorable)	Budget	Actual	Variance Favorable / (Unfavorable)
\$ 3,600,000	\$ 3,755,581	\$ 155,581	\$ 886,821	\$ 816,246	\$ (70,575)	\$ 20,757,172	\$ 21,396,243	\$ 639,071
-	-	-	200,000	204,983	4,983	230,000	234,983	4,983
-	1,371	1,371	1,000	5,300	4,300	212,600	44,452	(168,148)
3,600,000	3,756,952	156,952	1,087,821	1,026,529	(61,292)	21,199,772	21,675,678	475,906
1,325,361	1,356,308	(30,947)	464,702	515,155	(50,453)	5,813,789	5,770,989	42,800
550,805	553,199	(2,394)	183,059	186,785	(3,726)	2,491,356	2,475,568	15,788
1,584,139	1,465,054	119,085	92,060	29,359	62,701	3,941,831	3,039,989	901,842
8,353	8,352	1	45,600	43,264	2,336	2,356,733	1,401,538	955,195
105	-	105	74,231	74,088	143	93,136	80,654	12,482
13,482	13,482	-	2,700	2,700	-	111,514	106,514	5,000
210,298	155,826	54,472	190,610	175,744	14,866	1,750,627	1,298,455	452,172
3,090	1,946	1,144	44,644	15,104	29,540	557,597	357,385	200,212
9,562	5,003	4,559	8,550	7,485	1,065	5,363,851	5,147,999	215,852
3,705,195	3,559,170	146,025	1,106,156	1,049,684	56,472	22,480,434	19,679,091	2,801,343
(105,195)	197,782	302,977	(18,335)	(23,155)	(4,820)	(1,280,662)	1,996,587	3,277,249
-	-	-	-	-	-	1,552,485	1,019,460	(533,025)
(200,000)	(200,000)	-	-	-	-	(1,200,000)	(2,291,245)	(1,091,245)
-	-	-	-	-	-	(663,005)	(130,000)	533,005
54,500	-	(54,500)	14,700	-	(14,700)	1,392,495	11,502	(1,380,993)
7,000	4,485	(2,515)	3,100	638	(2,462)	90,100	354,455	264,355
-	-	-	-	-	-	(735,742)	(1,492,659)	(756,917)
(138,500)	(195,515)	(57,015)	17,800	638	(17,162)	436,333	(2,528,487)	(2,964,820)
(243,695)	2,267	245,962	(535)	(22,517)	(21,982)	(844,329)	(531,900)	312,429
243,695	1,297,924	1,054,229	535	603,069	602,534	844,329	4,104,471	3,260,142
\$ -	1,300,191	\$ 1,300,191	\$ -	580,552	\$ 580,552	\$ -	3,572,571	\$ 3,572,571
	(54,131)			3,929			1,651,452	
	1,946			14,254			503,284	
	(104,571)			(72,998)			(1,578,538)	
	-			-			16,995,609	
	\$ 1,143,435			\$ 525,737			\$ 21,144,378	

**CITY OF ERIE, PENNSYLVANIA**  
Combining Statement of Cash Flows - Enterprise Funds  
For the Year Ended December 31, 2002

CASH FLOWS FROM OPERATING ACTIVITIES	Sewer Revenue	Sewer Reserve	Water Revenue	Refuse and Recycling	Golf	Total Enterprise Funds
Operating Income (Loss)	\$ 1,753,298	\$ (30)	\$ 1,424,123	\$ 149,288	\$ (85,828)	\$ 3,240,851
Adjustments to Reconcile Operating Income (Loss) to Net Cash from Operating Activities:						
Noncash Items Included in Operating Income (Loss):						
Depreciation	1,151,039	-	654,370	104,571	72,998	1,982,978
Amortization	249,930					249,930
(Increase) Decrease in Current Assets:						
Accounts Receivable	(95,193)	-	-	85,534	1,430	(8,229)
Intergovernmental Receivable	(1,427,402)	-	-	-	-	(1,427,402)
Interfund Receivable	-	(1,450,000)	-	-	-	(1,450,000)
Other Receivables	7,183	-	-	-	-	7,183
Increase (Decrease) in Current Liabilities:						
Accounts Payable	297,891	-	-	(51,137)	(82)	246,672
Accrued Payroll	13,131	-	-	7,669	722	21,522
Interfund Payable	1,450,000	-	-	-	-	1,450,000
Compensated Absences Payable	23,684	-	-	2,393	3,335	29,412
Due to Other Governments	-	-	-	-	997	997
Deferred Revenue	(830,114)	-	(219,504)	-	-	(1,049,618)
Net Cash Provided (Used) by Operating Activities	<u>2,593,447</u>	<u>(1,450,030)</u>	<u>1,858,989</u>	<u>298,318</u>	<u>(6,428)</u>	<u>3,294,296</u>
<b>CASH FLOWS FROM NONCAPITAL AND RELATED FINANCING ACTIVITIES</b>						
Intergovernmental Revenue	1,191,667	-	-	-	-	1,191,667
Proceeds from Note to Sewer Authority	4,890,000	-	-	-	-	4,890,000
Operating Transfers In	1,019,460	3,800,000	-	-	-	4,819,460
Operating Transfers Out	<u>(5,891,245)</u>	<u>(1,000,000)</u>	<u>(1,858,989)</u>	<u>(200,000)</u>	<u>-</u>	<u>(8,950,234)</u>
Net Cash Provided (Used) by Noncapital and Related Financing Activities	1,209,882	2,800,000	(1,858,989)	(200,000)	-	1,950,893

	Sewer Revenue	Sewer Reserve	Water Revenue	Refuse and Recycling	Golf	Total Enterprise Funds
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>						
Purchases of Property, Plant and Equipment	(2,354,594)	-	-	(1,946)	(14,254)	(2,370,794)
Contributions and Capital Grants	1,642,005	-	-	-	-	1,642,005
Repayments of Long-Term Debt Principal	(8,375,664)	-	-	-	-	(8,375,664)
Repayments of Long-Term Debt Interest	(1,476,293)	-	-	-	-	(1,476,293)
Net Cash Provided (Used) by Capital and Related Financing Activities	(1,046,431)	-	-	(1,946)	(14,254)	(1,062,631)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>						
Net Interest Earnings	349,332	57,876	-	4,485	638	412,331
Net Cash Provided (Used) by Investing Activities	349,332	57,876	-	4,485	638	412,331
Net Change in Cash and Cash Equivalents	3,106,230	1,407,846	-	100,857	(20,044)	4,594,889
Cash and Cash Equivalents, January 1, 2002	3,552,697	3,082,929	-	158,613	27,090	6,821,329
Cash and Cash Equivalents, December 31, 2002	\$ 6,658,927	\$ 4,490,775	\$ -	\$ 259,470	\$ 7,046	\$ 11,416,218

**RECONCILIATION TO THE COMBINED BALANCE SHEET:**

Balance at January 1, 2002

Cash and Cash Equivalents	\$ 3,552,697	\$ 3,082,929	\$ -	\$ 158,613	\$ 27,090	\$ 6,821,329
Restricted Cash and Cash Equivalents	-	-	-	-	-	-
Cash and Cash Equivalents at January 1, 2002	\$ 3,552,697	\$ 3,082,929	\$ -	\$ 158,613	\$ 27,090	\$ 6,821,329

Balance at December 31, 2002

Cash and Cash Equivalents	\$ 6,658,927	\$ 4,490,775	\$ -	\$ 259,470	\$ 7,046	\$ 11,416,218
Restricted Cash and Cash Equivalents	-	-	-	-	-	-
Cash and Cash Equivalents at December 31, 2002	\$ 6,658,927	\$ 4,490,775	\$ -	\$ 259,470	\$ 7,046	\$ 11,416,218

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**CITY OF ERIE, PENNSYLVANIA**  
Fiduciary Funds  
Combining Financial Statements

**Pension Trust Funds**

**Deferred Compensation** – to account for assets held in trust that have been contributed to the plan by the City through a matching agreement (Section IRC 401(a) plan).

The remaining 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 the Bureau of Fire except the employees in radio and communication center who are covered by the Officers' and Employees' Retirement Association.

**Agency Funds**

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 violations 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.

**Land Lighthouse Security Deposit** – to account for a refundable deposit from Land Lighthouse.

**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.

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

**Fire Insurance Escrow** - to account for monies received for fire insurance premiums.

**Dickerson Tavern Renovations** – to account for a refundable deposit from Dickson Tavern Renovation.

**CITY OF ERIE, PENNSYLVANIA**  
 Combining Balance Sheet - Trust and Agency Funds  
 December 31, 2002

	Pension Trust Funds	Agency Funds	Total Trust and Agency Funds
<b>ASSETS</b>			
Cash and Cash Equivalents	\$ 4,545,711	\$ 5,315,788	\$ 9,861,499
Investments	168,676,668	-	168,676,668
Receivables (net of allowance for uncollectibles):			
Other	1,024,994	-	1,024,994
Prepaid Items	-	-	-
Total Assets	<u>\$ 174,247,373</u>	<u>\$ 5,315,788</u>	<u>\$ 179,563,161</u>
<b>LIABILITIES</b>			
Accounts Payable	\$ 10,562	\$ 238,078	\$ 248,640
Due to Other Governments	-	5,077,710	5,077,710
Deferred Compensation Benefits Payable	-	-	-
Total Liabilities	<u>10,562</u>	<u>5,315,788</u>	<u>5,326,350</u>
<b>FUND EQUITY</b>			
Fund Balance:			
Reserved:			
Employees' Pension Benefits	<u>174,236,811</u>	<u>-</u>	<u>174,236,811</u>
Total Fund Equity	<u>174,236,811</u>	<u>-</u>	<u>174,236,811</u>
Total Liabilities and Fund Equity (Deficit)	<u>\$ 174,247,373</u>	<u>\$ 5,315,788</u>	<u>\$ 179,563,161</u>

**CITY OF ERIE, PENNSYLVANIA**

Combining Balance Sheet - Pension Trust Funds

December 31, 2002

	Deferred Compensation	Officers' and Employees Retirement Association	Police Relief and Pension Association	Firemens' Pension Fund	Total Pension Trust Funds
<b>ASSETS</b>					
Cash and Cash Equivalents	\$ -	\$ 550,638	\$ 1,214,025	\$ 2,781,048	\$ 4,545,711
Investments	11,508,180	52,571,997	62,322,429	42,274,062	168,676,668
Receivables (net of allowance for uncollectibles):					
Other	-	354,932	427,683	242,379	1,024,994
Prepaid Items	-	-	-	-	-
<b>Total Assets</b>	<u>\$ 11,508,180</u>	<u>\$ 53,477,567</u>	<u>\$ 63,964,137</u>	<u>\$ 45,297,489</u>	<u>\$ 174,247,373</u>
<b>LIABILITIES</b>					
Accounts Payable	\$ -	\$ -	\$ 5,900	\$ 4,662	\$ 10,562
<b>Total Liabilities</b>	-	-	5,900	4,662	10,562
<b>FUND EQUITY</b>					
Fund Balance:					
Reserved:					
Employees' Pension Benefits	<u>11,508,180</u>	<u>53,477,567</u>	<u>63,958,237</u>	<u>45,292,827</u>	<u>174,236,811</u>
<b>Total Fund Equity</b>	<u>11,508,180</u>	<u>53,477,567</u>	<u>63,958,237</u>	<u>45,292,827</u>	<u>174,236,811</u>
<b>Total Liabilities and Fund Equity (Deficit)</b>	<u>\$ 11,508,180</u>	<u>\$ 53,477,567</u>	<u>\$ 63,964,137</u>	<u>\$ 45,297,489</u>	<u>\$ 174,247,373</u>

# CITY OF ERIE, PENNSYLVANIA

## Combining Statement of Changes in Plan Net Assets - Pension Trust Funds For the Year Ended December 31, 2002

ADDITIONS	Deferred Compensation	Officers' and Employees'	Police	Firemens'	Total Pension Trust Funds
<b>Contributions</b>					
Employer	\$ 433,568	\$ 7,591,497	\$ -	\$ 11,958,955	\$ 19,984,020
Plan Members	<u>1,601,139</u>	<u>1,072,542</u>	<u>511,515</u>	<u>427,736</u>	<u>3,612,932</u>
Total Contributions	2,034,707	8,664,039	511,515	12,386,691	23,596,952
<b>Investment Earnings</b>					
Investment Income (Loss)	(1,516,277)	(4,736,234)	(6,471,836)	(7,693,657)	(20,418,004)
Less: Investment Expenses	<u>52,274</u>	<u>162,155</u>	<u>247,832</u>	<u>155,098</u>	<u>617,359</u>
Total Investment Earnings	<u>(1,568,551)</u>	<u>(4,898,389)</u>	<u>(6,719,668)</u>	<u>(7,848,755)</u>	<u>(21,035,363)</u>
Total Additions	466,156	3,765,650	(6,208,153)	4,537,936	2,561,589
<b>DEDUCTIONS</b>					
Benefits Paid	565,377	3,922,033	4,719,194	2,759,948	11,966,552
Administrative Expenses	<u>-</u>	<u>69,807</u>	<u>47,501</u>	<u>39,778</u>	<u>157,086</u>
Total Deductions	<u>565,377</u>	<u>3,991,840</u>	<u>4,766,695</u>	<u>2,799,726</u>	<u>12,123,638</u>
Net Increase (Decrease) to Plan Net Assets	<u>\$ (99,221)</u>	<u>\$ (226,190)</u>	<u>\$ (10,974,848)</u>	<u>\$ 1,738,210</u>	<u>\$ (9,562,049)</u>
<b>NET ASSETS HELD IN TRUST FOR PENSION BENEFITS</b>					
Plan Net Assets, January 1, 2002	\$ 11,607,401	\$ 53,703,757	\$ 74,933,085	\$ 43,554,617	\$ 183,798,860
Net Increase (Decrease) to Plan Net Assets in Current Year	<u>(99,221)</u>	<u>(226,190)</u>	<u>(10,974,848)</u>	<u>1,738,210</u>	<u>(9,562,049)</u>
Plan Net Assets, December 31, 2002	<u>\$ 11,508,180</u>	<u>\$ 53,477,567</u>	<u>\$ 63,958,237</u>	<u>\$ 45,292,827</u>	<u>\$ 174,236,811</u>

**CITY OF ERIE, PENNSYLVANIA**

Combining Statement of Changes in Assets and Liabilities - Agency Funds

For the Year Ended December 31, 2002

	Balance at January 1, 2002	Additions	Deductions	Balance at December 31, 2002
<b>TRAFFIC COURT STATE AND COUNTY FINES</b>				
Assets				
Cash and Cash Equivalents	\$ 16	\$ 282	\$ -	\$ 298
Liabilities				
Due to Other Governments	\$ 16	\$ 282	\$ -	\$ 298
<b>TRAFFIC COURT SECURITY BONDS</b>				
Assets				
Cash and Cash Equivalents	\$ 420	\$ 3,400	\$ 3,415	\$ 405
Liabilities				
Vouchers Payable	\$ 420	\$ 3,400	\$ 3,415	\$ 405
<b>RENT WITHHOLDING</b>				
Assets				
Cash and Cash Equivalents	\$ 1,477	\$ 2,150	\$ 2,577	\$ 1,050
Liabilities				
Returnable Deposits	\$ 1,477	\$ 2,150	\$ 2,577	\$ 1,050
<b>CABLE TELEVISION SECURITY DEPOSIT</b>				
Assets				
Cash and Cash Equivalents	\$ 25,000	\$ -	\$ -	\$ 25,000
Liabilities				
Returnable Deposits	\$ 25,000	\$ -	\$ -	\$ 25,000
<b>UNCLAIMED MONIES</b>				
Assets				
Cash and Cash Equivalents	\$ 8,737	\$ 889	\$ 435	\$ 9,191
Liabilities				
Unclaimed Monies	\$ 8,737	\$ 889	\$ 435	\$ 9,191
<b>LAND LIGHTHOUSE SECURITY DEPOSIT</b>				
Assets				
Cash and Cash Equivalents	\$ 500	\$ -	\$ -	\$ 500
Liabilities				
Returnable Deposits	\$ 500	\$ -	\$ -	\$ 500
<b>PROPERTY TAX</b>				
Assets				
Cash and Cash Equivalents	\$ 685,012	\$ 66,539,857	\$ 66,535,398	\$ 689,471
Liabilities				
Due to Taxing Units:				
City of Erie, Pennsylvania	\$ 145,161	\$ 21,693,063	\$ 21,692,560	\$ 145,664
School District of the City of Erie, Pennsylvania	465,192	33,953,546	33,962,507	456,231
County of Erie, Pennsylvania	74,019	10,891,630	10,880,091	85,558
Refunds	640	1,618	240	2,018
Total Liabilities	\$ 685,012	\$ 66,539,857	\$ 66,535,398	\$ 689,471

See Independent Auditor's Report.

	Balance at January 1, 2002	Additions	Deductions	Balance at December 31, 2002
<b>EARNED INCOME TAX FUND</b>				
Assets				
Cash and Cash Equivalents	\$ 5,243,523	\$ 22,099,359	\$ 22,982,941	\$ 4,359,941
Liabilities				
Due to Taxing Units	\$ 5,243,523	\$ 22,099,359	\$ 22,982,941	\$ 4,359,941
<b>OCCUPATIONAL PRIVILEGE TAX FUND</b>				
Assets				
Cash and Cash Equivalents	\$ 125,317	\$ 679,061	\$ 774,360	\$ 30,018
Liabilities				
Due to Taxing Units	\$ 125,317	\$ 679,061	\$ 774,360	\$ 30,018
<b>COMMUNITY SERVICES</b>				
Assets				
Cash and Cash Equivalents	\$ 30,147	\$ 27,584	\$ 25,210	\$ 32,521
Liabilities				
Due to Various Charities	\$ 30,147	\$ 27,584	\$ 25,210	\$ 32,521
<b>FIRE INSURANCE ESCROW</b>				
Assets				
Cash and Cash Equivalents	\$ 184,478	\$ 68,877	\$ 86,462	\$ 166,893
Liabilities				
Vouchers Payable	\$ 184,478	\$ 68,877	\$ 86,462	\$ 166,893
<b>DICKSON TAVERN RENOVATION</b>				
Assets				
Cash and Cash Equivalents	\$ 500	\$ -	\$ -	\$ 500
Liabilities				
Vouchers Payable	\$ 500	\$ -	\$ -	\$ 500
<b>TOTALS - ALL AGENCY FUNDS</b>				
Assets				
Cash and Cash Equivalents	\$ 6,305,127	\$ 89,421,459	\$ 90,410,798	\$ 5,315,788
Liabilities				
Due to Other Governments	\$ 16	\$ 282	\$ -	\$ 298
Vouchers Payable	186,038	73,895	90,117	169,816
Returnable Deposits	26,477	2,150	2,577	26,050
Unclaimed Monies	9,237	889	435	9,691
Due to Taxing Units	6,053,212	89,316,659	90,292,459	5,077,412
Due to Various Charities	30,147	27,584	25,210	32,521
Total Liabilities	\$ 6,305,127	\$ 89,421,459	\$ 90,410,798	\$ 5,315,788

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**CITY OF ERIE, PENNSYLVANIA**  
General Fixed Assets Account Group

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

**CITY OF ERIE, PENNSYLVANIA**  
 Schedule by Function and Activity - General Fixed Assets  
 December 31, 2002

GENERAL FUND	Land	Buildings and Improvements	Equipment and Vehicles	Total General Fixed Assets
<b>General Government</b>				
City Council	\$ -	\$ -	\$ 8,256	\$ 8,256
City Clerk	-	-	1,244	1,244
Mayor	-	-	5,732	5,732
Cable Television	-	-	38,059	38,059
City Solicitor	-	-	15,146	15,146
City Treasurer	-	-	136,409	136,409
City Controller	-	-	13,893	13,893
Accounts, Finance, and Budget	-	-	16,840	16,840
Computer Systems and Services	-	-	196,438	196,438
Reproduction / Print Shop	-	-	472,230	472,230
Local Match	-	8,780	19,417	28,197
General Government, Insurance and Utility	<u>546,100</u>	<u>1,809,657</u>	<u>932,639</u>	<u>3,288,396</u>
<b>Total General Government</b>	<b>546,100</b>	<b>1,818,437</b>	<b>1,856,303</b>	<b>4,220,840</b>
<b>Public Safety</b>				
Police	-	42,672	1,596,963	1,639,635
Traffic Court	-	-	21,376	21,376
Fire	-	2,048,161	2,252,444	4,300,605
Radio	-	-	274,890	274,890
Electrician	-	<u>142,713</u>	<u>154,223</u>	<u>296,936</u>
<b>Total Public Safety</b>	-	<b>2,233,546</b>	<b>4,299,896</b>	<b>6,533,442</b>
<b>Highways and Streets</b>				
Director	-	-	2,393	2,393
Engineering	-	-	28,652	28,652
Paint and Sign	-	-	35,594	35,594
Streets	-	624,563	3,044,707	3,669,270
Municipal Garage	-	88,550	173,598	262,148
Public Buildings Maintenance	-	<u>136,051</u>	<u>177,966</u>	<u>314,017</u>
<b>Total Highways and Streets</b>	-	<b>849,164</b>	<b>3,462,910</b>	<b>4,312,074</b>
<b>Sanitation</b>				
Refuse, Disposal, and Recycling	-	<u>107,376</u>	<u>46,094</u>	<u>153,470</u>
<b>Total Sanitation</b>	-	<b>107,376</b>	<b>46,094</b>	<b>153,470</b>
<b>Culture and Recreation</b>				
Parks and Recreation	-	3,013,670	1,674,343	4,688,013
Shade Tree	-	<u>9,980</u>	-	<u>9,980</u>
<b>Total Culture and Recreation</b>	-	<b>3,023,650</b>	<b>1,674,343</b>	<b>4,697,993</b>
<b>Total General Fund</b>	<b>546,100</b>	<b>8,032,173</b>	<b>11,339,546</b>	<b>19,917,819</b>
<b>SPECIAL REVENUE FUND</b>				
General Government	-	29,390	52,776	82,166
Public Safety	-	595,210	1,586,782	2,181,992
Highways and Streets	-	153,564	2,084,196	2,237,760
Sanitation	-	137,374	2,002,609	2,139,983
Culture and Recreation	-	3,368,126	550,518	3,918,644
Economic and Community Development	-	<u>1,199,555</u>	<u>503,344</u>	<u>1,702,899</u>
<b>Total Special Revenue Fund</b>	-	<b>5,483,219</b>	<b>6,780,225</b>	<b>12,263,444</b>
<b>CAPITAL PROJECTS FUND</b>				
Capital Outlay	-	<u>7,471,666</u>	<u>9,007,668</u>	<u>16,479,334</u>
<b>Total Capital Projects Fund</b>	-	<b>7,471,666</b>	<b>9,007,668</b>	<b>16,479,334</b>
<b>Total General Fixed Assets</b>	<b>\$ 546,100</b>	<b>\$ 20,987,058</b>	<b>\$ 27,127,439</b>	<b>\$ 48,660,597</b>

See Independent Auditor's Report.

## CITY OF ERIE, PENNSYLVANIA

### Schedule of Changes in Fixed Assets by Function and Activity - General Fixed Assets

December 31, 2002

GENERAL FUND	January 1, 2002	Additions	Dispositions	December 31, 2002
<b>General Government</b>				
City Council	\$ 8,256	\$ -	\$ -	\$ 8,256
City Clerk	1,244	-	-	1,244
Mayor	5,732	-	-	5,732
Cable Television	38,059	-	-	38,059
City Solicitor	15,146	-	-	15,146
City Treasurer	130,709	5,700	-	136,409
City Controller	13,893	-	-	13,893
Accounts, Finance, and Budget	16,840	-	-	16,840
Computer Systems and Services	192,693	254,476	-	447,169
Reproduction / Print Shop	231,498	-	-	231,498
Local Match	28,197	-	-	28,197
General Government, Insurance and Utility	<u>3,351,242</u>	<u>-</u>	<u>277,797</u>	<u>3,073,445</u>
<b>Total General Government</b>	<b>4,033,509</b>	<b>260,176</b>	<b>277,797</b>	<b>4,015,888</b>
<b>Public Safety</b>				
Police	1,639,635	-	-	1,639,635
Traffic Court	13,276	8,100	-	21,376
Fire	4,300,605	-	-	4,300,605
Radio	274,890	-	-	274,890
Electrician	<u>296,936</u>	<u>-</u>	<u>-</u>	<u>296,936</u>
<b>Total Public Safety</b>	<b>6,525,342</b>	<b>8,100</b>	<b>-</b>	<b>6,533,442</b>
<b>Highways and Streets</b>				
Director	168,344	-	-	168,344
Engineering	28,652	-	-	28,652
Paint and Sign	34,517	1,077	-	35,594
Streets	3,669,270	-	-	3,669,270
Municipal Garage	260,289	1,859	-	262,148
Public Buildings Maintenance	<u>314,017</u>	<u>-</u>	<u>-</u>	<u>314,017</u>
<b>Total Highways and Streets</b>	<b>4,475,089</b>	<b>2,936</b>	<b>-</b>	<b>4,478,025</b>
<b>Sanitation</b>				
Refuse, Disposal, and Recycling	<u>153,470</u>	<u>-</u>	<u>-</u>	<u>153,470</u>
<b>Total Sanitation</b>	<b>153,470</b>	<b>-</b>	<b>-</b>	<b>153,470</b>
<b>Culture and Recreation</b>				
Parks and Recreation	4,558,054	129,959	-	4,688,013
Shade Tree	<u>9,980</u>	<u>-</u>	<u>-</u>	<u>9,980</u>
<b>Total Culture and Recreation</b>	<b>4,568,034</b>	<b>129,959</b>	<b>-</b>	<b>4,697,993</b>
<b>Total General Fund</b>	<b>19,755,444</b>	<b>401,171</b>	<b>277,797</b>	<b>20,434,412</b>
<b>SPECIAL REVENUE FUND</b>				
General Government	82,166	-	-	82,166
Public Safety	1,849,458	332,535	-	2,181,993
Highways and Streets	2,237,759	-	-	2,237,759
Sanitation	2,139,983	-	-	2,139,983
Culture and Recreation	3,618,361	344,078	-	3,962,439
Economic and Community Development	<u>694,139</u>	<u>964,965</u>	<u>-</u>	<u>1,659,104</u>
<b>Total Special Revenue Fund</b>	<b>10,621,866</b>	<b>1,641,578</b>	<b>-</b>	<b>12,263,444</b>
<b>CAPITAL PROJECTS FUND</b>				
Capital Outlay	<u>15,004,751</u>	<u>1,513,584</u>	<u>-</u>	<u>16,518,335</u>
<b>Total Capital Projects Fund</b>	<b>15,004,751</b>	<b>1,513,584</b>	<b>-</b>	<b>16,518,335</b>
<b>Total General Fixed Assets</b>	<b>\$ 45,382,061</b>	<b>\$ 3,556,333</b>	<b>\$ 277,797</b>	<b>\$ 48,660,597</b>

See Independent Auditor's Report.

**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 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**

Combining Balance Sheet - Component Units

December 31, 2002

	Redevelopment Authority of the City of Erie, PA	Erie Municipal Park Authority	Total Governmental Fund Types
<b>ASSETS</b>			
Cash and Cash Equivalents	\$ 127,639	\$ 24,126	\$ 151,765
Investments	-	6,838	6,838
Restricted Cash and Cash Equivalents	164,523	-	164,523
Restricted Investments	-	-	-
Receivables (net of allowance for uncollectibles):			
Accounts	144,953	90,000	234,953
Intergovernmental	-	-	-
Interfund	32,072	-	32,072
Notes	-	425,000	425,000
Other	-	-	-
Inventory	-	-	-
Prepaid Items	-	-	-
Property, Plant and Equipment, net of accumulated depreciation	68,914	-	68,914
Bond Issue Costs	-	-	-
Amount to be Provided for Long-Term Debt	<u>278,579</u>	<u>515,000</u>	<u>793,579</u>
Total Assets	<u>\$ 816,680</u>	<u>\$ 1,060,964</u>	<u>\$ 1,877,644</u>
<b>LIABILITIES</b>			
Accounts Payable	\$ 87,862	\$ -	\$ 87,862
Accrued Payroll	-	-	-
Accrued Pension Obligation	-	-	-
Interfund Payable	32,072	-	32,072
Current Portion of Long-Term Liabilities	4,791	-	4,791
Deferred Revenue	-	-	-
Other Liabilities	79,892	-	79,892
Due to Other Governments	-	-	-
General Obligation Notes Payable	311,716	425,000	736,716
General Obligation Bonds Payable	<u>-</u>	<u>90,000</u>	<u>90,000</u>
Total Liabilities	516,333	515,000	1,031,333
<b>FUND EQUITY</b>			
Contributed Capital	-	-	-
Retained Earnings:			
Reserved (Deficit)	-	-	-
Unreserved			
Designated (Deficit)	-	-	-
Undesignated (Deficit)	-	-	-
Fund Balance:			
Reserved:			
Equity in Authority Rentals	-	515,000	515,000
Land Held for Resale	68,914	-	68,914
Unreserved:			
Undesignated (Deficit)	<u>231,433</u>	<u>30,964</u>	<u>262,397</u>
Total Fund Equity	<u>300,347</u>	<u>545,964</u>	<u>846,311</u>
Total Liabilities and Fund Equity (Deficit)	<u>\$ 816,680</u>	<u>\$ 1,060,964</u>	<u>\$ 1,877,644</u>

See Independent Auditor's Report.

Erie Metropolitan Transit Authority	Erie Parking Authority	Erie Sewer Authority	Total Proprietary Fund Types	Total Component Units
\$ 2,971,917	\$ 4,597,705	\$ 2,239	\$ 7,571,861	\$ 7,723,626
254,369	-	18,775	273,144	279,982
-	381,752	-	381,752	546,275
3,640,665	1,956,630	21,670,491	27,267,786	27,267,786
113,961	34,204	-	148,165	383,118
28,101	-	92,900	121,001	121,001
-	-	-	-	32,072
-	-	-	-	425,000
-	230	251,437	251,667	251,667
175,806	-	-	175,806	175,806
202,840	102,051	-	304,891	304,891
24,456,198	21,665,591	70,859,725	116,981,514	117,050,428
-	515,220	1,839,853	2,355,073	2,355,073
-	-	-	-	793,579
<u>\$ 31,843,857</u>	<u>\$ 29,253,383</u>	<u>\$ 94,735,420</u>	<u>\$ 155,832,660</u>	<u>\$ 157,710,304</u>
\$ 100,684	\$ 4,656	\$ 561,166	\$ 666,506	\$ 754,368
860,675	69,128	-	929,803	929,803
-	39,387	-	39,387	39,387
-	-	-	-	32,072
-	725,000	2,058,887	2,783,887	2,788,678
158,497	-	-	158,497	158,497
2,960	395,779	225,868	624,607	704,499
6,448,041	-	-	6,448,041	6,448,041
-	-	1,667,067	1,667,067	2,403,783
-	21,458,207	59,603,949	81,062,156	81,152,156
7,570,857	22,692,157	64,116,937	94,379,951	95,411,284
24,330,404	-	9,032,643	33,363,047	33,363,047
(57,404)	2,338,612	21,585,840	23,867,048	23,867,048
-	33,738	-	33,738	33,738
-	4,188,876	-	4,188,876	4,188,876
-	-	-	-	515,000
-	-	-	-	68,914
-	-	-	-	262,397
<u>24,273,000</u>	<u>6,561,226</u>	<u>30,618,483</u>	<u>61,452,709</u>	<u>62,299,020</u>
<u>\$ 31,843,857</u>	<u>\$ 29,253,383</u>	<u>\$ 94,735,420</u>	<u>\$ 155,832,660</u>	<u>\$ 157,710,304</u>

**CITY OF ERIE, PENNSYLVANIA**

Combining Statement of Revenues, Expenditures and Changes in Fund Balance - Component Units

For the Year Ended December 31, 2002

	Redevelopment Authority of the City of Erie, PA	Erie Municipal Park Authority	Total Component Units
<b>REVENUES</b>			
Intergovernmental	\$ 1,208,752	\$ -	\$ 1,208,752
Operating Income	516,792	54,116	570,908
Interest Earnings	10,443	485	10,928
Miscellaneous	<u>30</u>	<u>-</u>	<u>30</u>
Total Revenues	1,736,017	54,601	1,790,618
<b>EXPENDITURES</b>			
Current:			
General Government	1,049,064	10,977	1,060,041
Economic and Community Development	662,118	422,198	1,084,316
Capital Outlay	155,000	-	155,000
Debt Service:			
Principal	421	45,000	45,421
Interest	<u>-</u>	<u>5,054</u>	<u>5,054</u>
Excess of Revenues Over (Under) Expenditures	(130,586)	(428,628)	(559,214)
<b>OTHER FINANCING SOURCES AND (USES)</b>			
Operating Transfers In	-	54,170	54,170
Operating Transfers (Out)	-	(54,170)	(54,170)
Proceeds from General Long-Term Debt	<u>175,000</u>	<u>425,000</u>	<u>600,000</u>
Total Other Financing Sources And (Uses)	<u>175,000</u>	<u>425,000</u>	<u>600,000</u>
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	44,414	(3,628)	40,786
Fund Balance (Deficit), January 1, 2002	<u>255,933</u>	<u>34,592</u>	<u>290,525</u>
Fund Balance (Deficit), December 31, 2002	<u>\$ 300,347</u>	<u>\$ 30,964</u>	<u>\$ 331,311</u>

## CITY OF ERIE, PENNSYLVANIA

Combining Statement of Revenues, Expenses and Changes in Fund Equity - Component Units  
For the Year Ended December 31, 2002

	Erie Metropolitan Transit Authority	Erie Parking Authority	Erie Sewer Authority	Total Component Units
<b>OPERATING REVENUES</b>				
Intergovernmental	\$ 270,051	\$ -	\$ 5,208,586	\$ 5,478,637
Charges for Services	3,566,270	4,101,805	-	7,668,075
Rental Income	-	-	-	-
Miscellaneous	<u>99,496</u>	<u>-</u>	<u>3,709</u>	<u>103,205</u>
Total Operating Revenues	3,935,817	4,101,805	5,212,295	13,249,917
<b>OPERATING EXPENSES</b>				
Personnel Services	4,779,158	1,218,841	-	5,997,999
Other Personnel Services	2,213,482	-	-	2,213,482
Services and Fees	236,238	-	-	236,238
Utilities	98,080	279,000	-	377,080
Rent	270	-	-	270
Insurance	337,640	-	-	337,640
Materials, Supplies, and Maintenance	1,527,876	224,000	-	1,751,876
Depreciation and Amortization	2,117,042	912,151	3,732,057	6,761,250
Other Expenses	<u>184,058</u>	<u>301,000</u>	<u>-</u>	<u>485,058</u>
Total Operating Expenses	<u>11,493,844</u>	<u>2,934,992</u>	<u>3,732,057</u>	<u>18,160,893</u>
Operating Income (Loss)	(7,558,027)	1,166,813	1,480,238	(4,910,976)
<b>NONOPERATING REVENUES (EXPENSES)</b>				
Intergovernmental Revenue	4,833,184	-	-	4,833,184
Investment Earnings	125,154	227,716	980,226	1,333,096
Interest Expense	-	(1,344,143)	(2,692,793)	(4,036,936)
Other Expenses	<u>-</u>	<u>-</u>	<u>(58,818)</u>	<u>(58,818)</u>
Net Nonoperating Revenues (Expenses)	<u>4,958,338</u>	<u>(1,116,427)</u>	<u>(1,771,385)</u>	<u>2,070,526</u>
Net Income (Loss)	(2,599,689)	50,386	(291,147)	(2,840,450)
Fund Equity (Deficit) at January 1, 2002	16,857,120	6,510,840	21,566,709	44,934,669
Increase to Contributed Capital	<u>10,015,569</u>	<u>-</u>	<u>397,800</u>	<u>10,413,369</u>
Fund Equity (Deficit) at December 31, 2002	<u>\$ 24,273,000</u>	<u>\$ 6,561,226</u>	<u>\$ 21,673,362</u>	<u>\$ 52,507,588</u>

**CITY OF ERIE, PENNSYLVANIA**  
Combining Statement of Cash Flows - Component Units  
For the Year Ended December 31, 2002

	Erie Metropolitan Transit Authority	Erie Parking Authority	Erie Sewer Authority	Total Component Units
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Operating Income (Loss)	\$ (7,558,027)	\$ 1,166,813	\$ 1,480,238	\$ (4,910,976)
Adjustments to Reconcile Operating Income (Loss) to Net Cash from Operating Activities:				
Other Nonoperating Income (Expense)	-	-	(58,818)	(58,818)
Noncash Items Included in Operating Income (Loss):				
Depreciation and Amortization	2,117,042	928,763	3,732,057	6,777,862
(Increase) Decrease in Current Assets:				
Accounts Receivable	83,293	5,724	-	89,017
Intergovernmental Receivable	-	-	985,800	985,800
Other Receivables	-	-	573,656	573,656
Inventory	32,189	-	-	32,189
Prepaid Items	(33,614)	(15,313)	-	(48,927)
Increase (Decrease) in Current Liabilities:				
Accounts Payable	(27,433)	2,062	(374,674)	(400,045)
Accrued Payroll	-	1,614	-	1,614
Accrued Pension Obligation	-	5,051	-	5,051
Due to Other Governments	727,821	-	-	727,821
Deferred Revenue	30,774	-	-	30,774
Other Liabilities	<u>(135,118)</u>	<u>-</u>	<u>(27,224)</u>	<u>(162,342)</u>
Net Cash Provided (Used) by Operating Activities	(4,763,073)	2,094,714	6,311,035	3,642,676
<b>CASH FLOWS FROM NONCAPITAL AND RELATED FINANCING ACTIVITIES</b>				
Intergovernmental Revenue	<u>4,833,184</u>	<u>-</u>	<u>-</u>	<u>4,833,184</u>
Net Cash Provided (Used) by Noncapital and Related Financing Activities	4,833,184	-	-	4,833,184

	Erie Metropolitan Transit Authority	Erie Parking Authority	Erie Sewer Authority	Total Component Units
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>				
Net Proceeds from Refunding Revenue Bonds	\$ -	\$ -	\$ -	\$ -
Proceeds from the Sale of Property, Plant and Equipment	-	-	-	-
Purchases of Property, Plant and Equipment	(10,016,635)	(150,106)	(4,434,892)	(14,601,633)
Transfers to Restricted Investments	-	-	-	-
Contributions and Capital Grants	10,015,569	-	397,800	10,413,369
Repayments of Long-Term Debt Principal	-	(695,000)	(6,754,989)	(7,449,989)
Repayments of Long-Term Debt Interest	-	(1,218,054)	(2,692,793)	(3,910,847)
Net Cash Provided (Used) by Capital and Related Financing Activities	(1,066)	(2,063,160)	(8,288,944)	(10,353,170)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Proceeds from the Sale and Redemption of Investments	(1,815,032)	1,935,626	-	120,594
Net Interest Earnings	125,154	157,563	980,226	1,262,943
Purchases of Investments	-	(3,818,907)	984,270	(2,834,637)
Net Cash Provided (Used) by Investing Activities	(1,689,878)	(1,725,718)	1,964,496	(1,451,100)
Net Change in Cash and Cash Equivalents	(1,620,833)	(1,694,164)	(13,413)	(3,328,410)
Cash and Cash Equivalents, January 1, 2002	4,592,750	6,673,621	15,652	11,282,023
Cash and Cash Equivalents, December 31, 2002	\$ 2,971,917	\$ 4,979,457	\$ 2,239	\$ 7,953,613
<b>RECONCILIATION TO THE COMBINING BALANCE SHEET:</b>				
Balance at January 1, 2002				
Cash and Cash Equivalents	\$ 1,106,086	\$ 4,425,822	\$ 15,652	\$ 5,547,560
Restricted Cash and Cash Equivalents	3,486,664	2,247,799	-	5,734,463
Cash and Cash Equivalents at January 1, 2002	\$ 4,592,750	\$ 6,673,621	\$ 15,652	\$ 11,282,023
Balance at December 31, 2002				
Cash and Cash Equivalents	\$ 2,971,917	\$ 4,597,705	\$ 2,239	\$ 7,571,861
Restricted Cash and Cash Equivalents	-	381,752	-	381,752
Cash and Cash Equivalents at December 31, 2002	\$ 2,971,917	\$ 4,979,457	\$ 2,239	\$ 7,953,613

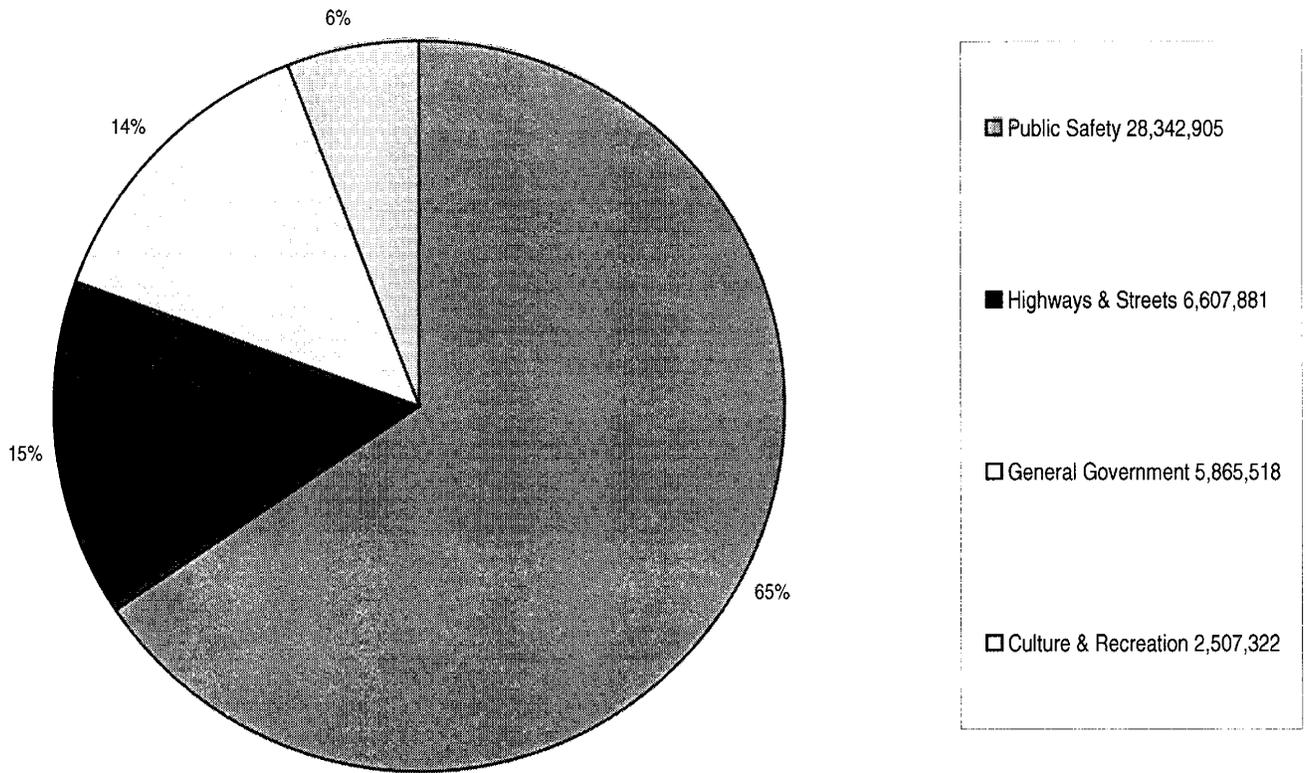
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**STATISTICAL SECTION**

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# CITY OF ERIE, PENNSYLVANIA

General Fund  
Expenditures by Function  
December 31, 2002



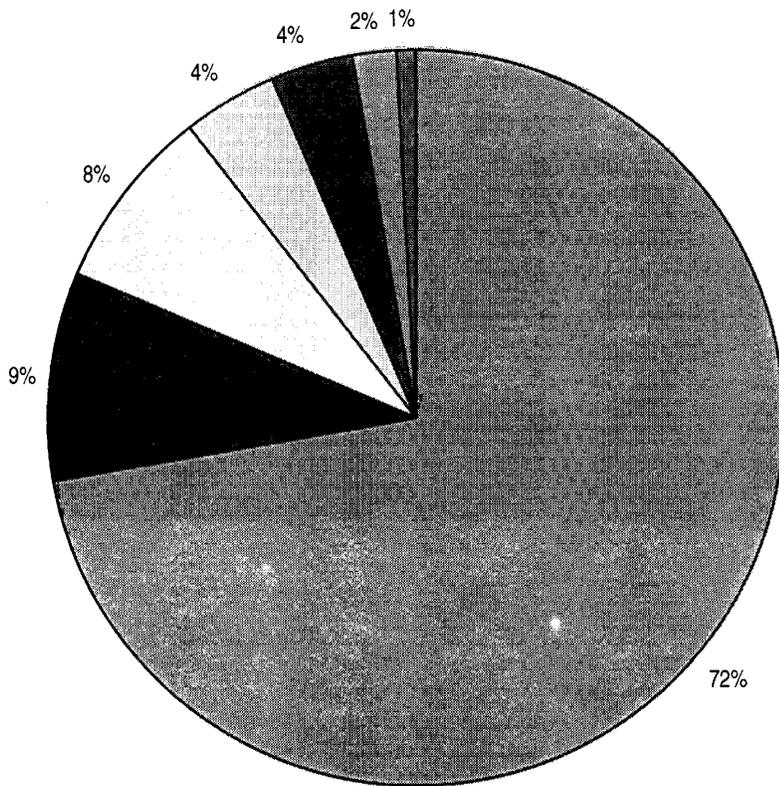
# CITY OF ERIE, PENNSYLVANIA

General Fund  
Expenditures by Function  
Last Ten Years

<u>Year</u>	<u>General Government</u>	<u>Public Safety</u>	<u>Highways and Streets</u>	<u>Sanitation</u>	<u>Culture and Recreation</u>	<u>Debt Service</u>	<u>Inter- Governmental</u>	<u>Total</u>
1993	\$ 5,168,622	\$ 26,396,807	\$ 6,202,639	\$ 3,536,360	\$ 1,257,377	\$ 0	\$ 348,000	\$ 42,909,805
1994	5,381,890	27,607,318	6,144,493	3,401,378	1,309,743	0	348,000	44,192,822
1995	4,900,550	28,181,500	6,161,531	0	1,770,143	0	418,000	41,431,724
1996	4,730,652	29,669,217	6,609,021	0	1,824,672	1,169	453,000	43,287,731
1997	4,443,112	29,753,925	5,752,611	0	2,101,892	14,129	393,500	42,459,169
1998	5,308,983	26,070,808	5,630,063	0	2,198,596	142,820	0	39,351,270
1999	5,080,460	27,332,050	5,893,125	0	2,296,006	0	0	40,601,641
2000	5,433,716	26,478,634	6,060,875	0	2,686,280	230,447	0	40,889,952
2001	5,676,251	26,840,562	6,061,168	0	2,375,331	0	0	40,953,312
2002	5,865,518	28,342,905	6,607,881	0	2,507,322	0	0	43,323,626

# CITY OF ERIE, PENNSYLVANIA

General Fund  
Revenues by Source  
December 31, 2002



Taxes	27,585,329
Miscellaneous	3,495,962
Inter-Governmental	3,014,071
Fines & Forfeits	1,558,321
Licenses & Permits	1,421,350
Interest Earnings	771,782
Charges for Services	280,102

**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
1993	\$ 27,314,246	\$ 936,890	\$ 3,724,211	\$ 3,832,027	\$ 1,131,552	\$ 275,529	\$ 1,800,968	\$ 39,015,423
1994	27,991,017	1,144,274	3,747,337	3,742,481	1,456,585	289,727	1,795,003	40,166,424
1995	28,124,592	1,450,482	4,297,030	653,879	1,402,940	339,697	3,956,583	40,225,203
1996	27,864,286	1,403,364	3,985,300	708,353	1,272,147	340,269	3,967,010	39,540,729
1997	27,712,258	1,598,494	3,880,809	634,659	1,350,281	558,646	2,922,829	38,657,976
1998	27,055,740	1,471,123	4,193,744	494,022	1,403,840	658,167	3,116,316	38,392,952
1999	24,167,931	1,418,715	3,904,094	422,099	1,527,122	471,791	3,016,884	34,928,636
2000	23,927,711	1,574,828	4,832,995	320,904	1,562,883	985,467	3,215,325	36,420,113
2001	23,413,258	1,727,467	2,952,889	277,473	1,632,365	960,627	3,957,985	34,922,064
2002	27,585,329	1,421,350	3,014,071	280,102	1,558,321	771,782	3,495,962	38,126,917

# 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
1993	\$ 22,873,739	\$ 21,054,469	92.0%	\$ 1,474,700	\$ 22,529,169	104.0 %	\$ 1,368,179	7.1%
1994	22,838,081	21,149,004	92.6	1,520,056	22,669,060	98.5	1,622,913	6.0
1995	22,862,066	21,314,859	93.2	1,431,989	22,746,848	99.0	1,390,857	7.0
1996	22,841,089	21,337,311	93.4	1,361,590	22,698,901	99.0	1,476,504	6.1
1997	22,848,411	21,342,031	93.4	1,515,280	22,857,311	99.4	1,408,202	6.5
1998	22,934,669	21,447,001	93.5	1,347,321	22,794,322	100.0	1,448,881	6.2
1999	22,825,180	21,411,974	93.8	1,266,742	22,678,717	99.4	1,440,473	6.3
2000	23,078,672	21,451,489	92.9	1,299,909	22,751,397	98.6	1,587,821	6.9
2001	23,356,832	21,580,419	92.4	1,320,624	22,901,043	98.0	1,728,399	7.4
2002	23,402,579	21,504,451	91.9	1,641,861	23,146,312	98.9	1,855,452	7.9

(1) Gross tax levy, net of LERTA, credits, debits, 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 (2)	Assessed Valuation As Percent of Market	Tax Title Exempt Property
1993	\$ 537,745,958	\$ 1,375,825,400	39.1%	\$ 222,546,460
1994	538,761,050	1,482,771,200	36.3	260,535,960
1995	535,890,184	1,486,402,400	36.1	256,459,100
1996	536,387,641	1,587,587,000	33.8	273,475,070
1997	534,919,470	1,584,229,000	33.8	273,421,080
1998	538,955,180	1,731,610,400	31.1	278,574,600
1999	538,638,945	1,744,358,000	30.9	280,275,080
2000	544,836,176	1,843,165,600	29.6	281,134,110
2001	551,472,128	1,884,617,600	29.3	280,581,760
2002	552,342,433	1,972,153,100	28.0	280,868,600

(1) Net of debits and credits.

(2) 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)	
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
1999	42.98	56.00	51.00	149.98
2000	42.98	58.50	53.00	154.48
2001	42.98	63.30	53.00	159.28
2002	42.98	67.15	54.25	164.38

(1) Calculated on 40% of assessed value.

# CITY OF ERIE, PENNSYLVANIA

## Annual Requirements to Amortize Long-Term Debt

December 31, 2002

Year Ending Dec. 31	General Fund General Obligation Bonds	Sewer Revenue Fund General Obligation Bonds
2003	\$ 8,197,091	\$ 647,664
2004	8,247,386	591,297
2005	8,244,500	590,925
2006	8,239,148	590,542
2007	7,754,480	900,621
2008	7,978,649	938,508
2009	7,679,416	1,198,205
2010	7,594,497	1,204,617
2011	7,983,215	1,191,324
2012	7,860,012	1,192,014
2013	5,262,988	2,009,032
2014	5,024,233	2,117,628
2015	4,827,456	2,192,881
2016	4,095,155	1,554,243
2017	3,799,788	1,652,023
2018	3,078,916	1,279,683
2019	2,956,849	1,248,050
2020	2,849,600	1,222,742
2021	2,744,260	1,196,776
2022	2,643,053	1,170,584
2023	2,553,592	1,148,263
2024	2,470,337	1,127,628
2025	2,738,442	724,750
2026	1,715,810	-
Total principal and interest	<u>126,538,873</u>	<u>27,690,000</u>
Less: Interest, other than accreted interest	<u>(31,142,552)</u>	<u>(8,762,292)</u>
Total Outstanding Liability	95,396,321	18,927,708
Less: Accreted Interest	<u>(3,516,956)</u>	<u>(761,254)</u>
Total General Obligation Bonds	<u>\$ 91,879,365</u>	<u>\$ 18,166,454</u>

# CITY OF ERIE, PENNSYLVANIA

## Computation of Legal Debt Margin

As of December 31, 2002

### Nonelectoral Debt Incurring Capacity:

Borrowing base(1)	\$	105,742,664
Percentage limitation		250
Net nonelectoral debt limit	\$	<u>264,356,660</u>
Less: net nonelectoral debt incurred		88,231,268
Add: current principal appropriation		4,475,000
Remaining nonelectoral debt incurring capacity	\$	<u><u>180,600,392</u></u>

### Nonelectoral Plus Lease Rental Debt Incurring Capacity:

Borrowing base(1)	\$	105,742,664
Percentage limitation		350
Net nonelectoral plus lease rental debt limit	\$	<u>370,099,323</u>
Less: net nonelectoral debt plus lease rental debt incurred		121,002,059
Add: current principal appropriation		4,475,000
Remaining nonelectoral plus lease rental debt incurring capacity	\$	<u><u>253,572,264</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

Year	Net General Bonded Debt	Net Assessed Valuation (1)	Ratio to Assessed Valuation	Population (2)	Net General Bonded Debt Per Capita
1993	\$ 12,950,000	\$ 537,745,958	2.4 %	108,718	\$ 119.12
1994	12,470,000	538,761,050	2.3	108,718	114.70
1995	12,015,000	535,890,184	2.2	108,718	110.52
1996	11,535,000	536,387,641	2.2	108,718	106.10
1997	19,910,000	534,919,470	3.7	108,718	183.13
1998	104,285,425	538,955,180	19.4	108,718	959.23
1999	100,808,546	538,638,945	18.7	108,718	927.25
2000	97,256,666	544,836,176	17.9	103,717	937.71
2001	74,744,867	551,472,128	13.6	103,717	720.66
2002	91,879,365	552,342,433	16.6	103,717	885.87

(1) Net of debits and credits.  
(2) Sources: Bureau of Census

## 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>
1993	\$ 878,856	\$ 314,757	\$ 1,193,613	\$ 42,909,805	2.8 %
1994	480,000	673,412	1,153,412	44,192,822	2.6
1995	455,000	604,428	1,059,428	41,431,724	2.6
1996	480,000	574,933	1,054,933	43,287,731	2.4
1997	535,000	542,991	1,077,991	42,459,169	2.5
1998	915,000	988,911	1,903,911	39,351,270	4.8
1999	3,476,880	1,503,949	4,980,829	40,601,641	12.3
2000	3,551,880	1,180,116	4,731,996	40,889,952	11.6
2001	3,731,880	1,000,601	4,732,481	40,953,312	11.6
2002	4,527,717	3,837,365	8,365,082	43,323,626	19.3

(1) Excludes loans.

# CITY OF ERIE, PENNSYLVANIA

## Computation of Direct and Overlapping Debt

December 31, 2002

	Net Debt Outstanding	Percentage Applicable to City of Erie	Amount Applicable to City of Erie
<b>Direct Debt:</b>			
1998 General obligation bond (A)	\$ 19,650,000	100.0 %	\$ 19,650,000
1998 General obligation bond (B)	29,479,316	100.0	29,479,316
2001 General obligation bond (A)	4,540,000	100.0	4,540,000
2001 General obligation bond (B)	8,985,000	100.0	8,985,000
2001 General obligation bond (C)	8,549,714	100.0	8,549,714
2001 General obligation bond (D)	18,505,000	100.0	18,505,000
2001 General obligation bond (E)	13,525,000	100.0	13,525,000
2001 General obligation bond (F)	11,090,000	100.0	11,090,000
	<u>114,324,030</u>		<u>114,324,030</u>
<b>Overlapping Debt:</b>			
Erie Municipal Park Authority	515,000	100.0	515,000
Erie School District	123,007,090	100.0	123,007,090
Erie Sewer Authority	2,025,954	100.0	2,025,954
Erie Parking Authority	21,458,207	75.0	16,093,655
Erie City Water Authority	6,000,000	70.0	4,200,000
County of Erie	21,971,845	33.3	7,250,709
Total	<u>174,978,096</u>		<u>153,092,408</u>
Total Direct and Overlapping Debt	<u>\$ 289,302,126</u>		<u>\$ 267,416,438</u>

# CITY OF ERIE, PENNSYLVANIA

## Demographic Statistics

1800-2000

<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
2000	103,717	(4.5)	18.9	5,488

# CITY OF ERIE, PENNSYLVANIA

## Property Values and Construction

Last Ten Years

Year	Commercial		Residential		Miscellaneous	
	Units	Value	Units	Value	Units	Value
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
1999	163	32,853,872	394	10,753,117	137	311,103
2000	139	42,889,561	418	7,011,168	130	419,939
2001	146	78,734,763	441	9,271,910	122	376,370
2002	134	70,605,797	432	9,267,221	135	488,885

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>
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
1999	1,417,196,000	675,484,000	385,810,000	2,478,490,000
2000	1,479,687,000	685,149,000	397,948,000	2,562,784,000
2001	1,439,803,000	724,156,000	419,218,000	2,583,177,000
2002	1,435,504,000	769,091,000	476,219,000	2,680,814,000

(1) Fiscal Year Ended June 30. Pennsylvania Department of Banking.

# CITY OF ERIE, PENNSYLVANIA

Principal Taxpayers

December 31, 2002

<u>Taxpayer</u>	<u>Assessed Valuation</u>	<u>Percent of Taxable Assessed Valuation</u>
Erie Indemnity Company	\$ 12,677,090	2.3%
Baldwin Brothers	4,962,380	0.9
International Paper Company	3,745,550	0.7
Friedman, Janice H. et al	2,591,450	0.5
Benderson-Erie	2,415,000	0.4
Lord Corporation	2,331,580	0.4
Covelli, Albert H.	2,205,270	0.4
Boston Store Ltd Partnership	1,974,220	0.4
Bayside Development Corporation	1,934,400	0.4
Four C's LLC, dba Penn Four C's	1,900,500	0.3
	<u>\$ 36,737,440</u>	<u>6.7%</u>

Source: Erie County Assessment Office.

# CITY OF ERIE, PENNSYLVANIA

## Miscellaneous Statistical Data

December 31, 2002

### Area in Acres:

Land	12,107.0		
Water	<u>384.0</u>	12,491.0	Acres

### Square Miles:

Land	18.9		
Water	<u>0.6</u>	19.5	Square Miles

### Miles of Streets:

Paved	322.7		
Unpaved	<u>0.0</u>	322.7	Miles

### Miles of Sewers

438.5 Miles

### Miles of Water Frontage:

Fronting Presque Isle Bay	4.0		
Fronting Lake Erie	<u>1.6</u>	5.6	Miles

Source: Department of Public Works, Property and Parks.

# 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>
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
1999	49.9	47.1	2.8	5.6
2000	49.4	46.7	2.8	5.6
2001	49.2	46.0	3.2	6.5
2002	50.5	46.5	4.0	7.9

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

**CITY OF ERIE, PENNSYLVANIA**

General Fund  
Schedule of Insurance In Force  
December 31, 2002

Company	Details of Coverage	Policy Number	Policy Period		Coverage Limits	Deductible	Premium
			From	To			
Diamond State	Public officials liability -	POL-B171017	1/1/2002	1/1/2003	\$ 1,000,000 aggregate	\$ 50,000	\$ 50,000
Diamond State	Erie Sewer Authority	POL-B171018	1/1/2002	1/1/2003	\$ 1,000,000 each loss	\$ 25,000	\$ 15,625
Coregis Insurance	Police professional liability, General liability	651-007000-0	1/1/2002	1/1/2003	\$ 1,000,000 aggregate	\$ 25,000	\$ 66,631
	Erie Sewer Authority, golf course liability pesticide/herbicide applicator coverage, crossing guards liability, emergency medical technicians, liquor and golf carts	651-007000-0	1/1/2002	1/1/2003	\$ 1,000,000 aggregate \$ 500,000 each occurrence	\$ 25,000	
Coregis Insurance	Commercial property,	651-007000-0	1/1/2002	1/1/2003	\$ 170,298,536	\$ 25,000	\$ 66,622
Coregis Insurance	Cable TV equipment	651-007000-0	1/1/2002	1/1/2003	included	\$ 25,000	
					included		
Coregis Insurance	Electronic data processing equipment	651-007000-0	1/1/2002	1/1/2003		\$ 25,000	
Coregis Insurance	Inland floater traffic engineering, 4 traffic counters	651-007000-0	1/1/2002	1/1/2003	included	\$ 25,000	
Coregis Insurance	Inland marine floater TV inspection and sealing system	651-007000-0	1/1/2002	1/1/2003	included	\$ 25,000	

**CITY OF ERIE, PENNSYLVANIA**

General Fund  
Schedule of Insurance In Force  
December 31, 2002

Company	Details of Coverage	Policy Number	Policy Period		Coverage Limits	Deductible	Premium
			From	To			
Coregis Insurance	Fine arts-Perry Memorial	651-007000-0	1/1/2002	1/1/2003	included	\$ 25,000	
Coregis Insurance	Floater policy	651-007000-0	1/1/2002	1/1/2003	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	651-007000-0	1/1/2002	1/1/2003	\$ 100,000 per loss \$ 25,000 theft \$ 50,000 forgery	\$ 25,000	
Coregis Insurance	Automobile fleet - liability & physical damage	651-007000-0	1/1/2002	1/1/2003	\$ 500,000 on comprehensive and collision insurance	\$ 1000 collision \$ 500 comprehensive	\$ 182,104 coverage for current year and 5 years retro
Coregis Insurance	Boiler and machinery	651-007000-0	1/1/2002	1/1/2003	\$ 170,298,536	\$ 1,000	\$ 16,366
Coregis Insurance	Excess Liability umbrella (excess over general liability, police professional & automobile)	503-16-5144	1/1/2002	1/1/2003	\$ 1,000,000	\$ 0 - 10,000	\$ 13,300
Firemens Fund	Surety bond	TBA-2344-BOND Q	5/2/2002	5/2/2003	Gas well at zoo		\$ 250
Cincinnati Insurance	Treasurer bond	CI-B80331682	1/1/2000	1/1/2004	\$ 2,000,000		\$ 1,123
Cincinnati Insurance	Controller bond	B83-1031	1/1/2002	12/31/2005	\$ 100,000		\$ 240
Commonwealth of Pennsylvania	Workers compensation		1/1/2002	12/31/2002		Self-Insured with the State	
Employers Reinsurance	Excess workers compensation	0627759	1/1/2002	12/31/2003	\$ 1,000,000 limit of indemnity	\$ 350,000	\$ 63,178

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