



2009
COMPREHENSIVE
ANNUAL FINANCIAL
REPORT

YEAR ENDING DECEMBER 31, 2009

CITY OF ERIE
PENNSYLVANIA

Joseph E. Sinnott, Mayor

CITY OF ERIE, PENNSYLVANIA

Comprehensive Annual Financial Report



Prepared By:

Department of Administration and Finance

CITY OF ERIE, PENNSYLVANIA
Comprehensive Annual Financial Report

Year ended December 31, 2009

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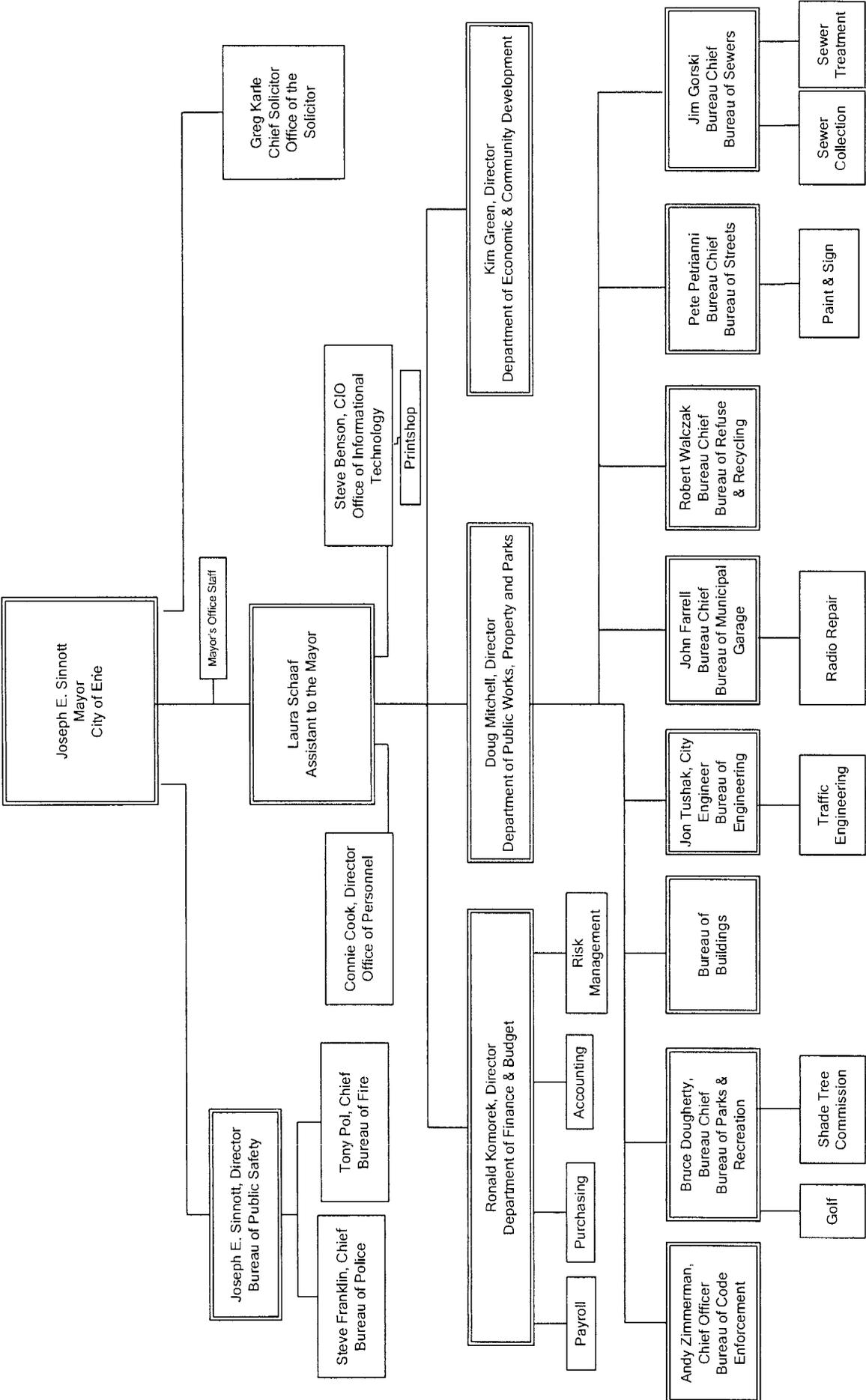
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CITY OF ERIE, PENNSYLVANIA

Comprehensive Annual Financial Report
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PRINCIPAL CITY OFFICIALS

MAYOR

Joseph E. Sinnott

CITY COUNCIL

James N. Thompson, President

Mark Aleksandrowicz

Jessica Horan-Kunco

Patrick Cappabianca

Joseph Schember

Curtis Jones, Jr.

James Winarski

CITY OFFICIALS

Susan E. DiVecchio City Treasurer

Casimir J. Kwitowski City Controller

Gregory Karle City Solicitor

James E. Klemm City Clerk

Ronald D. Komorek Director, Department of Administration & Finance

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

Kim Green Director, Department of Economic & Community Development



Independent Auditor's Report

To City Council
City of Erie
Erie, PA

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Erie, Pennsylvania, as of and for the year ended December 31, 2009, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Erie's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the component units, which represent 24 percent, 41 percent, and 22 percent, respectively, of the assets, net assets, and revenues. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion, insofar as it relates to the amounts included for the government-wide statements and fiduciary fund statements, is based on the report 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 financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Erie, Pennsylvania, as of December 31, 2009, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 5 through 14 and the schedule of funding progress on page 87 and the budget comparison schedule on page 88 be presented to supplement the basic financial statements. Such information, although not part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Erie, Pennsylvania's basic financial statements as a whole. The introductory section, combining and individual nonmajor fund financial statements, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and accordingly, we express no opinion on them.

McGill, Power, Bell & Associates, LLP

McGill, Power, Bell & Associates, LLP
Erie, Pennsylvania
October 27, 2010

**CITY OF ERIE, PENNSYLVANIA
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2009**

As management of the City of Erie, Pennsylvania (the "City"), we offer readers of the City's Comprehensive Annual Financial Report ("CAFR") this narrative overview and analysis of the financial activities of the City (the "Primary Government") for the year ended December 31, 2009. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in the City's basic financial statements that immediately follow this section.

FINANCIAL HIGHLIGHTS

- The City's net assets increased as a result of this year's operations. On a government-wide basis including all governmental activities and business-type activities, but excluding component units, the assets of the City of Erie exceeded its liabilities resulting in total net assets at the close of the fiscal year of \$51.6 million. This represents an increase of 1% over last fiscal year's net assets of \$51.1 million.
- During the year, the City had governmental expenses that were \$3.4 million less than the \$75.4 million generated in tax and other revenues for governmental programs. This compares to last year, however, when expenses were less than revenues by \$12.2 million.
- As of the close of the year the City's governmental funds reported combined ending fund balances of \$33.8 million. Within this total \$14.5 million is reserved for noncurrent notes receivable and \$1 million for debt service and other. \$4.1 million is designated for debt services expenditures and \$12.6 million is in the special revenue, capital projects and other funds which contain grant and other spending restrictions. The remaining \$1.6 million is unreserved fund balance in the general fund and can be used for any lawful purpose.
- In the City's business-type activities, revenues increased by \$1.1 million (or 3 percent) while expenses increased by 2 percent.
- The general fund reported a surplus this year of \$3.3 million. As result of the surplus general fund's fund balance ended the year with a positive \$2.7 million.

OVERVIEW OF THE FINANCIAL STATEMENTS

The discussion and analysis serves as an introduction to the City of Erie's basic financial statements. The City of Erie's basic financial statements are comprised of three components, government-wide financial statements, fund financial statements and notes to the financial statements. This report also contains other supplementary information in addition to the financial statements.

Government-Wide Financial Statements.

The government-wide financial statements are designed to provide readers with a broad overview of the City of Erie's finances, in a manner similar to a private-sector business. The Statement of Net Assets presents information on all of the City of Erie's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the City of Erie is improving or deteriorating. The Statement of Net Assets combines and consolidates the governmental funds' current financial resources (short-term spendable resources) with capital assets and long-term obligations.

Other non-financial factors should also be taken into consideration, such as changes in the City's property tax base and the condition of the City's infrastructure (i.e. roads, drainage improvements, water and sewer lines, etc.), to assess the overall health or financial condition of the City. The Statement of Activities presents information showing how the City's net assets changed during the most recent fiscal year. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future periods (e.g., uncollected taxes and earned but not used sick leave at termination). Both the Statement of Net Assets and the Statement of Activities are prepared utilizing the accrual basis of accounting as opposed to the modified accrual basis used in prior reporting models.

In the Statement of Net Assets and the Statement of Activities, the City is divided into three kinds of activities:

- **Governmental Activities** – Most of the City's basic services are reported here, including the police, fire, streets, planning and development, parks and recreation and general administration. Property and earned income taxes and federal and state grants finance most of these activities.
- **Business-type Activities** – The City charges a fee to customers to help it cover all or most of the cost of certain services it provides. The City's sewer system, refuse collection and golf courses are reported here, as well as the Erie Sewer Authority which is being reported here as a blended component unit. The City also leases its water lines to a separate and distinct Water Authority.
- **Component Units** – The City includes three separate legal entities in its report – Redevelopment Authority of the City of Erie, Erie Metropolitan Transit Authority and Erie Parking Authority. Although legally separate, these component units are important because the City is financially accountable for them. Financial information for these Component Units is reported separately from the financial information presented for the primary government itself. The City also includes one entity as a blended component unit in its report – Erie Sewer Authority. Blended component units are separate legal entities that meet the component unit criteria described above and whose governing body is the same or substantially the same as the City Council or the component unit provides services entirely to the City.

Reporting the City's Most Significant Funds

Fund Financial Statements

The fund financial statements provide detailed information about the most significant funds – not the City as a whole. Some funds are required to be established by state law and by bond covenants. However, the City establishes many other funds to help it control and manage money for particular purposes or to show that it is meeting legal responsibilities for using certain taxes, grants and other money. The City's two kinds of funds – governmental and proprietary – utilize different accounting approaches.

- *Governmental funds* – The majority of the City's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method identified as the modified accrual basis of accounting, which measures cash and all other financial assets that can readily be converted into cash. The governmental fund statements provide a detailed short term view of the City's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. By comparing information presented for governmental funds with similar information presented for governmental activities in the government-wide statements, readers may better understand the long term effect of the government's near term financing decisions. The relationships or differences between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds are detailed in a reconciliation following the fund financial statements.

The City of Erie maintains nine individual governmental funds. Information is presented separately in the Governmental Funds Balance Sheet and in the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances for the General Fund, Debt Service Fund, HUD Programs, Other Grants and the Capital Improvements Fund, all of which are considered to be major funds. Data from the other four governmental funds are combined into a single, aggregated non-major fund presentation. Individual fund data from each of these non-major governmental funds is provided in the form of combining statements elsewhere in this report.

- *Proprietary Funds* – The City charges customers for the services it provides, whether to outside customers or to other units within the City. These services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Assets and the Statement of Activities. In fact, the City's enterprise funds (a component of the proprietary funds) are identical to the business-type activities that are reported in the government-wide statements but provide more detail and additional information, such as cash flows, for proprietary funds. The internal service funds (the other component of proprietary funds) are utilized to report risk management activities of the City.

Because these services benefit both governmental as well as business-type functions, their cost has been included in both the governmental and business-type activities in the government-wide financial statements.

The City of Erie maintains four enterprise funds. The City uses enterprise funds to account for its water line lease, sewer, refuse and golf courses. The funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for each of the major enterprise funds, which include the Sewer Revenue Fund, the Water Revenue Fund and the Refuse and Recycling Fund. Data from the other proprietary fund is shown in a non-major fund presentation elsewhere in this report.

The City as Trustee

Reporting the City's Fiduciary Responsibilities

The City is trustee, or fiduciary, for the retirement funds of its various employee units as well as the collection of real estate and earned income taxes, and certain amounts held on behalf of others. All of the City's fiduciary activities are reported in separate Statements of Fiduciary Net Assets and Changes in Fiduciary Net Assets. The activities of these funds are excluded from the City's government-wide financial statements because the City cannot use these assets to finance its operations. The City is responsible for ensuring that the assets reported in these funds are used for their intended purpose.

Notes to the Financial Statements

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

THE CITY AS A WHOLE – Government-wide Financial Analysis

The City's combined net assets were a positive \$51.6 million (excess of total assets over total liabilities) as of December 31, 2009. Analyzing the net assets of governmental and business-type activities separately, the governmental activities are \$15.8 million and business-type activities are \$35.8 million. The analysis focuses on the net assets (table 1) and changes in net assets (table 2) of the City's governmental and business-type activities.

The largest portion of the City's total assets (63%) reflects its investment in capital assets (e.g., land, buildings, machinery and equipment). The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Table 1

City of Erie, Pennsylvania

Net Assets

(amounts expressed in thousands)

	<i>Governmental Activities</i>		<i>% Inc (Dec)</i>	<i>Business-Type Activities</i>		<i>% Inc (Dec)</i>	<i>Total</i>		<i>% Inc (Dec)</i>
	<i>2009</i>	<i>2008</i>		<i>2009</i>	<i>2008</i>		<i>2009</i>	<i>2008</i>	
Current and other assets	\$ 56,267	\$ 56,556	-1%	\$ 26,420	\$ 29,541	-11%	\$ 82,687	\$ 86,097	-4%
Capital assets	53,129	63,796	-17%	89,130	93,123	-4%	142,260	156,919	-9%
Total assets	<u>109,397</u>	<u>120,352</u>	-9%	<u>115,551</u>	<u>122,664</u>	-6%	<u>224,947</u>	<u>243,016</u>	-7%
Current and other liabilities	25,980	24,152	8%	13,932	13,548	3%	39,912	37,700	6%
Long-term liabilities	67,607	72,427	-7%	65,791	70,422	-7%	133,398	142,849	-7%
Total liabilities	<u>93,587</u>	<u>96,579</u>	-3%	<u>79,723</u>	<u>83,970</u>	-5%	<u>173,310</u>	<u>180,549</u>	-4%
Net assets:									
Invested in capital assets, net of related debt	(12,946)	(18,297)	-29%	20,748	24,934	-17%	7,802	6,637	18%
Restricted	21,793	14,195	54%	14,347	15,417	-7%	36,140	29,612	22%
Unrestricted	6,963	27,875	-75%	733	(1,657)	-144%	7,696	26,218	-71%
Total net assets	<u>\$ 15,810</u>	<u>\$ 23,773</u>	-33%	<u>\$ 35,828</u>	<u>\$ 38,694</u>	-7%	<u>\$ 51,637</u>	<u>\$ 62,467</u>	-17%

Governmental Activities

To aid in the understanding of the Statement of Activities some additional explanation is given. Of particular interest is the format that is significantly different than a typical Statement of Revenues, Expenses, and Changes in Fund Balance.

You will notice that expenses are listed in the first column with revenues from that particular program reported to the right. The result is a Net (Expense)/Revenue. The reason for this kind of format is to highlight the relative financial burden of each of the functions on the City's taxpayers. It also identifies how much each function draws from the general revenues or if it is self-financing through fees and grants.

Table 3 presents the cost of each of the City's seven programs – General Government, Public Safety, Highways and Streets, Sanitation, Culture and Recreation, Economic and Community Development – as well as each program's net cost (total cost less revenues generated by the activities). The net cost shows the financial burden that was placed on the City's taxpayers by each of these functions.

Table 2

City of Erie, Pennsylvania
Changes in Net Assets
(amounts expressed in thousands)

	<i>Governmental Activities</i>		% Inc (Dec)	<i>Business-Type Activities</i>		% Inc (Dec)	<i>Total</i>		% Inc (Dec)
	2009	2008		2009	2008		2009	2008	
Revenues									
Program Revenues:									
Charges for services	\$ 425	\$ 446	-5%	\$ 28,900	\$ 29,137	-1%	\$ 29,325	\$ 29,583	-1%
Operating grants and contributions	19,853	19,684	1%	-	-	0%	19,853	19,684	1%
General revenues:									
Property tax	30,462	31,751	-4%	-	-	0%	30,462	31,751	-4%
Income tax	12,769	13,227	-3%	-	-	0%	12,769	13,227	-3%
Other	872	907	-4%	-	-	0%	872	907	-4%
Other general revenues	6,169	5,939	4%	5,994	4,613	30%	12,163	10,552	15%
Total revenues	<u>70,549</u>	<u>71,954</u>	-2%	<u>34,894</u>	<u>33,750</u>	3%	<u>105,443</u>	<u>105,704</u>	0%
Expenses									
General government	24,236	22,447	8%	-	-	0%	24,236	22,447	8%
Public safety	30,296	28,703	6%	-	-	0%	30,296	28,703	6%
Highway and streets	6,537	5,850	12%	-	-	0%	6,537	5,850	12%
Sanitation	-	278	-100%	-	-	0%	-	278	-100%
Culture and recreation	1,521	1,495	2%	-	-	0%	1,521	1,495	2%
Economic and community development	5,053	4,741	7%	-	-	0%	5,053	4,741	7%
Other	-	443	-100%	-	-	0%	-	443	-100%
Interest on long-term debt	4,376	4,677	-6%	-	-	0%	4,376	4,677	-6%
Sewer	-	-	0%	26,750	25,924	3%	26,750	25,924	3%
Water	-	-	0%	555	558	-1%	555	558	-1%
Refuse	-	-	0%	4,800	4,877	-2%	4,800	4,877	-2%
Other proprietary funds	-	-	0%	770	851	-9%	770	851	-9%
Total expenses	<u>72,018</u>	<u>68,633</u>	5%	<u>32,875</u>	<u>32,210</u>	2%	<u>104,893</u>	<u>100,843</u>	4%
revenues over expenses before capital contributions and transfers	(1,469)	3,321		2,019	1,540		550	4,861	
Transfers	4,886	6,981	-30%	(4,886)	(6,981)	-30%	-	-	0%
Increase (decrease) in net assets	3,417	10,302	-67%	(2,867)	(5,441)	-47%	550	4,861	-89%
Net Assets - Beginning of Year (Restated)	<u>12,393</u>	<u>2,091</u>		<u>38,694</u>	<u>44,135</u>		<u>51,087</u>	<u>46,226</u>	
Net Assets - End of Year	<u>\$ 15,810</u>	<u>\$ 12,393</u>		<u>\$ 35,827</u>	<u>\$ 38,694</u>		<u>\$ 51,637</u>	<u>\$ 51,087</u>	

Table 3

City of Erie, Pennsylvania						
Governmental Activities						
(amounts expressed in thousands)						
	<i>Total Cost of Services</i>		<i>% Inc</i>	<i>Net Cost of Services</i>		<i>% Inc</i>
	<i>2009</i>	<i>2008</i>	<i>(Dec)</i>	<i>2009</i>	<i>2008</i>	<i>(Dec)</i>
Governmental Activities:						
General government	\$ 24,236	\$ 22,447	8%	\$ (16,772)	\$ (13,957)	20%
Public safety	30,296	28,703	6%	(28,607)	(27,511)	4%
Highways and streets	6,537	5,850	12%	(2,246)	(3,294)	-32%
Sanitation	-	278		284	467	
Culture and recreation	1,521	1,495	2%	(1,331)	(1,458)	-9%
Economic and community development	5,053	4,741	7%	1,308	3,298	-60%
Other governmental funds	-	443	-100%	-	(443)	-100%
Totals	<u>\$ 67,643</u>	<u>\$ 63,956</u>	6%	<u>\$ (47,365)</u>	<u>\$ (42,898)</u>	10%

Business-Type Activities. Revenues of the City's business-type activities (see Table 2) increased by 3 percent (\$34.9 million in 2009 compared to \$33.7 million in 2008) and expenses increased by 2 percent (\$32.9 million in 2009 compared to \$32.2 million in 2008).

Table 4

City of Erie, Pennsylvania						
Business Activities						
(amounts expressed in thousands)						
	<i>Total Cost of Services</i>		<i>% Inc</i>	<i>Net Cost of Services</i>		<i>% Inc</i>
	<i>2009</i>	<i>2008</i>	<i>(Dec)</i>	<i>2009</i>	<i>2008</i>	<i>(Dec)</i>
Business-Type Activities:						
Sewer	\$ 26,750	\$ 25,923	3%	\$ (3,652)	\$ (2,584)	41%
Water	555	558	-1%	(555)	(558)	-1%
Refuse	4,800	4,877	-2%	546	462	18%
Other proprietary funds	770	851	-9%	(314)	(393)	-20%
Totals	<u>\$ 32,875</u>	<u>\$ 32,209</u>	2%	<u>\$ (3,975)</u>	<u>\$ (3,073)</u>	29%

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets. The City's investment in capital assets as of December 31, 2009, amounted to \$142.3 million (net of accumulated depreciation). This investment, detailed in Table 5, in a broad range of capital assets including police and fire equipment, buildings, streets, water and sewer lines. This amount represents a net decrease (including additions and deductions) of \$3.1 million or a 2% decrease from the prior year.

Table 5

City of Erie, Pennsylvania						
Capital Assets (net of depreciation and impairment loss)						
(amounts expressed in thousands)						
	<i>Governmental Activities</i>		<i>Business-Type Activities</i>		<i>Total</i>	
	<i>2009</i>	<i>2008</i>	<i>2009</i>	<i>2008</i>	<i>2009</i>	<i>2008</i>
Land	\$ 11,412	\$ 11,412	\$ 731	\$ 731	\$ 12,143	\$ 12,143
Building and improvements	1,255	1,428	42,477	44,013	43,732	45,441
Improvements other than buildings	5,854	4,036	21,197	22,592	27,051	26,628
Equipment and vehicles	1,939	2,883	24,725	25,787	26,664	28,670
Infrastructure	32,669	32,440	-	-	32,669	32,440
Capital assets, net	<u>\$ 53,129</u>	<u>\$ 52,199</u>	<u>\$ 89,130</u>	<u>\$ 93,123</u>	<u>\$ 142,259</u>	<u>\$ 145,322</u>

The following represented the majority of the \$3.1 million dollar decrease:

- On April 24, 2009, the City sold the Erie Golf Course to Millcreek Township for \$2,149,750. The total cost of assets sold was \$2,195,169, with a net book value of \$220,794, which included an impairment loss on the Golf Course in the amount of \$1,408,220. The City recognized a gain of \$1,928,956. From the proceeds, \$2,125,485 was used to pay off golf course renovation related debt. The balance of \$24,265 was used for the payment of remediation work on the Course, which was the responsibility of the City.

Additional information on the City's capital assets can be found in Note B of the basic financial statements.

Long-term Debt. At the end of current year, the City's total long-term debt outstanding is \$147.1 million. This amount was largely comprised of \$147 million in general obligation bonds.

Table 6

City of Eric, Pennsylvania
Outstanding Debt
(amounts expressed in thousands)

	<i>Governmental Activities</i>		<i>Business-Type Activities</i>		<i>Total</i>	
	<i>2009</i>	<i>2008</i>	<i>2009</i>	<i>2008</i>	<i>2009</i>	<i>2008</i>
General obligation bonds (backed by the City)	\$ 77,806	\$ 81,810	\$ 69,287	\$ 71,548	\$ 147,093	\$ 153,358
Other loans	-	250	-	2,125	-	2,375
Capital leases	25	33	-	-	25	33
Total	\$ 77,831	\$ 82,093	\$ 69,287	\$ 73,673	\$ 147,118	\$ 155,766

The City's total long-term debt decreased by \$8.6 million, or 5.5%, during the current year.

Bond Ratings. The City's debt rating is BBB by Standard & Poor's and Bal by Moody's. Insurance has been purchased to guarantee repayment of certain of the City's indentures.

Additional information on the City's long-term debt can be found in Note B of the basic financial statements.

THE CITY'S FUNDS

At the close of the City's year on December 31, 2009, the governmental funds of the City reported a combined fund balance of \$33.8 million. This ending balance includes an increase in fund balance of \$3.3 million in the City's General Fund. In addition, these other changes to fund balances should be noted:

- The City's Debt Service fund balance of \$4.1 million decreased by \$4.6 million from the prior year fund balance.
- The City's Capital Improvements fund increased by \$644,340 thousand, during the latest year thereby increasing ending fund balance to \$8.1 million.

GENERAL FUND BUDGETARY HIGHLIGHTS

For 2009, actual expenditures on a budgetary basis were \$56.9 million compared to the budget amount of \$56.3 million. This resulted in a negative variance of \$607,989 thousand.

For 2009, actual revenues on a budgetary basis were \$51.8 million as compared to the budget amount of \$51.1 million. This resulted in a positive variance of \$694,188 thousand.

The City of Erie has, on a budgetary basis, an actual General Fund deficit balance of \$936,676 thousand as of the year end, compared to the budgeted balance of zero (including \$4.9 million in Operating Transfers In). (*See Budget Comparison Schedule – General Fund, page 88*) The variance in fund balance is due to the decrease of revenues and expenses compared with the budgeted amounts.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The City's elected and appointed officials considered many factors when setting the 2010 budget, such as tax rates and fees that will be charged for the business-type activities. The total budget appropriation is \$58.1 million. This represents a decrease of \$1.3 million from the 2009 budget.

The General Fund's largest single revenue source is property taxes. The property tax rate for 2010 is 11.45 mills (.01145 per \$1,000 valuation). Of this tax rate 85 percent or 9.69 mills is utilized for General Fund activities. The remaining 15 percent or 1.76 mills is used for debt service. The General Fund's portion of property tax revenue for 2010 is estimated to be \$26.5 million, which is the same as 2009.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

The financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Director of Administration and Finance, at the City of Erie, 626 State Street – Room 309, Erie, Pennsylvania 16501.

BASIC FINANCIAL STATEMENTS

CITY OF ERIE, PENNSYLVANIA
Statement of Net Assets
December 31, 2009
(and fiscal year ends of component units)

	<i>Primary Government</i>			<i>Discretely Presented Component Units</i>
	<i>Governmental Activities</i>	<i>Business-Type Activities</i>	<i>Total</i>	
ASSETS				
Cash and Cash Equivalents	\$ 17,320,334	\$ 5,115,810	\$ 22,436,144	\$ 5,788,195
Investments	5,190,024	2,942,585	8,132,609	297,577
Receivables (net of allowance for uncollectibles)	11,626,019	2,393,360	14,019,379	2,298,620
Internal Balances	862,618	(862,618)	-	-
Inventories	-	-	-	248,231
Prepaid Items	-	4,664,600	4,664,600	484,385
Restricted Assets:				
Cash and Cash Equivalents	3,901,489	9,946,102	13,847,591	1,669,190
Investments	-	641,466	641,466	3,926,541
Capital Assets:				
Non-depreciable	11,411,834	730,999	12,142,833	2,199,527
Depreciable (Net)	41,717,662	88,399,490	130,117,152	52,622,579
Bond Issue Costs (Net)	167,937	1,514,642	1,682,579	961,237
Long-Term Receivable	16,996,308	-	16,996,308	627,112
Net Pension Benefit Asset	202,604	64,079	266,683	457,050
Total Assets	<u>\$ 109,396,829</u>	<u>\$ 115,550,515</u>	<u>\$ 224,947,344</u>	<u>\$ 71,580,244</u>
LIABILITIES				
Accounts Payable	\$ 1,020,024	\$ 244,887	\$ 1,264,911	\$ 1,488,883
Accrued Liabilities	1,085,257	109,778	1,195,035	1,299,581
Accrued Interest Payable	15,970,560	4,264,041	20,234,601	439,746
Other Current Liabilities	4,952,920	-	4,952,920	2,189,377
Deferred Revenue	2,951,496	9,310,941	12,262,437	-
Due to Other Governments	-	2,028	2,028	-
Non-Current Liabilities				
Due Within One Year				
Compensated Absences	342,864	57,136	400,000	-
Bonds, Loans and Leases Payable	5,921,182	3,376,075	9,297,257	1,063,965
Due In More Than One Year				
Compensated Absences	4,263,594	710,492	4,974,086	-
Bonds, Loans and Leases Payable	55,938,875	61,647,322	117,586,197	28,669,996
Net OPEB Obligation	231,121	-	231,121	843,000
Claims Liabilities	909,301	-	909,301	-
Total Liabilities	<u>93,587,194</u>	<u>79,722,700</u>	<u>173,309,894</u>	<u>35,994,548</u>
NET ASSETS				
Invested in Capital Assets (net of related debt)	(12,946,121)	20,747,771	7,801,650	27,366,309
Restricted for:				
Noncurrent Notes Receivable	16,996,308	-	16,996,308	-
Debt Service	988,522	-	988,522	-
Other	3,808,185	14,346,798	18,154,983	5,607,601
Unrestricted	4,617,529	733,246	5,350,775	2,611,786
Designated for Future Catastrophic Losses (<i>Note B</i>)	2,345,212	-	2,345,212	-
Total Net Assets	<u>15,809,635</u>	<u>35,827,815</u>	<u>51,637,450</u>	<u>35,585,696</u>
Total Liabilities and Net Assets	<u>\$ 109,396,829</u>	<u>\$ 115,550,515</u>	<u>\$ 224,947,344</u>	<u>\$ 71,580,244</u>

See accompanying notes.

CITY OF ERIE, PENNSYLVANIA
Reconciliation of the Balance Sheet to the Statement of Net Assets
Governmental Funds
December 31, 2009

Fund Balances – total governmental funds \$ 33,799,483

Amounts reported for governmental activities in the statement of net assets are different because:

Prepaid assets 167,937

Net Pension Asset 202,604

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. The cost of assets is \$110,474,875 and the accumulated depreciation is \$57,345,379. 53,129,496

Property and earned income taxes receivable will be collected this year, but are not available soon enough to pay for the current period's expenditures, and therefore are deferred in the funds. 2,232,118

Long-term liabilities, including bonds payable, are not due and payable in the current year and, therefore, are not reported as liabilities in the funds. Long-term liabilities at year end consist of:

Bonds, loans and leases payable (61,860,057)

Accrued interest on the bonds (15,970,560)

Deferred Revenue for items not earned at year end 1,769,478

Liabilities for accrued obligations (4,267,292)

Internal Service Funds are used by management to charge costs of certain activities to individual funds.

The assets and liabilities of the Internal Service Funds are reported with the governmental activities. 6,606,428

Net assets of governmental activities \$ 15,809,635

CITY OF ERIE, PENNSYLVANIA
Statement of Activities
For the Year Ended December 31, 2009
(and fiscal year ends of component units)

Functions/Programs	<i>Program Revenues</i>			
	<i>Expenses</i>	<i>Charges for Services</i>	<i>Operating Grants and Contributions</i>	<i>Capital Grants and Contributions</i>
Governmental activities:				
General government	\$ 24,235,712	\$ 425,487	\$ 7,037,984	\$ -
Public safety	30,296,276	-	1,689,767	-
Highways and streets	6,537,013	-	4,290,955	-
Sanitation	-	-	283,556	-
Culture and recreation	1,521,079	-	190,253	-
Economic and community development	5,052,733	-	6,360,301	-
Interest on long-term debt	4,375,547	-	-	-
Total Governmental Activities	72,018,360	425,487	19,852,816	-
Business-Type activities:				
Sewer	26,750,283	23,098,165	-	-
Water	554,756	-	-	-
Refuse	4,799,527	5,345,109	-	-
Other proprietary funds	770,464	456,630	-	-
Total Business-Type Activities	32,875,030	28,899,904	-	-
Total Primary Government	\$ 104,893,390	\$ 29,325,391	\$ 19,852,816	\$ -
Discretely presented component units	\$ 28,928,053	\$ 11,604,240	\$ 15,314,725	\$ 1,799,242

CITY OF ERIE, PENNSYLVANIA
Statement of Activities (Continued)
For the Year Ended December 31, 2009

Functions/Programs	<i>Net (Expense) Revenue and Changes In Net Assets</i>			<i>Discretely Presented Component Units</i>
	<i>Primary Government</i>			
	<i>Governmental Activities</i>	<i>Business-Type Activities</i>	<i>Total</i>	
Governmental activities:				
General government	\$ (16,772,241)	\$ -	\$ (16,772,241)	\$ -
Public safety	(28,606,509)	-	(28,606,509)	-
Highways and streets	(2,246,058)	-	(2,246,058)	-
Sanitation	283,556	-	283,556	-
Culture and recreation	(1,330,826)	-	(1,330,826)	-
Economic and community development	1,307,568	-	1,307,568	-
Interest on long-term debt	(4,375,547)	-	(4,375,547)	-
Total Governmental Activities	(51,740,057)	-	(51,740,057)	-
Business-Type activities:				
Sewer	-	(3,652,118)	(3,652,118)	-
Water	-	(554,756)	(554,756)	-
Refuse	-	545,582	545,582	-
Other proprietary funds	-	(313,834)	(313,834)	-
Total Business-type Activities	-	(3,975,126)	(3,975,126)	-
Total Primary Government	\$ (51,740,057)	\$ (3,975,126)	\$ (55,715,183)	\$ -
Discretely presented component units				<u>\$ (209,846)</u>
General Revenues:				
Taxes:				
Property taxes	\$ 30,461,515	\$ -	\$ 30,461,515	\$ -
Income taxes	12,768,629	-	12,768,629	-
Other	871,530	-	871,530	-
Licenses and permits	3,251,589	-	3,251,589	-
Fines and forfeits	1,326,274	-	1,326,274	-
Investment income	1,196,943	392,522	1,589,465	254,394
Lease rental	-	2,971,729	2,971,729	-
Capital asset gains/(loss)	-	1,928,955	1,928,955	-
Miscellaneous	394,152	701,234	1,095,386	3,480
Transfers	4,886,274	(4,886,274)	-	-
Total General Revenues and Transfers	55,156,906	1,108,166	56,265,072	257,874
Changes in net assets	3,416,849	(2,866,960)	549,889	48,028
Net assets - Beginning of Year (Restated)	12,392,786	38,694,775	51,087,561	35,537,668
Net assets - End of Year	<u>\$ 15,809,635</u>	<u>\$ 35,827,815</u>	<u>\$ 51,637,450</u>	<u>\$ 35,585,696</u>

See accompanying notes.

CITY OF ERIE, PENNSYLVANIA

**Balance Sheet
Governmental Funds
December 31, 2009**

	<i>General Fund</i>	<i>Debt Service</i>	<i>HUD Programs</i>	<i>Other Grants</i>
ASSETS				
Cash and Cash Equivalents	\$ 6,442,289	\$ 2,768,404	\$ 6,737	\$ 1,341,923
Investments	-	-	-	-
Restricted Cash and Cash Equivalents	93,304	-	-	-
Receivables (net of allowance for uncollectibles):				
Property Tax	3,364,924	611,173	-	-
Earned Income and Local Services Tax	1,724,977	689,055	-	-
Liens	109,756	-	200,317	-
Intergovernmental	346,663	-	454,264	914,165
Interfund	3,195,514	7,349,957	-	-
Notes	-	-	6,252	470,029
Other	352,667	-	-	-
Notes Receivable, net of current obligation	-	-	8,793,520	5,349,430
Total Assets	\$ 15,630,094	\$ 11,418,589	\$ 9,461,090	\$ 8,075,547
LIABILITIES				
Accounts Payable	\$ 347,850	\$ 488	\$ 315,516	\$ 53,171
Accrued Payroll and Related	1,058,072	-	-	-
Interfund Payable	7,398,771	2,001,387	138,761	7,399
Compensated Absences Payable	342,864	-	-	-
Deferred Revenue	3,706,168	611,173	200,317	743,245
Other Liabilities	65,365	4,664,600	-	-
Total Liabilities	12,919,090	7,277,648	654,594	803,815
FUND BALANCES				
Reserved:				
Noncurrent Notes Receivable	-	-	8,793,520	5,349,430
Debt Service	988,522	-	-	-
Other	93,304	-	-	-
Unreserved:				
Designated for Subsequent Years Expenditures	-	4,140,941	-	-
Undesignated:				
General Fund	1,629,178	-	-	-
HUD Programs	-	-	12,976	-
Other Grants	-	-	-	1,922,302
Capital Improvements	-	-	-	-
Other Governmental	-	-	-	-
Total Fund Balances	2,711,004	4,140,941	8,806,496	7,271,732
Total Liabilities and Fund Equity	\$ 15,630,094	\$ 11,418,589	\$ 9,461,090	\$ 8,075,547

See accompanying notes.

CITY OF ERIE, PENNSYLVANIA
Balance Sheet (Continued)
Governmental Funds
December 31, 2009

	<i>Capital Improvements Fund</i>	<i>Other Governmental Funds</i>	<i>Total Governmental Funds</i>
ASSETS			
Cash and Cash Equivalents	\$ 415,780	\$ 2,410,556	\$ 13,385,689
Investments	5,190,024	-	5,190,024
Restricted Cash and Cash Equivalents	-	-	93,304
Receivables (net of allowance for uncollectibles):			
Property Tax	-	-	3,976,097
Earned Income and Local Services Tax	-	-	2,414,032
Liens	-	71,244	381,317
Intergovernmental	-	-	1,715,092
Interfund	43,311	-	10,588,782
Notes	-	69,507	545,788
Other	-	-	352,667
Notes Receivable, net of current obligation	2,500,000	353,358	16,996,308
Total Assets	<u>\$ 8,149,115</u>	<u>\$ 2,904,665</u>	<u>\$ 55,639,100</u>
LIABILITIES			
Accounts Payable	\$ -	\$ 82,395	\$ 799,420
Accrued Payroll and Related	-	-	1,058,072
Interfund Payable	6,000	24,831	9,577,149
Compensated Absences Payable	-	-	342,864
Deferred Revenue	-	71,244	5,332,147
Other Liabilities	-	-	4,729,965
Total Liabilities	<u>6,000</u>	<u>178,470</u>	<u>21,839,617</u>
FUND BALANCES			
Reserved:			
Noncurrent Notes Receivable	2,500,000	353,358	16,996,308
Debt Service	-	-	988,522
Other	-	-	93,304
Unreserved:			
Designated for Subsequent Years Expenditures	-	-	4,140,941
Undesignated:			
General Fund	-	-	1,629,178
HUD Programs	-	-	12,976
Other Grants	-	-	1,922,302
Capital Improvements	5,643,115	-	5,643,115
Other Governmental	-	2,372,837	2,372,837
Total Fund Balances	<u>8,143,115</u>	<u>2,726,195</u>	<u>33,799,483</u>
Total Liabilities and Fund Equity	<u>\$ 8,149,115</u>	<u>\$ 2,904,665</u>	<u>\$ 55,639,100</u>

See accompanying notes.

CITY OF ERIE, PENNSYLVANIA
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended December 31, 2009

	<i>General Fund</i>	<i>Debt Service</i>	<i>HUD Programs</i>	<i>Other Grants</i>
REVENUES				
Taxes	\$ 39,035,705	\$ 4,294,323	\$ -	\$ -
Licenses and Permits	3,053,789	-	-	-
Intergovernmental	6,274,561	-	7,003,632	2,666,038
Charges for Services	425,487	-	-	-
Fines and Forfeits	1,326,274	-	-	-
Investment Income	109,385	33,965	81,013	193,501
Miscellaneous	304,757	2,200	40,119	2,369
Total Revenues	<u>50,529,958</u>	<u>4,330,488</u>	<u>7,124,764</u>	<u>2,861,908</u>
EXPENDITURES				
Current:				
General Government	8,116,662	-	-	36,099
Public Safety	35,610,860	-	421,598	706,475
Highways and Streets	7,117,327	-	1,182,029	749,406
Sanitation	-	-	-	177,608
Culture and Recreation	1,454,079	-	212,988	190,253
Economic and Community Development	52,622	-	4,720,334	996,086
Capital Outlay	-	-	-	-
Debt Service:				
Principal	-	5,803,126	-	-
Interest	-	2,834,957	-	-
Total Expenditures	<u>52,351,550</u>	<u>8,638,083</u>	<u>6,536,949</u>	<u>2,855,927</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(1,821,592)</u>	<u>(4,307,595)</u>	<u>587,815</u>	<u>5,981</u>
OTHER FINANCING SOURCES AND (USES)				
Operating Transfers In	5,169,340	673	-	114,608
Operating Transfers (Out)	-	(283,741)	-	(39,608)
Total Other Financing Sources And (Uses)	<u>5,169,340</u>	<u>(283,068)</u>	<u>-</u>	<u>75,000</u>
Net Change in Fund Balance	3,347,748	(4,590,663)	587,815	80,981
Fund Balance, (Deficit) January 1, 2009	(829,193)	8,731,604	8,193,046	7,190,751
Prior Period Adjustments	192,449	-	25,635	-
Fund Balance, December 31, 2009	<u>\$ 2,711,004</u>	<u>\$ 4,140,941</u>	<u>\$ 8,806,496</u>	<u>\$ 7,271,732</u>

CITY OF ERIE, PENNSYLVANIA
Statement of Revenues, Expenditures and Changes in Fund Balances (Continued)
Governmental Funds
For the Year Ended December 31, 2009

	<i>Capital Improvements Fund</i>	<i>Other Governmental Funds</i>	<i>Total Governmental Funds</i>
REVENUES			
Taxes	\$ -	\$ -	\$ 43,330,028
Licenses and Permits	-	-	3,053,789
Intergovernmental	-	2,195,481	18,139,712
Charges for Services	-	-	425,487
Fines and Forfeits	-	-	1,326,274
Investment Income	716,707	41,889	1,176,460
Miscellaneous	14,500	14,040	377,985
Total Revenues	<u>731,207</u>	<u>2,251,410</u>	<u>67,829,735</u>
EXPENDITURES			
Current:			
General Government	75,335	-	8,228,096
Public Safety	7,532	-	36,746,465
Highways and Streets	4,000	3,047,758	12,100,520
Sanitation	-	-	177,608
Culture and Recreation	-	-	1,857,320
Economic and Community Development	-	-	5,769,042
Capital Outlay	-	19,123	19,123
Debt Service:			
Principal	-	-	5,803,126
Interest	-	-	2,834,957
Total Expenditures	<u>86,867</u>	<u>3,066,881</u>	<u>73,536,257</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>644,340</u>	<u>(815,471)</u>	<u>(5,706,522)</u>
OTHER FINANCING SOURCES AND (USES)			
Operating Transfers In	-	-	5,284,621
Operating Transfers (Out)	-	(75,000)	(398,349)
Total Other Financing Sources And (Uses)	<u>-</u>	<u>(75,000)</u>	<u>4,886,272</u>
Net Change in Fund Balance	644,340	(890,471)	(820,250)
Fund Balance, January 1, 2009	7,498,775	3,616,666	34,401,649
Prior Period Adjustments	-	-	218,084
Fund Balance, December 31, 2009	<u>\$ 8,143,115</u>	<u>\$ 2,726,195</u>	<u>\$ 33,799,483</u>

CITY OF ERIE, PENNSYLVANIA
Reconciliation of the Statement of Revenues,
Expenditures and Changes in Fund Balances of Governmental
Funds to the Statement of Activities
For the Year Ended December 31, 2009

Net change in fund balances – total governmental funds \$ (820,250)

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This amount is the amount by which capital outlays exceeded depreciation in the 931,434

The issuance of long-term debt (e.g. bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net 6,748,011

Net expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds. (4,661,163)

Net revenues reported in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. (1,088,674)

Net real estate and other tax revenues reported in the statement of activities that do not provide current financial resources and, therefore are not reported as revenue in the governmental funds. 771,646

The revenue and expenses of the internal service fund is reported with the governmental activities. 1,535,845

Change in net assets of governmental activities \$ 3,416,849

CITY OF ERIE, PENNSYLVANIA
Statement of Net Assets
Proprietary Funds
December 31, 2009

	<u>Sewer Revenue</u>	<u>Water Revenue</u>	<u>Refuse and Recycling</u>	<u>Other Proprietary Funds</u>
ASSETS				
Current Assets:				
Cash and Cash Equivalents	\$ 3,322,543	\$ -	\$ 1,032,867	\$ 684,718
Restricted Cash and Cash Equivalents	-	-	-	-
Investments	-	-	-	-
Restricted Investments	-	-	-	-
Receivables (Net of Allowance for Uncollectibles):				
Accounts	1,283,500	-	691,571	-
Intergovernmental	172,527	-	-	-
Interfund	173,265	-	27,515	-
Other	76,351	-	-	-
Prepaid Items	4,664,600	-	-	-
Total Current Assets	<u>9,692,786</u>	<u>-</u>	<u>1,751,953</u>	<u>684,718</u>
Non-Current Assets:				
Capital Assets:				
Land	-	592,369	-	138,630
Buildings and Improvements	1,335,943	7,923,777	-	734,060
Improvements Other than Building	21,713,913	35,211,685	-	601,503
Equipment and Vehicles	6,896,581	4,123,328	3,052,384	688,007
Less Accumulated Depreciation	(18,229,070)	(34,484,101)	(1,516,893)	(1,780,601)
Unamortized Bond Costs	187,155	-	-	-
Net Pension Asset	41,060	-	16,595	6,424
Total Noncurrent Assets	<u>11,945,582</u>	<u>13,367,058</u>	<u>1,552,086</u>	<u>388,023</u>
Total Assets	<u>\$ 21,638,368</u>	<u>\$ 13,367,058</u>	<u>\$ 3,304,039</u>	<u>\$ 1,072,741</u>
LIABILITIES				
Current Liabilities:				
Accounts Payable	\$ 179,885	\$ -	\$ 35,204	\$ 3,031
Accrued Payroll and Related	82,439	-	25,262	2,077
Interfund Payable	8,825	-	42,708	1,011,865
Accrued Interest Payable	4,108,223	-	-	-
Compensated Absences Payable	45,999	-	10,102	1,035
Current Portion of Bonds Payable	616,075	-	-	-
Due to Other Governments	-	-	-	2,028
Total Current Liabilities	<u>5,041,446</u>	<u>-</u>	<u>113,276</u>	<u>1,020,036</u>
Noncurrent Liabilities:				
Compensated Absences Payable	572,002	-	125,624	12,866
Claims and Judgments Payable	-	-	-	-
Deferred Revenue	443,461	8,867,480	-	-
General Obligation Bonds Payable	14,899,898	-	-	-
Total Noncurrent Liabilities	<u>15,915,361</u>	<u>8,867,480</u>	<u>125,624</u>	<u>12,866</u>
Total Liabilities	<u>20,956,807</u>	<u>8,867,480</u>	<u>238,900</u>	<u>1,032,902</u>
NET ASSETS				
Invested in Capital Assets, Net of Related Debt	(7,678,614)	13,367,058	1,552,086	388,023
Restricted	-	-	-	-
Unrestricted	8,360,175	(8,867,480)	1,513,053	(348,184)
Designated for Future Catastrophic Losses (Note B)	-	-	-	-
Total Net Assets	<u>681,561</u>	<u>4,499,578</u>	<u>3,065,139</u>	<u>39,839</u>
Total Liabilities and Net Assets	<u>\$ 21,638,368</u>	<u>\$ 13,367,058</u>	<u>\$ 3,304,039</u>	<u>\$ 1,072,741</u>

See accompanying notes.

CITY OF ERIE, PENNSYLVANIA
Statement of Net Assets (Continued)
Proprietary Funds
December 31, 2009

	<i>Erie Sewer Authority</i>	<i>Totals</i>	<i>Governmental Activities - Internal Service</i>
ASSETS			
Current Assets:			
Cash and Cash Equivalents	\$ 75,682	\$ 5,115,810	\$ 3,934,645
Restricted Cash and Cash Equivalents	9,946,102	9,946,102	3,808,185
Investments	2,942,585	2,942,585	-
Restricted Investments	641,466	641,466	-
Receivables (Net of Allowance for Uncollectibles):			
Accounts	144,083	2,119,154	-
Intergovernmental	-	172,527	-
Interfund	-	200,780	139,991
Other	25,328	101,679	8,908
Prepaid Items	-	4,664,600	-
Total Current Assets	<u>13,775,246</u>	<u>25,904,703</u>	<u>7,891,729</u>
Non-Current Assets:			
Capital Assets:			
Land	-	730,999	-
Buildings and Improvements	37,318,651	47,312,431	-
Improvements Other than Building	76,267,090	133,794,191	-
Equipment and Vehicles	19,910,629	34,670,929	-
Less Accumulated Depreciation	(71,367,396)	(127,378,061)	-
Unamortized Bond Costs	1,327,487	1,514,642	-
Net Pension Asset	-	64,079	-
Total Noncurrent Assets	<u>63,456,461</u>	<u>90,709,210</u>	<u>-</u>
Total Assets	<u>\$ 77,231,707</u>	<u>\$ 116,613,913</u>	<u>\$ 7,891,729</u>
LIABILITIES			
Current Liabilities:			
Accounts Payable	\$ 26,767	\$ 244,887	\$ 59,808
Accrued Payroll and Related	-	109,778	27,185
Interfund Payable	-	1,063,398	289,007
Accrued Interest Payable	155,818	4,264,041	-
Compensated Absences Payable	-	57,136	-
Current Portion of Bonds Payable	2,760,000	3,376,075	-
Due to Other Governments	-	2,028	-
Total Current Liabilities	<u>2,942,585</u>	<u>9,117,343</u>	<u>376,000</u>
Noncurrent Liabilities:			
Compensated Absences Payable	-	710,492	-
Claims and Judgments Payable	-	-	909,301
Deferred Revenue	-	9,310,941	-
General Obligation Bonds Payable	46,747,424	61,647,322	-
Total Noncurrent Liabilities	<u>46,747,424</u>	<u>71,668,755</u>	<u>909,301</u>
Total Liabilities	<u>49,690,009</u>	<u>80,786,098</u>	<u>1,285,301</u>
NET ASSETS			
Invested in Capital Assets, Net of Related Debt	13,119,218	20,747,771	-
Restricted	14,346,798	14,346,798	3,808,185
Unrestricted	75,682	733,246	453,031
Designated for Future Catastrophic Losses (<i>Note B</i>)	-	-	2,345,212
Total Net Assets	<u>27,541,698</u>	<u>35,827,815</u>	<u>6,606,428</u>
Total Liabilities and Net Assets	<u>\$ 77,231,707</u>	<u>\$ 116,613,913</u>	<u>\$ 7,891,729</u>

CITY OF ERIE, PENNSYLVANIA
Statement of Revenues, Expenses and Changes in Fund Net Assets
Proprietary Funds
For the Year Ended December 31, 2009

	Sewer Revenue	Water Revenue	Refuse and Recycling	Proprietary Funds	Erie Sewer Authority	Totals	Governmental Activities - Internal Service
OPERATING REVENUES							
Intergovernmental Revenue	\$ 18,066,115	-	5,345,109	456,630	\$ 5,032,050	\$ 5,032,050	\$ 11,530,280
Charges for Services	-	2,971,729	-	-	-	23,867,854	-
Lease Rental	-	-	-	-	-	2,971,729	-
Rental Income	-	-	-	120,989	-	120,989	-
Miscellaneous	76,963	22,614	75,697	1,001	-	176,275	6,167
Total Operating Revenues	18,143,078	2,994,343	5,420,806	578,620	5,032,050	32,168,897	11,536,447
OPERATING EXPENSES							
Personnel Services	4,238,922	-	1,656,629	244,959	-	6,140,510	-
Other Personnel Services	2,224,933	-	849,201	143,363	-	3,217,497	-
Services and Fees	2,307,122	-	1,722,219	51,336	26,018	4,106,695	80,050
Utilities	1,589,033	-	10,282	26,750	-	1,626,065	-
Rent	3,627	-	51	36,839	-	40,517	-
Insurance	395,877	-	21,820	5,700	-	423,397	8,988,465
Materials, Supplies, and Maintenance	1,069,881	-	320,565	74,183	-	1,464,629	-
Workers Compensation Claims and Other Claims	-	-	-	-	-	-	932,570
Depreciation and Amortization	1,362,560	554,756	213,339	163,423	4,417,545	6,711,623	-
Leases	5,008,461	-	-	-	-	5,008,461	-
Other Expenses	50,934	-	5,421	4,600	20,547	81,502	-
Total Operating Expenses	18,251,350	554,756	4,799,527	751,153	4,464,110	28,820,896	10,021,085
Operating Income (Loss)	(108,272)	2,439,587	621,279	(172,533)	567,940	3,348,001	1,515,362
NONOPERATING REVENUES (EXPENSES)							
Intergovernmental Revenue	278,080	-	101,973	6,256	3,422	389,731	-
Investment Earnings	19,270	-	11,567	5,531	356,154	392,522	20,483
Gain (Loss) on Disposal of Capital Assets	-	-	-	1,928,955	-	1,928,955	-
Other Income	-	-	-	-	14,239	14,239	-
Interest Expense	(1,050,635)	-	-	(19,311)	(2,984,188)	(4,054,134)	-
Total Nonoperating Revenues (Expenses)	(753,285)	-	113,540	1,921,431	(2,610,373)	(1,328,687)	20,483
Total Income (Loss) Before Transfers	(861,557)	2,439,587	734,819	1,748,898	(2,042,433)	2,019,314	1,535,845
Transfers In	116,667	-	-	-	-	116,667	-
Transfers (Out)	(1,125,675)	(2,760,599)	(1,116,667)	-	-	(5,002,941)	-
Change in Net Assets	(1,870,565)	(321,012)	(381,848)	1,748,898	(2,042,433)	(2,866,960)	1,535,845
Fund Equity (Deficit), January 1, 2009	2,552,126	4,820,590	3,446,987	(1,709,059)	29,584,131	38,694,775	5,070,583
Fund Equity, December 31, 2009	\$ 681,561	\$ 4,499,578	\$ 3,065,139	\$ 39,839	\$ 27,541,698	\$ 35,827,815	\$ 6,606,428

CITY OF ERIE, PENNSYLVANIA
Statement of Cash Flows
Proprietary Funds
For the Year Ended December 31, 2009

	Sewer Revenue	Water Revenue	Refuse and Recycling	Other Proprietary Funds	Erie Sewer Authority	Totals	Governmental Activities - Internal Service
Cash Flows From Operating Activities							
Receipts from Customers and Users	\$ 18,310,718	\$ 2,971,729	\$ 5,288,352	\$ 577,619	\$ -	\$ 27,148,418	\$ -
Receipts from Interfund Services Provided	467,800	(211,130)	75,697	1,001	5,008,461	5,341,829	11,530,280
Payments to Suppliers	(3,325,646)	-	(2,085,091)	(115,202)	(170,476)	(5,696,415)	6,167
Payments to Employees	(6,382,530)	-	(2,501,813)	(386,941)	-	(9,271,284)	-
Payments for Other Operating Activities	(7,047,932)	-	(37,574)	(73,889)	-	(7,159,395)	(10,548,444)
Net Cash Provided (Used) by Operating Activities	2,022,410	2,760,599	739,571	2,588	4,837,985	10,363,153	988,003
Cash Flows From Noncapital Financing Activities							
Transfers (to) from Other Funds	(1,009,008)	(2,760,599)	(1,116,667)	-	-	(4,886,274)	-
Intergovernmental Revenue	278,080	-	101,973	6,256	-	386,309	-
Net Cash Provided (Used) by Noncapital Financing Activities	(730,928)	(2,760,599)	(1,014,694)	6,256	-	(4,499,965)	-
Cash Flows From Capital and Related Financing Activities							
Purchases of Capital Assets	(479,279)	-	(277,359)	(5,500)	-	(762,138)	-
Acquisition and Construction of Capital Assets	-	-	-	-	(1,595,698)	(1,595,698)	-
Net Proceeds from Capital Debt	-	-	-	-	14,940,699	14,940,699	-
Interest Paid on Capital Debt	(687,108)	-	-	(19,311)	(3,016,219)	(3,722,638)	-
Principal Paid on Capital Debt	(478,294)	-	-	(2,125,136)	(17,054,599)	(19,658,029)	-
Proceeds from Sales of Capital Assets	-	-	-	2,149,750	-	2,149,750	-
Net Cash Used by Capital and Related Financing Activities	(1,644,681)	-	(277,359)	(197)	(6,725,817)	(8,648,054)	-
Cash Flows From Investing Activities							
Proceeds from Sales and Maturities of Investments	-	-	-	-	-	-	4,055
Decrease in Restricted Investments	-	-	-	-	(107)	(107)	-
Interest and Dividends Received	19,270	-	11,567	5,531	366,202	402,570	20,483
Net Cash Provided by Investing Activities	19,270	-	11,567	5,531	366,095	402,463	24,538
Net Increase (Decrease) in Cash and Cash Equivalents	(333,929)	-	(540,915)	14,178	(1,521,737)	(2,382,403)	1,012,541
Cash and Cash Equivalents, January 1, 2009 (Including \$3,808,185 for the Internal Service Fund Reported in Restricted Accounts)	3,656,472	-	1,573,782	670,540	11,543,521	17,444,315	6,730,289
Cash and Cash Equivalents, December 31, 2009	\$ 3,322,543	\$ -	\$ 1,032,867	\$ 684,718	\$ 10,021,784	\$ 15,061,912	\$ 7,742,830

CITY OF ERIE, PENNSYLVANIA
Statement of Cash Flows (Continued)
Proprietary Funds
For the Year Ended December 31, 2009

	<i>Sewer Revenue</i>	<i>Water Revenue</i>	<i>Refuse and Recycling</i>	<i>Other Proprietary Funds</i>	<i>Erie Sewer Authority</i>	<i>Totals</i>	<i>Governmental Activities - Internal Service</i>
	\$ (108,272)	\$ 2,439,587	\$ 621,279	\$ (172,533)	\$ 567,940	\$ 3,348,001	\$ 1,515,362
Reconciliation of Operating Profit (Loss) to Net Cash Provided							
by Operating Activities							
Operating Profit (Loss)	1,362,560	554,756	213,339	163,423	4,417,545	6,711,623	-
Adjustments to Reconcile Operating Profit (Loss) to Net Cash Provided (Used) by:							
Operating Activities:							
Depreciation and Amortization Expense	-	(22,614)	-	-	-	(22,614)	-
Non-Cash Adjustments	(100,491)	-	(56,757)	-	(23,589)	(180,837)	-
Increase in Accounts Receivable	373,191	-	-	-	-	373,191	-
Decrease in Intergovernmental Receivables	(28,097)	-	-	-	-	(28,097)	(326)
Increase in Other Receivables	2,200	-	-	-	-	2,200	-
Decrease in Prepaid Items	1,620	-	605	234	-	2,459	-
Decrease in Net Pension Asset	51,357	-	(42,226)	(23)	(123,911)	(114,803)	(87,093)
Increase (Decrease) in Accounts Payable	(1,213)	-	81	(93)	-	(1,225)	(367,886)
Increase (Decrease) in Accrued Payroll and Related	-	-	(81)	19,040	-	18,959	-
Increase (Decrease) in Interfund Payables	82,538	-	3,331	1,240	-	87,109	-
Increase in Compensated Absences Payable	-	-	-	(8,700)	-	(8,700)	-
Decrease in Due to Other Governments	-	-	-	-	-	-	(72,054)
Decrease in Claims and Judgments Payable	-	-	-	-	-	-	-
Increase (Decrease) in Deferred Revenue	387,017	(211,130)	-	-	-	175,887	-
Total Adjustments	2,130,682	321,012	118,292	175,121	4,270,045	7,015,152	(527,359)
Net Cash Provided (Used) by Operating Activities	\$ 2,022,410	\$ 2,760,599	\$ 739,571	\$ 2,588	\$ 4,837,985	\$ 10,363,153	\$ 988,003

CITY OF ERIE, PENNSYLVANIA
Statement of Fiduciary Net Assets
December 31, 2009

	<i>Pension Trust Funds</i>	<i>Agency Funds</i>
	<u> </u>	<u> </u>
ASSETS		
Cash and Cash Equivalents	\$ 4,570,412	\$ 2,087,038
Investments, at Fair Value		
Common Stocks	98,784,224	-
United States Government and Agency Obligations	37,018,924	-
Corporate Obligations	31,028,854	-
Registered Investment Companies - Mutual Funds	23,674,732	-
Mortgage Backed Securities	2,908,908	
Short-Term Investments	2,221,856	-
Receivables (Net of Allowance for Uncollectibles):	11,801	
Accrued Investment Income	719,233	-
Total Assets	<u>\$ 200,938,944</u>	<u>\$ 2,087,038</u>
 LIABILITIES		
Deposits Held In Trust	\$ 15,887	\$ 223,599
Due to Other Governments	-	1,863,439
Total Liabilities	<u>15,887</u>	<u>2,087,038</u>
 NET ASSETS		
Held in Trust for Employees' Pension Benefits	<u>200,923,057</u>	-
	<u>\$ 200,938,944</u>	<u>\$ 2,087,038</u>

CITY OF ERIE, PENNSYLVANIA
Statement of Changes in Fiduciary Net Assets
For the Year Ended December 31, 2009

	<i>Pension Trust Funds</i>
ADDITIONS TO NET ASSETS	
Contributions	
Employer	\$ 7,477,700
City of Erie Water Authority	355,331
Plan Members	4,603,908
Total Contributions	<u>12,436,939</u>
Investment Earnings	
Net Appreciation (Depreciation) in Fair Value of Investments	27,644,426
Interest and Dividends	5,235,235
Other Investment Income	14,321
Less: Investment Expenses	<u>(726,508)</u>
Total Investment Earnings	<u>32,167,474</u>
Total Additions To Net Assets	<u>44,604,413</u>
 DEDUCTIONS FROM NET ASSETS	
Benefits Paid	17,872,629
Participant Refunds	160,634
Administrative Expenses	<u>357,292</u>
Total Deductions From Net Assets	<u>18,390,555</u>
 Net Increase to Net Assets	 26,213,858
 NET ASSETS HELD IN TRUST FOR PENSION BENEFITS	
Net Assets, January 1, 2009	<u>174,709,199</u>
Net Assets, December 31, 2009	<u><u>\$ 200,923,057</u></u>

CITY OF ERIE, PENNSYLVANIA
Statement of Net Assets
Component Units
December 31, 2009

	<i>Erie</i>			<i>Total</i>
	<i>Redevelopment Authority of the City of Erie</i>	<i>Metropolitan Transit Authority</i>	<i>Erie Parking Authority</i>	
ASSETS				
Cash and Cash Equivalents	\$ 98,284	\$ 3,991,061	\$ 1,698,850	\$ 5,788,195
Investments	-	297,577	-	297,577
Receivables (net of allowance for uncollectibles)	512,918	1,628,008	157,694	2,298,620
Inventories	-	248,231	-	248,231
Prepaid	-	370,366	114,019	484,385
Restricted Assets:				
Cash and Cash Equivalents	27,883	923,566	717,741	1,669,190
Investments	-	1,965,736	1,960,805	3,926,541
Capital Assets:				
Non-depreciable	-	-	2,199,527	2,199,527
Depreciable (Net)	4,142,051	20,814,471	27,666,057	52,622,579
Bond Issue Costs (Net)	-	-	961,237	961,237
Long-Term Receivable	19,662	-	607,450	627,112
Net Pension Benefit Asset	-	457,050	-	457,050
Total Assets	<u>\$ 4,800,798</u>	<u>\$ 30,696,066</u>	<u>\$ 36,083,380</u>	<u>\$ 71,580,244</u>
LIABILITIES				
Accounts Payable	\$ 458,258	\$ 1,016,756	\$ 13,869	\$ 1,488,883
Accrued Liabilities	12,639	1,225,735	61,207	1,299,581
Accrued Interest Payable	-	-	439,746	439,746
Other Current Liabilities	1,241,848	947,529	-	2,189,377
Non-Current Liabilities				
Due Within One Year				
Bonds, Loans and Leases Payable	28,965	-	1,035,000	1,063,965
Due In More Than One Year				
Bonds, Loans and Leases Payable	482,555	-	28,187,441	28,669,996
Net OPEB Obligation		843,000	-	843,000
Total Liabilities	<u>2,224,265</u>	<u>4,033,020</u>	<u>29,737,263</u>	<u>35,994,548</u>
NET ASSETS				
Invested in Capital Assets (net of related debt)	3,630,531	20,814,471	2,921,307	27,366,309
Restricted for:				
Other	-	2,889,302	2,718,299	5,607,601
Unrestricted:				
Undesignated	(1,053,998)	2,959,273	706,511	2,611,786
Total Net Assets	<u>2,576,533</u>	<u>26,663,046</u>	<u>6,346,117</u>	<u>35,585,696</u>
Total Liabilities and Net Assets	<u>\$ 4,800,798</u>	<u>\$ 30,696,066</u>	<u>\$ 36,083,380</u>	<u>\$ 71,580,244</u>

CITY OF ERIE, PENNSYLVANIA

Notes to Basic Financial Statements

December 31, 2009

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City complies with generally accepted accounting principles (GAAP). GAAP includes all relevant Governmental Accounting Standards Board (GASB) pronouncements. In the government-wide financial statements and the fund financial statements for the proprietary funds, Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, have been applied unless those pronouncements conflict with or contradict GASB pronouncements, in which case, GASB prevails. For enterprise funds, GASB Statement Nos. 20 and 34 provide the City the option of electing to apply FASB pronouncements issued after November 30, 1989. The City has elected not to apply those pronouncements. The accounting and reporting framework and the more significant accounting policies are discussed in subsequent subsections of this Note.

Financial Reporting Entity

The City's financial reporting entity comprises the following:

Primary Government:	City of Erie
Discretely Presented Component Units:	Redevelopment Authority of the City of Erie Erie Metropolitan Transit Authority Erie Parking Authority

In determining the financial reporting entity, the City complies with the provisions of GASB Statement No. 14, "The Financial Reporting Entity," and includes all component units of which the City is appointed a voting majority of the units' board; the City is either able to impose its will on the unit or a financial benefit or burden relationship exists.

Blended Component Units

Blended component units are separate legal entities that meet the component unit criteria described above and whose governing body is the same or substantially the same as the City Council or the component unit provides services entirely to the City. Currently, the following entity has been included as a blended component unit:

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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. 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 blended component unit because its governing body is the same or substantially the same as the City's and it provides services entirely for the benefit of the City.

Discretely Presented Component Units

Discretely presented component units are separate legal entities that meet the component unit criteria described above but do not meet the criteria for blending. Currently, the following entities have been included as discretely presented component units:

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

Erie Parking Authority - This authority operates the municipal parking ramps and lots and enforces parking regulations throughout the City. The City has entered into a Guaranty Agreement with the authority whereby the City has unconditionally guaranteed the payment of principal and interest of the Series 2006, 2004, 2003 and 1998 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.

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.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Administrative Offices:

Erie Redevelopment Authority
126 West 9th Street
Erie, Pennsylvania 16501
December 31, 2009
Unqualified opinion dated June 24, 2010

Erie Parking Authority
25 East 10th Street
Erie, Pennsylvania 16501
December 31, 2009
Unqualified opinion dated March 4, 2010

Erie Metropolitan Transit Authority
127 East 14th Street
Erie, Pennsylvania 16503
June 30, 2009
Unqualified opinion dated September 25, 2009

Erie Sewer Authority
120 West 10th Street
Erie, Pennsylvania 16501
December 31, 2009
Unqualified opinion dated March 8, 2010

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.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Government-Wide and Fund Financial Statements

The statement of net assets and the statement of activities display information about the city for all non-fiduciary activities of the primary government and its non-fiduciary component units. As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. The statements distinguish between those activities of the City that are governmental and those that are considered business-type activities. The statement of net assets presents the financial condition of the governmental and business-type activities of the City at year end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the City's governmental activities and for business-type activities of the City. Direct expenses are those that are specifically associated with a service, program, or department and therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program, grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues which are not classified as program revenues are presented as general revenues of the City, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each governmental program or business activity is self-financing or draws from the general revenues of the City.

The City maintains its financial records on the fund basis of accounting, and each fund is considered a separate accounting entity. The operations of each fund 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.

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, 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 activities, comprise the total reporting entity.

The government reports the following major governmental funds:

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

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.

HUD Programs – Federally 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.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Other Grant Funds – Federal, state and locally funded projects for the 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.

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

The government reports the following major proprietary funds:

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

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

Additionally, the government reports the following fund types:

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 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.

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. Pension Trust Funds have been excluded from the government-wide financial statements.

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

Amounts reported as *program revenues* include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Measurement Focus

Government-wide Financial Statements are prepared using the economic resources measurement focus. All assets and all liabilities associated with the operating of the City are included in the statement of net assets.

Fund Financial Statements - All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. The statement of revenues, expenditures, and changes in fund balances reports on the sources (i.e. revenues and other financing sources) and uses (i.e. expenditures and financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Therefore, governmental fund financial statements include reconciliations with brief explanations to better identify the relationship between the government-wide financial statements and the statements for governmental funds. Like the government-wide financial statements, all proprietary funds are accounted for using the flow of economic resources measurement focus. All assets and all liabilities associated with the operation of these funds are included in the statement of fund net assets. The statement of changes in revenues, expenditures, and changes in fund net assets presents increases (i.e. revenues) and decreases (i.e. expenses) in net total assets. The statement of cash flows provides information about how the City finances and meets the cash flow needs of its proprietary activities.

Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting; proprietary and fiduciary funds also use the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Differences in the accrual and the modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred revenues, and in the presentation of expenses versus expenditures.

Revenues - Exchange and Non-Exchange Transactions - Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, are reported on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is reported in the year in which the resources are measurable and become available. Available means that the resources will be collected within the current year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current year. For the City, available means expected to be received within sixty days of the year end.

Non-exchange transactions, in which the City receives value without directly giving equal value in return, include earned income taxes, property taxes, grants, entitlements, and donations. On an accrual basis, revenue from earned income taxes is recognized in the period in which the taxpayer earns the income.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue from property taxes is recognized in the year for which the taxes are levied. Revenue from grants, entitlements, and donations are recognized in the year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted; matching requirements, in which the City must provide local resources to be used for a specific purpose; and expenditure requirements, in which the resources are provided to the City on a reimbursement basis. On a modified accrual basis, revenue from a non-exchange transaction must also be available before it can be recognized. Under the modified accrual basis, the following revenue sources are considered both measurable and available at year end: earned income taxes, delinquent real estate taxes, interest, and grants.

Deferred Revenue arises when assets are recognized before revenue recognition criteria have been satisfied. On governmental fund financial statements, receivables that will not be collected within the available period also have been reflected as deferred revenue.

Expenses/Expenditures - On the accrual basis of accounting, expenses are recorded at the time they are incurred. The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Allocations of cost, such as depreciation and amortization, are not recognized in governmental funds.

Assets, Liabilities and Fund Equity

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 three months or less.

Investments - Investments other than those included in the Capital Improvements, Pension Trust and Agency Funds, consist primarily of 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. 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.

Interfund Activity

Transfers between governmental and business-type activities on the government-wide financial statements are reported in the same manner as general revenues.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and after non-operating revenues/expenses in proprietary funds.

Capital Assets

Capital assets, which include infrastructure assets, land, buildings, building improvements, equipment, and vehicles, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the City as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. Depreciation is computed using the straight-line method over the estimated useful lives of the assets. Management has elected to include certain homogeneous asset categories with individual assets less than \$5,000 as composite groups for financial reporting purposes. In addition, capital assets purchased with long term debt may be capitalized regardless of the thresholds established. Such assets are reported at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are reported at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed and are reported in the statement of net assets as construction in progress.

<u>Asset Category</u>	<u>Governmental Activities Estimated Lives</u>	<u>Business-Type Activities Estimated Lives</u>
Infrastructure	30-50	40-100
Buildings and Improvements	20-40	20-60
Equipment	5-10	3-15
Vehicles	5-15	5-10

The City’s infrastructure consists of streets, sidewalks, and the underground distribution lines of the water and sewer systems.

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

Accrued Liabilities and Long-Term Obligations - All payables, accrued liabilities, and long-term obligations are reported in the government-wide financial statements. All payables, accrued liabilities, and long-term obligations payable from proprietary funds are reported on the proprietary fund financial statements.

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources are reported as obligations of the funds. However, claims and judgments, compensated absences, special termination benefits, and contractually required pension contributions that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment during the current year. Long-term loans are recognized as a liability on the governmental fund financial statements when due.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Net Assets – Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt, consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction, or improvement of those assets. 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.

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 \$250,000 federally insured limit from time to time throughout the year. Refer to *Note B, Assets, 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 and are, thus, subject to the economic conditions of this geographic area.

Use of Estimates - The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Operating Revenues and Expenses

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

Reclassification

Certain 2008 amounts have been reclassified in the financial statements in order for them to provide comparable presentation between years.

NOTE B – DETAIL NOTES – ALL FUNDS

Assets

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.

NOTE B – DETAIL NOTES – ALL FUNDS (continued)

Custodial Credit Risk – Custodial credit risk is the risk that in the event of a bank failure, the City’s funds may not be returned to it. The City’s policy does not specifically address custodial credit risk. The City's cash deposits, which includes money market funds at year-end, are covered by a combination of federal depository insurance and marketable securities designated as collateral by the financial institution holding City funds. The remaining funds subject to custodial credit risk were exposed to custodial credit risk, which is collateralized in accordance with Act 72 of the Pennsylvania state legislature which requires the institution to pool collateral for all governmental deposits and have the collateral held by an approved custodian in the City’s name. 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.

<u>Category</u>	<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.	\$ 2,000,000	\$ 2,000,000
2. Collateralized with securities held by the pledging financial institutions' trust department or agent in the City's name.	<u>34,283,735</u>	<u>21,565,244</u>
Total	<u>\$ 36,283,735</u>	<u>\$ 23,565,244</u>

Long-term investments – Investments are all held by the City with oversight by an outside investment consultant and the Board in order to achieve an appropriate, diversified and balanced asset class mix to minimize portfolio risk.

The deposits and investments held at December 31, 2009 are as follows:

<u>Type</u>	<u>Fair Value</u>
Total Deposits	\$ 36,283,735
Investments	
Fixed Income (level 2)	6,790,953
Equities (level 1)	1,713,808
Selectinvest ARV L.P (level 3)	<u>269,314</u>
Total Investments	<u>8,774,075</u>
Total Deposits and Investments	<u>\$ 45,057,810</u>
Reconciliation to Statement of Net Assets	
Cash and Cash Equivalents	\$ 22,436,144
Restricted Cash and Cash Equivalents	13,847,591
Investments	8,132,609
Restricted Investments	<u>641,466</u>
	<u>\$ 45,057,810</u>

NOTE B – DETAIL NOTES – ALL FUNDS (continued)

Investment Interest Rate Risk – The City does not have a formal investment policy that limits the investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Investment Credit Risk – The City has no investment policy that limits its investment choices other than the limitation of state law.

Fair Value Measurement – FASB Codification No. 820, Fair Value Measurements and Disclosures established an authoritative definition of fair value, sets out a frame work for measuring fair value, and requires additional disclosures about fair value measurements. Under FASB Codification No. 820, fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The adoption of FASB Codification No. 820 is required for fiscal years beginning after November 15, 2007. FASB Codification No. 820 was adopted as of January 1, 2008 by City.

Various inputs are used in determining the fair value of the City’s investment in Selectinvest ARV L.P. (“Limited Partnership”) relating to FASB Codification No. 820. These inputs are summarized in the three broad levels listed below.

Level 1 – Quoted prices in active markets for identical securities.

Level 2 – Significant other observable inputs (including quoted prices for similar securities, interest rates, prepayment spreads, credit risk, etc.)

Level 3 – Significant unobservable inputs (including the Partnership’s own assumption in determining the fair value of investments.)

Net asset value of the Limited Partnership is determined by or at the direction of the General Partner as of the close of business at the end of any fiscal period in accordance with the valuation principles set forth below or as may be determined from time to time pursuant to policies established by the General Partner. The Limited Partnership’s investments in investment funds are subject to the terms and conditions of the respective management agreements, as appropriate. All valuations utilize financial information supplied by each investment fund and are net of management and incentive fees payable to the investment fund’s manager or pursuant to the investment fund’s management agreements. The Limited Partnership’s valuation procedures require the General Partner to consider all relevant information available at the time Limited Partnership values its portfolio. The General Partner has assessed factors including, but not limited to, the individual investment funds compliance with FASB Codification No. 820, price transparency, valuation procedures in place, subscription and redemption activity and level of illiquid restrictions. The General Partner considers such information and considers whether it is appropriate, in light of all relevant circumstances, to value such a position at its net asset value as reported or whether to adjust such value.

NOTE B – DETAIL NOTES – ALL FUNDS (continued)

The following table presents the investment in investment funds carried on the Statement of Financial Condition by caption and by level within the valuation hierarchy as of December 31, 2009:

	<i>Significant Unobservable Inputs (Level 3)</i>	<i>Balance as of December 31, 2009</i>
Assets		
Investments in funds:	\$ 269,314	\$ 269,314
(At fair value)	<u>\$ 269,314</u>	<u>\$ 269,314</u>

At December 31, 2009, the Limited Partnership did not have any financial instruments within Level 1 or 2 based upon the significance of the unobservable inputs to the overall fair value measurement.

The following table presents additional information about Level 3 assets measured at fair value. Both observable and unobservable inputs may be used to determine the fair value of positions that the Limited Partnership has classified within the Level 3 category. As a result, the unrealized gains and losses for assets within the Level 3 category may include changes in fair value that were attributable to both observable and unobservable inputs.

Changes in Level 3 Assets measured at fair value for the year ended December 31, 2009:

	Level 3					<i>Change in Unrealized Gains (losses) for Investments December 31, 2009</i>
	<i>Beginning Balance January 1, 2009</i>	<i>Realized & Unrealized Gains (Losses)</i>	<i>Purchases, Sales & Settlements</i>	<i>Net Transfers In and/or (Out) of</i>	<i>Ending Balance December 31, 2009</i>	
Assets	\$ 442,529	\$ (17,290)	\$ (155,925)	\$ -	\$ 269,314	\$ 17,290
Investments in Investment Funds	<u>\$ 442,529</u>	<u>\$ (17,290)</u>	<u>\$ (155,925)</u>	<u>\$ -</u>	<u>\$ 269,314</u>	<u>\$ 17,290</u>

NOTE B – DETAIL NOTES – ALL FUNDS (continued)

The following table represents the City’s investment in the Limited Partnership - Selectinvest ARV, as of December 31, 2009:

Beginning Value of Capital Account: (As of December 31, 2008)	\$ 442,529
Capital Additions:	(155,925)
Net Income/Loss:	(17,290)
Ending Value of Capital Account: (As of December 31, 2009)	<u><u>\$ 269,314</u></u>

Accounts Receivable - Accounts receivable represents the balance due to the City’s Sewer Revenue and Refuse and Recycling Funds as of December 31, 2009 for services provided through December 31, 2009, net of an allowance for uncollectible accounts.

	<i>Sewer Revenue Fund</i>	<i>Refuse and Recycling Fund</i>	<i>Total</i>
Gross Accounts Receivables	\$ 1,441,500	\$ 1,051,571	\$ 2,493,071
Receivables	158,000	360,000	518,000
Accounts Receivable, net	<u><u>\$ 1,283,500</u></u>	<u><u>\$ 691,571</u></u>	<u><u>\$ 1,975,071</u></u>

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

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 \$29,215,437 on January 1, 2009 based on a gross assessed valuation of \$2,551,566,590 at 11.45 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 3% penalty.

For the purposes of the fund statements, the City’s 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, 2009. Current real estate taxes receivable at December 31, 2009 consists of the face value of the tax levy uncollected at December 31, 2009.

NOTE B – DETAIL NOTES – ALL FUNDS (continued)

The receivable for outstanding delinquent tax levied at December 31, 2009 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.

For fund statement reporting purposes, the property tax receivable represents the balance due to the City for real estate taxes levied prior to December 31, 2009. 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, 2009.

The balance of the receivable is reported as deferred revenue in the General and Debt Service Funds as follows:

Balance Held by County Tax Claim Bureau for 2009	\$ 4,646,386
Cost Charged by the County for Collection of the Above	<u>(232,319)</u>
Total Property Tax Receivable	4,414,067
Allowance for Doubtful Accounts	(437,970)
Total Lien Receivable	109,756
Other Deferred Revenue	<u>231,488</u>
Total Deferred Revenue	<u><u>\$ 4,317,341</u></u>

On the government-wide financial statements using the full accrual method of reporting, delinquent property taxes are recorded as revenue.

Earned Income Tax and Local Services Tax Receivable - The Earned Income Tax and Local Service Tax receivable represents the City's share of the fourth quarter, 2009 taxes collected by the tax collector in January and February 2009 as follows:

Estimated Share of December 31, 2009 Cash Balance	\$ -
Estimated Share of January and February 2009 Cash Receipts	<u>1,724,977</u>
Total Receivable	<u><u>\$ 1,724,977</u></u>

Notes Receivable - The City has made various loans to certain Erie businesses through the Bayfront Urban Development Action Grant, Community Development Block Grant, Enterprise Loan Grant and Home Investment Partnership Program, four programs included with the Special Revenue Funds. The notes bear interest ranging from 1.0% to 5.0% with various maturities. During 2009, payments made to the City totaled \$794,204 representing \$567,027 of principal and \$227,177 of interest. The detailed activity is as follows:

Balance Outstanding at December 31, 2008	\$ 14,737,520
2009 Loans	1,136,906
2009 Write Offs	(384,707)
2009 Accrued Interest on Loans	119,404
Principal Repayments	<u>(567,027)</u>
Balance Outstanding at December 31, 2009	<u><u>\$ 15,042,096</u></u>

NOTE B – DETAIL NOTES – ALL FUNDS (continued)

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

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

Based on the estimated market value of the properties liened compared to the lien amount, the receivables have been reduced by a provision for uncollectible liens as presented in the following table.

	<i>General Fund</i>	<i>Special Revenue</i>	<i>Capital Projects</i>
Gross Amount of Receivable	\$ 233,849	\$ 610,263	\$ 103,507
Less: Provision for Uncollectible Receivables	(124,093)	(409,946)	(32,263)
Net Lien Receivable	<u>\$ 109,756</u>	<u>\$ 200,317</u>	<u>\$ 71,244</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, 2009 is \$3,706,168; \$943,562; \$71,244 and \$9,310,941, respectively.

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

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 50-year period. 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, 2030, and 2035 at which time they will become \$4,400,000. Per a Lease Agreement that extends the lease through 2050 which was signed in 2008, beginning in the year 2041 and going through the year 2045, the payment will increase to \$4,600,000. In the year 2046, the payment will increase to \$4,800,000. Also in 2008, the City received a onetime \$2.5 million lease extension fee which will be amortized over the life of the lease. 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.

NOTE B – DETAIL NOTES – ALL FUNDS (continued)

Future minimum lease payments are presented below.

2010	\$ 2,884,825
2011	3,014,643
2012	3,150,301
2013	3,292,065
2014 and thereafter	154,835,226
Total Future Lease Payments	<u>\$ 167,177,060</u>

Prepaid items - Prepaid items represent a lump sum payment in the amount of \$4,680,000 made in 2003 by the Sewer Authority for their share of the Series 1993 General Obligation Bonds. The payment was to be used by the City to pay down debt outstanding (original or refunded) relating to the 1993 series. The City used the proceeds toward their November 2003 debt service payment. As a result the entire amount paid by the Authority was not used as directed which resulted in a prepayment to be amortized over the life of the bonds which refunded that series (Series 2001E General Obligation Bonds). Prepaid item in the Enterprise Fund is \$4,664,600 at December 31, 2009.

Capital Assets

Capital asset activity for primary government – governmental activities for the year ended December 31, 2009 was as follows:

	<i>Primary Government</i>			
	<i>Beginning Balance</i>	<i>Additions</i>	<i>Retirements</i>	<i>Ending Balance</i>
Governmental Activities				
Non-Depreciable Assets:				
Land	\$ 11,411,834	\$ -	\$ -	\$ 11,411,834
Depreciable Assets:				
Buildings and improvements	8,413,988	-	-	8,413,988
Improvements other than building	5,519,846	2,167,180	-	7,687,026
Equipment and vehicles	25,371,126	661,757	-	26,032,883
Infrastructure	54,580,206	2,348,938	-	56,929,144
Totals at historical cost	<u>105,297,000</u>	<u>5,177,875</u>	<u>-</u>	<u>110,474,875</u>
Less accumulated depreciation for:				
Buildings and improvements	(6,986,252)	(172,120)	-	(7,158,372)
Improvements other than building	(1,483,905)	(349,399)	-	(1,833,304)
Equipment and vehicles	(22,488,498)	(1,605,324)	-	(24,093,822)
Infrastructure	(22,140,283)	(2,119,598)	-	(24,259,881)
Total accumulated depreciation	<u>(53,098,938)</u>	<u>(4,246,441)</u>	<u>-</u>	<u>(57,345,379)</u>
Governmental activities capital assets, net	<u>\$ 52,198,062</u>	<u>\$ 931,434</u>	<u>\$ -</u>	<u>\$ 53,129,496</u>

NOTE B – DETAIL NOTES – ALL FUNDS (continued)

Capital asset activity for primary government – business-type activities for the year ended December 31, 2009 was as follows:

	<i>Primary Government</i>			<i>Ending Balance</i>
	<i>Beginning Balance</i>	<i>Additions</i>	<i>Retirements</i>	
Business-type Activities				
Non-Depreciable Assets:				
Land	\$ 730,999	\$ -	\$ -	\$ 730,999
Depreciable Assets:				
Buildings and improvements	122,135,103	1,637,583	2,063,630	121,709,056
Impairment Loss*	(1,408,220)	-	1,408,220	-
Net Buildings and improvements	120,726,883	1,637,583	3,471,850	121,709,056
Improvements other than building	57,386,303	272,380	131,582	57,527,101
Equipment and vehicles	37,001,274	479,932	939,812	36,541,394
Totals at historical cost	<u>215,845,459</u>	<u>2,389,895</u>	<u>4,543,244</u>	<u>216,508,550</u>
Less accumulated depreciation for:				
Buildings and improvements	(75,597,106)	(4,181,322)	(546,654)	(79,231,774)
Improvements other than building	(34,853,916)	(1,496,106)	(19,501)	(36,330,521)
Equipment and vehicles	(12,271,098)	(507,095)	(962,427)	(11,815,766)
Total accumulated depreciation	<u>(122,722,120)</u>	<u>(6,184,523)</u>	<u>(1,528,582)</u>	<u>(127,378,061)</u>
Business-type activities capital assets, net	<u>\$ 93,123,339</u>	<u>\$ (3,794,628)</u>	<u>\$ 3,014,662</u>	<u>\$ 89,130,489</u>

**Impairment Loss* – On October 31, 2006, the City permanently closed the Erie Golf Course. As a result, it was determined that the Erie Golf Course’s assets were impaired and an impairment loss of \$1,408,220 was recorded. The course’s assets were determined to be impaired because the costs associated with operation were significant in relation to expected future utility. Also, the decision to close the course, which was based on continued losses and the inability to service debt, was not anticipated. On April 24, 2009, the city sold the Erie golf course to Millcreek Township for \$2,149,750.

NOTE B – DETAIL NOTES – ALL FUNDS (continued)

Depreciation expense was charged to governmental functions as follows:

Governmental activities:	
General government	\$ 3,736,868
Public safety	42,464
Highways and streets	382,180
Economic and community development	84,929
Total depreciation expense - governmental activities	<u>\$ 4,246,441</u>
Business-type activities:	
Sewer	\$ 5,253,003
Refuse	213,339
Golf	163,424
Water	554,757
Total depreciation expense - business-type activities	<u>\$ 6,184,523</u>

Liabilities

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 pages.

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 municipalities.

NOTE B – DETAIL NOTES – ALL FUNDS (continued)

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, 2009 and 2007 (date of latest actuarial valuation), employee membership data is as follows, including Erie City Water Authority employees:

	<u>2009</u>	<u>2007</u>
Retirees and beneficiaries currently receiving benefits and terminated employees entitled to benefits but not yet receiving them	<u>405</u>	<u>400</u>
Active participants, vested and non-vested	<u>387</u>	<u>419</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) three percent for single-coverage employees with no social security buyback, (b) three and one-half percent for joint coverage with no social security buyback or (c) five 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).

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.

NOTE B – DETAIL NOTES – ALL FUNDS (continued)

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. 31, 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 \$65,808,120 at December 31, 2009. 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.

Investments held by a single entity that represents 5% (\$3,290,400 for 2009 and \$2,844,800 for 2008) or more of net assets available for benefits, include investments insured by the United States Government, and the following:

	<u>2009</u>	<u>2008</u>
Blackrock Funds Money Market Institutional Shares #01	\$ -	\$ 3,770,385
	<u>\$ -</u>	<u>\$ 3,770,385</u>

Funding Status and Progress of Plan

Presented below is the “Actuarial Accrued Liability” of the Fund as determined in the Fund’s January 1, 2009 and 2007 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”.

NOTE B – DETAIL NOTES – ALL FUNDS (continued)

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>2009</u>	<u>2007</u>
Present value of benefits at attained age		
Active participants	\$ 63,787,828	\$ 57,460,452
Inactive participants	2,570,065	1,904,631
Retirees and beneficiaries receiving benefits	37,626,101	36,342,864
Total present value of projected benefits	<u>103,983,994</u>	<u>95,707,947</u>
Actuarial present value or future normal costs	<u>15,226,843</u>	<u>14,924,393</u>
Actuarial accrued liability	88,757,151	80,783,554
Actuarial value of assets at fair value	<u>70,560,169</u>	<u>64,819,617</u>
Unfunded actuarial accrued liability	<u>\$ 18,196,982</u>	<u>\$ 15,963,937</u>

Employee contributions at January 1, 2009 and 2007 consist of:

	<u>2009</u>	<u>2007</u>
All active participants	<u>\$ 13,511,356</u>	<u>\$ 11,435,788</u>

Except as described on the next page, no changes in actuarial assumptions or benefit provisions that would significantly affect the valuations of the pension benefit obligation occurred during 2009 or 2007.

NOTE B – DETAIL NOTES – ALL FUNDS (continued)

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. Prior to January 01, 2009, the funding requirements of Act 205 required that the plan amortize past services cost as follows: (a) Initial liability - 40 years; (b) Assumption changes - 20 years; (c) Benefit changes - 20 years; (d) Actuarial gains and losses - 15 years and (e) 2002 and 2003 investment losses – 30 years. Beginning with the January 01, 2009 Actuarial Valuation, Act 44 of 2009 modified amortization periods of past service costs as follows: (a) Assumption changes - 15 years; (b) Investment experience - 20 years; (c) Mandated benefit changes - 20 years; (d) Non-mandated active benefit changes - 10 years and (e) Non-mandated retiree benefit changes – end of next plan year. 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.

For the years ended December 31, 2009 and 2008, 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:

	<u>2009</u>	<i>Covered</i> <i>Payroll %</i>	<u>2008</u>	<i>Covered</i> <i>Payroll %</i>
Annual participating payroll based on prior year W-2 earnings	<u>\$ 16,115,917</u>		<u>\$ 15,375,042</u>	
Contributions - Year ended December 31,				
Employers' contributions	\$ 2,234,481	13.90%	\$ 2,283,068	14.80%
Employee contributions	1,082,893	6.70%	1,086,551	7.10%
	<u>\$ 3,317,374</u>	<u>20.60%</u>	<u>\$ 3,369,619</u>	<u>21.90%</u>

The following specific information was used in the actuarial valuation dated January 1, 2009:

Actuarial cost method	Entry age normal
Unfunded actuarial liability amortization method	Level dollar amount, closed
Remaining amortization period	25 years
Asset valuation method- January 01, 2007	5-year, Smoothed market value
Asset valuation method- January 01, 2009	Asset adjustment technique described in Act 44 of 2009
Investment rate of return	8.0% per annum
Projected salary increases	5.0% per annum
Cost-of-living adjustments	Not applicable

NOTE B – DETAIL NOTES – ALL FUNDS (continued)

Police Relief and Pension Association

Plan Description

Effective January 1, 1962, the City of Erie adopted an optional charter pursuant to the Optional Third Class City Charter Law the act of July 15, 1957, P.L. 901, as amended, 53 P.S. 41101, et seq. In order to qualify for supplemental state aid under act 205, the City established a board known as the Aggregated Pension Board through ordinance 76-1987. The Aggregated Pension Board is responsible for management of Fund assets. The Fund is not subject to the provisions of the Employee Retirement Income Security Act of 1974.

The Fund is a single-employer, defined-benefit pension 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, 2009 (date of latest actuarial valuation), employee membership data is as follows:

	<u>2009</u>
Retirees, and beneficiaries, including widows, court-ordered, and guardians currently receiving benefits	268
Current employees including fully and partially vested, and non-vested	161
Terminated employees - vested, but not currently receiving benefits	<u>5</u>
Total	<u><u>434</u></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 \$500 per month of additional benefit.

Members who have twelve years of service and terminate before twenty years of 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 to 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.

NOTE B – DETAIL NOTES – ALL FUNDS (continued)

In accordance with a new labor agreement, members who retire after January 1, 2001 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.

Members are required to contribute 5% of their annual covered salary, plus \$1 per month. Effective January 1, 2000, the employee contribution rate for officers hired after January 1, 1981 shall increase by one-half 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 percent to a total of six percent. The City remits participant contributions immediately after each pay period. The City of Erie annual contribution is based on a formula required by Act 205 of the Commonwealth of Pennsylvania.

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. 31, 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 are \$59,672,736 and \$55,324,710 at December 31, 2009 and 2008, respectively. 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.

NOTE B – DETAIL NOTES – ALL FUNDS (continued)

Employer contributions are as follows:

<i>Year ended December 31,</i>	<i>Annual Required Contribution</i>	<i>Percentage Contributed</i>
1996	4,958,935	100.0%
1997	4,341,905	100.0%
1998	3,631,007	559.8%
1999	2,477,666	32.3%
2000	-	0.0%
2001	144,796	100.0%
2002	-	0.0%
2003	882,758	100.0%
2004	591,333	111.3%
2005	671,014	100.0%
2006	909,353	100.0%
2007	1,879,486	100.0%
2008	2,008,878	100.0%
2009	2,870,932	100.0%

Firemen's' 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, 2009 (date of latest actuarial valuation), employee membership data is as follows:

Retirees and beneficiaries currently receiving benefits	233
Terminagted participants with vested benefits	1
Active employees, including fully vested, partially vested and non-	134
Total	368

NOTE B – DETAIL NOTES – ALL FUNDS (continued)

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 \$500 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. During 2005, there was an ad-hoc increase for pensioners determined in accordance with guidance provided by the State.

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).

Summary of Significant Accounting Policies

The fund's policy is to prepare its' financial statements on the accrual basis of accounting. Employee contributions are recognized as revenues in the period in which employee services are performed.

Employer contributions are recognized when due and the employer has made a formal commitment to provide the contributions. Refunds paid and expenditures are recognized when the obligation is due and payable in accordance with the terms of the plan.

In accordance with generally accepted accounting standards, investments are reported at fair market value. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates. The market value of investments maintained in trust is \$46,807,093 at December 31, 2009. Unrealized appreciation or depreciation of the investments' market value is recognized in the period incurred.

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.

NOTE B – DETAIL NOTES – ALL FUNDS (continued)

The summary of the Fund's unfunded actuarial accrued liability as of its latest actuarial valuation date, January 1, 2009 (the date of the latest actuarial valuation) is as follows:

Present Value of Benefits at Attained Age-	
Active Participants	\$ 34,273,025
Retirees and Beneficiaries Receiving Benefits	54,981,008
Other	269,127
Total Present Value of Projected Benefits	<u>89,523,160</u>
Actuarial Present Value of Future Normal Costs	<u>10,805,335</u>
Actuarial Accrued Liability	78,717,825
Actuarial Value of Assets (Fair market value at 12/31/08 \$43,412,376)	56,028,150
Unfunded Actuarial Accrued Liability	<u>\$ 22,689,675</u>

At December 31, 2009, there were no investments which exceeded 5% of net assets available for benefits.

Funding Status and Progress of Plan

Total payroll and covered payroll for the year ended December 31, 2009 was \$8,729,890 and \$8,139,667, respectively. In 2009, net contributions made totaled \$3,103,412, as follows:

	<u>Amount</u>	<u>Covered Payroll %</u>
Municipal Contribution - City of Erie, PA - MMO	\$ 2,595,678	31.89%
Active Member Contributions	490,107	6.02%
Other Member Contributions	17,627	0.22%
	<u>\$ 3,103,412</u>	

Deferred Compensation Plan

The City offers its' employees two deferred compensation plans created in accordance with Internal Revenue Code §401a and §457. The 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's Deferred Compensation Program 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. Total contributions into the plans for 2009 were \$2,420,783.

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.

NOTE B – DETAIL NOTES – ALL FUNDS (continued)

In accordance with Statement of Governmental Accounting Standards (GASB) No. 31, 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 \$23,674,731 at December 31, 2009. Gains (losses) on unrealized appreciation (depreciation) of investments' fair value above (below) cost are recognized in the period of appreciation (depreciation). The plan currently has 417 active 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.

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.

The Employees' Health Benefit Plan is a modified, self-insurance program for insuring hospitalization and medical costs. The program is limited to losses of \$125,000 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 catastrophes. Substantially all prospective losses are covered by excess loss insurance with retained losses generally of \$25,000. At December 31, 2009 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 2009, the combined medical and indemnity stop-loss amount was \$100,000. The self-insured retention amount was \$500,000 per occurrence and \$650,000 per occurrence for Police and Fire, respectively.

NOTE B – DETAIL NOTES – ALL FUNDS (continued)

Unpaid Claims Liabilities - Workers' Compensation - The following represents the changes in approximate aggregate liabilities for the City from January 1, 2009 to December 31, 2009:

	<u>2009</u>
Accrued Worker's Compensation, January 1	\$ 325,155
Current Year Claims	295,545
Claim Payments	(271,399)
Accrued Worker's Compensation, December 31	<u>\$ 349,301</u>

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 \$5,000 to \$370,000. With regard to unsettled cases, the range of possible outcomes varies from remote to reasonably possible. The City's aggregate potential liability is \$560,000. This estimate was not affected by incremental claims adjustment expenses and does not include other allocated or unallocated claims adjustment expenses.

Insurance Recovery - On June 30, 2009 the City was declared a disaster area due to flooding. The City's equipment service garage building located at 311 Marsh Street and six vehicles were destroyed during the disaster. The City reported the building and vehicle losses to the respective insurance carriers. The building and vehicle policies had deductibles of \$100,000 and \$25,000, respectively. Total building restoration costs were \$435,873, of which the City received insurance reimbursements of \$327,493. Total vehicle replacement costs were \$128,417, of which the City received insurance reimbursements of \$31,935. In accordance with GASB Statement No. 42, *Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries*, paragraph 21, insurance recoveries are shown netted against related losses in the Statement of Revenues, Expenses and Changes in Fund Net Assets under the Internal Service Fund.

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 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. On October 1, 2002, this lease was amended. 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. The City also agreed to operate and maintain the treatment plant and other parts of the sewer system and to pay all costs incidental thereto.

NOTE B – DETAIL NOTES – ALL FUNDS (continued)

The minimum annual lease payments required for the next five years as of December 31, 2009 are as follows:

2010	5,725,050
2011	6,479,506
2012	6,483,543
2013	6,478,661
2014	6,481,253
	<u>\$ 31,648,013</u>

The lease rental payment for 2009 was \$5,008,461.

Other Lease Agreements - The City has historically entered into various capital lease agreements to purchase equipment . The City had one capital lease agreement during the year ended December 31, 2009.

The remaining lease payments as of December 31, 2009 are as follows:

	2010	9,082
	2011	8,383
	2012	7,685
Minimum Lease Obligation	<u>\$</u>	<u>25,150</u>

Long-Term Debt

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 \$208,720,614 of non-electoral indebtedness.

General Obligation Bonds

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.

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.

NOTE B – DETAIL NOTES – ALL FUNDS (continued)

The 1998A Bonds and 1998B Bonds maturing on November 15, 1999 through and including November 15, 2007 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 (See above). The 2001 Bond series F defeased \$10,091,656 maturity value of the Series B of 1998. Outstanding principal, including compounded accreted value, of the 1998B bonds at December 31, 2009 is \$33,586,967. Outstanding principal, including compounded accreted value, of the 1998B Bonds in the amount of \$9,404,351 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 \$24,182,616 of the 1998B Bonds is included in the Governmental Activities section of the Statement of Net Assets.

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 2001 A Bond Series was paid off in 2008. 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 below). Outstanding principal, including compounded accreted value, of the 2001B and 2001C bonds at December 31, 2009 is \$6,605,000, and \$12,453,931, respectively. Outstanding principal, including compounded accreted value, of the 2001B Bonds in the amount of \$1,188,900 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 \$5,416,100 of the 2001B Bonds is included in the Governmental Activities section of the Statement of Net Assets.

NOTE B – DETAIL NOTES – ALL FUNDS (continued)

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 2001D, 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, including compounded accreted value, of the 2001D, 2001E and 2001F bonds at December 31, 2009 is \$11,755,000, \$13,490,000; and \$11,055,000, respectively. Outstanding principal, including compounded accreted value, of the 2001E and F Bonds in the amount of \$5,935,600 and \$3,095,400, respectively, are being classified as Proprietary Fund debt based on the nature of the uses of the funds and expected source of debt retirement. The remaining \$7,554,400 and \$7,959,600 of the 2001E and F Bonds, respectively, are included in the Governmental Activities Section of the Statement of Net Assets.

On November 1, 2003, the City authorized the issuance of a General Obligation Note in the principal amount not to exceed \$2,250,000. The 2003 Note, in the principal amount of \$2,250,000, was issued for the purpose of providing funds to pay the cost of general infrastructure improvements and building improvements undertaken by the City; including improvements to the City's Downing Golf Course and Erie Golf Course and the club houses located thereon. The 2003 Note is due in annual installments commencing on the date of the first disbursement received by the City and ends on December 1, 2024. Interest is determined by the Note's Services and is calculated in accordance with the Note agreement. The City paid the remaining balance of this Note in 2009. Outstanding principal of the 2003 Note at December 31, 2009 is \$0.

On December 29, 2003, the City entered into a letter agreement - term loan with PNC Bank in the principal amount of \$500,000. The Term Note in the principal amount of \$500,000 will be used for construction of a new communications tower, related equipment and demolition costs. The Term Note is due in 13 equal consecutive semi-annual installments in the amount of \$25,000 each, commencing on June 30, 2004 and continuing until December 31, 2010. Interest accrues on the outstanding balance of the Note at a rate per annum equal to LIBOR plus one hundred thirty basis points. The City paid the remaining balance of this Note in 2009. Outstanding principal of the Term Note at December 31, 2009 is \$0.

NOTE B – DETAIL NOTES – ALL FUNDS (continued)

On September 1, 2004, the City issued \$9,560,000 principal amount of Taxable General Obligation Bonds, Series of 2004A, (the "2004A Bonds") and the Taxable General Obligation Bonds, Series of 2004B (the "2004B Bonds"). The 2004 Bonds were issued for the purpose of street improvements, public building improvements, information technology, and funding the costs and expenses related to the issuance of the 2004 bonds. The 2004 Bonds maturing on November 15, 2014 through and including November 15, 2019 were issued as current interest bonds and will bear interest at varying rates from 3.00% to 5.00% from January 15, 2005. Interest is payable semiannually on May 15 and November 15 of each year, commencing January 15, 2005. Principal of the 2004 Bonds will be paid to the registered owners, when due, upon surrender of these Bonds to the designated Paying Agent. Outstanding principal, including compounded accreted value, of the 2004A and 2004B bonds at December 31, 2009 is \$6,715,000, and \$1,230,000, respectively. Outstanding principal, including compounded accreted value, of the 2004A and B Bonds in the amount of \$7,945,000 is being classified in the Governmental Activities Section of the Statement of Net Assets.

The annual debt service requirements to maturity, including principal and interest, for the General Obligation Bonds as of December 31, 2009, are as follows:

	<i>Governmental Activities</i>	<i>Business-Type Activities</i>
2010	\$ 8,185,395	\$ 5,915,956
2011	8,468,810	5,872,050
2012	8,464,932	5,878,868
2013	7,139,058	7,189,612
2014-17	28,414,244	29,331,175
2018-21	26,234,779	27,824,268
2022-25	22,969,925	27,062,162
2026	6,238,818	4,785,000
Total principal and interest	<u>116,115,961</u>	<u>113,859,091</u>
Less: Interest, other than accreted interest	<u>11,995,492</u>	<u>19,415,450</u>
Total Outstanding Liability	104,120,469	94,443,641
Less: Accreted interest	<u>26,289,852</u>	<u>25,156,203</u>
Total General Obligation Bonds	<u>\$ 77,830,617</u>	<u>\$ 69,287,438</u>

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, 2009, the amount of defeased debt outstanding and removed from the Statement of Net Assets amounted to \$24,230,000.

Long-term liability activity for the year ended December 31, 2009 is as shown on the following page.

NOTE B – DETAIL NOTES – ALL FUNDS (continued)

	<i>Beginning Balance</i>	<i>Additions</i>	<i>Reductions</i>	<i>Ending Balance</i>	<i>Amounts Due Within One Year</i>
Governmental Activities:					
Bonds, loans and leases payable:					
General obligation bonds	\$ 109,947,699	\$ -	\$ (5,852,379)	\$ 104,095,320	\$ 5,912,100
Leases payable	32,892	-	(7,742)	25,150	9,082
Long-term loans	250,000	-	(250,000)	-	-
	<u>110,230,591</u>	<u>-</u>	<u>(6,110,121)</u>	<u>104,120,470</u>	<u>5,921,182</u>
Less bond discount and deferred amount on refunds	(28,137,438)	-	1,847,585	(26,289,853)	-
Total bonds, loans and leases payable	<u>82,093,153</u>	<u>-</u>	<u>(4,262,536)</u>	<u>77,830,617</u>	<u>5,921,182</u>
Other liabilities:					
Compensated absences	3,541,764	1,429,586	(364,892)	4,606,458	342,864
Total other liabilities	<u>3,541,764</u>	<u>1,429,586</u>	<u>(364,892)</u>	<u>4,606,458</u>	<u>342,864</u>
Governmental activities long-term liabilities	<u>\$ 85,634,917</u>	<u>\$ 1,429,586</u>	<u>\$ (4,627,428)</u>	<u>\$ 82,437,075</u>	<u>\$ 6,264,046</u>
Business-Type Activities					
Bonds and loans payable:					
General obligation bonds	\$ 78,814,843	\$ 15,215,000	\$ (17,996,378)	\$ 76,033,465	\$ 3,376,075
Long-term loans	2,125,136	-	(2,125,136)	-	-
	<u>80,939,979</u>	<u>15,215,000</u>	<u>(20,121,514)</u>	<u>76,033,465</u>	<u>3,376,075</u>
Less bond discount and deferred amount on refunds	(7,267,159)	-	521,132	(6,746,027)	-
Total bonds and loans payable	<u>73,672,820</u>	<u>15,215,000</u>	<u>(19,600,382)</u>	<u>69,287,438</u>	<u>3,376,075</u>
Compensated absences	680,519	157,219	(70,110)	767,628	57,136
Business-type activities long-term liabilities	<u>\$ 74,353,339</u>	<u>\$ 15,372,219</u>	<u>\$ (19,670,492)</u>	<u>\$ 70,055,066</u>	<u>\$ 3,433,211</u>
Component Unit:					
Bonds and loans payable:					
General obligation bonds	\$ 31,004,753	\$ 86,524	\$ (1,126,977)	\$ 29,964,300	\$ 1,063,965
Long-term loans	320,706	364,318	-	685,024	-
	<u>31,325,459</u>	<u>450,842</u>	<u>(1,126,977)</u>	<u>30,649,324</u>	<u>1,063,965</u>
Less bond discount and deferred amount on refunds	(1,077,212)	-	161,849	(915,363)	-
Total bonds and loans payable	<u>30,248,247</u>	<u>450,842</u>	<u>(965,128)</u>	<u>29,733,961</u>	<u>1,063,965</u>
Compensated absences	-	-	-	-	-
Component Unit long-term liabilities	<u>\$ 30,248,247</u>	<u>\$ 450,842</u>	<u>\$ (965,128)</u>	<u>\$ 29,733,961</u>	<u>\$ 1,063,965</u>

Compensated Absences - Vested or accumulated vacation leave and sick pay that is expected to be liquidated with expendable available financial resources is reported as expenditure and a fund liability of the Governmental Fund that will pay such leave. Vested or accumulated vacation leave and sick pay of Proprietary Funds are recorded as an expense and a liability of those funds as the benefits accrue to employees. The balance that has been accrued is \$400,000 which represents a decrease of \$35,000 from the prior year, and is recorded out in the appropriate funds as a current and/or non-current liability.

NOTE B – DETAIL NOTES – ALL FUNDS (continued)

Other Post Employment Benefits –

In addition to the pension benefits disclosed elsewhere in Note B, resolutions of City Council, State statutes, and labor agreements have provided for certain post employment benefits, other than pension benefits, to be provided to retirees or their beneficiaries. The City funds all City contributions on a pay-as-you-go basis. Such benefits are primarily funded through annual appropriations from the City's General Fund and trusts designated for those purposes. Post retirement benefits consisting of health care benefits, Medicare reimbursements and life insurance for firefighters and police officers and life insurance for certain municipal employees.

Benefit provisions for the plan is established and amended through negotiation between the City and the respective unions.

Funding Policy: The City's contribution is based on projected pay-as-you-go financing requirements. For fiscal year 2009, the City paid \$1,237,883 to 82 former police officers, \$887,339 to 66 former firefighters, and \$16,987 to other former employees. The difference between the amount the City paid and the amount projected in an actuarial report results in a net liability of \$775,922. Employees are not required to make contributions for basic life insurance. Employees contribute to health care costs at a flat rate based on wages and family size.

Annual OPEB Cost: The City's annual OPEB cost (expense) for the plan is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement NO. 45. The ARC represents a level of funding that, if paid on an on-going basis, is projected cover normal cost each year and to amortize any unfunded actuarial liabilities (of funding excess) over a period not to exceed 23 years.

Actuarial valuations involve estimates of the value of reported amounts and assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multi-year trend information about the payments over time relative to the actuarial accrued liabilities for benefits.

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

NOTE B – DETAIL NOTES – ALL FUNDS (continued)

The following tables shows the components of the City's annual OPEB cost for the year, the amount actually contributed to the Plans, and changes in the City's net OPEB obligations, as well as the assumptions used to calculate the net OPEB obligation:

	<u>Ununiformed</u>	<u>Police</u>	<u>Fire</u>	<u>Totals</u>
Annual Required Contribution	\$ 7,376	\$ 1,381,356	\$ 1,529,399	\$ 2,918,131
Actual Amount Paid	16,987	1,237,883	887,339	2,142,209
Difference:	9,611	(143,473)	(642,060)	(775,922)
Total Unfunded Actuarial Accrued Liability (As of December 31, 2008)	21,777	8,377,798	8,938,782	17,338,357
Unfunded Actuarial Accrued Liability additions from current year. (As of December 31, 2009)	9,611	(143,473)	(642,060)	(775,922)
Total Unfunded Actuarial Accrued Liability (As of December 31, 2009)	<u>\$ 12,166</u>	<u>\$ 8,521,271</u>	<u>\$ 9,580,842</u>	<u>\$ 18,114,279</u>

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.

The portion of unrestricted net assets designated for catastrophic losses represents an amount management feels will cover future losses that are anticipated to occur based on the City's insurance carriers opinion of projected future claims. The insurance carrier has based these projections on trend information developed from the City's claims history.

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 \$7,750,000.

NOTE B – DETAIL NOTES – ALL FUNDS (continued)

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

Interfund Receivables and Interfund Payables

Periodically throughout the year, temporary loans are made between funds to cover cash deficiencies. Accordingly, any such overdraft conditions at the balance sheet date are included in "interfund payables" and "interfund receivables." Also, during the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are also classified as "interfund receivables" or "interfund payables" on the balance sheets and are not expected to be paid in the next year.

Interfund balances at December 31, 2009 consisted of the following individual fund receivables and payables:

	<u>Receivables</u>	<u>Payables</u>
General Fund:		
Golf	\$ 699,177	\$ -
Internal Service	334,489	45,482
Debt Service	1,965,473	7,152,509
Capital Improvements	6,000	-
Sewer	8,825	173,265
Refuse	42,789	27,515
Special Revenue	138,761	-
Debt Service Fund:		
General	7,152,509	1,965,473
Capital Improvements	24,831	35,913
Golf	172,618	-
Sewer Revenue Fund:		
General	173,265	8,825
Refuse Fund:		
General	27,515	42,789
Golf Fund:		
General	-	699,177
Internal Service	-	139,991
Debt Service	-	172,618
Capital Improvements Fund:		
Debt Service	35,913	24,831
General	-	6,000
Special Revenue	7,398	-
Internal Service Fund:		
General	-	289,007
Golf	139,991	-
Special Revenue Fund:		
Capital Improvements	-	7,398
General	-	138,761
	<u>\$ 10,929,554</u>	<u>\$ 10,929,554</u>

NOTE B – DETAIL NOTES – ALL FUNDS (continued)

SUMMARY DISCLOSURE OF SIGNIFICANT COMMITMENTS & CONTINGENCIES

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, 2009 are \$19,062,244.

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, 2009 are \$13,215,000.

During 2009, the Erie Sewer Authority entered into two Swaptions. The City agreed to guaranty this component unit's Swaptions in the form of an Interest Rate Swaption Agreement whereby the City will guarantee payment of the swap options.

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, 2009 are \$9,995,000.

The Erie Parking Authority's Guaranteed Parking Revenue Refunding Bonds, Series 2003, will provide resources to construct a new parking garage and various improvements and is fully insured by an independent insurance company against default. The City agreed to guaranty this component unit's 2003 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, 2009 are \$7,650,000.

The Erie Parking Authority's Guaranteed Parking Revenue Refunding Bonds, Series 2004, were issued to advance refund the Authority's Series of 1994 and is fully insured by an independent insurance company against default. The City agreed to guaranty this component unit's 2004 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, 2009 are \$5,685,000.

NOTE B – DETAIL NOTES – ALL FUNDS (continued)

The Erie Parking Authority's Guaranteed Parking Revenue Refunding Bonds, Series 2006, were issued to advance refund the Authority's Series of 1998 and 2003 and provide resources for various projects. The City agreed to guaranty this component unit's 2006 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, 2009 are \$6,122,781.

The Erie Sewer Authority's Revenue Bonds, Series of 2009 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, 2009 are \$15,000,000.

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.

OTHER DISCLOSURES

Revolving Fund Programs

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 Special Revenue Fund activity and the balance available for expenditure is presented appropriately.

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 at December 31, 2009 was \$1,376,375.

NOTE B – DETAIL NOTES – ALL FUNDS (continued)

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.

Prior Period Adjustments and Restatements

Pennsylvania Opportunity Grant – Environmental Resource (A General Fund)

At December 31, 2008, the Pennsylvania Opportunity Grant – Environmental Resource revenue was understated by \$192,449. The restatement has the effect of increasing beginning fund balance by \$192,449 in the Pennsylvania Opportunity Grant – Environmental Resource Fund in the current year.

HOME Investment Partnership Program Fund (A Special Revenue Fund)

At December 31, 2008, the HOME Investment Partnership Program Loans Receivable was understated by \$25,635. As a result various economic and community development related expenditures were overstated in prior years. The restatement has the effect of increasing beginning fund balance by \$25,635 in the HOME Investment Partnership Program Fund in the current year.

New Pronouncements

GASB Statement No. 53, Accounting and Financial Reporting for Derivative Instruments

GASB Statement No. 53, Accounting and Financial Reporting for Derivative Instruments, addresses the recognition, measurement, and disclosure of information regarding derivative instruments entered into by local governments. Derivative instruments are often complex financial arrangements used by governments to manage specific risks or to make investments. By entering into these arrangements, governments receive and make payments based on market prices without actually entering into the related financial or commodity transactions. Derivative instruments associated with changing financial and commodity prices result in changing cash flows and fair values that can be used as effective risk management or investment tools. Derivative instruments, however, also can expose governments to significant risks and liabilities. Common types of derivative instruments used by governments include interest rate and commodity swaps, interest rate locks, options (caps, floors, and collars), swaptions, forward contracts, and futures contracts.

NOTE B – DETAIL NOTES – ALL FUNDS (continued)

A key provision in this statement is that derivative instruments covered in its scope, with the exception of synthetic guaranteed investment contracts that are fully benefit-responsive, are reported at fair value. For many derivative instruments, historical prices are zero because their terms are developed so that the instruments may be entered into without a payment being received or made. The changes in fair value of derivative instruments that are used for investment purposes or that are reported as investment derivative instruments because of ineffectiveness are reported within the investment revenue classification. Alternatively, the changes in fair value of derivative instruments that are classified as hedging derivative instruments are reported in the statement of net assets as deferrals.

GASB Statement No. 53 is effective for financial statements for periods beginning after June 15, 2009. For potential hedging derivative instruments existing prior to the fiscal period during which this statement is implemented, the evaluation of effectiveness should be performed as of the end of the current period. If determined to be effective, hedging derivative instruments are reported as if they were effective from their inception. If determined to be ineffective, the potential hedging derivative instrument is then evaluated as of the end of the prior reporting period.

GASB Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions

GASB Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions, initially distinguishes fund balance between amounts that are considered non-spendable, such as fund balance associated with inventories, and other amounts that are classified as spendable based on the relative strength of the constraints that control the purposes for which specific amounts can be spent.

Beginning with the most binding constraints, fund balance amounts will be reported in the following classifications:

- **Restricted**—Amounts that can be spent only for the specific purposes stipulated by constitution, external resource providers, or through enabling legislation.
- **Committed**—Amounts that can be used only for the specific purposes determined by a formal action of the government's highest level of decision-making authority.
- **Assigned**—Amounts intended to be used by the government for specific purposes but do not meet the criteria to be classified as restricted or committed.
- **Unassigned**—The residual classification for the government's general fund and includes all spendable amounts not contained in the other classifications.

NOTE B – DETAIL NOTES – ALL FUNDS (continued)

The new standards also clarify the definitions of individual governmental fund types. It interprets certain terms within the definition of special revenue fund types as well as further clarifying the debt service and capital projects fund type definitions. The final standard also specifies how economic stabilization or “rainy day” amounts should be reported. Because of the specific nature of these types of accounts, the statement considers stabilization amounts as specific purposes. Stabilization amounts should be reported in the general fund as restricted or committed if they meet the appropriate criteria. Only if the resources in the stabilization arrangement derive from a restricted or committed revenue source could a stabilization fund be reported as a special revenue fund. GASB Statement No. 54 is effective for financial statements for periods beginning after June 15, 2010. Fund balance reclassifications made to conform to GASB Statement No. 54 should be retroactively applied by restating fund balance for all prior periods presented.

COMPONENT UNIT DISCLOSURES

Erie Redevelopment Authority

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 environments, 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.

Basis of Accounting – The Authority has adopted the provisions of GASB Statement No. 34 *Basic Financial Statements and Management Discussion and Analysis for State and Local Governments*. The accompanying financial information has been prepared on the accrual basis of accounting. Under this method, revenues are recognized when earned and expenses are recognized when incurred. 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.

Cash Deposits - Custodial credit risk is the risk that in the event of a bank failure, the government’s deposits may not be returned. At December 31, 2009, the carrying amount of the Authority’s deposits was \$126,167 and the bank balance was \$159,443 of which \$0 was exposed to custodial credit risk because it was uninsured and the collateral held by the depository’s agent was not in the Authority’s name.

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.

Property and Equipment – Property and equipment purchased or acquired with an original cost of \$2,000 or more are reported at historical cost. Contributed assets are reported at fair market value as of the date received. Additions, improvements, and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred.

NOTE B – DETAIL NOTES – ALL FUNDS (continued)

Depreciation on all assets is recorded on the straight-line basis over the estimated useful life. The Authority depreciates their real property over 27.5 years.

Property and equipment activity for the year ended December 31, 2009, was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Real Property	<u>\$ 3,591,595</u>	<u>\$ 673,071</u>	<u>\$ 89,334</u>	<u>\$ 4,175,332</u>

Note: Ending balance does not include accumulated depreciation of \$33,281

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 this note. Neither the bank nor the authority recognize this as an existing obligation of the Authority, therefore the entire balance has been eliminated.

In November of 2003, the Authority borrowed \$180,000 from the City of Erie for the purchase of ten properties along West 17th and 18th Streets and to pay for various attorneys' fees. The properties serve as collateral for the loan. The loan bears a 3% interest rate; however, no interest has been accrued by the Authority. The Authority does not anticipate repayment of any portion of this loan within the next year; therefore the entire balance has been classified as long-term. As of December 31, 2009, the outstanding balance was \$180,000.

During September of 2003, the Authority borrowed \$233,600 from a local bank for the purchase of four properties along West 5th Street. The term of this loan is for 15 years and requires 180 monthly payments of \$1,887, which includes interest at 5.25%. The interest rate is fixed for three years at which time it will adjust to a new rate as described in the loan agreement. The properties serve as collateral for this loan. As of December 31, 2009, the outstanding balance was \$166,354.

The fourth loan is a note payable to a local bank. The Authority borrowed \$125,510 in prior years by way of a revolving line of credit for the purchase of properties at 428 E. 11th Street, 2120 Parade Street, and 531, 535 and 556 West 5th Street. The properties serve as collateral for this loan. Effective May 1, 2007, this line of credit was converted to a 10 year term note. The note requires 120 monthly payments of \$1,599, including interest, at a fixed rate of 9.0%. As of December 31, 2009, the outstanding balance was \$86,467.

The fifth loan is a note payable to a local bank. The Authority borrowed \$84,000 in April 2008 for the purchase of a property at 1413 Parade Street. The term of the loan is for fifteen years and requires 180 monthly payments of \$742, which includes interest at 6.25%. The property serves as collateral for this loan. As of December 31, 2009, the outstanding balance was \$78,699.

NOTE B – DETAIL NOTES – ALL FUNDS (continued)

Compensated Absences - Employees of the Authority are entitled to paid vacation, paid sick days and paid personal days depending on length of service. No more than ten vacation days may be carried over from one calendar year to the next. Sick leave may be accumulated, but no more than fifteen days may be carried from one calendar year to the next. No personal day's carryover and no pay will be made in lieu of unused personal days. 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.

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 (and interest allocated to the participant's account) is fully vested immediately.

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 June 30, 2009, were calculated using the total compensation of eligible participants in the amount of \$343,420. Both the Authority and the covered employees made the required contributions, amounting to \$26,092 from the Authority and \$45,892 from the covered employees.

Transactions with the Primary Government - During 2009, the Redevelopment Authority received \$1,648,631 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.

In May 2010, Erie City Council voted to approve an ordinance releasing \$137,000 in federal urban Development Action Grant money in the form of a grant. Erie City Council had already agreed to give the Authority an additional \$60,000 in federal urban Development Action Grant money as a no-interest loan. These funds were to be used to help eliminate debt related to several properties the Authority had previously purchased.

Erie Metropolitan Transit Authority

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. Also, the physical plant and equipment of the Authority was obtained and continues to be obtained with funding from these same sources.

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.

NOTE B – DETAIL NOTES – ALL FUNDS (continued)

Deposits with Financial Institutions and Investments - Deposits are primarily in local financial institutions, and are also invested in the Pennsylvania INVEST Program for Local Governments, 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.

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.

Custodial Credit Risk for Deposits - Custodial credit risk is the risk that in the event of a bank failure, the Authority's deposits may not be returned to it. The Authority does not have a deposit policy for custodial credit risk. As of June 30, 2009, \$4,429,991 of the Authority's bank balance of \$4,929,991 was exposed to custodial credit risk as uninsured and collateralized by the pledging financial institution, or its trust department, but not in the Authority's name. The depository secures the deposit of these funds, which are not covered by applicable Federal Deposit Insurance Corporation coverage in accordance with the Pooled Asset Pledging Law, Act 72 of the 1971 Session of the Pennsylvania General Assembly (72 PA 3836).

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

	<i>Fair Value</i>
Federal Home Loan Bank 5.35%	\$ 25,623
Federal Farm Credit Bank 4.18%	51,778
TVA 4.35%	10,014
Federal National Mortgage Assoc. 4.125%	52,250
FNR 2003-35 5.0%	3,493
FHR 2631 4.5%	3,349
FNR 2004-54 5.0%	5,060
FHR 147 G 7.5%	1,984
FHR 1169 G 7.0%	1,825
FHR 2619 QR 5.0%	4,522
Certificates of Deposit	1,170,402
PA Treasurer's INVEST Program for Local Governments	297,577
Various Money Market Balances	635,436
Total	<u>\$ 2,263,313</u>

NOTE B – DETAIL NOTES – ALL FUNDS (continued)

Capital Assets - The capital assets carried on the books at cost and consist of the following:

	<i>Estimated Useful Lives in Years</i>	<i>Balance June 30, 2008</i>	<i>Additions</i>	<i>Reclassifications and Transfers</i>	<i>Dispositions</i>	<i>Balance June 30, 2009</i>
Land	N/A	\$ 194,435	\$ 133,092	\$ -	\$ -	\$ 327,527
Land Improvements	10-15	229,833		-	-	229,833
Buildings and Improvements	5-33	3,918,211	5,233	-	-	3,923,444
Buses	5-12	21,893,173	2,306,432	-	(760,896)	23,438,709
Fare Boxes	12	720,241	-	-	-	720,241
Vehicles and Equipment	4-7	600,877	1,944	-	-	602,821
Shop and Garage Equipment	5-12	1,333,443	208,620	-	(274,568)	1,267,495
Office Furniture and Equipment	4-10	392,713	29,624	-	(14,707)	407,630
Radio Equipment	10	524,879	2,172	-	-	527,051
Bus Shelters	12-15	300,177	-	-	-	300,177
Park and Ride	30	1,937,802	-	-	-	1,937,802
Intermodal Center	30	9,092,708	-	-	-	9,092,708
CNG Facility	30	1,620,317	-	-	-	1,620,317
AVL		408,697	6,428	-	-	415,125
Total		43,167,506	2,693,545	-	(1,050,171)	44,810,880
Less: Accumulated Depreciation		(22,368,866)	(2,677,714)	-	1,050,171	(23,996,409)
Net Investment in Transit System		\$ 20,798,640	\$ 15,831	\$ -	\$ -	\$ 20,814,471

Inventories - Inventories, which consist primarily of replacement parts, fuel and oil, are generally valued at average cost. Garage and office supplies are not inventoried.

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 10 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, 2007 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 smoothed market value 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, 2009 was 12 years for the Regular Plan and 12 years for the Supplemental Plan.

NOTE B – DETAIL NOTES – ALL FUNDS (continued)

Trend Information

	<i>Plan Year Ending</i>	<i>Annual Pension Cost (APC)</i>	<i>Percentage of APC Contributed</i>	<i>Pension Obligation (Asset)</i>
Regular Plan	04/30/07	357,123	107.58%	(186,990)
	04/30/08	381,791	105.88%	(209,429)
	04/30/09	349,546	118.47%	(273,991)
Supplemental Plan	04/30/07	73,492	100.71%	(174,122)
	04/30/08	74,048	105.08%	(177,887)
	04/30/09	73,565	107.03%	(183,059)

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 its administrative office or from the City clerk's office in the Municipal Building.

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 17, 2010. The line is unsecured and bears interest at the prime rate minus 1½%. There were no borrowings outstanding at June 30, 2009 and 2008.

Erie Parking Authority

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.

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.

Restricted Assets - In accordance with the terms and conditions of its trust indenture, the Authority has restricted assets for the specific purposes which are as follows:

Debt Service	\$ 72,297
Debt Service Reserve	2,359,060
Bond Retirement	-
Construction	-
Capital Improvements	241,096
Bond Covenant	45,846
Total Restricted Assets	<u>\$ 2,718,299</u>

NOTE B – DETAIL NOTES – ALL FUNDS (continued)

Cash and Investments - The Authority considers all highly liquid investments (including restricted assets) with a maturity of three months or less to be cash equivalents.

Cash and Cash Equivalents - The Authority's cash deposits are carried at fair value. The year-end balances are categorized as follows with respect to credit risk. As of December 31, 2009, the bank balance of the Authority's deposits that are exposed to custodial credit risk is \$1,212,501. These amounts are uninsured. However they are collateralized with securities held by the trust department or agent but not in the Authority's name.

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.

	<i>Category</i>			<i>Fair Value</i>
	<i>1</i>	<i>2</i>	<i>3</i>	
FHLB note maturing within 4 months	-	-	1,960,805	1,960,805
	\$ -	\$ -	\$ 1,960,805	\$ 1,960,805

The previous investments are restricted for revenue bond debt service, bond retirement, and construction and capital improvements and will be held to maturity.

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

NOTE B – DETAIL NOTES – ALL FUNDS (continued)

A summary of property activity for 2009 is as follows:

	<i>Balance</i>			<i>Balance</i>
	<i>December 31, 2008</i>	<i>Additions</i>	<i>Dispositions</i>	<i>December 31, 2009</i>
Land	\$ 2,199,527	\$ -	\$ -	\$ 2,199,527
Parking Facilities	46,063,130	407,668	-	46,470,798
Metered Collection Equipment	947,713	6,872	-	954,585
Other Equipment and Vehicles	545,469	49,759	-	595,228
Total Fixed Assets	49,755,839	464,299	-	50,220,138
Less: Accumulated Depreciation	19,129,538	(1,225,016)	-	20,354,554
Net Fixed Assets	\$ 30,626,301	\$ (760,717)	\$ -	\$ 29,865,584

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, 33% 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, 2009 amounted to \$23,601.

Pension - The Authority maintains a single-employer defined benefit pension plan, which covers substantially all of its employees, who were employed prior to September 1, 2000. Employees were eligible to participate beginning on the first day of the calendar year after their date of employment. Plan benefits begin vesting after five years of service with full vesting occurring after fifteen years of service, 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 its 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.

NOTE B – DETAIL NOTES – ALL FUNDS (continued)

Annual Pension Cost and Net Pension Obligation	
Annual Required Contribution	\$ 23,686
Interest on Net Pension Obligation	-
Adjustment to Annual Required Contribution	(9,150)
Annual Pension Cost	<u>14,536</u>
Contributions Made	<u>(14,536)</u>
Decrease in Net Pension Obligation	-
Net Pension Obligation Beginning of Year	-
Net Pension Obligation End of Year	<u><u>\$ -</u></u>

The annual required contribution was determined as part of January 1, 2009 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.

Trend Information

<i>Fiscal Year Ending</i>	<i>Annual Pension Cost (APC)</i>	<i>Percentage of APC Contributed</i>	<i>Net Pension Obligation</i>
12/31/06	\$ 5,672	505.0%	\$ 28,645
12/31/07	5,522	210.5%	11,626
12/31/08	5,600	100.0%	5,600

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 \$44,733 in 2009. Employee contributions to the Plan amounted to \$67,289 in 2009. At December 31, 2009, the plan has \$0 in forfeitures available to reduce future contributions by the Authority.

NOTE B – DETAIL NOTES – ALL FUNDS (continued)

Long-Term Debt - The Erie Parking Authority has entered into the following debt agreements with balances as of December 31, 2009:

Series of 1998 Refunding Bond secured by the Authority's revenue bearing interest at 3.7% to 5.125% with various maturities through September 1, 2022.	\$ 9,995,000
Series of 2003 Refunding Bonds secured by the Authority's revenue bearing interest at 4.65% with various maturities through September 1, 2026.	7,650,000
Series of 2004 Refunding Bonds secured by the Authority's revenue bearing interest at 2.00% to 4.25% with various maturities through September 1, 2015.	5,685,000
Series of 2006 Refunding Bonds secured by the Authority's revenue bearing interest at 4.25% to 4.70% with various maturities through September 1, 2027.	<u>6,122,781</u>
Outstanding Principal at December 31, 2009	29,452,781
Less: Original Issue Discount	(207,258)
Less: Deferred Amount of Refunding	(708,106)
Line of Credit	685,024
Less: Current Maturities	<u>(1,035,000)</u>
Total Long-Term Portion	<u><u>\$ 28,187,441</u></u>

The following summarizes the maturities due subsequent to December 31, 2009, for future debt obligation payments, including \$14,615,439 of interest:

2010	\$ 2,354,238
2011	2,352,920
2012	2,352,845
2013	2,353,808
2014	2,355,575
Thereafter	<u>32,298,834</u>
	<u><u>\$ 44,068,220</u></u>

NOTE B – DETAIL NOTES – ALL FUNDS (continued)

During fiscal year ended December 31, 2006, the Authority defeased portions of the Series of 1998 and Series 2003 notes by placing a portion of the proceeds of the Series of 2006 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, 2009, \$550,000 of bonds outstanding are considered defeased.

Erie Sewer Authority (Blended)

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.

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.

Deposits and Investments - The Authority's investments are categorized into three categories of credit risk.

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. At December 31, 2009, all of the investment balances were in Category 3. The following reconciles deposits and investments to cash and cash equivalents, and investments, as presented in the balance sheet:

Disclosures regarding deposits and investments:	
Deposits	\$ 10,021,784
Investments	3,584,051
Total	<u>\$ 13,605,835</u>
Balance Sheet Amounts:	
Cash and cash equivalents	
Unrestricted	\$ 75,682
Restricted	9,946,102
Total cash and cash equivalents	<u>10,021,784</u>
Investments:	
Restricted	3,584,051
Total investments	<u>3,584,051</u>
Total	<u>\$ 13,605,835</u>

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 on page 61.

NOTE B – DETAIL NOTES – ALL FUNDS (continued)

Long-Term Debt - The Erie Sewer Authority has entered into the following debt agreements as of December 31, 2009:

Sewer Revenue Bonds, Series 2002, bearing interest ranging from 2.0% to 4.125%	\$ 3,060,000
Sewer Revenue Bonds, Series A and B of 2001, bearing interest ranging from 2.25% to 5.5%	19,062,244
Sewer Revenue Bonds, Series of 2001, bearing interest ranging from 3.0% to 5.125%	13,215,000
Sewer Revenue Bonds, Series of 2009, bearing interest ranging from 2% to 4%.	15,000,000
Outstanding Principal at December 31, 2009	50,337,244
Less: Current Maturities	<u>(2,760,000)</u>
Total Long-Term Portion of debt	\$ 47,577,244
Less: Deferred amount on refunding	<u>(1,416,779)</u>
Total Long-Term debt, net of deferred amounts	<u><u>\$ 46,160,465</u></u>

The following summarizes the maturities due subsequent to December 31, 2009 for outstanding indebtedness of the Authority, including \$13,728,002 of interest:

2010	\$ 4,594,614
2011	4,640,030
2012	4,641,249
2013	4,637,961
2014	4,639,118
Thereafter	<u>57,985,030</u>
	<u><u>\$ 81,138,002</u></u>

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, 2009 was \$12,445,000.

NOTE B – DETAIL NOTES – ALL FUNDS (continued)

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 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, 2009 was \$14,685,000.

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, headwork 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.

Commitments and Contingencies

Grants

Amounts received or receivable from government agencies are subject to audit an adjustment by those agencies. The Authority has never experienced noncompliance and has never been subject to adjustments or refunds as a result of such audits.

2010 Bond Issue

On January 1, 2010 Erie Sewer Authority issued bonds in the amount of \$15,695,000 to finance capital improvements and to pay the cost of issuance. The bonds bear interest at rates of 3-5% and mature in 2029.

H2O PA Grant

The Authority received a H2O Grant from the Commonwealth of Pennsylvania in the amount \$505,360. This grant will pay for some projects that have already been completed and additional project to be completed by June 30, 2012. The Authority expects to receive the first draw on this grant in 2010.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF ERIE, PENNSYLVANIA
Required Supplementary Information

Required supplementary information includes financial information and disclosures that are required by the GASB but are not considered a part of the basic financial statements. Such information includes:

Schedule of Funding Progress – Defined Benefit Retirement Plan

Budgetary Comparison Schedule – General Fund

CITY OF ERIE, PENNSYLVANIA
Schedule of Funding Progress - Defined Benefit Retirement Plan
December 31, 2009

City of Erie Municipal Retirement Fund

Defined Benefit Retirement Plan - Schedule of Funding Progress (in millions)

<i>Actuarial Valuation Date</i>	<i>Actuarial Value of Assets</i>	<i>Accrued Liability (AAL)</i>	<i>Unfunded AAL (UAAL)</i>	<i>Total Covered Payroll</i>	<i>UAAL as a Percentage of Total Covered Payroll</i>
<u>City of Erie Officers' and Employees'</u>					
January 1, 2005	\$ 56.1	\$ 68.5	\$ 12.4	\$ 16.4	75.8%
January 1, 2006	\$ 57.0	\$ 69.3	\$ 12.3	\$ 16.0	76.7%
January 1, 2007	\$ 58.7	\$ 69.8	\$ 11.2	\$ 14.7	75.9%
January 1, 2008	Biennial Valuation				
January 1, 2009	\$ 64.3	\$ 77.8	\$ 13.4	\$ 15.5	86.9%
<u>City of Erie Police Relief and Pension Association</u>					
January 1, 2005	\$ 76.1	\$ 89.6	\$ 13.6	\$ 9.9	136.6%
January 1, 2006	Biennial Valuation				
January 1, 2007	\$ 72.6	\$ 94.3	\$ 21.7	\$ 9.5	228.7%
January 1, 2008	Biennial Valuation				
January 1, 2009	\$ 74.3	\$ 99.8	\$ 25.5	\$ 10.6	240.1%
<u>City of Erie Firemen's Pension Fund</u>					
January 1, 2005	\$ 55.3	\$ 68.2	\$ 12.9	\$ 9.0	142.6%
January 1, 2006	Biennial Valuation				
January 1, 2007	\$ 55.5	\$ 73.8	\$ 18.2	\$ 8.7	209.6%
January 1, 2008	Biennial Valuation				
January 1, 2009	\$ 56.0	\$ 78.7	\$ 22.7	\$ 7.8	291.0%

CITY OF ERIE, PENNSYLVANIA
General Fund
Budget Comparison Schedule - General Fund
For the Year Ended December 31, 2009

	<i>Original</i>	<i>Final</i>	<i>Actual Amounts</i>	<i>Variance with Final Budget - Positive/ (Negative)</i>
REVENUES				
Taxes	\$ 37,681,841	\$ 37,681,841	\$ 39,010,250	\$ 1,328,409
Licenses and Permits	2,732,500	2,732,500	3,026,982	294,482
Intergovernmental	7,961,000	7,961,000	7,550,591	(410,409)
Charges for Services	441,500	441,500	438,027	(3,473)
Fines and Forfeits	1,548,000	1,548,000	1,397,069	(150,931)
Interest Income	410,000	410,000	111,831	(298,169)
Miscellaneous	295,000	301,525	235,804	(65,721)
Total Revenues	<u>51,069,841</u>	<u>51,076,366</u>	<u>51,770,554</u>	<u>694,188</u>
EXPENDITURES				
Current:				
General Government	11,549,303	11,090,828	12,237,253	(1,146,425)
Public Safety	35,934,926	36,399,926	36,012,116	387,810
Highways and Streets	7,383,208	7,367,448	7,265,376	102,072
Culture and Recreation	1,416,451	1,432,211	1,381,673	50,538
Economic and Community Development	46,450	46,450	48,434	(1,984)
Total Expenditures	<u>56,330,338</u>	<u>56,336,863</u>	<u>56,944,852</u>	<u>(607,989)</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(5,260,497)</u>	<u>(5,260,497)</u>	<u>(5,174,298)</u>	<u>86,199</u>
OTHER FINANCING SOURCES				
Operating Transfers In	<u>5,260,497</u>	<u>5,260,497</u>	<u>4,885,599</u>	<u>(374,898)</u>
Total Other Financing Sources	<u>5,260,497</u>	<u>5,260,497</u>	<u>4,885,599</u>	<u>(374,898)</u>
Excess of revenues and other financing sources over (under) expenditures	-	-	(288,699)	(288,699)
Fund Balance (Deficit), January 1, 2009	<u>-</u>	<u>-</u>	<u>(647,977)</u>	<u>(647,977)</u>
Fund Balance (Deficit), December 31, 2009	<u>\$ -</u>	<u>\$ -</u>	<u>(936,676)</u>	<u>\$ (936,676)</u>
RECONCILIATION TO GAAP BASIS FUND BALANCE				
Recognition of accrual basis adjustments			<u>3,647,680</u>	
Fund Balance December 31, 2009			<u>\$ 2,711,004</u>	

CITY OF ERIE, PENNSYLVANIA
Notes To Required Supplementary Information
On Budgetary Accounting And Control
For The Year Ended December 31, 2009

BUDGETARY ACCOUNTING AND CONTROL

Compliance with Financial Related Legal and Contractual Provisions

By its nature as a local government unit, the City and its component units are subject to various federal, state and local laws and contractual regulation.

Budget Requirements, Accounting, and Reporting

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 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 and (b) City Council to implement grant project budgets for certain special revenue funds (HUD Programs and Other Grants) 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 required 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.

All Governmental fund budgets are maintained on the cash basis of accounting except that budgetary basis expenditures include purchase orders and contracts 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. 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.

Budgetary Accounting - The City follows these procedures in establishing the budgetary data reflected in the financial statements:

BUDGETARY ACCOUNTING AND CONTROL (continued)

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 community.

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.

OTHER SUPPLEMENTAL INFORMATION

CITY OF ERIE, PENNSYLVANIA
Non-major Governmental Funds
Combining Financial Statements

Special Revenue Funds

The Special Revenue Funds are used to account for specific revenues that are legally restricted to expenditures for particular purposes.

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

Liquid Fuels Tax Fund – State funded for street construction and maintenance, vehicles and equipment.

Capital Projects Funds

The Capital Projects Funds are used to account for the acquisition and construction of major capital facilities other than those financed by proprietary funds and trust funds.

General Obligations Bond Fund – To account for street improvements; public buildings improvements; information technology acquisitions; capital additions and improvements to storm sewers, street, public buildings, park and recreation facilities, real estate acquisition, equipment acquisitions, city golf course improvements.

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

CITY OF ERIE, PENNSYLVANIA
Combining Balance Sheet
Non-Major Governmental Funds
December 31, 2009

	<i>Special Revenue</i>		<i>Capital Projects</i>		<i>Total Non-Major Governmental Funds</i>
	<i>BUDAG</i>	<i>Liquid Fuels Tax Fund</i>	<i>General</i>	<i>Paving and</i>	
	<i>Revolving Account</i>		<i>Obligation Bond Fund</i>	<i>Sewer Revolving Fund</i>	
ASSETS					
Cash and Cash Equivalents	\$ 1,098,331	\$ 1,117,836	\$ 50,849	\$ 143,540	\$ 2,410,556
Receivables (net of allowance for uncollectibles):					-
Liens	-	-	-	71,244	71,244
Notes	69,507	-	-	-	69,507
Notes Receivable, net of current obligation	353,358	-	-	-	353,358
Total Assets	<u>\$ 1,521,196</u>	<u>\$ 1,117,836</u>	<u>\$ 50,849</u>	<u>\$ 214,784</u>	<u>\$ 2,904,665</u>
LIABILITIES					
Accounts Payable	\$ -	\$ 82,395	\$ -	\$ -	\$ 82,395
Interfund Payable	-	-	24,831	-	24,831
Deferred Revenue	-	-	-	71,244	71,244
Total Liabilities	<u>-</u>	<u>82,395</u>	<u>24,831</u>	<u>71,244</u>	<u>178,470</u>
FUND BALANCES					
Reserved:					
Noncurrent Notes Receivable	353,358	-	-	-	353,358
Unreserved:					
Undesignated	1,167,838	1,035,441	26,018	143,540	2,372,837
Total Fund Balances	<u>1,521,196</u>	<u>1,035,441</u>	<u>26,018</u>	<u>143,540</u>	<u>2,726,195</u>
Total Liabilities and Fund Equity	<u>\$ 1,521,196</u>	<u>\$ 1,117,836</u>	<u>\$ 50,849</u>	<u>\$ 214,784</u>	<u>\$ 2,904,665</u>

CITY OF ERIE, PENNSYLVANIA
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Non-Major Governmental Funds
For the Year Ended December 31, 2009

	<i>Special Revenue</i>		<i>Capital Projects</i>		<i>Total Non-Major Governmental Funds</i>
	<i>BUDAG Revolving Account</i>	<i>Liquid Fuels Tax Fund</i>	<i>General Obligation Bond Fund</i>	<i>Paving and Sewer Revolving Fund</i>	
REVENUES					
Licenses and Permits	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental	-	2,052,465	-	143,016	2,195,481
Interest Earnings	26,086	9,903	4,760	1,140	41,889
Miscellaneous	-	14,039	-	1	14,040
Total Revenues	<u>26,086</u>	<u>2,076,407</u>	<u>4,760</u>	<u>144,157</u>	<u>2,251,410</u>
EXPENDITURES					
Current:					
General Government	-	-	-	-	-
Public Safety	-	-	-	-	-
Highways and Streets	-	2,148,209	750,030	149,519	3,047,758
Culture and Recreation	-	-	-	-	-
Economic and Community Development	-	-	-	-	-
Other	-	-	-	-	-
Capital Outlay	-	-	19,123	-	19,123
Total Expenditures	<u>-</u>	<u>2,148,209</u>	<u>769,153</u>	<u>149,519</u>	<u>3,066,881</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>26,086</u>	<u>(71,802)</u>	<u>(764,393)</u>	<u>(5,362)</u>	<u>(815,471)</u>
OTHER FINANCING USES					
Operating Transfers (Out)	<u>(75,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(75,000)</u>
Total Other Financing Uses	<u>(75,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(75,000)</u>
Net Change in Fund Balance	<u>(48,914)</u>	<u>(71,802)</u>	<u>(764,393)</u>	<u>(5,362)</u>	<u>(890,471)</u>
Fund Balance, January 1, 2009	1,570,110	1,107,243	790,411	148,902	3,616,666
Fund Balance, December 31, 2009	<u>\$ 1,521,196</u>	<u>\$ 1,035,441</u>	<u>\$ 26,018</u>	<u>\$ 143,540</u>	<u>\$ 2,726,195</u>

**CITY OF ERIE, PENNSYLVANIA
Non-major Proprietary Funds
Combining Financial Statements**

Proprietary Funds

Golf – To account for the operation of the two City-owned golf courses.

Sewer Reserve – To account for amounts set aside for future improvements to the sewer infrastructure system.

CITY OF ERIE, PENNSYLVANIA
Combining Statement of Net Assets
Non-Major Proprietary Funds
December 31, 2009

	<i>Golf</i>	<i>Sewer Reserve</i>	<i>Total Non-Major Proprietary Funds</i>
ASSETS			
Current Assets:			
Cash and Cash Equivalents	\$ 57,486	\$ 627,232	\$ 684,718
Total Current Assets	57,486	627,232	684,718
Non-Current Assets:			
Capital Assets:			
Land	138,630	-	138,630
Buildings and Improvements	734,060	-	734,060
Improvements Other than Building	601,503	-	601,503
Equipment and Vehicles	688,007	-	688,007
Less Accumulated Depreciation	(1,780,601)	-	(1,780,601)
Net Pension Asset	6,424	-	6,424
Total Noncurrent Assets	388,023	-	388,023
Total Assets	\$ 445,509	\$ 627,232	\$ 1,072,741
LIABILITIES			
Current Liabilities:			
Accounts Payable	\$ 3,031	\$ -	\$ 3,031
Accrued Payroll and Related	2,077	-	2,077
Interfund Payable	1,011,865	-	1,011,865
Compensated Absences Payable	1,035	-	1,035
Current Portion of Bonds Payable	-	-	-
Due to Other Governments	2,028	-	2,028
Total Current Liabilities	1,020,036	-	1,020,036
Noncurrent Liabilities:			
Compensated Absences Payable	12,866	-	12,866
Claims and Judgments Payable	-	-	-
Deferred Revenue	-	-	-
General Obligation Bonds Payable	-	-	-
Total Noncurrent Liabilities	12,866	-	12,866
Total Liabilities	1,032,902	-	1,032,902
NET ASSETS			
Invested in Capital Assets, Net of Related Debt	388,023	-	388,023
Unrestricted	(975,416)	627,232	(348,184)
Total Net Assets	(587,393)	627,232	39,839
Total Liabilities and Net Assets	\$ 445,509	\$ 627,232	\$ 1,072,741

CITY OF ERIE, PENNSYLVANIA
Combining Statement of Revenues, Expenses and Changes in Fund Net Assets
Non-Major Proprietary Funds
For the Year Ended December 31, 2009

	<i>Golf</i>	<i>Sewer Reserve</i>	<i>Total Non-Major Proprietary Funds</i>
OPERATING REVENUES			
Charges for Services	\$ 456,630	\$ -	\$ 456,630
Rental Income	120,989	-	120,989
Miscellaneous	1,001	-	1,001
Total Operating Revenues	<u>578,620</u>	<u>-</u>	<u>578,620</u>
OPERATING EXPENSES			
Personnel Services	244,959	-	244,959
Other Personnel Services	143,363	-	143,363
Services and Fees	51,336	-	51,336
Utilities	26,750	-	26,750
Rent	36,839	-	36,839
Insurance	5,700	-	5,700
Materials, Supplies, and Maintenance	74,183	-	74,183
Depreciation and Amortization	163,423	-	163,423
Other Expenses	4,600	-	4,600
Total Operating Expenses	<u>751,153</u>	<u>-</u>	<u>751,153</u>
Operating Loss	<u>(172,533)</u>	<u>-</u>	<u>(172,533)</u>
NONOPERATING REVENUES (EXPENSES)			
Intergovernmental Revenue	6,256	-	6,256
Investment Earnings	518	5,013	5,531
Gain (Loss) on Disposal of Capital Assets	1,928,955	-	1,928,955
Interest Expense	(19,311)	-	(19,311)
Total Nonoperating Revenue (Expenses)	<u>1,916,418</u>	<u>5,013</u>	<u>1,921,431</u>
Total Income Before Contributions, Transfers and Special Items	<u>1,743,885</u>	<u>5,013</u>	<u>1,748,898</u>
Change in Net Assets	<u>1,743,885</u>	<u>5,013</u>	<u>1,748,898</u>
Net Assets, January 1, 2009	<u>(2,331,278)</u>	<u>622,219</u>	<u>(1,709,059)</u>
Net Assets, December 31, 2009	<u>\$ (587,393)</u>	<u>\$ 627,232</u>	<u>\$ 39,839</u>

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).

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.

Agency Funds

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

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

Unclaimed Money Account – to account for unclaimed monies.

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

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.

Community Service Fund – to account for payroll deductions for charitable contributions.

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

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

CITY OF ERIE, PENNSYLVANIA
Combining Statement of Net Assets
Fiduciary Funds
December 31, 2009

ASSETS	<i>Deferred Compensation</i>	<i>Officer's and Employees</i>	<i>Police</i>	<i>Firemen's</i>	<i>Total Pension Trust Funds</i>
Cash and Cash Equivalents	\$ -	\$ 59,843	\$ 2,365,463	\$ 2,145,106	\$ 4,570,412
Investments, at Fair Value					
Common Stocks	-	36,458,775	34,955,850	27,369,599	98,784,224
United States Government and Agency Obligations	-	14,064,893	12,958,673	9,995,358	37,018,924
Corporate Obligations	-	11,724,806	10,686,563	8,617,485	31,028,854
Registered Investment Companies - Mutual Funds	23,674,732	-	-	-	23,674,732
Mortgage Backed Securities	-	1,012,607	1,071,650	824,651	2,908,908
Short-Term Investments	-	2,221,856	-	-	2,221,856
Receivables (Net of Allowance for Uncollectibles):	-	-	11,801	-	11,801
Accrued Investment Income	-	265,340	255,491	198,402	719,233
Total Assets	<u>\$ 23,674,732</u>	<u>\$ 65,808,120</u>	<u>\$ 62,305,491</u>	<u>\$ 49,150,601</u>	<u>\$ 200,938,944</u>
LIABILITIES					
Accounts Payable	\$ -	\$ -	\$ 6,500	\$ 9,387	\$ 15,887
Total Liabilities	<u>-</u>	<u>-</u>	<u>6,500</u>	<u>9,387</u>	<u>15,887</u>
NET ASSETS					
Held in Trust for Employees' Pension Benefits	<u>23,674,732</u>	<u>65,808,120</u>	<u>62,298,991</u>	<u>49,141,214</u>	<u>200,923,057</u>
	<u>\$ 23,674,732</u>	<u>\$ 65,808,120</u>	<u>\$ 62,305,491</u>	<u>\$ 49,150,601</u>	<u>\$ 200,938,944</u>

CITY OF ERIE, PENNSYLVANIA
Combining Statement of Changes in Net Assets
Fiduciary Funds
For the Year Ended December 31, 2009

ADDITIONS TO NET ASSETS	<i>Deferred Compensation</i>	<i>Officers' and Employees</i>	<i>Police</i>	<i>Firemens'</i>	<i>Total Pension Trust Funds</i>
Contributions					
Employer	\$ 131,940	\$ 1,879,150	\$ 2,870,932	\$ 2,595,678	\$ 7,477,700
City of Erie Water Authority	-	355,331	-	-	355,331
Plan Members	2,420,783	1,082,893	592,498	507,734	4,603,908
Total Contributions	<u>2,552,723</u>	<u>3,317,374</u>	<u>3,463,430</u>	<u>3,103,412</u>	<u>12,436,939</u>
Investment Earnings					
Net Appreciation (Depreciation) in Fair Value of Investments	3,576,427	8,774,888	8,483,589	6,809,522	27,644,426
Interest and Dividends	207,258	1,864,774	1,765,952	1,397,251	5,235,235
Other Investment Income	-	-	-	14,321	14,321
Less: Investment Expenses	-	(264,558)	(260,997)	(200,953)	(726,508)
Total Investment Earnings	<u>3,783,685</u>	<u>10,375,104</u>	<u>9,988,544</u>	<u>8,020,141</u>	<u>32,167,474</u>
Total Additions To Net Assets	<u>6,336,408</u>	<u>13,692,478</u>	<u>13,451,974</u>	<u>11,123,553</u>	<u>44,604,413</u>
DEDUCTIONS FROM NET ASSETS					
Benefits Paid	1,715,124	4,820,313	6,392,313	4,944,879	17,872,629
Participant Refunds	-	160,634	-	-	160,634
Administrative Expenses	66,348	97,911	104,563	88,470	357,292
Total Deductions From Net Assets	<u>1,781,472</u>	<u>5,078,858</u>	<u>6,496,876</u>	<u>5,033,349</u>	<u>18,390,555</u>
Net Increase to Net Assets	4,554,936	8,613,620	6,955,098	6,090,204	26,213,858
NET ASSETS HELD IN TRUST					
Net Assets, January 1, 2009	19,119,796	57,194,500	55,343,893	43,051,010	174,709,199
Net Assets, December 31, 2009	<u>\$ 23,674,732</u>	<u>\$ 65,808,120</u>	<u>\$ 62,298,991</u>	<u>\$ 49,141,214</u>	<u>\$ 200,923,057</u>

CITY OF ERIE, PENNSYLVANIA
Combining Statement of Changes in Assets and Liabilities - Agency Funds
December 31, 2009

	<i>Balance at January 1, 2009</i>	<i>Additions</i>	<i>Deductions</i>	<i>Balance at December 31, 2009</i>
TRAFFIC COURT SECURITY BONDS				
Assets				
Cash and Cash Equivalents	\$ 795	\$ 1,625	\$ 1,595	\$ 825
Liabilities				
Deposits Held In Trust	\$ 795	\$ 1,625	\$ 1,595	\$ 825
CABLE TELEVISION SECURITY DEPOSIT				
Assets				
Cash and Cash Equivalents	\$ 25,000	\$ 5,000	\$ 5,000	\$ 25,000
Liabilities				
Deposits Held In Trust	\$ 25,000	\$ 5,000	\$ 5,000	\$ 25,000
UNCLAIMED MONIES				
Assets				
Cash and Cash Equivalents	\$ 10,309	\$ 712	\$ 913	\$ 10,108
Liabilities				
Deposits Held In Trust	\$ 10,309	\$ 712	\$ 913	\$ 10,108
LAND LIGHTHOUSE SECURITY DEPOSIT				
Assets				
Cash and Cash Equivalents	\$ 500	\$ -	\$ -	\$ 500
Liabilities				
Deposits Held In Trust	\$ 500	\$ -	\$ -	\$ 500
PROPERTY TAX				
Assets				
Cash and Cash Equivalents	\$ 376,682	\$ 323,807	\$ 378,752	\$ 321,737
Liabilities				
Due to Other Governments	\$ 376,682	\$ 323,807	\$ 378,752	\$ 321,737

CITY OF ERIE, PENNSYLVANIA
Combining Statement of Changes in Assets and Liabilities - Agency Funds (Continued)
December 31, 2009

	<i>Balance at January 1, 2009</i>	<i>Additions</i>	<i>Deductions</i>	<i>Balance at December 31, 2009</i>
COMMUNITY SERVICES				
Assets				
Cash and Cash Equivalents	\$ 18,583	\$ 27,566	\$ 32,109	\$ 14,040
Liabilities				
Deposits Held In Trust	\$ 18,583	\$ 27,566	\$ 32,109	\$ 14,040
FIRE INSURANCE ESCROW				
Assets				
Cash and Cash Equivalents	\$ 142,837	\$ 160,125	\$ 130,336	\$ 172,626
Liabilities				
Deposits Held In Trust	\$ 142,837	\$ 160,125	\$ 130,336	\$ 172,626
DICKSON TAVERN RENOVATIONS				
Assets				
Cash and Cash Equivalents	\$ 500	\$ -	\$ -	\$ 500
Liabilities				
Deposits Held In Trust	\$ 500	\$ -	\$ -	\$ 500
OTHER				
Assets				
Cash and Cash Equivalents	\$ 1,105,569	\$ 1,541,702	\$ 1,105,569	\$ 1,541,702
Liabilities				
Deposits Held In Trust	\$ 1,105,569	\$ 1,541,702	\$ 1,105,569	\$ 1,541,702
TOTALS - ALL AGENCY FUNDS				
Assets				
Cash and Cash Equivalents	\$ 1,680,774	\$ 2,060,537	\$ 1,654,273	\$ 2,087,038
Liabilities				
Due to Other Governments	\$ 1,482,251	\$ 1,865,509	\$ 1,484,321	\$ 1,863,439
Deposits Held In Trust	198,524	195,028	169,953	223,599
Total Liabilities	\$ 1,680,774	\$ 2,060,537	\$ 1,654,273	\$ 2,087,038

STATISTICAL SECTION

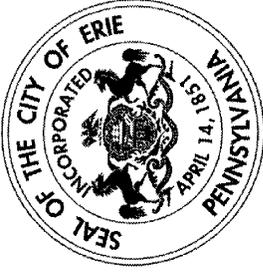
CITY OF ERIE, PENNSYLVANIA
Net Assets by Component



	2007	2008	2009
Governmental activities			
Invested in capital assets, net of related debt	(24,536,680)	(18,297,167)	(12,946,121)
Restricted	13,264,402	14,194,851	21,793,015
Unrestricted	22,733,391	27,874,948	6,962,741
Total governmental activities net assets	<u>11,461,113</u>	<u>23,772,632</u>	<u>15,809,635</u>
Business-type activities			
Invested in capital assets, net of related debt	25,687,055	24,934,938	24,855,994
Restricted	16,498,985	15,416,703	14,346,798
Unrestricted	1,948,507	(1,656,866)	(3,374,977)
Total business-type activities net assets	<u>44,134,547</u>	<u>38,694,775</u>	<u>35,827,815</u>
Primary government			
Invested in capital assets, net of related debt	1,150,375	6,637,771	11,909,873
Restricted	29,763,387	29,611,554	36,139,813
Unrestricted	24,681,898	26,218,082	3,587,764
Total primary government net assets	<u>55,595,660</u>	<u>62,467,407</u>	<u>51,637,450</u>

Source: City of Erie Finance Office

CITY OF ERIE, PENNSYLVANIA
Changes in Net Assets



	2007	2008	2009
Expenses			
Governmental activities:			
General government	21,288,335	16,570,309	24,235,712
Public Safety	33,925,376	28,715,397	30,296,276
Highways and streets	9,337,338	9,628,386	6,537,013
Sanitation	38,220	15,742	-
Culture and Recreation	1,423,630	1,600,804	1,521,079
Economic and Community Development	4,638,628	4,716,960	5,052,733
Other	400,784	830,878	-
Interest on long-term debt	4,934,985	4,631,566	4,375,547
Total governmental activities expenses	<u>\$ 76,007,296</u>	<u>\$ 66,710,242</u>	<u>\$ 72,018,360</u>
Business-type activities:			
Sewer	26,217,952	25,923,397	26,750,283
Water	557,768	554,767	554,756
Refuse	4,895,783	4,876,998	4,799,327
Other Proprietary Funds	863,375	851,069	770,464
Total business-type activities expenses	<u>\$ 32,534,878</u>	<u>\$ 32,209,231</u>	<u>\$ 32,875,030</u>
Total primary government expenses	<u>\$ 108,542,174</u>	<u>\$ 98,919,473</u>	<u>\$ 104,893,390</u>
Program Revenues			
Governmental activities:			
Program revenues:			
Charges for services	479,453	446,416	425,487
Operating grants and contributions	31,019,463	19,684,232	19,852,816
Total governmental activities program revenues	<u>\$ 31,498,916</u>	<u>\$ 20,130,648</u>	<u>\$ 20,278,303</u>
Business-type activities:			
Program revenues:			
Charges for services:	29,996,356	29,137,064	28,899,904
Operating grants and contributions	-	-	-
Total business-type activities program revenues	<u>\$ 29,996,356</u>	<u>\$ 29,137,064</u>	<u>\$ 28,899,904</u>
Total primary government program revenues	<u>\$ 61,495,272</u>	<u>\$ 49,267,712</u>	<u>\$ 49,178,207</u>

Net (Expense)/Revenue			
Governmental activities	(14,508,380)	(46,579,594)	(51,740,057)
Business-type activities	(2,538,522)	(3,072,167)	(3,975,126)
Total primary government net expense	<u>\$ (47,046,902)</u>	<u>\$ (49,651,761)</u>	<u>\$ (55,715,183)</u>

General Revenues and Other Changes in Net Assets

Governmental activities:			
Taxes			
Property Taxes, General Purposes	24,572,753	27,355,005	25,779,221
Property Taxes, Debt Service	5,178,205	4,395,535	4,682,294
Income Taxes	17,440,646	13,227,203	12,768,629
Other taxes	1,439,315	906,901	871,530
Licenses and permits	3,105,172	3,562,406	3,251,589
Fines and penalties	1,620,825	1,611,162	1,326,274
Investment earnings	2,152,104	7,083	1,196,943
Transfers	3,575,548	6,980,588	4,886,274
Miscellaneous	-	758,448	394,152
Total governmental activities	<u>\$ 59,084,568</u>	<u>\$ 58,804,331</u>	<u>\$ 55,156,906</u>
Business-type activities:			
Investment earnings	1,197,218	721,150	392,522
Lease Rental	2,740,300	2,857,878	2,971,729
Capital asset gains/(loss)	-	-	1,928,955
Miscellaneous	1,297,446	1,033,955	701,234
Transfers	(3,575,548)	(6,980,588)	(4,886,274)
Total business-type activities	<u>\$ 1,659,416</u>	<u>\$ (2,367,605)</u>	<u>\$ 1,108,166</u>
Total primary government	<u>\$ 60,743,984</u>	<u>\$ 56,436,726</u>	<u>\$ 56,265,072</u>

Change in Net Assets

Governmental activities	14,576,188	12,224,737	3,416,849
Business-type activities	(879,106)	(5,439,772)	(2,866,960)
Total primary government	<u>\$ 13,697,082</u>	<u>\$ 6,784,965</u>	<u>\$ 549,889</u>

Source: City of Erie Finance Office

CITY OF ERIE, PENNSYLVANIA

Fund Balances



	2007	2008	2009
General Fund			
Reserved	-	-	1,081,826
Unreserved	(5,615,785)	(829,193)	1,629,178
Total general fund	<u>\$ (5,615,785)</u>	<u>\$ (829,193)</u>	<u>\$ 2,711,004</u>
All Other Governmental Funds			
Reserved	13,264,402	14,194,850	16,996,308
Unreserved, reported in:			
Endowment Principal	-	240,742	-
Undesignated	25,176,033	20,795,281	14,092,171
Total all other governmental funds	<u>\$ 38,440,435</u>	<u>\$ 35,230,873</u>	<u>\$ 31,088,479</u>

Source: City of Erie Finance Office

CITY OF ERIE, PENNSYLVANIA
Changes in Fund Balances



	2007	2008	2009
Revenues			
Taxes	\$ 44,947,020	\$ 42,392,319	\$ 42,448,620
Licenses and permits	\$ 3,105,172	\$ 3,562,406	\$ 3,053,789
Intergovernmental	\$ 17,767,305	\$ 16,882,767	\$ 18,139,712
Charges for Services	\$ 479,453	\$ 446,416	\$ 425,487
Fines and penalties	\$ 1,620,825	\$ 1,611,162	\$ 1,326,274
Investment earnings	\$ 1,899,743	\$ (151,631)	\$ 1,176,460
Payment in Lieu of Taxes	\$ 775,118	\$ 950,759	\$ 881,408
Miscellaneous	\$ 828,748	\$ 519,544	\$ 377,985
Total Revenues	\$ 71,423,384	\$ 66,213,742	\$ 67,829,735
Expenditures			
Current:			
General government	\$ 7,825,621	\$ 7,215,423	\$ 8,228,096
Public Safety	\$ 33,967,624	\$ 34,190,659	\$ 36,746,465
Highways and streets	\$ 10,196,004	\$ 11,726,968	\$ 12,100,520
Sanitation	\$ 1,200,400	\$ 15,742	\$ 177,608
Culture and Recreation	\$ 1,443,027	\$ 2,221,697	\$ 1,857,320
Economic and Community Development	\$ 5,986,802	\$ 5,522,804	\$ 5,769,042
Capital Outlay	\$ 1,069,600	\$ 2,011,711	\$ 19,123
Debt Service:			
Principal	\$ 5,269,160	\$ 5,634,765	\$ 5,803,126
Interest	\$ 3,510,009	\$ 3,164,315	\$ 2,834,957
Total Expenditures	\$ 70,468,247	\$ 71,704,084	\$ 73,536,257
Excess (Deficiency) of Revenues over Expenditures	955,137	(5,490,342)	(5,706,522)

Other Financing Sources and (Uses)				
Operating Transfers In	\$ 3,587,382	\$ 7,057,010	\$ 5,284,621	
Operating Transfers (Out)	\$ (11,834)	\$ (76,422)	\$ (398,349)	
Total Other Financing Sources and (Uses)	<u>\$ 3,575,548</u>	<u>\$ 6,980,588</u>	<u>\$ 4,886,272</u>	
Net Change in Fund Balances	4,530,685	1,490,246	(820,250)	
Debt service as a % of noncapital expenditures	12.65%	12.63%	11.75%	

Source: City of Erie Finance Office

CITY OF ERIE, PENNSYLVANIA

Assessed Value and Estimated Actual Value of Taxable Property



Fiscal Year	Residential	Commercial	Industrial/Utility	Tax Exempt	Total Taxable	Total
	Property	Property	Property	Property	Assessed Value	Direct Tax Rate
2007	1,853,976,500	598,279,877	101,214,539	978,506,732	2,553,470,917	\$ 11.45
2008	1,844,623,465	602,994,779	97,451,880	1,055,517,035	2,545,070,124	\$ 11.45
2009	1,842,504,645	583,492,507	97,286,170	1,074,893,447	2,523,283,322	\$ 11.45

Source: City of Erie Treasurer's Office

CITY OF ERIE, PENNSYLVANIA
 Direct and Overlapping Property Tax Rates

(rate per \$1,000 of assessed value)



City Direct Rates

Overlapping Rates

<u>Fiscal Year</u>	<u>Basic Rate</u>	<u>General Obligation Debt Service</u>	<u>Total Direct Rate</u>	<u>Eric School District</u>	<u>Eric County</u>
2007	\$9.39	\$2.06	\$11.45	\$17.0687	\$5.20
2008	\$9.59	\$1.86	\$11.45	\$17.0687	\$5.20
2009	\$9.69	\$1.76	\$11.45	\$17.0687	\$5.45

Source: City of Erie Finance Office
 City of Erie Treasurer's Office

CITY OF ERIE, PENNSYLVANIA
 Principal Property Tax Payers
 2009



<u>Taxpayer</u>	<u>Taxable Assessed Value</u>	<u>Percentage of Total City Taxable Assessed Value</u>
Eric Insurance	\$ 33,286,190	1.32%
Baldwin Brothers	31,808,970	1.26%
Catherine and Adam Levin Trust	13,539,530	0.54%
Bayside Development	11,859,140	0.47%
Stephen McGarvey	9,517,810	0.38%
Four C's LLC	8,597,500	0.34%
Rick Griffith	8,256,100	0.33%
Phoenix Mutual	7,409,400	0.29%
Lord Corp	7,112,060	0.28%
Missouri River Corp.	7,107,000	0.28%
	\$ 138,493,700	5.49%

Source: Erie County Assessment Office

CITY OF ERIE, PENNSYLVANIA
 Property Tax Levies and Collections



Fiscal Year	Taxes Levied in Fiscal Year	Collected within Fiscal Year	Percentage of Levy	Collections in Subsequent Years	Total Collections to Date	Percentage of Levy
2007	\$ 29,237,242	\$ 26,405,839	90.32%	\$ 2,491,490	\$ 28,897,329	98.84%
2008	\$ 29,141,053	\$ 26,192,965	89.88%	\$ 1,482,846	\$ 27,675,811	94.97%
2009	\$ 28,891,594	\$ 26,027,197	90.09%	\$ -	\$ 26,027,197	90.09%

Source: City of Erie Finance Office
 Pennsylvania State Tax Equalization Board

CITY OF ERIE, PENNSYLVANIA
 Ratios of Outstanding Debt by Type
 2009



Fiscal Year	Governmental Activities			Business-type Activities			Total Primary Government	Percentage of Per Capita Income	Per Capita
	General Obligation Bonds	Other Bonds (Revenue, Special Assessment, etc.)	General Obligation Bonds	Other					
2007	\$ 86,162,921	\$ -	\$ 19,603,150	\$ 2,168,000	\$ 107,934,071	3.90%	\$ 1,051.87		
2008	\$ 82,093,153	\$ -	\$ 19,744,584	\$ 2,125,136	\$ 103,962,873	3.31%	\$ 1,001.41		
2009	\$ 77,830,617	\$ -	\$ 19,624,196	\$ -	\$ 97,454,813	3.10%	\$ 940.95		

Source: City of Erie Finance Office

CITY OF ERIE, PENNSYLVANIA
 Ratios of General Bonded Debt Outstanding
 2009



<u>General Bonded Debt Outstanding</u>				Percentage of Actual Taxable Value of Property	Per Capita
<u>Fiscal Year</u>	<u>General Obligation Bonds</u>	<u>Other Bonds (Revenue, Special Assessment, etc.)</u>	<u>Total</u>		
2007	\$ 105,766,071	\$ -	\$ 105,766,071	4.14%	\$ 1,020.42
2008	\$ 101,837,737	\$ -	\$ 101,837,737	4.00%	\$ 982.52
2009	\$ 97,454,813	\$ -	\$ 97,454,813	3.86%	\$ 940.95

Source: City of Erie Finance Office

CITY OF ERIE, PENNSYLVANIA

Direct and Overlapping Governmental Activities Debt

2009



<u>Governmental Unit</u>	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable</u>	<u>Estimated Share of Direct and Overlapping Debt</u>
City of Erie 1998 General Obligation Bond (B)	33,586,967	100.00%	33,586,967
2001 General Obligation Bond (B)	6,605,000	100.00%	6,605,000
2001 General Obligation Bond (C)	12,453,932	100.00%	12,453,932
2001 General Obligation Bond (D)	11,755,000	100.00%	11,755,000
2001 General Obligation Bond (E)	13,490,000	100.00%	13,490,000
2001 General Obligation Bond (F)	11,055,000	100.00%	11,055,000
2004 General Obligation Bond (A)	6,715,000	100.00%	6,715,000
2004 General Obligation Bond (B)	1,230,000	100.00%	1,230,000
Accrued Interest	538,764	100.00%	538,764
Leases	25,150	100.00%	25,150
Total City Direct Debt	\$ 97,454,813		\$ 97,454,813
County of Erie	\$ 86,818,682	40.00%	\$ 34,727,473
Eric School District	\$ 108,246,317	100.00%	\$ 108,246,317
Eric Sewer Authority	\$ 48,920,465	70.00%	\$ 34,244,326
Eric Parking Authority	\$ 28,187,441	100.00%	\$ 28,187,441
Eric Water Authority	\$ 190,653,451	70.00%	\$ 133,457,416
Total Overlapping Debt	\$ 462,826,356		\$ 338,862,972
Total Direct and Overlapping Debt			\$ 436,317,785

Source: City of Erie Finance Office

CITY OF ERIE, PENNSYLVANIA
 Computation of Legal Debt Margin
 2009



Nonelectoral Debt Incurring Capacity:

Borrowing base(1)	\$	87,498,140
Percentage limitation		250
Net nonelectoral debt limit	\$	218,745,350
Less: net nonelectoral debt incurred		97,454,813
Add: current principal appropriation		6,540,000
Remaining nonelectoral debt incurring capacity	\$	127,830,537

Nonelectoral Plus Lease Rental Debt Incurring Capacity:

Borrowing base(1)	\$	87,498,140
Percentage limitation		350
Net nonelectoral plus lease rental debt limit	\$	306,243,489
Less: net nonelectoral debt plus lease rental debt incurred		174,562,719
Add: current principal appropriation		10,335,000
Remaining nonelectoral plus lease rental debt incurring capacity	\$	142,015,770

(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

Demographic and Economic Statistics



Year:	2007	2008	2009
Population*	103,650	103,817	103,571
Personal Income (thousands of dollars)	2,981,700	3,148,043	3,339,543
Per Capita Personal Income (dollars)	28,767	30,323	32,244
Median Age	34.5	34.1	34.1
High School Graduate, % of persons age 25+	82.6	84.5	84.5
Bachelor's degree or higher, % of persons age 25+	17.2	18.2	18.4
Unemployment Rate	4.80%	5.70%	9.00%

Sources: Population, median age and education level information provided by the U.S. Census Bureau and U.S. Department of Education. Unemployment and income information furnished by the U.S. Department of Commerce: Bureau of Economic Analysis, CNN, Money.Com and CensusScope.Org

* Population figures are from the last census estimate conducted in July 2008.

CITY OF ERIE, PENNSYLVANIA

Principal Employers

2009



Employer	Industry	Employees	**Percentage of Total MSA Employment
*General Electric Company	Locomotives, DC Motors, Generators	4,000	3.17%
Hamot Medical Center	Health Care	2,500	1.98%
Erie Insurance Group	Insurance, Risk Management	2,200	1.75%
Saint Vincent Health Center	Health Care	2,000	1.59%
Erie School District	Public School Facilities	1,600	1.27%
Gertrude Barber Center	Special Education Facility	1,500	1.19%
Gannon University	Higher Education	700	0.56%
Lord Corporation	Aerospace and Industrial Products	650	0.52%
City of Erie	Government	649	0.52%
Telatron Marketing Group	Telemarketing	600	0.48%

Source: Erie Regional Chamber and Growth Partnership

* Employer is located outside of the city limits but has a major economic impact on the City of Erie.

** Employment statistics provided by the U.S. and Pennsylvania Departments of Labor are based on Metropolitan Statistical Areas (MSA) and not on the City of Erie city limits.

CITY OF ERIE, PENNSYLVANIA

Full-time City Government Employees by Function/Department



Function/Department	Full-time Employees		
	2007	2008	2009
General Government			
Administration	20	18	19
Controller's Office	3	3	3
Treasurer's Office	6	6	6
Finance & Purchasing	11	11	11
Economic and Community Development	13	13	14
Other	10	11	11
Police			
Officers	167	167	167
Civilians	43	39	36
Fire			
Firefighters and Officers	134	134	133
Civilians	16	16	17
Public Works			
Code Enforcement	14	14	14
Engineering	7	7	7
Streets	48	48	47
Parks & Recreation	11	12	11
Golf	2	2	2
Refuse	39	32	31
Sewer	92	88	88
Other	33	35	32
Total:	669	656	649

Source: City of Erie Finance Office