



THE CITY OF ERIE, PENNSYLVANIA

ANNUAL COMPREHENSIVE FINANCIAL REPORT

YEAR ENDED DECEMBER 31, 2022

Presented by:

*The Department of Finance and Administration of
the City of Erie, Pennsylvania*

CITY OF ERIE, PENNSYLVANIA
ANNUAL COMPREHENSIVE FINANCIAL REPORT
FOR THE YEAR ENDED DECEMBER 31, 2022

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THE CITY OF ERIE

JOSEPH V. SCHEMBER, MAYOR

September 28, 2023

To the Honorable Mayor, Members of City Council, and Citizens of the City of Erie, Pennsylvania:

It is our pleasure to submit the Annual Comprehensive Financial Report (ACFR) of the City of Erie, Pennsylvania for the fiscal year ended December 31, 2022. This report was prepared by the City's Department of Finance in conformity with United States generally accepted accounting principles (GAAP), and accounting standards for state and local governments adopted by the Governmental Accounting Standards Board (GASB). The City assumes all responsibility for the accuracy and fairness of the data presented in this report. As management, we believe the data and disclosures presented here forth are accurate and reliable in all material respects, and fairly represent the financial condition of the City's operations at the close of the 2022 fiscal year.

The financial statements of the reporting entity include those of the City (primary government), and its component units. The City's reporting entity includes financial disclosures of its component units due to the significance of financial or operational relationships with those organizations. In accordance with GAAP, component units have been included in this financial reporting entity as either discretely-presented component units, or blended component units depending on the nuances of their relationship with the City.

The City's financial statements have been audited by Zelenkofske Axelrod LLC, a firm of certified public accountants. The independent auditor concluded that, based on the audit, there was a reasonable basis for rendering an unmodified opinion on the City's financial statements for the fiscal year ended December 31, 2022. The independent auditor's report is presented as the first component to the financial section of this report.

Management has prepared a broad analysis of the financial statements in the form of Management's Discussion & Analysis (MD&A). The MD&A appears immediately prior to the presentation of the basic financial statements section of this report. This transmittal letter is intended to accompany the MD&A and should be considered in concurrence with information outlined in that section.

ERIE, PENNSYLVANIA AT A GLANCE

The City of Erie, incorporated April 14, 1851, is the county seat of Erie County lying on the southern shore of Lake Erie in the northwest corner of Pennsylvania. The City occupies a land area of 19.37 square miles, and has a population of 93,511 as of the most recent estimate completed in 2022.

DEPARTMENT OF ADMINISTRATION AND FINANCE
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The City operates under a Mayor-Council form of government under Pennsylvania's Option Third Class City Charter Law. The Mayor is elected at large for a four-year term, and serves as the chief executive of City administration under the City's administrative code. The City elects a seven-member council to serve four-year overlapping terms. City Council serves as the legislative branch of City government. Pennsylvania Third Class City Code mandates the election of a City Controller and a City Treasurer. The City Controller's primary function is to examine the City's system of accounts and assure the validity of financial activity. The City Treasurer is responsible for proper receipt and accounting of all funds owed to the City.

The City provides a broad scope of municipal services including public safety (police and fire protection), repair and maintenance of streets and highways, culture and recreation, economic development, zoning and property maintenance, refuse and recycling disposal, and wastewater treatment and sewer line maintenance, and general government. In addition, the City owns and operates two golf courses.

FINANCIAL INFORMATION

City Council is responsible for adoption of an annual budget ordinance. The annual budget is prepared by the Mayor, the City's Director of Finance, and Finance Department staff, and presented to City Council no later than the last stated meeting in November of each year. City Council is required to make the proposed budget ordinance publicly available, and must do so for twenty days prior to its adoption. Council is required to adopt a budget ordinance prior to December 31 of each year. The annual budget serves as the City's cornerstone of financial planning and control.

Internal Control - Management is responsible for the implementation and maintenance of a framework of internal controls that function to protect City assets from misuse, loss, or theft. The City is also responsible for maintaining a set of accounts in accordance with generally accepted accounting principles in the United States. These systems have been designed to provide reasonable assurance that these two objectives are achieved. It is the belief of management that the established system of internal control serves to present financial statements that are free of material misstatement.

Budgetary Control – The City sustains a system of budgetary controls. The Director of Finance is empowered with the authority to authorize transfers of up to \$5,000 in any fund to satisfy account balance shortages. This threshold runs as a cumulative total throughout the year, and does not reset with each transfer. Transfers in excess of the \$5,000 threshold require approval from City Council.

Procurement – The City maintains a set of purchasing procedures designed to procure supplies, equipment, services, etc. at the best price while minimizing downtime of City departments and services. These procedures establish cost controls that promote budgetary efficiency. Departments are required obtain purchase orders via the City Purchasing Department for all transactions at an upper threshold of \$499.99. For transactions in the cost range of \$500.00 to \$1,999.99, a requisition must be obtained from the Purchasing Department that requires additional layers of Department Director, and Finance Director approval before execution of the transaction. Lastly, any purchase totaling \$2,000 or greater must be approved by a majority of City Council in addition to the additional layers of approval described in the previous range. These cost controls have proven effective measures of protecting City resources.

Encumbrance Accounting – As an additional measure of control, the City follows a procedure of encumbrance accounting. To account for lapses in time between approvals of purchases and execution of payments, approved purchase amounts are encumbered and restricted from available budgetary balances. This mechanism serves as a measure of avoiding overspending, and proves useful in high-volume transaction funds.

ECONOMIC DEVELOPMENT

The City of Erie is the fifth largest city in Pennsylvania, and is the primary hub of economic activity in northwest Pennsylvania. The Erie metro area is home to two Fortune 500 companies (Wabtec Corporation, and Erie Insurance Group), four universities, two major hospital networks, and a variety of other large scale industrial and service-based businesses. The City has an emerging start-up business sector that has been facilitated by the addition of local programs such as the Erie Technology Incubator in association with Gannon University, and the Creative Business Accelerator in association with Bridgeway Capital, a local nonprofit organization.

Over the past several years, the City of Erie Department of Economic Development has expanded its business development loan program, and has created two micro-grant programs in an effort to promote business growth within the City. The business development loan program provides low interest business loans to qualified borrowers attempting to start or grow businesses in the City. This program was expanded by \$6 million in 2022, \$2 million in 2021, \$2.2 million in 2019 and \$1.7 million in 2020, with an excess in \$10 million in capital available to local businesses. The micro-grant programs utilize the interest collected on business development loans and grant it to local businesses through an application and vetting process. The funding awarded typically falls in the range of \$2 thousand to \$5 thousand per instance.

In an effort to facilitate investment in the City, City Council approved an ordinance in June of 2019 installing a Local Economic Revitalization Tax Abatement (LERTA) program. This real estate tax abatement program applies to the increased taxes that would result from an increase in the assessed value of a property due to improvements that are completed through the permitting process. Please note that the property owner will continue to pay existing real estate taxes on the property (and an increased level of taxes on a vacant lot that is converted to an improved lot), but they will not be fully taxed on the improvements until the abatement time period ends. Since the passing of this ordinance, the City has seen several major investments from local companies including Marquette Savings Bank, Hamot Health Foundation, Erie Insurance Group, and SB3 LLC.

The Erie Downtown Development Corporation (EDDC) was formed in 2017 with the goal of transforming Erie's downtown core. Since its inception it has raised over \$100 million in capital to be invested in redeveloping Erie's downtown. EDDC has acquired a number of buildings and begun redevelopment projects including residential real estate, and parking and business space in the heart of downtown. In 2022, EDDC opened Flagship City Food Hall and Flagship City Market each of which are home to multiple businesses. The organization has received national recognition from Forbes as one of the top 20 opportunity zone catalysts in the United States.

Like many cities across the country, the economy of the Erie region has been significantly affected by the COVID-19 pandemic. As of July 2022, the local unemployment rate has dropped from its 2020 rate of 9.8% down to a rate of 5.0%. While the full scope of the effect of the pandemic on the financial standing of the City is not yet known, it is likely to have many lasting effects on the City and its stakeholders over the next several years.

LONG-TERM FINANCIAL PLANNING

Beginning in 2018, the City began preparing five-year financial forecasts as part of the annual budget process. While these projections are not adopted as part of City Council's budget ordinance, they serve as guides for effective long-term decision making for City Council.

In November 2018, the City entered the State of Pennsylvania's "Early Intervention" program for financially distressed cities. Throughout 2019, the City worked with consultants from Public Financial Management (PFM) to develop a long-range financial plan to address the City's financial challenges. PFM completed and issued a report to City Council that painted a broad picture of the City's finances moving into the future. Since the issue of the report, City Council has taken steps to implement recommendations through adjustments to the City's pension plans taking effect in January of 2020, and in August of 2020 approving a lease-prepayment deal with Erie Water Works that allows the City to more aggressively pay down its long-term debt. It is expected that the recommendations in this report will continue to serve as a guide to City staff and City Council moving into the future. It is worth noting that the Covid-19 pandemic may result in a reevaluation of the recommendations issued in the report and result in revised strategies moving forward.

ACKNOWLEDGEMENTS

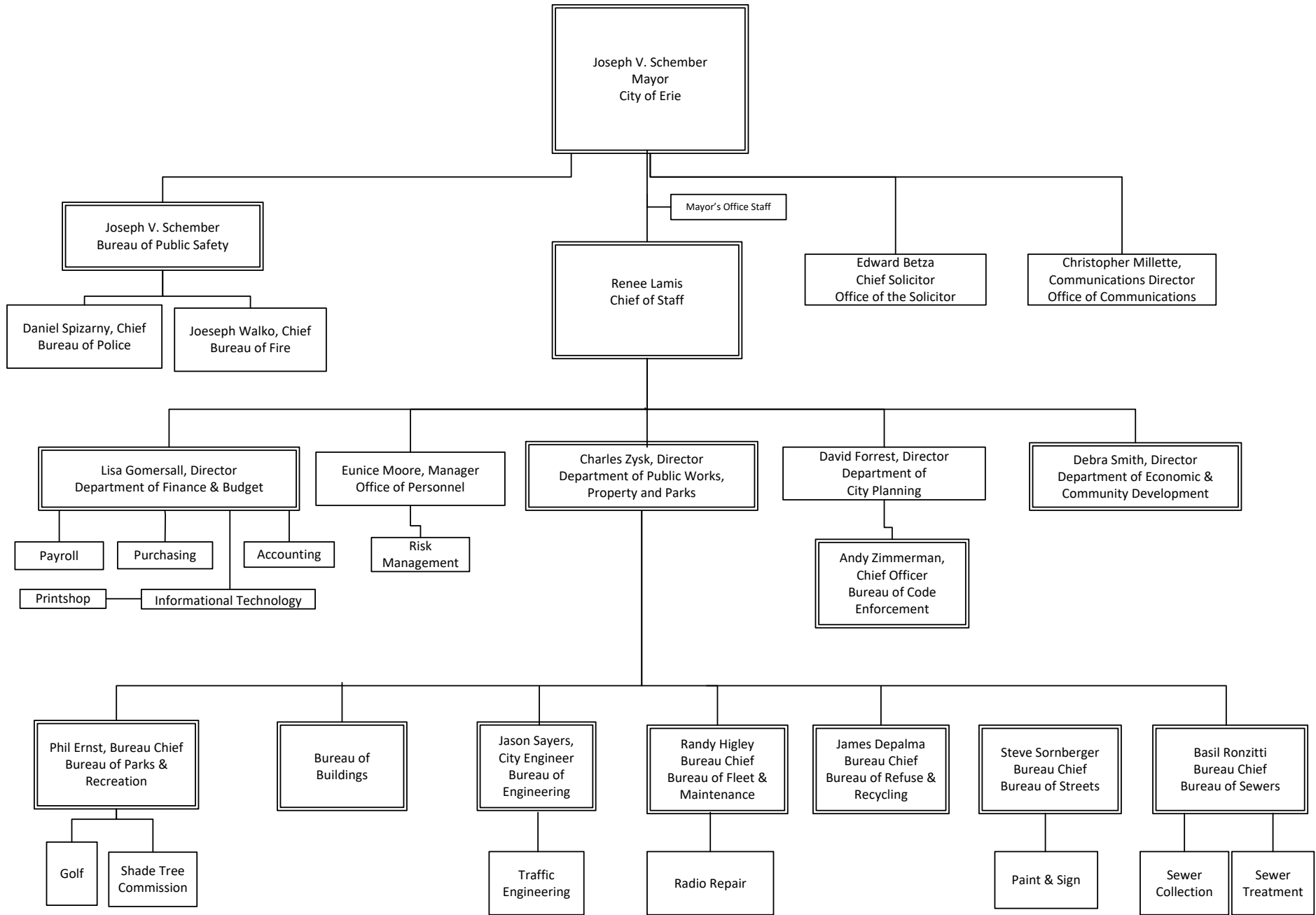
The preparation of the Annual Comprehensive Financial Report would not have been possible without the entire staff of the Finance Department. We would also like to express gratitude to the many other dedicated City staff whose contributions are essential to the completion of this report. Lastly, we would like to thank the Mayor, City Council, and City Controller for their continued support in planning and administering the City's financial operations.

Respectfully submitted,



Lisa Gomersall

Director of Finance and Administration



CITY OF ERIE, PENNSYLVANIA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED DECEMBER 31, 2022

Mayor	Joseph V. Schember
City Council	Liz Allen Michael Keys Jasmine Flores Melvin Witherspoon Maurice Troop Ed Brzezinski Chuck Nelson
City Treasurer	Casimir Kwitowski
City Controller	Teresa Stankiewicz
City Solicitor	Edward Betza
City Clerk	Laurie Watson
Director, Department of Administration & Finance	Lisa Gomersall
Director, Department of Public Works, Property and Parks	Charles Zysk
Director, Department of Economic and Community Development	Debra Smith
Director, Department of City Planning	Dave Forrest



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INDEPENDENT AUDITOR'S REPORT

City Council
City of Erie
Erie, Pennsylvania

Report on the Audit of the Financial Statements Financial Statements

Opinions

We have audited the financial statements of the governmental activities, business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Erie, Pennsylvania (the "City"), as of and for the year ended December 31, 2022, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

In our opinion, based on our audit and the report of other auditors, the accompanying financial statements 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, as of December 31, 2022, and the respective changes in financial position and, where applicable, cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

We did not audit the individual financial statements of the Erie Sewer Authority which represent 73.15%, (9.79)%, and 15.65%, respectively, of the assets, net position, and revenues of business-type activities and 100% of the assets, net position, and revenues of this fund which is reported as major. We did not audit the financial statements of the Officers' and Employees' Pension Trust Fund, Police Pension Trust Fund, or the Firefighter's Pension Trust Fund which collectively represent 80.50%, 80.59%, and 97.53%, respectively, of the assets, net position, and revenues of the aggregate remaining fund information. We did not audit the component unit financial statements of the Erie Redevelopment Authority, Erie Metropolitan Authority, or the Erie Parking Authority, which collectively represent 100% of the assets, net position, and revenues of the aggregate discretely presented component units. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for the above business-type activities, aggregate remaining fund information, and aggregate discretely presented component units is based solely on the report of the other auditors.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audit contained in *Government Auditing Standards*, issued by the Comptroller general of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements related to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.



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City of Erie, Pennsylvania
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Responsibilities of Management for the Financial Statements

The City's management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for one year after the date that the financial statements are issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.



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Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and schedule of revenues, expenditures, and changes in fund balance – general fund – budget and actual, required pension plan disclosures, and required OPEB disclosures on pages 11-18 and 108-118, respectively, be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management 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.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collective comprise the City's basic financial statements. The description of other governmental funds, combining balance sheet – other governmental funds, combining statement of revenues, expenditures, and changes in fund balance – other governmental funds, description of other proprietary funds, combining statement of net position – other proprietary funds, combining statement of revenues, expenses, and changes in net position – other proprietary funds, combining statement of cash flows – other proprietary funds, description of fiduciary funds, combining statement of net position – fiduciary funds, and combining statement of changes in net position – fiduciary funds on pages 120-131 are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The description of other governmental funds, combining balance sheet – other governmental funds, combining statement of revenues, expenditures, and changes in fund balance – other governmental funds, description of other proprietary funds, combining statement of net position – other proprietary funds, combining statement of revenues, expenses, and changes in net position – other proprietary funds, combining statement of cash flows – other proprietary funds, description of fiduciary funds, combining statement of net position – fiduciary funds, and combining statement of changes in net position – fiduciary funds are the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the other supplementary information in the financial section is fairly stated in all material respects in relation to the basic financial statements as a whole.



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City of Erie, Pennsylvania
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Other Information

Management is responsible for the other information include in the annual report. The other information comprises the introductory section and the statistical section but does not include the financial statements and our auditor's report thereon. Our opinions on the financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon. In connection with our audit of the financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 28, 2023 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

Pittsburgh, Pennsylvania
September 28, 2023

Zelenkofske Axlerod LLC

ZELENKOFKSKE AXELROD LLC



CITY OF ERIE, PENNSYLVANIA
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2022

INTRODUCTION

As management of the City of Erie, Pennsylvania (City), we offer readers of the City's Annual Financial Report this narrative overview and analysis of the financial activities of the City (the "Primary Government") for the year ended December 31, 2022. This discussion does not include the City's component units. We encourage readers to consider the information presented here in conjunction with the City's basic financial statements that immediately follow this section, as well as the notes to the financial statements that appear later in this report. Additional information furnished by management of the City is available in the Transmittal Letter which can be found on pages 1-4 of this report.

FINANCIAL HIGHLIGHTS

- The City saw a decrease of net position of \$14.4 million for the year ended December 31, 2022. On a government-wide basis including all governmental activities and business-type activities, but excluding component units, the liabilities of the City exceeded its assets resulting in total net position at the close of the fiscal year of \$(120.9) million. This represents a 22% decrease from the last fiscal year's stated net position. It should be noted that part of this decrease is attributable to a \$7.2 million restatement of beginning net position of the Erie Sewer Authority.
- During the year, the City collected a total of \$41.4 million in property taxes, which represents an increase of 6% from prior year collections.
- Fiduciary funds saw a decrease in their net position in the amount of \$64.9 million to a grand total of \$421.4 million at the close of 2022. This change represents a 13.35% decrease in the net position from the end of the previous fiscal year. The substantial decrease in net position was driven by a \$68 million loss in investment value which resulted from weaker market performance as compared to recent years.
- As of the close of the year, the City's governmental funds reported combined ending fund balances of \$89.1 million, a small decrease of \$79 thousand from the previous year. Within this total, \$31.3 million is non-spendable, \$34 million is restricted, \$830 thousand is committed, and \$23 million is unassigned.
- The City's business-type activities saw total revenue decrease by \$1.2 million, or 3%, while total expenses decreased by \$63.7 million, an 55% decrease from the prior year figures. With restatement included, the net position of business-type activities saw a 22% decrease from a total of \$(64.3) million to \$(79.5) million. The decrease in net position was mostly due to the prior period restatement, and the decrease in expenses were mostly due to a decrease in in operational transfers from a large debt payment transfer in the prior year.

CITY OF ERIE, PENNSYLVANIA
MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2022

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis serves as an introduction to the City's basic financial statements. The City'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 additional information in supplement to the financial statements.

The individual financial statements of the blended and discretely presented component units, the Officer's and Employee's Pension Trust Fund, the Firefighter's Pension Trust Fund, and the Police Pension Trust Fund were audited by other firms. These auditor's reports have been furnished to us and our auditors.

Government-Wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private-sector business. The Statement of Net Position presents information on all of the City's assets and liabilities, with the differences between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating. The Statement of Net Position 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., streets, drainage improvements, water and sewer lines, etc.), to assess the overall health or financial condition of the City. The Statement of Activities presents information indicating how the City's net position changed during the most recent fiscal year. All of the current year's revenues and expenses are considered 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 employee sick leave that has been earned but not used at the time of termination). Both the Statement of Net Position and the Statement of Activities are prepared utilizing the accrual basis of accounting as opposed to the modification accrual basis.

In the Statement of Net Position 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 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 infrastructure to a separate and distinct Water Authority.
- *Component Units* – The City includes three separate legal entities in its report – the Erie Redevelopment Authority, the Erie Metropolitan Transit Authority, and the 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 – the 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.

CITY OF ERIE, PENNSYLVANIA
MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2022

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 or 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 monies. 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 Position and the Statement of Activities) and governmental funds are detailed in a reconciliation following the fund financial statements.

The City 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, HUD Programs, Other Grants, Capital Improvements Fund, General Obligation Bond Fund, and the ARP Fund, all of which are considered to be major funds. Data from the other two 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 Position 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 flow, for proprietary funds. The internal service funds (the other component of proprietary funds) are utilized to report risk management activities of the City. These expenses have been included in governmental activities in the government-wide statements.

The City maintains six enterprise funds. The City uses enterprise funds to account for its water line lease, sewer treatment and collection services, refuse and recycling services, and golf courses. The funds provide the same type of information as the government-wide 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, the Refuse and Recycling Fund, and the Erie Sewer Authority (blended component unit). Data from the other proprietary funds is shown in a non-major fund presentation in the other supplementary information section of this report.

CITY OF ERIE, PENNSYLVANIA
MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2022

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 the behalf of others. All of the City's fiduciary activities are reported in a separate Statement of Fiduciary Net Position and Changes in Fiduciary Net Position. 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.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

The City's combined net position was (\$120,922,476) as of December 31, 2022. Analyzing the net position of governmental and business-type activities separately, the governmental activities is (\$41,425,409) and business-type activities is (\$79,497,067). The analysis that follows focuses on the net position and changes in net position of the City's governmental and business-type activities.

The largest portion of the City's total assets and deferred outflows of resources reflects its investment in capital assets (land, buildings, machinery, equipment and infrastructure). 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.

	Governmental Activities		% Inc (Dec)	Business-Type Activities		% Inc (Dec)	Total		% Inc (Dec)
	2022	2021		2022	2021		2022	2021	
Current and other assets	\$ 147,768,245	\$ 125,962,999	17%	\$ 41,543,255	\$ 59,028,544	-30%	\$ 189,311,500	\$ 184,991,543	2%
Capital assets	68,798,114	61,781,927	11%	61,406,904	56,100,800	9%	130,205,018	117,882,727	10%
Deferred outflows of resources	57,068,745	35,042,762	63%	12,483,685	10,693,424	17%	69,552,430	45,736,186	52%
Total assets and deferred outflows of resources	<u>\$ 273,635,104</u>	<u>\$ 222,787,688</u>	23%	<u>\$ 115,433,844</u>	<u>\$ 125,822,768</u>	-8%	<u>\$ 389,068,948</u>	<u>\$ 348,610,456</u>	12%
Current and other liabilities	\$ 49,345,416	\$ 27,834,588	77%	\$ 4,475,090	\$ 3,163,526	41%	\$ 53,820,506	\$ 30,998,114	74%
Long-term liabilities	260,564,019	195,800,551	33%	92,834,379	181,636,162	-49%	353,398,398	377,436,713	-6%
Deferred inflows of resources	5,151,078	33,974,654	-85%	97,621,442	5,400,637	1708%	102,772,520	39,375,291	161%
Total liabilities and deferred inflows of resources	<u>\$ 315,060,513</u>	<u>\$ 257,609,793</u>	22%	<u>\$ 194,930,911</u>	<u>\$ 190,200,325</u>	2%	<u>\$ 509,991,424</u>	<u>\$ 447,810,118</u>	14%
Net position:									
Invested in capital assets, net of related debt	\$ 23,152,843	\$ 26,990,991	14%	\$ (18,234,589)	\$ (25,261,674)	28%	\$ 4,918,254	\$ 1,729,317	-184%
Restricted	65,969,295	67,285,112	-2%	27,451,849	48,611,668	-44%	93,421,144	115,896,780	-19%
Unrestricted	(130,547,547)	(129,098,208)	-1%	(88,714,327)	(87,727,551)	-1%	(219,261,874)	(216,825,759)	-1%
Total net position	<u>\$ (41,425,409)</u>	<u>\$ (34,822,105)</u>	-19%	<u>\$ (79,497,067)</u>	<u>\$ (64,377,557)</u>	-23%	<u>\$ (120,922,476)</u>	<u>\$ (99,199,662)</u>	-22%

CITY OF ERIE, PENNSYLVANIA
MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2022

Governmental Activities

To aid in the understanding of the Statement of Activities, some additional explanation is needed. The format for the Statement of Activities is significantly different than a typical Statement of Revenues, Expenses, and Changes in Fund Balance. Expenses are listed in the first column with revenues from a particular function/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.

The table below displays financial performance of governmental activities in broader scope. Revenues related to these decreased by \$53.7 million during the 2022 fiscal year, a total of 28%, to \$135.8 million. This large decrease is due to increased operational transfers in the prior year from a large debt payment. Expenses related to these activities increased by \$18.7 million, or a total of 15%, to \$142.4 million. The increase in expenditures is a result of an increase in American Rescue Plan Act funding that was used for government services.

	Governmental Activities		% Inc (Dec)	Business-Type Activities		% Inc (Dec)	Total		% Inc (Dec)
	2022	2021		2022	2021		2022	2021	
Revenues									
Program Revenues:									
Charges for services	\$ 446,002	\$ 458,507	-3%	\$ 34,212,579	\$ 35,597,628	-4%	\$ 34,658,581	\$ 36,056,135	-4%
Grants and Contributions	41,423,114	35,975,240	15%	-	-	0%	41,423,114	35,975,240	15%
General revenues:									
Property tax	41,404,685	39,226,686	6%	-	-	0%	41,404,685	39,226,686	6%
Income tax	29,272,343	27,637,994	6%	-	-	0%	29,272,343	27,637,994	6%
Other taxes	4,822,586	3,830,986	26%	-	-	0%	4,822,586	3,830,986	26%
Other general revenues	8,006,636	9,015,460	-11%	10,441,656	10,355,461	1%	18,448,292	19,370,921	-5%
Transfers	10,483,119	73,450,550	-86%	-	-	0%	10,483,119	73,450,550	-86%
Total revenues	<u>135,858,485</u>	<u>189,595,423</u>	<u>-28%</u>	<u>44,654,235</u>	<u>45,953,089</u>	<u>-3%</u>	<u>180,512,720</u>	<u>235,548,512</u>	<u>-23%</u>
Expenses									
General government	23,911,163	12,727,411	88%	-	-	0%	23,911,163	12,727,411	88%
Public safety	79,013,145	67,299,977	17%	-	-	0%	79,013,145	67,299,977	17%
Highway and Streets	19,189,450	18,964,871	1%	-	-	0%	19,189,450	18,964,871	1%
Culture and Recreation	3,289,343	2,019,608	63%	-	-	0%	3,289,343	2,019,608	63%
Economic and Community development	16,365,446	6,310,190	159%	-	-	0%	16,365,446	6,310,190	159%
Interest on long-term debt	693,242	16,399,798	-96%	-	-	0%	693,242	16,399,798	-96%
Sewer	-	-	0%	31,983,766	33,240,846	-4%	31,983,766	33,240,846	-4%
Water	-	-	0%	524,939	524,939	0%	524,939	524,939	0%
Refuse	-	-	0%	8,812,232	8,423,317	5%	8,812,232	8,423,317	5%
Other proprietary funds	-	-	0%	735,069	615,591	19%	735,069	615,591	19%
Transfers	-	-	0%	10,483,119	73,450,550	-86%	10,483,119	73,450,550	-86%
Total expenses	<u>142,461,789</u>	<u>123,721,855</u>	<u>15%</u>	<u>52,539,125</u>	<u>116,255,243</u>	<u>-55%</u>	<u>195,000,914</u>	<u>239,977,098</u>	<u>-19%</u>
Change in Net Position	(6,603,304)	65,873,568	-110%	(7,884,890)	(70,302,154)	89%	(14,488,194)	(4,428,586)	227%
Net Position - Beginning of Year	<u>(34,822,105)</u>	<u>(100,695,673)</u>	65%	<u>(64,377,557)</u>	<u>5,924,597</u>	-1187%	<u>(99,199,662)</u>	<u>(94,771,076)</u>	5%
Prior Period Restatement	-	-		(7,234,620)	-		(7,234,620)	-	
Net Position - End of Year	<u>\$ (41,425,409)</u>	<u>\$ (34,822,105)</u>	<u>-19%</u>	<u>\$ (79,497,067)</u>	<u>\$ (64,377,557)</u>	<u>-23%</u>	<u>\$ (120,922,476)</u>	<u>\$ (99,199,662)</u>	<u>22%</u>

CITY OF ERIE, PENNSYLVANIA
MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2022

Governmental Activities (Continued)

The table below presents the cost of each of the City's five major programs – General Government, Public Safety, Highways and Streets, Culture and Recreation, and 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.

	Total Cost of Services		% Inc (Dec)	Net Cost of Services		% Inc (Dec)
	2022	2021		2022	2021	
Governmental Activities:						
General government	\$ 23,911,163	\$ 12,727,411	88%	\$ (1,420,313)	\$ 6,472,619	122%
Public safety	79,013,145	67,299,977	17%	(72,814,066)	(61,873,400)	-18%
Highways and streets	19,189,450	18,964,871	1%	(12,858,856)	(14,181,313)	9%
Culture and recreation	3,289,343	2,019,608	63%	(3,086,949)	(1,442,859)	-114%
Economic and community development	16,365,446	6,310,190	159%	(9,719,247)	136,643	7213%
Interest on Long-Term Debt	693,242	16,399,798	-96%	(693,242)	(16,399,798)	96%
Totals	<u>\$ 142,461,789</u>	<u>\$ 123,721,855</u>	15%	<u>\$(100,592,673)</u>	<u>\$ (87,288,108)</u>	-15%

Business-Type Activities

Revenues of the City's business-type activities decreased by 3%, decreasing to \$44.6 million in 2022 from \$45.9 million in 2021. Expenses related to these activities decreased by \$62.7 million, or 55%. The large decrease was due to a transfer of funds to the debt service fund for a large debt payment during 2021.

	Total Cost of Services		% Inc (Dec)	Net Cost of Services		% Inc (Dec)
	2022	2021		2022	2021	
Business-Type Activities:						
Sewer	\$ 31,983,766	\$ 33,240,846	-4%	\$ (7,306,479)	\$ (7,793,262)	6%
Water	524,939	524,939	0%	(524,939)	(524,939)	0%
Refuse	8,812,232	8,423,317	5%	249,615	1,273,064	80%
Other proprietary funds	735,069	615,591	19%	(261,624)	(161,928)	-62%
Totals	<u>\$ 42,056,006</u>	<u>\$ 42,804,693</u>	-2%	<u>\$ (7,843,427)</u>	<u>\$ (7,207,065)</u>	-9%

CITY OF ERIE, PENNSYLVANIA
MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2022

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets. The City's capital assets as of December 31, 2022, amounted to \$130,205,018 (net of accumulated depreciation). This investment, detailed below, is a broad range of capital assets including police and fire equipment, buildings, streets, and water and sewer lines. This amount represents a net increase (including additions and deductions) of \$13.6 million, or 12%, over the prior year.

	Governmental Activities		% Inc (Dec)	Business-Type Activities		% Inc (Dec)	Total		% Inc (Dec)
	2022	2021		2022	2021		2022	2021	
Land	\$ 14,005,150	\$ 14,005,150	0%	\$ 730,999	\$ 730,999	0%	\$ 14,736,149	\$ 14,736,149	0%
Construction in progress	-	-	0%	16,676,665	1,550,095	976%	16,676,665	1,550,095	976%
Building and improvements Improvements other than buildings	2,147,403	2,384,260	-10%	7,115,378	14,698,729	-52%	9,262,781	17,082,989	-46%
	2,598,723	2,321,034	12%	5,658,800	6,562,092	-14%	8,257,523	8,883,126	-7%
Equipment and vehicles	7,416,359	4,980,536	49%	27,413,912	27,859,845	-2%	34,830,271	32,840,381	6%
Infrastructure	42,605,295	38,057,369	12%	3,811,150	3,398,694	12%	46,416,445	41,456,063	12%
Right of use equipment	25,184	33,578	-25%	-	-	0%	25,184	33,578	-25%
Capital assets, net	<u>\$ 68,798,114</u>	<u>\$ 61,781,927</u>	11%	<u>\$ 61,406,904</u>	<u>\$ 54,800,454</u>	12%	<u>\$ 130,205,018</u>	<u>\$ 116,582,381</u>	12%

There were several major fixed-asset additions during 2022 that can be found in the table in Note 5 that summarizes governmental activities during the year. The large increase in additions was due to the use of American Rescue Plan Act funds on capital improvements to the City. Significant capital purchases for 2022 include police body and vehicle cameras, software and IT updates, and significant improvements to several roads and sewer lines around the City.

Additional information on the City's capital assets can be found in Note 5 of the basic financial statements.

Long-term Debt: As of December 31, 2022, the City's total long-term debt outstanding is \$129,083,876. This amount was comprised of general obligation bonds, notes, and leases payable, and the accrued interest associated with those obligations.

	Governmental Activities		% Inc (Dec)	Business-Type Activities		% Inc (Dec)	Total		% Inc (Dec)
	2022	2021		2022	2021		2022	2021	
Accrued interest	\$ 20,230	\$ 20,231	0%	\$ 220,882	\$ 221,061	0%	\$ 241,112	\$ 241,292	0%
Bonds, notes, and leases payable	49,201,271	48,864,119	1%	79,641,493	82,196,443	-3%	128,842,764	131,060,562	-2%
Total	<u>\$ 49,221,501</u>	<u>\$ 48,884,350</u>	1%	<u>\$ 79,862,375</u>	<u>\$ 82,417,504</u>	-3%	<u>\$ 129,083,876</u>	<u>\$ 131,301,854</u>	-2%

The City's long-term debt decreased by \$2.2 million, or 2%, during 2022.

- *Bond Ratings.* For 2022, the City's debt rating remained at "A" with a stable outlook by Standard & Poor's credit rating service. The City had previously held the rating of "A" with a stable outlook since 2015. Insurance has been purchased to guarantee repayment of certain City indentures.
- The City adopted GASB 87 for the year ended December 31, 2022. This resulted in additional notes payable and leases payable that are now being reported in long-term liabilities.

CITY OF ERIE, PENNSYLVANIA
MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2022

THE CITY'S FUNDS

At the close of the City's fiscal year on December 31, 2022, the governmental funds at the City reported a combined fund balance of \$89,191,007. This ending balance includes a fund balance increase of \$4.1 million in the City's General Fund, \$9 thousand in the Debt Service Fund, \$1.2 million in the City's HUD Fund, \$1 million in the City's Other Grants Fund, \$19 thousand in the ARPA Fund, and decreases of \$3 million in the Capital Improvements fund, \$3.4 million in the General Obligation Bond Fund, and \$1 thousand in the City's Other Governmental Funds.

It is important to note that portions of the City's combined ending fund balance fall into various subcategories of fund balance based on their form, or based on limitations assigned to them by grantors, creditors, contributors, or the City's seven-member council. Contained within the ending fund balance is \$31.3 million in nonspendable fund balance, \$830 thousand in committed fund balance, \$34 million in restricted fund balance, and \$23 million in unassigned fund balance.

General Fund Budgetary Highlights

For 2022, actual budgeted expenditures were \$95,509,132 resulting in a negative variance of \$4,893,070. These totals do not include interfund transfers.

Additionally, budgeted revenues were \$94,818,922 resulting in a negative variance of \$2,091,159. The differences in budget to actual were driven by less tax revenue collected than anticipated. These totals do not include interfund transfers, which represent a significant source of general fund revenue.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The City's elected and appointed officials considered many factors when setting the 2023 budget, such as the rates and fees that will be charged for the business-type activities. The total General Fund budget appropriation is \$97.6 million. This represents a 2% increase from the 2022 original budget.

The General Fund's largest single revenue source is property taxes. The property tax rate for 2022 is 13.12 mills (\$0.01312 per \$1,000 valuation). Prior to 2022, City Council last voted to increase the property tax rate in 2019. A total of \$1.5 million in real estate taxes collected in 2022 are to be used for debt service. The General Fund's portion of current year property tax revenue for 2022 is estimated to be \$38.1 million.

Earned income taxes provide another significant source of revenue to the General Fund. In December 2019, City Council voted to increase the City's special-levy, a tax on the earned income of City residents, and of individuals who do not reside in the City, but work within the geographical limits of the City. That figure was raised from a rate of 0.18% to 0.65%. This increase was part of a strategy to improve the financial condition of the City's pension plans. By law, special-levy revenue is used exclusively for employee pension contributions.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This 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 Finance and Administration, 626 State Street – Room 309, Erie, Pennsylvania 16501.

CITY OF ERIE, PENNSYLVANIA
STATEMENT OF NET POSITION
DECEMBER 31, 2022

	Primary Government			Discretely Presented Component Units
	Governmental Activities	Business-Type Activities	Total	
Assets				
Current Assets				
Cash and Cash Equivalents	\$ 83,245,111	\$ 7,309,361	\$ 90,554,472	\$ 35,683,132
Investments	12,015,785	-	12,015,785	-
Receivables, (net of allowance for uncollectibles)	12,324,923	6,782,045	19,106,968	3,217,508
Leases Receivable, Current Portion	-	-	-	131,530
Inventories	-	-	-	226,327
Prepaid Items	-	-	-	502,710
Restricted Assets				
Cash and Cash Equivalents	8,881,624	22,466,489	31,348,113	7,173,423
Investments	-	4,985,360	4,985,360	-
Total Current Assets	116,467,443	41,543,255	158,010,698	46,934,630
Non-Current Assets				
Capital Assets				
Non-Depreciable	14,005,150	17,407,664	31,412,814	4,444,835
Depreciable, (net)	54,792,964	43,999,240	98,792,204	105,495,136
Total Capital Assets	68,798,114	61,406,904	130,205,018	109,939,971
Net Pension Asset	-	-	-	52,231
Leases Receivable, Net of Current Portion	-	-	-	372,683
Long-Term Notes Receivable	31,300,802	-	31,300,802	152,637
Total Non-Current Assets	100,098,916	61,406,904	161,505,820	110,517,522
Total Assets	216,566,359	102,950,159	319,516,518	157,452,152
Deferred Outflows of Resources				
Deferred Outflows Related to Debt Refundings	1,965,678	5,990,496	7,956,174	306,489
Deferred Outflows Related to OPEB	10,512,570	-	10,512,570	1,569,587
Deferred Outflows Related to Pension	44,590,497	6,493,189	51,083,686	828,925
Total Deferred Outflows of Resources	57,068,745	12,483,685	69,552,430	2,705,001
Liabilities				
Current Liabilities				
Accounts Payable	733,329	754,583	1,487,912	1,736,328
Accrued Liabilities	2,525,030	285,415	2,810,445	574,016
Other Current Liabilities	66,030	-	66,030	-
Accrued Interest Payable	20,230	220,882	241,112	374,161
Unearned Revenue - Current	45,955,816	540,575	46,496,391	27,703,592
Current Portion of Bonds, Notes, and Leases Payable	44,981	2,673,635	2,718,616	1,792,959
Total Current Liabilities	49,345,416	4,475,090	53,820,506	32,181,056
Non-Current Liabilities				
Compensated Absences	8,777,571	262,386	9,039,957	1,134,985
Bonds, Notes, and Leases Payable	49,156,290	76,967,858	126,124,148	31,226,280
Total OPEB Liability	31,114,390	-	31,114,390	7,678,267
Claims Liability	244,742	-	244,742	-
Net Pension Liability	170,981,836	15,604,135	186,585,971	810,774
Unearned Revenue - Non-Current	289,190	-	289,190	-
Total Non-Current Liabilities	260,564,019	92,834,379	353,398,398	40,850,306
Total Liabilities	309,909,435	97,309,469	407,218,904	73,031,362
Deferred Inflows of Resources				
Deferred Inflows Related to OPEB	2,696,304	-	2,696,304	376,379
Deferred Inflows Related to Pension	2,454,774	263,106	2,717,880	618,379
Deferred Inflows Related to Leases	-	97,358,336	97,358,336	492,684
Total Deferred Inflows of Resources	5,151,078	97,621,442	102,772,520	1,487,442
Net Position				
Net Investment in Capital Assets	23,152,843	(18,234,589)	4,918,254	81,511,572
Restricted for				
Notes Receivable - Non-Current	31,300,802	-	31,300,802	-
Debt Service	31,606	-	31,606	2,106,343
Pension	8,374,067	-	8,374,067	52,231
Capital Projects	13,585,041	-	13,585,041	1,130,227
Other	12,677,779	27,451,849	40,129,628	10,495
Unrestricted	(130,547,547)	(88,714,327)	(219,261,874)	827,481
Total Net Position	\$ (41,425,409)	\$ (79,497,067)	\$ (120,922,476)	\$ 85,638,349

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

CITY OF ERIE, PENNSYLVANIA
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2022

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes In Net Position			Discretely Presented Component Units
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total	
Governmental Activities:								
General Government	\$ 23,911,163	\$ 446,002	\$ 22,044,848	\$ -	\$ (1,420,313)	\$ -	\$ (1,420,313)	\$ -
Public Safety	79,013,145	-	6,199,079	-	(72,814,066)	-	(72,814,066)	-
Highway and Streets	19,189,450	-	6,330,594	-	(12,858,856)	-	(12,858,856)	-
Culture and Recreation	3,289,343	-	202,394	-	(3,086,949)	-	(3,086,949)	-
Economic and Community Development	16,365,446	-	6,646,199	-	(9,719,247)	-	(9,719,247)	-
Interest on Long-Term Debt	693,242	-	-	-	(693,242)	-	(693,242)	-
Total Governmental Activities	142,461,789	446,002	41,423,114	-	(100,592,673)	-	(100,592,673)	-
Business-Type Activities:								
Sewer	31,983,766	24,677,287	-	-	-	(7,306,479)	(7,306,479)	-
Water	524,939	-	-	-	-	(524,939)	(524,939)	-
Refuse	8,812,232	9,061,847	-	-	-	249,615	249,615	-
Other Proprietary Funds	735,069	473,445	-	-	-	(261,624)	(261,624)	-
Total Business-Type Activities	42,056,006	34,212,579	-	-	-	(7,843,427)	(7,843,427)	-
Total Primary Government	<u>\$ 184,517,795</u>	<u>\$ 34,658,581</u>	<u>\$ 41,423,114</u>	<u>\$ -</u>	<u>(100,592,673)</u>	<u>(7,843,427)</u>	<u>(108,436,100)</u>	<u>-</u>
Discretely Presented Component Units	<u>\$ 32,241,432</u>	<u>\$ 11,108,767</u>	<u>\$ 17,735,492</u>	<u>\$ 6,874,544</u>				<u>3,477,371</u>
General Revenues								
Taxes								
Property Taxes					41,404,685	-	41,404,685	-
Income Taxes					29,272,343	-	29,272,343	-
Other					4,822,586	-	4,822,586	-
Licenses and Permits					3,980,489	-	3,980,489	-
Fines and Forfeits					1,430,478	-	1,430,478	-
Investment Income					-	582,851	582,851	180,610
Miscellaneous					2,595,669	3,445,721	6,041,390	34,001
Rental Income					-	6,413,084	6,413,084	-
Loan Forgiveness					-	-	-	24,504
Transfers, net					10,483,119	(10,483,119)	-	-
Total General Revenues and Transfers					<u>93,989,369</u>	<u>(41,463)</u>	<u>93,947,906</u>	<u>239,115</u>
Changes in Net Position					(6,603,304)	(7,884,890)	(14,488,194)	3,716,486
Net Position - Beginning of Year, as Restated (Note 18)					<u>(34,822,105)</u>	<u>(71,612,177)</u>	<u>(106,434,282)</u>	<u>81,921,863</u>
Net Position - End of Year					<u>\$ (41,425,409)</u>	<u>\$ (79,497,067)</u>	<u>\$ (120,922,476)</u>	<u>\$ 85,638,349</u>

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

CITY OF ERIE, PENNSYLVANIA
BALANCE SHEET – GOVERNMENTAL FUNDS
DECEMBER 31, 2022

	General Fund	Debt Service Fund	HUD Programs Fund	Other Grants Fund
Assets				
Cash and Cash Equivalents	\$ 17,204,004	\$ 31,606	\$ 28,843	\$ 8,734,149
Investments	-	-	-	-
Restricted Cash and Cash Equivalents	8,374,067	-	-	-
Property Tax Receivable	2,825,649	-	-	-
Earned Income and Local Services Tax Receivable	7,191,822	-	-	-
Liens Receivable	78,321	-	-	-
Due from Other Governments	8,617	-	389,515	343,196
Notes Receivable - Current	-	-	-	810,463
Other Receivables	647,116	-	-	-
Notes Receivable, Net of Current Portion	-	-	16,378,660	13,182,811
Total Assets	36,329,596	31,606	16,797,018	23,070,619
Liabilities				
Accounts Payable	322,502	-	223,388	131,256
Accrued Payroll and Related	2,255,741	-	-	7,726
Unearned Revenue	-	-	-	253,124
Other Liabilities	66,030	-	-	-
Total Liabilities	2,644,273	-	223,388	392,106
Deferred Inflows of Resources				
Unavailable Revenue	2,284,514	-	-	-
Total Deferred Inflows of Resources	2,284,514	-	-	-
Total Liabilities and Deferred Inflows of Resources	4,928,787	-	223,388	392,106
Fund Balances				
Non-spendable				
Long-Term Receivables	-	-	16,378,660	13,182,811
Restricted				
Capital Projects	-	-	-	-
Pension	8,374,067	-	-	-
Economic and Community Development	-	-	-	9,495,702
Debt Service	-	31,606	-	-
Highways and Streets	-	-	-	-
HUD Programs	-	-	194,970	-
Committed	-	-	-	-
Unassigned	23,026,742	-	-	-
Total Fund Balances	31,400,809	31,606	16,573,630	22,678,513
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 36,329,596	\$ 31,606	\$ 16,797,018	\$ 23,070,619

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

CITY OF ERIE, PENNSYLVANIA
BALANCE SHEET – GOVERNMENTAL FUNDS (CONTINUED)
DECEMBER 31, 2022

	Capital Improvements Fund	General Obligation Bond Fund	ARP Fund	Other Governmental Funds	Total Governmental Funds
Assets					
Cash and Cash Equivalents	\$ 1,084,280	\$ 506,042	\$ 45,975,332	\$ 3,202,570	\$ 76,766,826
Investments	12,015,785	-	-	-	12,015,785
Restricted Cash and Cash Equivalents	-	-	-	-	8,374,067
Property Tax Receivable	-	-	-	-	2,825,649
Earned Income and Local Services Tax Receivable	-	-	-	-	7,191,822
Liens Receivable	-	-	-	-	78,321
Due from Other Governments	-	-	-	-	741,328
Notes Receivable - Current	-	-	-	-	810,463
Other Receivables	15,000	-	-	6,642	668,758
Notes Receivable, Net of Current Portion	1,739,331	-	-	-	31,300,802
Total Assets	14,854,396	506,042	45,975,332	3,209,212	140,773,821
Liabilities					
Accounts Payable	-	-	-	46,651	723,797
Accrued Payroll and Related	-	-	-	-	2,263,467
Unearned Revenue	36,066	-	45,955,816	-	46,245,006
Other Liabilities	-	-	-	-	66,030
Total Liabilities	36,066	-	45,955,816	46,651	49,298,300
Deferred Inflows of Resources					
Unavailable Revenue	-	-	-	-	2,284,514
Total Deferred Inflows of Resources	-	-	-	-	2,284,514
Total Liabilities and Deferred Inflows of Resources	36,066	-	45,955,816	46,651	51,582,814
Fund Balances					
Nonspendable					
Long-Term Receivables	1,739,331	-	-	-	31,300,802
Restricted					
Capital Projects	13,078,999	506,042	-	-	13,585,041
Pension	-	-	-	-	8,374,067
Economic and Community Development	-	-	19,516	-	9,515,218
Debt Service	-	-	-	-	31,606
Highways and Streets	-	-	-	2,332,375	2,332,375
HUD Programs	-	-	-	-	194,970
Committed	-	-	-	830,186	830,186
Unassigned	-	-	-	-	23,026,742
Total Fund Balances	14,818,330	506,042	19,516	3,162,561	89,191,007
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 14,854,396	\$ 506,042	\$ 45,975,332	\$ 3,209,212	\$ 140,773,821

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

CITY OF ERIE, PENNSYLVANIA
 RECONCILIATION OF THE BALANCE SHEET – GOVERNMENTAL FUNDS
 TO THE STATEMENT OF NET POSITION
 DECEMBER 31, 2022

Amounts reported for governmental activities in the Statement of Net Position because:

Funds Balances - Total Governmental Funds \$ 89,191,007

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. The cost of the assets is \$155,595,363 and the accumulated depreciation is \$93,962,821. 68,798,114

Revenues not available to pay for current period expenditures and therefore reported as deferred inflows of resources in the funds:
 Real Estate Taxes 2,284,514

Long-term liabilities are not due and payable in the current period and accordingly are not reported as fund liabilities. Both current and long-term liabilities are reported in the Statement of Net Position. Long-term liabilities at year-end consist of:

Deferred Outflows Related to Debt Refundings	1,965,678	
Deferred Outflows Related to OPEB	10,512,570	
Deferred Outflows Related to Pension	44,590,497	
Accrued Interest	(20,230)	
Bonds, Notes, and Leases Payable	(49,201,271)	
Net Pension Liability	(170,981,836)	
Total OPEB Liability	(31,114,390)	
Deferred Inflows Related to OPEB	(2,696,304)	
Deferred Inflows Related to Pension	(2,454,774)	
Compensated Absences	<u>(8,777,571)</u>	(208,177,631)

Internal Service Funds are used by management to charge costs of certain activities to individual funds. The assets and liabilities of the Internal Service Fund are reported with governmental activities. 6,478,587

Total Net Position of Governmental Activities \$ (41,425,409)

CITY OF ERIE, PENNSYLVANIA
 STATEMENT OF REVENUES, EXPENSES, AND CHANGES
 IN FUND BALANCES – GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED DECEMBER 31, 2022

	General Fund	Debt Service Fund	HUD Programs Fund	Other Grants Fund
Revenues				
Taxes	\$ 75,403,441	\$ 1,512,807	\$ -	\$ -
Licenses and Permits	3,977,839	-	4,025	-
Intergovernmental	11,063,403	-	5,611,416	5,671,669
Charges for Services	444,627	-	-	-
Fines and Forfeits	1,430,478	-	-	-
Contributions	184,095	-	-	150
Investment Income	134,647	32	-	346,667
Miscellaneous	89,233	6,037	82,708	583,360
Total Revenues	<u>92,727,763</u>	<u>1,518,876</u>	<u>5,698,149</u>	<u>6,601,846</u>
Expenditures				
General Government	19,865,306	(2,356)	-	469,634
Public Safety	65,371,345	-	-	541,137
Highways and Streets	11,850,277	-	-	-
Culture and Recreation	2,076,495	-	-	-
Economic and Community Development	1,238,087	-	3,794,745	742,187
Capital Outlay	-	-	694,594	3,834,706
Debt Service				
Principal	85	37,095	-	6,500
Interest	607	171,401	-	-
Total Expenditures	<u>100,402,202</u>	<u>206,140</u>	<u>4,489,339</u>	<u>5,594,164</u>
Excess (Deficiency) of Revenues Over Expenditures	(7,674,439)	1,312,736	1,208,810	1,007,682
Other Financing Sources (Uses)				
Operating Transfers In	16,483,119	-	-	6,050,000
Operating Transfers Out	(4,696,983)	(1,303,017)	-	(6,050,000)
Proceeds from Sale of Assets	2,327	-	-	-
Total Other Financing Sources and (Uses)	<u>11,788,463</u>	<u>(1,303,017)</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balances	4,114,024	9,719	1,208,810	1,007,682
Fund Balance - Beginning of Year	<u>27,286,785</u>	<u>21,887</u>	<u>15,364,820</u>	<u>21,670,831</u>
Fund Balance - End of Year	<u>\$ 31,400,809</u>	<u>\$ 31,606</u>	<u>\$ 16,573,630</u>	<u>\$ 22,678,513</u>

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

CITY OF ERIE, PENNSYLVANIA
STATEMENT OF REVENUES, EXPENSES, AND CHANGES
IN FUND BALANCES – GOVERNMENTAL FUNDS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2022

	Capital Improvements Fund	General Obligation Bond Fund	ARP Fund	Other Governmental Funds	Total Governmental Funds
Revenues					
Taxes	\$ -	\$ -	\$ -	\$ -	\$ 76,916,248
Licenses and Permits	-	-	-	-	3,981,864
Intergovernmental	156,000	-	16,577,559	2,987,455	42,067,502
Charges for Services	-	-	-	-	444,627
Fines and Forfeits	-	-	-	-	1,430,478
Contributions	-	-	-	-	184,245
Investment Income	(2,503,858)	3,579	19,516	2,417	(1,997,000)
Miscellaneous	5,340	-	-	104,099	870,777
Total Revenues	<u>(2,342,518)</u>	<u>3,579</u>	<u>16,597,075</u>	<u>3,093,971</u>	<u>123,898,741</u>
Expenditures					
General Government	-	-	-	-	20,332,584
Public Safety	10,463	-	-	-	65,922,945
Highways and Streets	-	-	302,006	1,457,532	13,609,815
Culture and Recreation	-	-	1,101,650	-	3,178,145
Economic and Community Development	-	-	9,980,937	-	15,755,956
Capital Outlay	653,799	3,434,755	5,192,966	1,637,614	15,448,434
Debt Service					
Principal	-	-	-	-	43,680
Interest	-	-	-	-	172,008
Total Expenditures	<u>664,262</u>	<u>3,434,755</u>	<u>16,577,559</u>	<u>3,095,146</u>	<u>134,463,567</u>
Excess (Deficiency) of Revenues Over Expenditures	(3,006,780)	(3,431,176)	19,516	(1,175)	(10,564,826)
Other Financing Sources (Uses)					
Operating Transfers In	-	-	-	-	22,533,119
Operating Transfers Out	-	-	-	-	(12,050,000)
Proceeds from Sale of Assets	-	-	-	-	2,327
Total Other Financing Sources and (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>10,485,446</u>
Net Change in Fund Balances	(3,006,780)	(3,431,176)	19,516	(1,175)	(79,380)
Fund Balance - Beginning of Year	17,825,110	3,937,218	-	3,163,736	89,270,387
Fund Balance - End of Year	<u>\$ 14,818,330</u>	<u>\$ 506,042</u>	<u>\$ 19,516</u>	<u>\$ 3,162,561</u>	<u>\$ 89,191,007</u>

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

CITY OF ERIE, PENNSYLVANIA
 RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
 IN FUND BALANCES – GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
 FOR THE YEAR ENDED DECEMBER 31, 2022

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

Net change in fund balances - total governmental funds		\$ (79,380)
Governmental funds report capital outlays as expenditures.		
Capital outlays	15,448,434	
Depreciation and amortization expense	<u>(8,432,247)</u>	7,016,187
The issuance of long-term debt provides current financial resources to governmental funds while the repayment of long-term debt is reported as expenditures in governmental funds; however, they are reported as an addition or reduction of long-term liabilities in the statement of net position. In the current year, these amounts are:		
Principal repayments	43,680	
Amortization on debt related items	(58,561)	
Accretion on capital appreciation bonds	<u>(462,675)</u>	(477,556)
Governmental funds do not report the changes in compensated absences:		163,108
Governmental funds do not report the changes in the Other Post		
Change in OPEB liability	2,710,058	
Change in deferred Inflows - OPEB	(2,130,603)	
Change in deferred outflows - OPEB	<u>(2,231,494)</u>	(1,652,039)
Governmental funds do not report the changes in net pension liability and other related items:		
Change in net pension liability	(62,742,065)	
Change in deferred outflows - pensions	19,456,330	
Change in deferred inflows - pensions	<u>31,055,070</u>	(12,230,665)
Real estate taxes reported in the funds include receipt of prior year delinquent taxes and do not include revenue attributable to the current year's delinquent tax receivable. This amount is the net effect of these differences.		
Current year	2,284,514	
Prior year	<u>(2,577,965)</u>	(293,451)
The revenues and expenses of the internal service fund are reported with governmental activities.		<u>950,492</u>
Changes in net position of governmental activities		<u>\$ (6,603,304)</u>

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

CITY OF ERIE, PENNSYLVANIA
STATEMENT OF NET POSITION – PROPRIETARY FUNDS
DECEMBER 31, 2022

	Sewer Revenue Fund	Water Revenue Fund	Refuse and Recycling Fund	Other Proprietary Funds
Assets				
Current Assets				
Cash and Cash Equivalents	\$ 4,816,997	\$ -	\$ 1,605,218	\$ 883,309
Restricted Cash and Cash Equivalents	-	-	-	-
Restricted Investments	-	-	-	-
Accounts Receivable	3,212,308	-	2,297,766	-
Due from Other Governments	4,949	-	-	-
Other Receivables	1,192,057	-	-	-
Total Current Assets	9,226,311	-	3,902,984	883,309
Non-Current Assets				
Capital Assets				
Land	-	592,369	-	138,630
Construction in Progress	-	-	-	-
Buildings and Improvements	1,206,797	7,438,273	183,276	505,732
Improvements Other than Building	150,475	26,501,061	39,468	968,764
Equipment and Vehicles	7,980,748	815,519	7,779,822	754,125
Infrastructure	6,666,723	-	-	-
Less: Accumulated Depreciation	<u>(10,659,982)</u>	<u>(28,997,688)</u>	<u>(6,506,139)</u>	<u>(1,930,605)</u>
Total Capital Assets, (net)	5,344,761	6,349,534	1,496,427	436,646
Unamortized Original Issue Discount, (net)	-	-	-	-
Total Non-Current Assets	5,344,761	6,349,534	1,496,427	436,646
Total Assets	14,571,072	6,349,534	5,399,411	1,319,955
Deferred Outflows of Resources				
Deferred Outflows Related to Debt Refunding	-	-	-	-
Deferred Outflows Related to Pensions	4,687,485	-	1,676,481	129,223
Total Deferred Outflows of Resources	4,687,485	-	1,676,481	129,223
Liabilities				
Current Liabilities				
Accounts Payable	140,501	-	116,209	2,586
Accrued Payroll and Related	197,193	-	84,279	3,943
Unearned Revenue	529,070	-	-	11,504
Accrued Interest Payable	1,509	-	-	-
Current Portion of Bonds Payable	-	-	-	-
Total Current Liabilities	868,273	-	200,488	18,033
Non-Current Liabilities				
Compensated Absences Payable	199,357	-	59,058	3,971
Claims and Judgments Payable	-	-	-	-
Net Pension Liability	11,313,582	-	4,045,914	244,639
General Obligations Bonds Payable	6,839,307	-	-	-
Total Non-Current Liabilities	18,352,246	-	4,104,972	248,610
Total Liabilities	19,220,519	-	4,305,460	266,643
Deferred Inflows of Resources				
Deferred Inflows Related to Pensions	178,107	97,358,336	59,835	25,164
Total Deferred Inflows of Resources	178,107	97,358,336	59,835	25,164
Net Position				
Net Investment in Capital Assets	(1,494,546)	6,349,534	1,496,427	436,646
Restricted	-	-	-	-
Unrestricted	1,354,477	(97,358,336)	1,214,170	720,725
Total Net Position	\$ (140,069)	\$ (91,008,802)	\$ 2,710,597	\$ 1,157,371

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

CITY OF ERIE, PENNSYLVANIA
STATEMENT OF NET POSITION – PROPRIETARY FUNDS (CONTINUED)
DECEMBER 31, 2022

Assets	Erie Sewer Authority	Totals	Governmental Activities - Internal Services
Current Assets			
Cash and Cash Equivalents	\$ 3,837	\$ 7,309,361	\$ 6,478,285
Restricted Cash and Cash Equivalents	22,466,489	22,466,489	507,557
Restricted Investments	4,985,360	4,985,360	-
Accounts Receivable	-	5,510,074	-
Due from Other Governments	-	4,949	-
Other Receivables	74,965	1,267,022	8,582
Total Current Assets	<u>27,530,651</u>	<u>41,543,255</u>	<u>6,994,424</u>
Non-Current Assets			
Capital Assets			
Land	-	730,999	-
Construction in Progress	16,676,665	16,676,665	-
Buildings and Improvements	132,169,256	141,503,334	-
Improvements Other than Building	-	27,659,768	-
Equipment and Vehicles	24,300,729	41,630,943	-
Infrastructure	-	6,666,723	-
Less: Accumulated Depreciation	(125,367,114)	(173,461,528)	-
Total Capital Assets, (net)	<u>47,779,536</u>	<u>61,406,904</u>	<u>-</u>
Unamortized Original Issue Discount, (net)	-	-	-
Total Non-Current Assets	<u>47,779,536</u>	<u>61,406,904</u>	<u>-</u>
Total Assets	<u>75,310,187</u>	<u>102,950,159</u>	<u>6,994,424</u>
Deferred Outflows of Resources			
Deferred Outflows Related to Debt Refunding	5,990,496	5,990,496	-
Deferred Outflows Related to Pensions	-	6,493,189	-
Total Deferred Outflows of Resources	<u>5,990,496</u>	<u>12,483,685</u>	<u>-</u>
Liabilities			
Current Liabilities			
Accounts Payable	495,288	754,584	9,532
Accrued Payroll and Related	-	285,415	261,563
Unearned Revenue	-	540,574	-
Accrued Interest Payable	219,373	220,882	-
Current Portion of Bonds Payable	2,673,635	2,673,635	-
Total Current Liabilities	<u>3,388,296</u>	<u>4,475,090</u>	<u>271,095</u>
Non-Current Liabilities			
Compensated Absences Payable	-	262,386	-
Claims and Judgments Payable	-	-	244,742
Net Pension Liability	-	15,604,135	-
General Obligations Bonds Payable	70,128,551	76,967,858	-
Total Non-Current Liabilities	<u>70,128,551</u>	<u>92,834,379</u>	<u>244,742</u>
Total Liabilities	<u>73,516,847</u>	<u>97,309,469</u>	<u>515,837</u>
Deferred Inflows of Resources			
Deferred Inflows Related to Pensions	-	97,621,442	-
Total Deferred Inflows of Resources	<u>-</u>	<u>97,621,442</u>	<u>-</u>
Net Position			
Net Investment in Capital Assets	(25,022,650)	(18,234,589)	-
Restricted	27,451,849	27,451,849	-
Unrestricted	5,354,637	(88,714,327)	6,478,587
Total Net Position	<u>\$ 7,783,836</u>	<u>\$ (79,497,067)</u>	<u>\$ 6,478,587</u>

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

CITY OF ERIE, PENNSYLVANIA
STATEMENT OF REVENUES, EXPENSES, AND CHANGES
IN NET POSITION – PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2022

	Sewer Revenue Fund	Water Revenue Fund	Refuse and Recycling Fund	Other Proprietary Funds
Operating Revenues				
Intergovernmental Revenue	\$ 289,000	\$ -	\$ 102,000	\$ -
Charges for Services	24,719,025	-	9,061,847	473,445
Lease Rental	-	-	-	-
Rental Income	-	2,562,061	-	149,901
Miscellaneous	171,929	-	127,031	-
Total Operating Revenues	<u>25,179,954</u>	<u>2,562,061</u>	<u>9,290,878</u>	<u>623,346</u>
Operating Expenses				
Personnel Services	4,539,859	-	2,873,464	322,673
Other Personnel Services	5,379,641	-	2,039,054	86,581
Services and Fees	3,618,606	-	3,047,070	43,128
Utilities	1,745,700	-	17,299	26,387
Rent	639	-	346	35,085
Insurance	479,260	-	218,256	27,095
Materials and Supplies	1,711,729	-	175,600	128,340
Insurance Claims	-	-	-	-
Depreciation and Amortization	466,370	524,939	441,143	64,319
Leases	6,358,934	-	-	-
Other Expenses	1,963	-	-	1,460
Total Operating Expenses	<u>24,302,701</u>	<u>524,939</u>	<u>8,812,232</u>	<u>735,068</u>
Operating Income (Loss)	877,253	2,037,122	478,646	(111,722)
Non-Operating Revenues (Expenses)				
Intergovernmental Revenue	-	-	-	2,060
Investment Earnings	2,048	-	4,588	436
Bond Issue Costs	-	-	-	-
Interest Expense	(6,037)	-	-	-
Total Nonoperating Revenue (Expenses)	<u>(3,989)</u>	<u>-</u>	<u>4,588</u>	<u>2,496</u>
Total Income (Loss) Before Transfers	873,264	2,037,122	483,234	(109,226)
Transfers In	285,398	-	-	-
Transfers (Out)	(500,001)	(9,583,119)	(685,397)	-
Change in Net Position	658,661	(7,545,997)	(202,163)	(109,226)
Net Position - Beginning of Year, as Restated (Note 18)	<u>(798,730)</u>	<u>(83,462,805)</u>	<u>2,912,760</u>	<u>1,266,597</u>
Net Position - End of Year	<u>\$ (140,069)</u>	<u>\$ (91,008,802)</u>	<u>\$ 2,710,597</u>	<u>\$ 1,157,371</u>

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

CITY OF ERIE, PENNSYLVANIA
STATEMENT OF REVENUES, EXPENSES, AND CHANGES
IN NET POSITION – PROPRIETARY FUNDS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2022

	Erie Sewer Authority	Totals	Governmental Activities - Internal Service
Operating Revenues			
Intergovernmental Revenue	\$ -	\$ 391,000	\$ -
Charges for Services	-	34,254,317	14,582,782
Lease Rental	6,413,084	6,413,084	-
Rental Income	-	2,711,962	-
Miscellaneous	-	298,960	-
Total Operating Revenues	<u>6,413,084</u>	<u>44,069,323</u>	<u>14,582,782</u>
Operating Expenses			
Personnel Services	-	7,735,996	-
Other Personnel Services	-	7,505,276	-
Services and Fees	14,982	6,723,786	147,291
Utilities	-	1,789,386	-
Rent	-	36,070	-
Insurance	-	724,611	1,426,479
Materials and Supplies	-	2,015,669	-
Insurance Claims	-	-	12,060,448
Depreciation and Amortization	3,836,709	5,333,480	-
Leases	-	6,358,934	-
Other Expenses	99,034	102,457	-
Total Operating Expenses	<u>3,950,725</u>	<u>38,325,665</u>	<u>13,634,218</u>
Operating Income (Loss)	2,462,359	5,743,658	948,564
Non-Operating Revenues (Expenses)			
Intergovernmental Revenue	-	2,060	-
Investment Earnings	575,778	582,850	1,928
Bond Issue Costs	-	-	-
Interest Expense	(3,724,302)	(3,730,339)	-
Total Nonoperating Revenue (Expenses)	<u>(3,148,524)</u>	<u>(3,145,429)</u>	<u>1,928</u>
Total Income (Loss) Before Transfers	(686,165)	2,598,229	950,492
Transfers In	-	285,398	-
Transfers (Out)	-	(10,768,517)	-
Change in Net Position	(686,165)	(7,884,890)	950,492
Net Position - Beginning of Year, as Restated (Note 18)	8,470,001	(71,612,177)	5,528,095
Net Position - End of Year	<u>\$ 7,783,836</u>	<u>\$ (79,497,067)</u>	<u>\$ 6,478,587</u>

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

CITY OF ERIE, PENNSYLVANIA
STATEMENT OF CASH FLOWS – PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2022

	Sewer Revenue Fund	Water Revenue Fund	Refuse and Recycling Fund	Other Proprietary Funds
Cash Flows from Operating Activities				
Receipts from Customers, Users, and Other	\$ 24,649,246	\$ -	\$ 9,120,063	\$ 623,346
Receipts from Interfund Services Provided	-	-	-	-
Payments to Suppliers	(13,975,556)	-	(3,431,282)	(261,620)
Payments to Employees	(11,238,259)	-	(4,918,457)	(409,000)
Payments from Other Operating Activities	1,445,877	-	519,792	18,703
Net Cash Provided by (Used in) Operating Activities	<u>881,308</u>	<u>-</u>	<u>1,290,116</u>	<u>(28,571)</u>
Cash Flows from Noncapital Financing Activities				
Transfers (to) from Other Funds	(214,603)	(9,583,119)	(685,397)	-
Net Cash Provided by (Used in) Noncapital Financing Activities	<u>(214,603)</u>	<u>(9,583,119)</u>	<u>(685,397)</u>	<u>-</u>
Cash Flows from Capital and Related Financing Activities				
Acquisition and Construction of Capital Assets	(398,477)	-	(612,756)	-
Miscellaneous Cash Receipts	-	-	-	2,060
Interest Paid on Capital Debt	(6,037)	-	-	-
Principal Paid on Capital Debt	-	-	-	-
Net Cash Provided by (Used in) Capital and Related Financing Activities	<u>(404,514)</u>	<u>-</u>	<u>(612,756)</u>	<u>2,060</u>
Cash Flows from Investing Activities				
Increase in Restricted Investments	-	-	-	-
Interest and Dividends Received	2,048	-	4,588	436
Net Cash Provided by (Used in) Investing Activities	<u>2,048</u>	<u>-</u>	<u>4,588</u>	<u>436</u>
Net Increase (Decrease) in Cash and Cash Equivalents	264,239	(9,583,119)	(3,449)	(26,075)
Cash and Cash Equivalents, Beginning of Year	4,552,758	9,583,119	1,608,667	909,384
Cash and Cash Equivalents, End of Year	<u>\$ 4,816,997</u>	<u>\$ -</u>	<u>\$ 1,605,218</u>	<u>\$ 883,309</u>
Reconciliation of Operating Profit (Loss) to Net Cash Provided (Used) by Operating Activities				
Operating Profit (Loss)	\$ 877,253	\$ 2,037,122	\$ 478,646	\$ (111,722)
Adjustments to Reconcile Operating Profit (Loss) to Net Cash Provided (Used) by Operating Activities				
Depreciation and Amortization Expense	466,370	524,939	441,143	64,319
(Increase) Decrease in Accounts Receivable	(384,600)	-	(170,815)	-
(Increase) Decrease in Other Receivables	(146,108)	-	-	-
(Increase) Decrease in Deferred Outflows of Resources	(1,691,459)	-	(608,079)	(19,243)
Increase (Decrease) in Accounts Payable	(58,725)	-	27,289	(125)
Increase (Decrease) in Accrued Payroll and Related	21,185	-	17,361	254
Increase (Decrease) in Compensated Absences Payable	(1,339,944)	-	(23,300)	2,254
Increase (Decrease) in Claims and Judgements Payable	-	-	-	-
Increase (Decrease) in Net Pension Liability	6,884,962	-	2,475,141	78,327
Increase (Decrease) in Deferred Inflows of Resources	(3,747,626)	97,358,336	(1,347,270)	(42,635)
Increase (Decrease) in Unearned Revenue	-	(99,920,397)	-	-
Total Adjustments	<u>4,055</u>	<u>(2,037,122)</u>	<u>811,470</u>	<u>83,151</u>
Net Cash Provided by (Used in) Operating Activities	<u>\$ 881,308</u>	<u>\$ -</u>	<u>\$ 1,290,116</u>	<u>\$ (28,571)</u>

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

CITY OF ERIE, PENNSYLVANIA
STATEMENT OF CASH FLOWS – PROPRIETARY FUNDS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2022

	Erie Sewer Authority	Totals	Governmental Activities - Internal Service
Cash Flows from Operating Activities			
Receipts from Customers, Users, and Other	\$ -	\$ 34,392,655	\$ -
Receipts from Interfund Services Provided	-	-	14,582,782
Payments to Suppliers	(81,840)	(17,750,298)	-
Payments to Employees	-	(16,565,716)	-
Payments from Other Operating Activities	6,358,934	8,343,306	(13,872,535)
Net Cash Provided by (Used in) Operating Activities	<u>6,277,094</u>	<u>8,419,947</u>	<u>710,247</u>
Cash Flows from Noncapital Financing Activities			
Transfers (to) from Other Funds	-	(10,483,119)	-
Net Cash Provided by (Used in) Noncapital Financing Activities	<u>-</u>	<u>(10,483,119)</u>	<u>-</u>
Cash Flows from Capital and Related Financing Activities			
Acquisition and Construction of Capital Assets	(9,287,820)	(10,299,053)	-
Miscellaneous Cash Receipts	-	2,060	-
Interest Paid on Capital Debt	(3,235,680)	(3,241,717)	-
Principal Paid on Capital Debt	(2,588,995)	(2,588,995)	-
Net Cash Provided by (Used in) Capital and Related Financing Activities	<u>(15,112,495)</u>	<u>(16,127,705)</u>	<u>-</u>
Cash Flows from Investing Activities			
Increase in Restricted Investments	92,760	92,760	-
Interest and Dividends Received	501,068	508,140	1,928
Net Cash Provided by (Used in) Investing Activities	<u>593,828</u>	<u>600,900</u>	<u>1,928</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(8,241,573)	(17,589,977)	712,175
Cash and Cash Equivalents, Beginning of Year	30,711,899	47,365,827	6,273,667
Cash and Cash Equivalents, End of Year	<u>\$ 22,470,326</u>	<u>\$ 29,775,850</u>	<u>\$ 6,985,842</u>
Reconciliation of Operating Profit (Loss) to Net Cash Provided (Used) by Operating Activities			
Operating Profit (Loss)	\$ 2,462,359	\$ 5,743,658	\$ 948,564
Adjustments to Reconcile Operating Profit (Loss) to Net Cash Provided (Used) by Operating Activities			
Depreciation and Amortization Expense	3,836,709	5,333,480	-
(Increase) Decrease in Accounts Receivable	-	(555,415)	-
(Increase) Decrease in Other Receivables	-	(146,108)	-
(Increase) Decrease in Deferred Outflows of Resources	-	(2,318,781)	-
Increase (Decrease) in Accounts Payable	(21,974)	(53,535)	-
Increase (Decrease) in Accrued Payroll and Related	-	38,800	(54)
Increase (Decrease) in Compensated Absences Payable	-	(1,360,990)	-
Increase (Decrease) in Claims and Judgements Payable	-	-	(238,263)
Increase (Decrease) in Net Pension Liability	-	9,438,430	-
Increase (Decrease) in Deferred Inflows of Resources	-	92,220,805	-
Increase (Decrease) in Unearned Revenue	-	(99,920,397)	-
Total Adjustments	<u>3,814,735</u>	<u>2,676,289</u>	<u>(238,317)</u>
Net Cash Provided by (Used in) Operating Activities	<u>\$ 6,277,094</u>	<u>\$ 8,419,947</u>	<u>\$ 710,247</u>

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

CITY OF ERIE, PENNSYLVANIA
STATEMENT OF FIDUCIARY NET POSITION
DECEMBER 31, 2022

<u>Assets</u>	Pension and Other Employee Benefit Trust Funds	Custodial Funds	Total
Cash and Cash Equivalents	\$ 9,169,751	\$ 443,150	\$ 9,612,901
Investments	411,999,818	-	411,999,818
Accounts Receivable	273,471	-	273,471
Total Assets	<u>\$ 421,443,040</u>	<u>\$ 443,150</u>	<u>\$ 421,886,190</u>
<u>Liabilities and Net Position</u>			
Liabilities:			
Accounts Payable	\$ 15,700	\$ -	\$ 15,700
Deposits Held in Trust	-	443,150	443,150
Due to Other Governments	-	-	-
Total Liabilities	<u>15,700</u>	<u>443,150</u>	<u>458,850</u>
Net Position:			
Restricted for Pensions	<u>421,427,340</u>	<u>-</u>	<u>421,427,340</u>
Total Liabilities and Net Position	<u>\$ 421,443,040</u>	<u>\$ 443,150</u>	<u>\$ 421,886,190</u>

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

CITY OF ERIE, PENNSYLVANIA
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FOR THE YEAR ENDED DECEMBER 31, 2022

	Pension and Other Employee Benefit Trust Funds	Custodial Funds	Total
Additions:			
Overpayment Collections	\$ -	\$ 291	\$ 291
Property Tax Collections	-	14,648	14,648
Pension Board Salary Collections	-	82,835	82,835
Fire Insurance Proceeds	-	116,718	116,718
Contributions	35,889,157	-	35,889,157
Investment Earnings	(68,093,622)	-	(68,093,622)
Other Income	1,696,713	-	1,696,713
Total Additions	(30,507,752)	214,492	(30,293,260)
Deductions:			
Overpayment Refunds	-	291	291
Property Tax Disbursements	-	14,648	14,648
Pension Board Salary Expense	-	82,835	82,835
Fire Insurance Disbursements	-	116,718	116,718
Benefit Payments	33,760,623	-	33,760,623
Administrative Expense	636,726	-	636,726
Total Deductions	34,397,349	214,492	34,611,841
Increase (Decrease) in Net Position	(64,905,101)	-	(64,905,101)
Net Position:			
Beginning of year	486,332,441	-	486,332,441
End of year	\$ 421,427,340	\$ -	\$ 421,427,340

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

CITY OF ERIE, PENNSYLVANIA
STATEMENT OF NET POSITION – COMPONENT UNITS
DECEMBER 31, 2022

	Governmental Activities		Business-Type Activities		Total
	Erie Redevelopment Authority	Erie Metropolitan Transit Authority	Erie Parking Authority		
Assets					
Cash and Cash Equivalents	\$ 10,882,219	\$ 18,027,947	\$ 6,772,966		\$ 35,683,132
Receivables, (net of allowance for uncollectible)	7,073	190,243	123,205		320,521
Grants Receivable	-	2,896,987	-		2,896,987
Leases Receivable - Current Portion	-	131,530	-		131,530
Inventories	38,289	188,038	-		226,327
Prepays	-	374,668	128,042		502,710
Restricted Assets					
Cash and Cash Equivalents	-	-	7,173,423		7,173,423
Capital Assets					
Capital Assets Not Being Depreciated	-	2,605,176	1,839,659		4,444,835
Capital Assets Being Depreciated, net	110,215	81,926,674	23,458,247		105,495,136
Net Pension Asset	-	52,231	-		52,231
Leases Receivable, Net of Current Portion	-	372,683	-		372,683
Long-Term Receivable	-	-	152,637		152,637
Total Assets	11,037,796	106,766,177	39,648,179		157,452,152
Deferred Outflows of Resources					
Deferred Outflows Related to Debt Refundings	-	-	306,489		306,489
Deferred Outflows Related to OPEB	-	1,569,587	-		1,569,587
Deferred Outflows Related to Pensions	-	775,179	53,746		828,925
Total Deferred Outflows of Resources	-	2,344,766	360,235		2,705,001
Liabilities					
Current Liabilities					
Accounts Payable	75,329	1,635,929	25,070		1,736,328
Accrued Expenses	-	539,644	34,372		574,016
Accrued Interest Payable	-	-	374,161		374,161
Unearned Revenue	10,725,528	16,978,064	-		27,703,592
Current Portion of Bonds, Notes, and Leases Payable	157,959	-	1,635,000		1,792,959
Total Current Liabilities	10,958,816	19,153,637	2,068,603		32,181,056
Non-Current Liabilities					
Bonds, Notes and Leases Payable	-	-	31,226,280		31,226,280
Compensated Absences	-	1,134,985	-		1,134,985
Net Pension Liability	-	708,734	102,040		810,774
Net OPEB Liability	-	7,678,267	-		7,678,267
Total Non-Current Liabilities	-	9,521,986	31,328,320		40,850,306
Total Liabilities	10,958,816	28,675,623	33,396,923		73,031,362
Deferred Inflows of Resources					
Deferred Inflows Related to OPEB	-	376,379	-		376,379
Deferred Inflows Related to Pensions	-	550,000	68,379		618,379
Leases	-	492,684	-		492,684
Total Deferred Inflows of Resources	-	1,419,063	68,379		1,487,442
Net Position					
Net Investment in Capital Assets	110,215	84,531,850	(3,130,493)		81,511,572
Restricted for:					
Debt Service	-	-	2,106,343		2,106,343
Capital Improvement	-	-	1,130,227		1,130,227
Pensions	-	52,231	-		52,231
Other	10,495	-	-		10,495
Unrestricted	(41,730)	(5,567,824)	6,437,035		827,481
Total Net Position	\$ 78,980	\$ 79,016,257	\$ 6,543,112		\$ 85,638,349

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

CITY OF ERIE, PENNSYLVANIA
STATEMENT OF ACTIVITIES – COMPONENT UNITS
FOR THE YEAR ENDED DECEMBER 31, 2022

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental Activities							
Economic and Community Development	\$ 2,453,341	\$ 13,131	\$ 2,403,686	\$ -	\$ (36,524)	\$ -	\$ (36,524)
Total Governmental Activities	<u>2,453,341</u>	<u>13,131</u>	<u>2,403,686</u>	<u>-</u>	<u>(36,524)</u>	<u>-</u>	<u>(36,524)</u>
Business-Type Activities							
Public Transportation	25,314,552	5,261,612	15,331,806	6,874,544	-	2,153,410	2,153,410
Metered Parking	4,473,539	5,834,024	-	-	-	1,360,485	1,360,485
Total Business-Type Activities	<u>29,788,091</u>	<u>11,095,636</u>	<u>15,331,806</u>	<u>6,874,544</u>	<u>-</u>	<u>3,513,895</u>	<u>3,513,895</u>
Total Component Units	<u>\$ 32,241,432</u>	<u>\$ 11,108,767</u>	<u>\$ 17,735,492</u>	<u>\$ 6,874,544</u>	<u>(36,524)</u>	<u>3,513,895</u>	<u>3,477,371</u>
General Revenue:							
Interest Earnings					25,067	155,543	180,610
Sale of Assets					-	24,504	24,504
Miscellaneous					32,201	1,800	34,001
Total General Revenues					<u>57,268</u>	<u>181,847</u>	<u>239,115</u>
Changes in Net Position					20,744	3,695,742	3,716,486
Net Position - Beginning of Year					58,236	81,863,627	81,921,863
Net Position - End of Year					<u>\$ 78,980</u>	<u>\$ 85,559,369</u>	<u>\$ 85,638,349</u>

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

CITY OF ERIE, PENNSYLVANIA
STATEMENT OF CASH FLOWS – COMPONENT UNITS
FOR THE YEAR ENDED DECEMBER 31, 2022

	Erie Metropolitan Transit Authority	Erie Parking Authority	Totals
Cash Flows from Operating Activities			
Receipts from Customers and Users	\$ 5,363,704	\$ 5,812,922	\$ 11,176,626
Payments to Suppliers	(4,800,869)	(1,041,842)	(5,842,711)
Payments to Employees	(15,682,304)	(860,906)	(16,543,210)
Net Cash Provided by (Used in) Operating Activities	<u>(15,119,469)</u>	<u>3,910,174</u>	<u>(11,209,295)</u>
Cash Flows from Noncapital Financing Activities			
Cash Receipts from Operating Grants	<u>22,723,364</u>	-	<u>22,723,364</u>
Net Cash Provided by (Used In) Noncapital Financing Activities	<u>22,723,364</u>	<u>-</u>	<u>22,723,364</u>
Cash Flows from Capital and Related Financing Activities			
Acquisition and Construction of Capital Assets	(6,583,614)	(957,539)	(7,541,153)
Proceeds from Sale of Capital Assets	24,504	-	24,504
Payments on Long-Term Receivable	-	43,916	43,916
Interest Paid	-	(1,148,164)	(1,148,164)
Bond Principal Paid	-	(1,510,000)	(1,510,000)
Proceeds from Leases Receivable	95,365	-	95,365
Capital Grant Receipts	6,644,804	-	6,644,804
Net Cash Provided by (Used in) Capital and Related Financing Activities	<u>181,059</u>	<u>(3,571,787)</u>	<u>(3,390,728)</u>
Cash Flows from Investing Activities			
Net Sale (Purchase) of Investments	-	1,960,943	1,960,943
Interest and Dividends Received	6,236	149,307	155,543
Net Cash Provided by (Used in) Investing Activities	<u>6,236</u>	<u>2,110,250</u>	<u>2,116,486</u>
Net Increase (Decrease) in Cash and Cash Equivalents	7,791,190	2,448,637	10,239,827
Cash and Cash Equivalents - Beginning of Year	<u>10,236,757</u>	<u>11,497,752</u>	<u>21,734,509</u>
Cash and Cash Equivalents - End of Year	<u>\$ 18,027,947</u>	<u>\$ 13,946,389</u>	<u>\$ 31,974,336</u>

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

CITY OF ERIE, PENNSYLVANIA
STATEMENT OF CASH FLOWS – COMPONENT UNITS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2022

	Erie Metropolitan Transit Authority	Erie Parking Authority	Totals
Reconciliation of Operating Profit (Loss) to Net Cash Provided by (Used in) Operating Activities			
Operating Profit (Loss)	\$ (20,052,940)	\$ 2,362,671	\$ (17,690,269)
Adjustments to Reconcile Operating Profit (Loss) to Net Cash Provided by (Used in) Operating Activities:			
Depreciation Expense	4,458,533	1,518,931	5,977,464
Amortization Expense	-	49,245	49,245
(Increase) Decrease in Receivables	200,153	(21,102)	179,051
(Increase) Decrease in Inventories	(22,696)	-	(22,696)
(Increase) Decrease in Prepays	7,240	19,345	26,585
(Increase) Decrease in Net Pension Asset	1,692,481	-	1,692,481
(Increase) Decrease in Deferred Outflows of Resources	(272,021)	-	(272,021)
Increase (Decrease) in Accounts Payable	193,646	9,609	203,255
Increase (Decrease) in Accrued Liabilities	(15,512)	3,999	(11,513)
Increase (Decrease) in Compensated Absences	(21,692)	-	(21,692)
Increase (Decrease) in Unearned Revenue	(1,756)	-	(1,756)
Increase (Decrease) in Net Pension Liability	194,093	(72,529)	121,564
Increase (Decrease) in Net OPEB Liability	1,228,242	-	1,228,242
Increase (Decrease) in Deferred Inflows of Resources - Leases	(96,305)	-	(96,305)
Increase (Decrease) in Deferred Inflows of Resources - Pension, OPEB, Debt	(2,610,935)	40,005	(2,570,930)
Total Adjustments	<u>4,933,471</u>	<u>1,547,503</u>	<u>6,480,974</u>
Net Cash Provided by (Used in) Operating Activities	<u>\$ (15,119,469)</u>	<u>\$ 3,910,174</u>	<u>\$ (11,209,295)</u>
Noncash Investing, Capital, and Financing Activities			
Capital Expenditures in Accounts Payable at Year End	<u>\$ 944,478</u>	<u>\$ -</u>	<u>\$ 944,478</u>

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

CITY OF ERIE, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2022

NOTE 1: NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Erie (City) was incorporated on April 14, 1851 and is located on the southern shore of Lake Erie in the northwest corner of Pennsylvania, in Erie County. The City occupies a land area of 19.37 square miles, and has a population of roughly 95 thousand as of the most recent estimate completed in 2019. The City operates under a Mayor-Council form of government under Pennsylvania's Option Third Class City Charter Law, which mandates the election of City Controller and a City Treasurer. The City provides a broad scope of municipal services including public safety (police and fire protection), repair and maintenance of streets and highways, culture and recreation, economic development, zoning and property maintenance, refuse and recycling disposal, and wastewater treatment and sewer line maintenance, and general government. In addition, the City owns two golf courses. The City complies with generally accepted accounting principles (GAAP). GAAP includes all relevant Governmental Accounting Standards Board (GASB) pronouncements. The accounting and reporting framework, and the more significant accounting policies are discussed in subsequent subsections of this Note.

A. Financial Reporting Entity

The City's financial reporting entity is comprised of the following:

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

In determining the financial reporting entity, the City complies with the provisions of GASB Statement No. 61, "*The Financial Reporting Entity: Omnibus – an amendment of GASB Statements No. 14 and No. 34*", and includes all component units of which the City has 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:

- Erie Sewer Authority
120 West 10th Street
Erie, Pennsylvania 16501
December 31, 2022
, Unmodified opinion dated March 7, 2023

The Erie Sewer Authority 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. The City entered into Guaranty Agreements whereby the City will guarantee payment of principal and interest on the Series 2021, 2018, 2015, and 2001 Bonds and on notes financed with Pennsylvania Infrastructure Authority (Pennvest). The Authority 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.

CITY OF ERIE, PENNSYLVANIA
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 FOR THE YEAR ENDED DECEMBER 31, 2022

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

A. Financial Reporting Entity (Continued)

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
 626 State Street
 Erie, Pennsylvania 16501
 December 31, 2022
 Unmodified opinion dated July 31, 2023

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
 127 East 14th Street
 Erie, Pennsylvania 16503
 June 30, 2022
 Unmodified opinion dated December 5, 2022

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
 25 East 10th Street
 Erie, Pennsylvania 16501
 December 31, 2022
 Unmodified opinion dated March 3, 2023

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 of 2020A, 2020B, 2018, 2016, and 2012 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 entirely, or almost entirely, to the primary government or otherwise exclusively, or almost exclusively, benefit the primary government.

CITY OF ERIE, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2022

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

A. Financial Reporting Entity (Continued)

Complete financial statements of the individual component units for periods ended and for the reports issued thereon dated, as listed above, can be obtained from their respective administrative offices or from the City Clerk's Office in the Municipal Building.

B. 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, business on the waterfront, and the lake cargo operations.

Higher Education Building Airport. 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.

Erie Downtown Partnership. This non-profit was created to revitalize downtown by improving its image, business climate, physical environment, and design.

Cultures, Arts, Festivals, and Events of Erie. This non-profit organization was created to promote neighborhood life within the City.

CITY OF ERIE, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2022

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

C. Government-Wide and Fund Financial Statements

The statement of net position 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 position 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 business-type activities. Direct expenses are those that are specifically associated with a service, program, or department, and, therefore, are clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program, and grants and contributions that are restricted to meeting the operational, or capital requirements of a particular program. Revenues 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-type 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, deferred outflows of resources, liabilities, deferred inflows of resources, 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 types of funds are grouped, in the financial statements of this report, into three fund categories in eight fund types.

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 Fund. 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.

Other Grants Fund. Federal, state, and locally funded projects for 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; and various site improvements and renovations.

CITY OF ERIE, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2022

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

C. Government-Wide and Fund Financial Statements (Continued)

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

General Obligation Bond Fund. To account for activity related to general obligation bond issues.

ARP Fund. To account for activity related to the American Rescue Plan Act funding.

The City 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, 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 City reports the following fund types:

Internal Service Fund. The internal service fund is used to account for the financing of goods and 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 worker's compensation, the employee's health benefit plan, and all other insurance costs of the City.

Pension Trust Funds. Pension trust funds are blended fiduciary component units and used to account for the City's three defined benefit pension plans and the plan created and maintained in accordance with Section 401(a) of the Internal Revenue Code. The City also maintains and accounts for the Deferred Compensation Plans created in accordance with Section 457 of the Internal Revenue Code. The Pension Trust Fund has been excluded from the government-wide financial statements.

Custodial Funds. Custodial 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.

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

Government-Wide Financial Statements. The government-wide financial statements are prepared using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flow. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

CITY OF ERIE, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2022

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

D. Measurement Focus, Basis of Accounting, and Financial Statement Presentation
(Continued)

Fund Financial Statements. Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting.

Under the current financial resources measurement focus, only current assets and current liabilities are generally included on the balance sheet. The reported fund balance is considered to be a measure of "available spending resources". Governmental funds operating statements present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in current assets. Accordingly, they are said to present a summary of sources and uses of "available spendable resources" during the period.

Because of their spending measurement focus, expenditure recognition for governmental fund types excludes amounts represented by noncurrent liabilities. Since they do not affect net current assets, such long-term amounts are not recognized as governmental fund type expenditures or fund liabilities.

Amounts expended to acquire capital assets are recorded as expenditures in the year that resources were expended, rather than fund assets. The proceeds of long-term debt are recorded as other financing sources rather than as a fund liability. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

E. Assets, Liabilities, Deferred Inflows and Outflows of Resources, and Net Position or Fund
Balance

I. Cash and Cash Equivalents

The City considers cash and cash equivalents to include restricted and unrestricted cash on hand or on deposit, certificates of deposit, and investments with a maturity of three months or less.

II. Investments

Investments of the City are reported at fair value. Investments that do not have an established market value are reported at estimated values.

CITY OF ERIE, PENNSYLVANIA
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 FOR THE YEAR ENDED DECEMBER 31, 2022

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

E. Assets, Liabilities, Deferred Inflows and Outflows of Resources, and Net Position or Fund Balance (Continued)

III. Interfund Transactions

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

IV. 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 asset. Management has elected to include certain homogenous 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 cost 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 position as construction in progress.

Capital assets of the City are depreciated using the straight line method over the following intended useful lives:

Asset Category	Governmental Activities Estimated Lives	Business-Type Activities Estimated Lives
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.

CITY OF ERIE, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2022

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

E. Assets, Liabilities, Deferred Inflows and Outflows of Resources, and Net Position or Fund Balance (Continued)

V. Long-Term Obligations

In the government-wide, proprietary, and component unit financial statements, outstanding long-term debts are reported as liabilities in the statement of net position. Bond discounts and premiums are capitalized and amortized over the life of the bonds using a method that approximates the effective interest method. Bond issuance costs are expensed as incurred.

In the governmental fund financial statements, the face amount of debt issued is reported as other financing sources of the current period, and issuance costs are reported as expenditures.

VI. Compensated Absences

Compensated absences consist of vested or accumulated vacation leave and sick pay that is expected to be liquidated with expendable available financial resources is reported as an expenditure and a fund liability of the governmental fund that will pay 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. Compensated absences totaled \$8,777,571 for governmental activities and \$262,386 for business-type activities for the year ended December 31, 2022.

VII. Deferred Inflows of Resources

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. Currently, the City reports deferred inflows of resources related to pension (Note 6), OPEB (Note 7), and leases. Unavailable revenue arises when assets are recognized before revenue recognition criteria have been satisfied. On governmental and proprietary fund financial statements, receivables that will not be collected within the availability period also have been reflected as unavailable revenue. Unavailable revenue will be shown in the deferred inflows of resources section of the balance sheet.

VIII. Deferred Outflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period and will not be recognized as an expense until then. Currently, the City reports deferred outflows of resources related to debt refundings which are amortized over the life of the related debt issuance, OPEB (Note 7), and pensions (Note 6).

CITY OF ERIE, PENNSYLVANIA
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 FOR THE YEAR ENDED DECEMBER 31, 2022

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

E. Assets, Liabilities, Deferred Inflows and Outflows of Resources, and Net Position or Fund Balance (Continued)

IX. Net Position and Fund Balance

The government-wide and proprietary funds financial statements utilize a net position presentation. Net position is categorized as net investment in capital assets, restricted, and unrestricted.

- *Net Investment in Capital Assets* – This category groups all capital assets into one component of net position. Accumulated depreciation and the outstanding balances of debt that are attributable to the acquisition, construction, or improvement of these assets reduce the balance in this category.
- *Restricted Net Position* – This category presents external restrictions imposed by creditors, grantors, contributors, or laws or regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation.
- *Unrestricted Net Position* – This category represents net position of the City not restricted for any project or other purpose.

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

- *Non-spendable* – This classification consists of accounts that cannot be spent because they are not in spendable form or are legally required to be maintained intact.
- *Restricted* – This classification consists of amounts that are restricted to specific purposes. The City's restricted fund balances consist of monies for capital projects, pension, economic and community development, debt service, highways and streets, and HUD programs.
- *Committed* – This classification consists of amounts used for specific purposes imposed by formal action of the City's highest level of decision-making authority, the City Council. The removal or modification of the use of committed funds can only be accomplished by a formal action of City Council prior to fiscal year end. As of December 31, 2022, the City had committed fund balance in the amount of \$830,186.
- *Assigned* – This classification consists of amounts constrained by the City's intent to be used for specific purposes that are neither restricted nor committed. As of December 31, 2022, the City had no assigned fund balance. The authority to assign fund balance resides with City Council.

CITY OF ERIE, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2022

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

E. Assets, Liabilities, Deferred Inflows and Outflows of Resources, and Net Position or Fund Balance (Continued)

IX. Net Position and Fund Balance (Continued)

- *Unassigned* – This classification consists of amounts that have not been assigned to other funds and that have not been restricted, committed, or assigned to specific purposes within the general fund. The general fund is the only fund permitted to report a positive unassigned fund balance.

The City's GASB 54 policy is to first apply expenditures against any restrict fund balances, committed fund balances, assigned fund balances, and then unassigned fund balances, in that order.

X. Leases Receivable

The City and the City's component units are lessors for various noncancellable leases of office space and infrastructure. The City recognizes a lease receivable and a deferred inflow of resources on the statement of net position.

At the commencement of a lease, the City initially measures the lease receivable at the present value of payments expected to be received during the lease term. Subsequently, the lease receivable is reduced by the principal portion of lease payments received. The deferred inflow of resources is initially measured as the initial amount of the lease receivable, adjusted for lease payments received at or before the lease commencement date. Subsequently, the deferred inflow of resources is recognized as revenue over the life of the lease term.

Key estimates and judgements include how the City determines (1) the discount rate it uses to discount the expected lease receipts to present value, (2) lease term, and (3) lease receipts.

- The City uses its estimated incremental borrowing rate as the discount rate for leases.
- The lease term includes the noncancellable period of the lease. Lease receipts included in the measurement of the lease receivable is composed of fixed payments from the lease.

The City monitors changes in circumstances that would require a remeasurement of its lease and will remeasure the receivable and deferred inflows of resources if certain changes occur that are expected to significantly affect the amount of the lease receivable.

XI. Accounting Estimates

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual amounts may differ from those estimates.

CITY OF ERIE, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2022

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

E. Assets, Liabilities, Deferred Inflows and Outflows of Resources, and Net Position or Fund Balance (Continued)

XII. Leases Payable

The City is a lessee for noncancellable leases of property and equipment. The City recognizes a lease liability and an intangible right-to-use lease asset (lease asset) in the government-wide financial statements. The City recognizes lease liabilities for leases that management determine to be material.

At the commencement of a lease, the City initially measures the lease liability at the present value of payments expected to be made during the lease term. Subsequently, the lease asset is initially measured at the initial amount of the lease liability, adjusted for lease payments made at or before the commencement date, plus certain initial direct costs. Subsequently, the lease asset is amortized on a straight-line basis over its useful life.

Key estimates and judgements related to leases include how the City determines (1) the discount rate it uses to discount the expected lease payments to present value, (2) lease term, and (3) lease payments.

- The City uses the interest rate charged by the lessor as the discount rate. When the interest rate charged by the lessor is not provided, the Organization generally uses its estimated incremental borrowing rate as the discount rate for leases.
- The lease term includes the noncancellable period of the lease. Lease payments included in the measurement of the lease liability are composed of fixed payments and purchase option price that the City is reasonably certain to exercise.

The City monitors changes in circumstances that would require a remeasurement of its lease and will remeasure the lease asset and liability if certain changes occur that are expected to significantly affect the amount of the lease liability.

Lease assets are reported with other capital assets and lease liabilities are reported with long-term debt on the statement of net position.

F. Adoption of Governmental Accounting Standards Board Statements

The City adopted the provisions of GASB Statement No. 87, "*Leases*". The adoption of this Statement resulted in the addition of right-to-use assets and lease liabilities which are now presented on the statement of net position.

The City adopted the provisions of GASB Statement No. 91, "*Conduit Debt Obligations*". The adoption of this Statement had no effect on the City's financial statements.

The City adopted the provisions of GASB Statement No. 93, "*Replacement of Interbank Offered Rates*". The adoption of this Statement had no effect on the City's financial statements.

CITY OF ERIE, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2022

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

F. Adoption of Governmental Accounting Standards Board Statements (Continued)

The Organization adopted the provisions of GASB Statement No. 97, "*Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans – an amendment of GASB Statements No. 14 and No. 84, and a supersession of GASB Statement No. 32*". The adoption of this Statement had no effect on the City's financial statements.

G. Pending Changes in Accounting Principles

In March 2020, the GASB issued Statement No. 94, "*Public-Private and Public-Public Partnerships and Availability Payment Arrangements*". The City is required to adopt Statement No. 94 for its fiscal year 2023 financial statements.

In May 2020, the GASB issued Statement No. 96, "*Subscription-Based Information Technology Arrangements*". The City is required to adopt Statement No. 96 for its fiscal year 2023 financial statements.

In June 2020, the GASB issued Statement No. 97, "*Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans – an amendment of GASB Statements No. 14 and No. 84, and a supersession of GASB Statement No. 32*". The City is required to adopt the remaining provisions of statement No. 97 for its fiscal year 2022 financial statements.

In April 2022, the GASB issued Statement No. 99, "*Omnibus 2022*." The City is required to adopt certain provisions of Statement No. 99 for its fiscal year 2023, and the remaining provisions for its fiscal year 2024.

In June 2022, the GASB issued Statement No. 100, "*Accounting Changes and Error Corrections – an amendment of GASB Statement No. 62*". The City is required to adopt Statement No. 100 for its fiscal year 2024 financial statements.

In June 2022, the GASB issued Statement No. 101, "*Compensated Absences*". The City is required to adopt Statement No. 101 for its fiscal year 2024 financial statements.

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

CITY OF ERIE, PENNSYLVANIA
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 FOR THE YEAR ENDED DECEMBER 31, 2022

NOTE 2: DEPOSITS AND INVESTMENTS

The components of cash and cash equivalents and investments as of December 31, 2022 are as follows:

	Cash and Cash Equivalents	Investments	Total
<u>Governmental Activities</u>			
General Fund	\$ 25,578,071	\$ -	\$ 25,578,071
Debt Service Fund	31,606	-	31,606
HUD Programs Fund	28,843	-	28,843
Other Grants Fund	8,734,149	-	8,734,149
Capital Improvements Fund	1,084,280	12,015,785	13,100,065
General Obligation Bond Fund	506,042	-	506,042
ARP Fund	45,975,332	-	45,975,332
Other Governmental Funds	3,202,570	-	3,202,570
Internal Service Fund	6,985,842	-	6,985,842
Total Governmental Activities	<u>92,126,735</u>	<u>12,015,785</u>	<u>104,142,520</u>
<u>Business-Type Activities</u>			
Sewer Revenue Fund	4,816,997	-	4,816,997
Refuse and Recycling Fund	1,605,218	-	1,605,218
Other Proprietary Funds	883,309	-	883,309
Erie Sewer Authority	22,470,326	4,985,360	27,455,686
Total Business-Type Activities	<u>29,775,850</u>	<u>4,985,360</u>	<u>34,761,210</u>
<u>Fiduciary Activities</u>			
Pension Trust Funds	9,169,751	411,999,818	421,169,569
Custodial Funds	443,150	-	443,150
Total Fiduciary Activities	<u>9,612,901</u>	<u>411,999,818</u>	<u>421,612,719</u>
Grand Total	<u>\$ 131,515,486</u>	<u>\$ 429,000,963</u>	<u>\$ 560,516,449</u>

Custodial Credit Risk. Custodial credit risk is the risk that in the event of the failure of the counterparty, the City will be able to recover the value of its investment or collateral securities that are in the possession of an outside party. The City does not have a policy for custodial credit risk. As of December 31, 2022, the City's cash balances for its governmental activities, business-type activities, and custodial activities, excluding the pension trust fund were \$122,345,735 and its bank balances were \$120,062,706. Of these bank balances, \$2,092,437 was insured by FDIC, and the balance was collateralized with securities held by the City or by its' agent in the City's name.

CITY OF ERIE, PENNSYLVANIA
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 FOR THE YEAR ENDED DECEMBER 31, 2022

NOTE 2: DEPOSITS AND INVESTMENTS (CONTINUED)

Governmental Activities

As of December 31, 2022, the City's capital improvement fund had the following investments and maturities:

Investment Type	Fair Value	Less Than				
		1 Year	1-5 Years	6-10 Years	11-15 Years	16 or More Years
Corporate Bonds	\$ 1,217,516	\$ 39,841	\$ 597,807	\$ 289,842	\$ -	\$ 290,026
Corporate Mortgages	412,820	-	357,700	-	-	55,120
U.S. Government Mortgages	820,795	-	-	-	-	820,795
Municipal Bonds	63,556	-	-	63,556	-	-
U.S. Government Agencies	139,958	-	139,958	-	-	-
U.S. Treasuries	1,246,979	480,135	339,942	46,078	-	380,824
Fixed Income Mutual Funds	691,987					
Equities	5,704,926					
Alternative Investments	1,691,184					
Cash and Cash Equivalents	563,906					
Accrued Income	26,064					
Total Investments	<u>\$12,579,691</u>					

Custodial Credit Risk. Custodial credit risk is the risk that in the event of the failure of the counterparty, the City will be able to recover the value of its investment or collateral securities that are in the possession of an outside party. The City does not have a policy for custodial credit risk. As of December 31, 2022, the City's entire investment balance of \$12,579,691 was uninsured and collateralized with securities held by the pledging financial institution's trust department or agent in the City's name. The counterparty is a member of the Securities Investor Protection Corporation (SPIC), which provides insurance coverage up to \$500,000 of the net equity balance, including up to \$250,000 in cash in the event the counterparty fails, owing the City cash and securities that are missing from their accounts. This coverage does not extend to the losses incurred due to fraud, misrepresentation, or investment decisions.

Interest Rate Risk. The City does not have a formal policy for interest rate risk. Investments are made at the discretion of the City, as long as such investments are made at approved financial institutions and are fully collateralized by securities with a fair value equal to or exceeding the cost of the investment. Investments must be made in accordance with the Commonwealth of Pennsylvania's Act 72.

Concentration of Credit Risk. Concentration of credit risk exists when investments in a single issuer total more than 5% of total investments. Government issued and guaranteed securities are exempt from this limitation. As of December 31, 2022, there were no investments in a single issuer which exceed 5% of total investments.

Credit Risk. Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations.

CITY OF ERIE, PENNSYLVANIA
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 FOR THE YEAR ENDED DECEMBER 31, 2022

NOTE 2: DEPOSITS AND INVESTMENTS (CONTINUED)

Governmental Activities (Continued)

As of December 31, 2022, the City's investments in debt securities have the following ratings from Standard and Poor's:

<u>Investment</u>	<u>Rating</u>	<u>Percentage</u>
Corporate Bonds	A	1.88%
Corporate Bonds	A-	5.86%
Corporate Bonds	A+	1.02%
Corporate Bonds	AA-	0.98%
Corporate Bonds	BBB	12.47%
Corporate Bonds	BBB-	2.80%
Corporate Bonds	BBB+	6.18%
Corporate Mortgages	AA+	0.77%
Corporate Mortgages	AAA	6.70%
Corporate Mortgages	UNRATED	3.10%
Government Mortgages	UNRATED	21.04%
Municipal Bonds	UNRATED	1.63%
Treasuries	AAA	11.11%
Treasuries	UNRATED	20.87%
Government Agencies	AA+	3.59%
		<u>100.00%</u>

The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The Hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

As of December 31, 2022, excluding the pension trust fund, the City had the following recurring fair value measurements:

<u>Investments Measured by Fair Value Level</u>	<u>December 31, 2022</u>	<u>Fair Value Measurements</u>		
		<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Governmental Activities:				
Corporate Bonds	\$ 1,217,516	\$ -	\$ 1,217,516	\$ -
Corporate Mortgages	412,820	-	412,820	-
U.S. Government Mortgages	820,795	-	820,795	-
Municipal Bonds	63,556	-	63,556	-
U.S. Government Agencies	139,958	-	139,958	-
U.S. Treasuries	1,246,979	-	1,246,979	-
Fixed Income Mutual Funds	691,987	-	691,987	-
Equities	5,704,926	3,858,459	1,371,908	474,559
Alternative Investments	1,691,184	-	-	1,691,184
Total Investments by Fair Value	<u>\$ 11,989,721</u>	<u>\$ 3,858,459</u>	<u>\$ 5,965,519</u>	<u>\$ 2,165,743</u>

CITY OF ERIE, PENNSYLVANIA
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 FOR THE YEAR ENDED DECEMBER 31, 2022

NOTE 2: DEPOSITS AND INVESTMENTS (CONTINUED)

Blended Component Unit – Erie Sewer Authority

Custodial Credit Risk. Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. Erie Sewer Authority does not have a policy for custodial credit risk. The carrying and bank balance was \$22,470,326 as of December 31, 2022. As of December 31, 2022, \$22,127,889 of the Authority's balance of \$22,470,326 was exposed to custodial credit risk. \$342,437 of the deposits was insured by FDIC, and the balance was insured by collateral held by the Authority's agent but not in the Authority's name.

As of December 31, 2022, the Authority had the following investments:

<u>Investments Measured by Fair Value Level</u>	<u>December 31, 2022</u>	<u>Fair Value Measurements</u>		
		<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
<u>Business-Type Activities:</u>				
U.S. Treasury Bills	\$ 4,985,360	\$ 4,985,360	\$ -	\$ -
Total Investments by Fair Value	<u>\$ 4,985,360</u>	<u>\$ 4,985,360</u>	<u>\$ -</u>	<u>\$ -</u>

Custodial Credit Risk. For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Authority will not be able to recover the value of its investments or collateral security that are in the possession of an outside party. The Authority has no investment subject to custodial credit risk.

Credit Risk. The deposit and investment policies of the Erie Sewer Authority adhere to the provisions of the Trust Indenture. As of December 31, 2022, the Authority's investments were rated as follows by Standard and Poor's:

<u>Investment</u>	<u>Rating</u>
U.S. Treasury Bills	AA+

Concentration of Credit Risk. The Authority places no limit on the amount the Authority may invest in any one issuer. As of December 31, 2022, 100% of the investments were issued by the United States Government.

CITY OF ERIE, PENNSYLVANIA
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 FOR THE YEAR ENDED DECEMBER 31, 2022

NOTE 2: DEPOSITS AND INVESTMENTS (CONTINUED)

Pension Trust Fund

The pension trust is authorized to invest in legal investments permitted under the Pennsylvania Fiduciaries Investment Act. The Pension Trust's target asset allocation is as follows:

<u>Asset Class</u>	<u>Target Allocation</u>
Domestic large, medium capitalization equity	35%
Domestic small capitalization equity	5%
International equity	15%
Real estate securities	5%
Investment grade fixed income	30%
Non-investment grade fixed income	5%
Cash and cash equivalents	5%

As of December 31, 2022, the City had the following cash, cash equivalents, and investments in the pension trust fund:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Less Than 1 Year</u>	<u>1-5 Years</u>	<u>6-10 Years</u>	<u>More than 10 Years</u>
U.S. Government and Agencies	\$ 13,010,418	\$ 4,124,825	\$ 1,060,262	\$ 1,922,145	\$ 5,903,186
Corporate Bonds	7,253,674	-	2,078,654	2,883,054	2,291,966
Mortgages	5,402,727	-	1,133,386	445	4,268,896
Total Debt Securities	<u>25,666,819</u>	<u>\$ 4,124,825</u>	<u>\$ 4,272,302</u>	<u>\$ 4,805,644</u>	<u>\$ 12,464,048</u>
Fixed Income Mutual Funds	17,141,637				
Common Stocks	131,867,231				
Limited Partnership	67,358,625				
Common Collective Trust	21,261,357				
Alternative Investments	55,787,859				
Registered Investment Companies	79,239,851				
Money Markets	13,676,439				
Total Investments	<u>\$ 411,999,818</u>				

The following is a description of the Pension Trust Fund's deposit and investment risks:

Custodial Credit Risk. Custodial credit risk is the risk that in the event of the failure of the bank or counterparty, the Pension Trust Fund will not be able to recover the value of its deposits or investments or collateral securities that are in the possession of an outside party. The Pension Trust Fund does not have a formal deposit investment policy for custodial credit risk. As of December 31, 2022, the City's entire pension cash, cash equivalents, and investment balance of \$421,169,569 (bank and book balance) was exposed to custodial credit risk. All of the City's Pension Trust Fund investments were uninsured and held by the counterparty, but not in the City's name. The counterparty is a member of the Securities Investor Protection Corporation (SPIC), which provides insurance coverage up to \$500,000 of the net equity balance including up to \$250,000 in cash, in the event the counterparty fails, owning the City cash and securities that are missing from their accounts. The coverage does not extend to losses incurred due to fraud, misrepresentation, or investment decisions.

CITY OF ERIE, PENNSYLVANIA
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 FOR THE YEAR ENDED DECEMBER 31, 2022

NOTE 2: DEPOSITS AND INVESTMENTS (CONTINUED)

Pension Trust Fund (Continued)

Credit Risk. Credit risk for investments is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The credit ratings of the plans investments are as follows:

<u>Rating</u>	<u>Fair Value</u>	<u>% of Bonds</u>
AAA	\$ 1,117,114	4.35%
A	1,119,439	4.36%
A-	704,507	2.74%
AA+	709,811	2.77%
AA	68,342	0.27%
AA-	128,087	0.50%
BBB+	890,174	3.47%
BBB	2,551,573	9.94%
BBB-	1,068,621	4.16%
BB	248,565	0.97%
BB-	110,701	0.43%
UNRATED	16,949,885	66.04%
	<u>\$ 25,666,819</u>	<u>100%</u>

Concentration of Credit Risk. Concentration of credit risk is the risk of loss attributed to the magnitude of an investment in a single issuer. As of December 31, 2022, the Trust had no investments (other than U.S. Government guaranteed obligations, mutual funds, or other pooled investments) in any one issuer that represented 5% or more of investments:

Interest Rate Risk. Interest rate risk for investments is the risk that a change in interest rates will adversely affect the fair value of an investment. The City has no investment policy for interest rate risk.

CITY OF ERIE, PENNSYLVANIA
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 FOR THE YEAR ENDED DECEMBER 31, 2022

NOTE 2: DEPOSITS AND INVESTMENTS (CONTINUED)

Pension Trust Fund (Continued)

As of December 31, 2022, the Pension Trust Fund had the following fair value and net asset value measurements:

Investments Measured by Fair Value Level	December 31, 2022	Fair Value Measurements			Net Asset Value
		Level 1	Level 2	Level 3	
Pension Trust Fund:					
U.S. Government and Agencies	\$ 13,010,418	\$ 6,164,450	\$ 6,845,968	\$ -	\$ -
Corporate Bonds	7,253,674	-	7,253,674	-	-
Mortgages	5,402,727	-	5,402,727	-	-
Fixed Income Mutual Funds	17,141,637	-	17,141,637	-	-
Common Stocks	131,867,231	116,210,310	15,656,921	-	-
Limited Partnership	67,358,625	-	-	6,409,701	60,948,924
Common Collective Trust	21,261,357	-	-	-	21,261,357
Registered Investment Companies - Mutual Funds	79,239,851	79,239,851	-	-	-
Alternative Investments	55,787,859	-	-	36,086,010	19,701,849
Total Investments by Fair Value	398,323,379	\$ 201,614,611	\$ 52,300,927	\$ 42,495,711	\$ 101,912,130
Money Markets	13,676,439				
Total Investments	\$ 411,999,818				

Limited Partnership – These funds are at Level 3, which is determined in good faith from information provided by the General Partner of the limited partnerships. Fair value for the limited partnerships is based on the best information available and is determined using information including, but not limited to, the following: projected sales, net earnings, earnings before interest, taxes, depreciation and amortization, balance sheets, public or private transactions, valuations for publicly-traded comparable companies, and/or other measures, and consideration of any other pertinent information including the types of securities held and restrictions on disposition. Quantitative unobservable inputs of Level 3 are not developed by the Trust for measuring fair value.

The valuation for investments measured at the net asset value (NAV) per share (or its equivalent) under the so-called “practical expedient” is presented on the following table:

Instrument	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Property Trust (1)	\$ 35,498,043	-	Quarterly	60 Days
Property Trust (2)	35,901,716	-	Quarterly	60 Days
Multisector Bond	26,108,624	-	Quarterly	60 Days
Statutory Trust (1)	32,898,356	-	Daily	1 Day
Statutory Trust (2)	11,181,796	-	Daily	1 Day

Property Trust (1). This investment type includes the Boyd Watterson GSA Fund, L.P. (Fund), a Delaware limited partnership that purchases real estate assets that are primarily leased to Federal Agencies. The investment strategy of the Fund is to generate a stable stream of investment grade current income while also preserving wealth using risk parameters and portfolio management strategies established by the General Partner. The fair values of the investments in this type have been determined using the NAV per share (or its equivalent) of the Pension Trust Fund’s ownership interest in partners’ capital. The Fund shall distribute distributable cash (cash flow from operations

CITY OF ERIE, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2022

NOTE 2: DEPOSITS AND INVESTMENTS (CONTINUED)

Pension Trust Fund (Continued)

and net proceeds from the sale or refinancing of an investment that the General Partner determines are available for distribution) to the partners quarterly. All distributions of distributable cash shall be distributed to the partners on a pro-rata basis in proportion to the number of units held by them. Partial redemptions of the Fund are permitted in increments of \$250,000.

Property Trust (2). This investment type includes the Boyd Watterson State Government Fund, L.P. (Fund), a Delaware limited partnership that purchases real estate assets that are primarily leased to Federal Agencies. The investment strategy of the Fund is to generate a stable stream of investment grade current income while also preserving wealth using risk parameters and portfolio management strategies established by the General Partner. The fair values of the investments in this type have been determined using the NAV per share (or its equivalent) of the Pension Trust Fund's ownership interest in partners' capital. The Fund shall distribute distributable cash (cash flow from operations and net proceeds from the sale or refinancing of an investment that the General Partner determines are available for distribution) to the partners quarterly. All distributions of distributable cash shall be distributed to the partners on a pro-rata basis in proportion to the number of units held by them. Partial redemptions of the Fund are permitted in increments of \$250,000.

Multisector Bond. This investment type includes the Boyd Watterson Limited Duration Enhanced Income Fund (Fund), a Delaware limited liability company which sets forth each fund's investment objectives and restrictions. The investment strategy of the Fund is income generation as a principal objective and capital preservation and total return as secondary objectives. The fair values of the investments in this type have been determined using the NAV per share (or its equivalent) of the Fund's ownership interest in partners' capital. The Trust shall distribute distributable cash (cash flow from operations and net proceeds from the sale or refinancing of an investment that the General Partner determines are available for distribution) to the partners quarterly. All distributions of distributable cash shall be distributed to the partners on a pro-rata basis in proportion to the number of units held by them. Partial redemptions of the Fund are permitted in increments of \$250,000.

Statutory Trust (1). This investment type includes the Victory Capital International Collective Investment Trust (Trust), a Maine statutory trust that sets forth each fund's investment objectives and restrictions. The investment strategy of the Trust is to provide a high total return through capital appreciation. The fair values of the investments in this type have been determined using the NAV per share (or its equivalent) of the Fund's ownership interest in partners' capital. The Trust shall distribute cash (cash flow from operations and net proceeds from sale or refinancing of an investment that the General Partner determines are available for distribution) to the partners daily. All distributions of distributable cash shall be distributed to the partners on a pro-rata basis in proportion to the number of units held by them.

Statutory Trust (2). This investment type includes the Van Eck Emerging Markets Portfolio (Trust), a New Hampshire statutory trust that sets forth each fund's investment objectives and restrictions. The investment strategy of the Fund is to seek long-term capital appreciation by investing primarily in equity securities in emerging markets around the world. The fair values of the investments in this type have been determined using the NAV per share (or its equivalent) of the Fund's ownership interest in partners' capital. The Trust shall distribute distributable cash (cash flow from operations and net proceeds from the sale or refinancing of an investment that the Beneficial Owners determines are available for distribution) to the partners daily. All distributions of distributable cash shall be distributed to the partners on a pro-rata basis in proportion to their percentage interest at the established date and time of such distributions.

CITY OF ERIE, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2022

NOTE 2: DEPOSITS AND INVESTMENTS (CONTINUED)

Pension Trust Fund (Continued)

Deferred Compensation Fund. In accordance with GASB No. 72, 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 \$79,239,851 as of December 31, 2022. Gains (losses) on unrealized appreciation (depreciation) of an investment's fair value above (below) cost are recognized in the period of appreciation (depreciation). 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.

Component Units

A. Erie Metro Transit Authority

Custodial Credit Risk. Custodial credit risk is the risk that in the event of a bank failure, the Authority's deposits may not be returned. The Authority has a deposit policy for custodial credit risk that requires depository institutions to pledge securities as collateral for deposits that exceed depository insurance.

As of June 30, 2022, the carrying amount of the Authority's bank deposits was \$17,709,098 and the corresponding bank balance was \$17,782,571, of which \$17,388,550 was exposed to custodial credit risk but was 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 institution's name.

In addition, as of June 30, 2022, the Authority had \$318,849 invested with the Pennsylvania INVEST Program (INVEST). While the INVEST portfolios seek to maintain a stable net asset value of \$1.00 per share, it is possible to lose money investing in INVEST. An investment in INVEST is not insured or guaranteed by the FDIC or any other government agency. Securities held in INVEST accounts owned by the Authority are stated at fair value, which is determined by using the amortized cost method. These investments have maturities of less than one year and were rated AAA by Standard & Poor's.

B. Erie Parking Authority

Custodial Credit Risk. Custodial credit risk is the risk that in the event of a bank failure, the Authority's deposits may not be returned. As of December 31, 2022, the bank balance of the Authority's deposits that are exposed to custodial credit risk is \$13,516,887, and their carrying amount is \$13,196,389. These amounts are collateralized with securities held by the trust department or agent but not in the Authority's name.

C. Erie Redevelopment Authority

Custodial Credit Risk. Custodial credit risk is the risk that in the event of a bank failure, the Authority's deposits may not be returned. The Authority has a deposit policy for custodial credit risk that requires depository institutions to pledge securities as collateral for deposits that exceed depository insurance. As of June 30, 2022, the carrying amount of the Authority's bank deposits was \$10,882,219 and the corresponding bank balance was \$10,887,469, of which \$10,637,469 were exposed to custodial credit risk and was insured, but collateralized with securities held by the pledging financial institution's trust department or agent, but not in the Authority's name.

CITY OF ERIE, PENNSYLVANIA
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 FOR THE YEAR ENDED DECEMBER 31, 2022

NOTE 3: RECEIVABLES

Primary GovernmentA. Property Taxes Levied and Receivable

Based upon assessed valuations provided by the County of Erie (the County), the City bills and collects its real estate taxes. The taxable assessed value provided by the County for the year 2022 was \$3,162,578,297. Real estate property taxes for the calendar year are levied on January 1st and are payable until with a 2% discount until March 31st, with no discount or penalty to May 31st, and with a 3% penalty thereafter. The City tax rate for all purposes in 2022 was 12.60 mills.

The City, in accordance with U.S. generally accepted accounting principles, recognizes delinquent and unpaid taxes receivable, reduced by an allowance for uncollectible taxes, as determined by management. A portion of the net amount estimated to be collectible, which was measurable and available within sixty days, was recognized as revenue and the balance deferred in the fund financial statements. The balances as of December 31, 2022 are as follows:

	<u>Gross Tax Receivable</u>	<u>Allowance for Uncollectible Taxes</u>	<u>Net</u>	<u>Tax Revenue Recognized</u>	<u>Deferred Taxes</u>
Real Estate Tax	<u>\$3,104,524</u>	<u>\$ (278,875)</u>	<u>\$ 2,825,649</u>	<u>\$ 541,135</u>	<u>\$2,284,514</u>

B. Enterprise Funds' Accounts Receivable

Accounts receivable represents the balance due to the City's Sewer Revenue Fund and Refuse and Recycling Funds for services provided. As of December 31, 2022, the receivables and related allowances are as follows:

	<u>Sewer Revenue Fund</u>	<u>Refuse and Recycling Fund</u>	<u>Total</u>
Gross Accounts Receivable	\$ 3,602,308	\$ 2,587,766	\$6,190,074
Less: Allowance for Doubtful Accounts	<u>(390,000)</u>	<u>(290,000)</u>	<u>(680,000)</u>
Accounts Receivable, net	<u>\$ 3,212,308</u>	<u>\$ 2,297,766</u>	<u>\$5,510,074</u>

CITY OF ERIE, PENNSYLVANIA
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 FOR THE YEAR ENDED DECEMBER 31, 2022

NOTE 3: RECEIVABLES (CONTINUED)

Primary Government (Continued)C. Notes Receivable

The City has made various loans to certain Erie businesses through Community Development Block Grants, Enterprise Zone Loan Grants, the Home Investment Partnership Program, Business Development Loans and others. These loans are included within the HUD Fund, the Other Grants Fund, and the Capital Improvements Fund. The notes bear interest ranging from 1.0% to 5.0% with various maturities. During 2022, notes receivable activity was as follows:

	<u>HUD Fund</u>	<u>Other Grants Fund</u>	<u>Capital Improvements Fund</u>	<u>Total</u>
Balance Outstanding at December 31, 2021	\$ 15,184,208	\$ 12,893,760	\$ 1,686,419	\$ 29,764,387
2022 Loans and Accrued Interest	1,194,452	3,429,155	52,912	4,676,519
2022 Repayments	-	(2,329,641)		(2,329,641)
Balance Outstanding at December 31, 2022	<u>\$ 16,378,660</u>	<u>\$ 13,993,274</u>	<u>\$ 1,739,331</u>	<u>\$ 32,111,265</u>

Component Unit – Erie Parking AuthorityA. Long-Term Receivable

The Authority entered into an agreement with Hamot Health Foundation to construct an elevator and stairwell in one of the Authority's ramps as part of the Authority's 2003 construction project. Hamot agreed to reimburse the Authority for the costs of that portion of the project. Construction was completed in November 2004, and the reimbursement of \$756,024 was reported on the statement of revenues, expenses, and changes in net assets as a contribution to the Authority. Furthermore, the agreement provides for the reimbursement to be made over the term of the Series of 2003 bonds used by the Authority to pay for the construction costs. Accordingly, a receivable has been recorded. The receivable is to be paid to the Authority in annual payments of \$56,049, consisting of principal and interest at 5%.

The balance of the receivable is \$198,748 as of December 31, 2022 of which \$152,637 has been reported as a long-term receivable, and \$46,111 has been included in current accounts receivable.

Component Unit – Erie Metropolitan Transit AuthorityA. Leases Receivable

During 2019, the Authority began leasing office space to a third party. The lease is for two years and was extended for an additional two years in 2021. The Authority will receive monthly payments of \$1,740. During 2022, the Authority recognized \$20,668 in lease revenue and \$212 interest revenue related to the lease. As of June 30, 2022, the Authority's receivable for lease payments was \$10,411. Also, the Authority has a deferred inflow of resources associated with this lease that will be recognized as revenue over the lease term. As of June 30, 2022, the balance of the deferred inflow of resources was \$10,334.

CITY OF ERIE, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2022

NOTE 3: RECEIVABLES (CONTINUED)

Component Unit – Erie Metropolitan Transit Authority (Continued)

A. Leases Receivable (Continued)

During 2019, The Authority began leasing office space to a third party. The lease is for two years and was extended for an additional three years in 2021. The Authority will receive monthly payments of \$325. During 2022, the Authority recognized \$3,842 in lease revenue and \$93 in interest revenue related to the lease. As of June 30, 2022, the Authority's receivable for lease payments was \$7,402. Also, the Authority has a deferred inflow of resources associated with this lease that will be recognized as revenue over the lease term. As of June 30, 2022, the balance of the deferred inflow of resources was \$7,363.

During 2016, the Authority began leasing office space to a third party. The lease is for five years and the Authority will receive monthly payments of \$1,016. The agreement provides for a five-year extension which is expected to be exercised. During 2022, the Authority recognized \$11,817 in lease revenue and \$545 in interest revenue related to the lease. As of June 30, 2022, the Authority's receivable for lease payments was \$42,810. Also, the Authority has a deferred inflow of resources associated with this lease that will be recognized as revenue over the lease term. As of June 30, 2022, the balance of the deferred inflow of resources was \$42,343.

During 2019, the Authority began leasing office space to a third party. The lease is for five years and the Authority will receive monthly payments of \$1,091. During 2022, the Authority recognized \$12,838 in lease revenue and \$312 in interest revenue related to the lease. As of June 30, 2022, the Authority's receivable for lease payments was \$24,847. Also, the Authority has a deferred inflow of resources associated with this lease that will be recognized as revenue over the lease term. As of June 30, 2022, the balance of the deferred inflow of resources was \$24,606.

During 2018, The Authority began leasing office space to a third party. The lease is for five years and was extended for an additional four months. The agreement provides for a five-year extension which is expected to be exercised. The Authority will receive monthly payments of \$4,481. During 2022, the Authority recognized \$50,276 in lease revenue and \$3,903 in interest revenue related to the lease. As of June 30, 2022, the Authority's receivable for lease payments was \$324,549. Also, the Authority has a deferred inflow of resources associated with this lease that will be recognized as revenue over the lease term. As of June 30, 2022, the balance of the deferred inflow of resources was \$314,226.

During 2019, the Authority began leasing office space to a third party. The lease is for three years and was extended for an additional three years in 2022. The Authority will receive monthly payments of \$1,546. During 2022, the Authority recognized \$18,158 in lease revenue and \$96 in interest revenue related to the lease. As of June 30, 2022, the Authority's receivable for lease payments was \$36,568. Also, the Authority has a deferred inflow of resources associated with this lease that will be recognized as revenue over the lease term. As of June 30, 2022, the balance of the deferred inflow of resources was \$36,317.

CITY OF ERIE, PENNSYLVANIA
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 FOR THE YEAR ENDED DECEMBER 31, 2022

NOTE 3: RECEIVABLES (CONTINUED)

Component Unit – Erie Metropolitan Transit Authority (Continued)A. Leases Receivable (Continued)

During 2019, the Authority began leasing office space to a third party. The lease is for one year and was extended for an additional year in 2021. The agreement provides for three one-year extensions that are expected to be exercised. The Authority will receive monthly payments of \$1,715. During 2022, the Authority recognized \$20,111 in lease revenue and \$221 in interest revenue related to the lease. As of June 30, 2022, the Authority's receivable for lease payments was \$52,477. Also, the Authority has a deferred inflow of resources associated with this lease that will be recognized as revenue over the lease term. As of June 30, 2022, the balance of the deferred inflow of resources was \$52,370.

During 2020, the Authority began leasing office space to a third party. The lease is for two years and was extended for an additional two years in 2022. The Authority will receive monthly payments of \$325. During 2022, the Authority recognized \$3,854 in lease revenue and \$64 in interest revenue related to the lease. As of June 30, 2022, the Authority's receivable for lease payments was \$5,149. Also, the Authority has a deferred inflow of resources associated with this lease that will be recognized as revenue over the lease term. As of June 30, 2022, the Authority's receivable for lease payments was \$5,149. Also, the Authority has a deferred inflow of resources associated with this lease that will be recognized as revenue over the lease term. As of June 30, 2022, the balance of the deferred inflow of resources was \$5,125.

Future minimum lease payments on the above leases are as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2023	\$ 131,530	\$ 4,896	\$ 136,426
2024	118,459	3,513	121,972
2025	75,566	2,406	77,972
2026	59,214	1,672	60,886
2027	52,718	1,056	53,774
2028-2029	<u>66,726</u>	<u>495</u>	<u>67,221</u>
	<u>\$504,213</u>	<u>\$ 14,038</u>	<u>\$518,251</u>

CITY OF ERIE, PENNSYLVANIA
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 FOR THE YEAR ENDED DECEMBER 31, 2022

NOTE 4: INTERGOVERNMENTAL LEASE AGREEMENTS

I. 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 4.5% inflation increase beginning in 1992. Annual lease payments to the City under the modification increased in the year 2016 to \$3,600,000 per year and then will 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 \$4,800,00. Also, in 2008, the City received a one-time \$2,500,000 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. During 2020, the Authority prepaid a majority of this lease obligation with a lump sum payment of \$95,744,2450, which, in accordance with GASB 87, is being accounted for as a deferred inflow of resource in the Water Revenue Fund. This amount will be recognized over the life of the lease.

II. Erie Sewer Authority

In 1972, the City entered into a lease with the Erie Sewer Authority, a blended component unit, wherein the Authority issued debt to acquire real estate, buildings, and equipment for the purpose of collecting and disposing of sewage. Upon termination of the lease, the Authority retains the leased property.

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. The lease has been amended several times, with the most recent on December 12, 2012. The lease is payable 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 15th and October 15th. 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. This lease does not fit the requirements of GASB 87 due to the fact that the lease is not with a third party.

The minimum lease payments required for the next five years are as follows:

2023	\$	6,408,301
2024		6,412,544
2025		6,408,569
2026		6,413,998
2027		6,411,666

The lease rental payment for 2022 was \$6,358,934.

CITY OF ERIE, PENNSYLVANIA
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 FOR THE YEAR ENDED DECEMBER 31, 2022

NOTE 5: CAPITAL ASSETS

Primary Government

Capital asset activity for the year ended December 31, 2022 was as follows:

	Primary Government - Governmental Activities			
	Beginning Balance	Additions	Retirements	Ending Balance
<u>Governmental Activities</u>				
Capital Assets, Not Being Depreciated:				
Land	\$ 14,005,150	\$ -	\$ -	\$ 14,005,150
Total Capital Assets, Not Being Depreciated	<u>14,005,150</u>	<u>-</u>	<u>-</u>	<u>14,005,150</u>
Capital Assets, Being Depreciated:				
Buildings and Improvements	11,237,071	8,500	-	11,245,571
Improvements Other than Building	5,449,848	959,597	-	6,409,445
Equipment and Vehicles	35,364,060	5,179,598	-	40,543,658
Infrastructure	89,655,041	9,300,739	-	98,955,780
Right of Use Equipment	33,578	-	-	33,578
Total Capital Assets, Being Depreciated	<u>141,739,598</u>	<u>15,448,434</u>	<u>-</u>	<u>157,188,032</u>
Less Accumulated Depreciation or Amortization for:				
Buildings and Improvements	(8,852,811)	(245,357)	-	(9,098,168)
Improvements Other than Building	(3,128,814)	(681,908)	-	(3,810,722)
Equipment and Vehicles	(30,383,524)	(2,743,775)	-	(33,127,299)
Infrastructure	(51,597,672)	(4,752,813)	-	(56,350,485)
Right of Use Equipment	-	(8,394)	-	(8,394)
Total Accumulated Depreciation and Amortization	<u>(93,962,821)</u>	<u>(8,432,247)</u>	<u>-</u>	<u>(102,395,068)</u>
Governmental Activities Capital Assets, net	<u>\$ 61,781,927</u>	<u>\$ 7,016,187</u>	<u>\$ -</u>	<u>\$ 68,798,114</u>
	Primary Government - Business-Type Activities			
	Beginning Balance	Additions	Retirements	Ending Balance
<u>Business-Type Activities</u>				
Capital Assets, Not Being Depreciated:				
Land	\$ 730,999	\$ -	\$ -	\$ 730,999
Construction in Progress	7,524,682	9,151,983	-	16,676,665
Total Capital Assets, Not Being Depreciated	<u>8,255,681</u>	<u>9,151,983</u>	<u>-</u>	<u>17,407,664</u>
Capital Assets, Being Depreciated:				
Buildings and Improvements	141,345,907	157,427	-	141,503,334
Improvements Other than Building	27,651,218	8,550	-	27,659,768
Equipment and Vehicles	40,868,170	762,773	-	41,630,943
Infrastructure	6,426,813	239,910	-	6,666,723
Total Capital Assets, Being Depreciated	<u>216,292,108</u>	<u>1,168,660</u>	<u>-</u>	<u>217,460,768</u>
Less Accumulated Depreciation for:				
Buildings and Improvements	(130,439,091)	(3,948,865)	-	(134,387,956)
Improvements Other than Building	(21,543,622)	(457,346)	-	(22,000,968)
Equipment and Vehicles	(13,546,037)	(670,994)	-	(14,217,031)
Infrastructure	(2,633,009)	(222,564)	-	(2,855,573)
Total Accumulated Depreciation	<u>(168,161,759)</u>	<u>(5,299,769)</u>	<u>-</u>	<u>(173,461,528)</u>
Business-Type Activities Capital Assets, net	<u>\$ 56,386,030</u>	<u>\$ 5,020,874</u>	<u>\$ -</u>	<u>\$ 61,406,904</u>

CITY OF ERIE, PENNSYLVANIA
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 FOR THE YEAR ENDED DECEMBER 31, 2022

NOTE 5: CAPITAL ASSETS (CONTINUED)

Primary Government (Continued)

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

Governmental Activities:

General Government	\$ 2,274,571
Public Safety	1,183,003
Highways and Streets	4,722,084
Economic and Community Development	252,589
Total Governmental Activities	<u>\$ 8,432,247</u>

Business-Type Activities:

Sewer	\$ 4,269,368
Refuse	441,143
Golf	64,319
Water	524,939
Total Business-Type Activities	<u>\$ 5,299,769</u>

Component Unit – Erie Metropolitan Transit Authority

For the year ended June 30, 2022, fixed asset activity for the Erie Metropolitan Transit Authority was as follows:

	Component Unit - Erie Metropolitan Transit Authority			
	Beginning Balance	Additions	Retirements	Ending Balance
<u>Erie Metropolitan Transit Authority</u>				
Capital Assets, Not Being Depreciated:				
Land	\$ 2,605,176	\$ -	\$ -	\$ 2,605,176
Construction in Progress	8,431,176	-	(8,431,176)	-
Total Capital Assets, Not Being Depreciated	<u>11,036,352</u>	<u>-</u>	<u>(8,431,176)</u>	<u>2,605,176</u>
Capital Assets, Being Depreciated:				
Buildings and Improvements	70,308,580	9,046,588	-	79,355,168
Improvements Other than Building	37,579	-	-	37,579
Equipment and Vehicles	41,751,593	6,260,931	(3,372,658)	44,639,866
Total Capital Assets, Being Depreciated	<u>112,097,752</u>	<u>15,307,519</u>	<u>(3,372,658)</u>	<u>124,032,613</u>
Less Accumulated Depreciation for:				
Buildings and Improvements	(12,930,825)	(1,852,617)	-	(14,783,442)
Improvements Other than Building	(36,429)	(600)	-	(37,029)
Equipment and Vehicles	(28,052,810)	(2,605,316)	3,372,658	(27,285,468)
Total Accumulated Depreciation	<u>(41,020,064)</u>	<u>(4,458,533)</u>	<u>3,372,658</u>	<u>(42,105,939)</u>

CITY OF ERIE, PENNSYLVANIA
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 FOR THE YEAR ENDED DECEMBER 31, 2022

NOTE 5: CAPITAL ASSETS (CONTINUED)

Component Unit – Erie Parking Authority

For the year ended December 31, 2022, fixed asset activity for the Erie Parking Authority was as follows:

	Component Unit - Erie Parking Authority			
	Beginning Balance	Additions	Retirements	Ending Balance
<u>Erie Parking Authority</u>				
Capital Assets, Not Being Depreciated:				
Land	\$ 1,839,659	\$ -	\$ -	\$ 1,839,659
Total Capital Assets, Not Being Depreciated	<u>1,839,659</u>	<u>-</u>	<u>-</u>	<u>1,839,659</u>
Capital Assets, Being Depreciated:				
Buildings and Improvements	57,762,442	275,473	-	58,037,915
Equipment and Vehicles	1,912,944	677,188	-	2,590,132
Total Capital Assets, Being Depreciated	<u>59,675,386</u>	<u>952,661</u>	<u>-</u>	<u>60,628,047</u>
Less Accumulated Depreciation	<u>(35,650,868)</u>	<u>(1,518,932)</u>	<u>-</u>	<u>(37,169,800)</u>

NOTE 6: PENSION PLANS

Primary GovernmentA. Plan Descriptions

The City of Erie contributes to three single-employer defined benefit pension plans: Officers' and Employees' Retirement Fund, Firefighters' Pension Plan, and Police Relief and Pension Plan. Each plan provides retirement, disability, death benefits, and annual cost-of-living adjustments (COLAs) to plan members and beneficiaries. Each plan issues a stand-alone financial report that includes financial statements and required supplementary information for that plan. Those reports may be obtained from the administrative office of the Plan or from the City Controller's Office in the Municipal Building. The Plans are managed by the Aggregate Pension Board of the City of Erie, and the funds are not subject to the provisions of the Employee Retirement Income Security Act of 1974 (ERISA).

The plans are accounted for on the economic resource measurement focus and the accrual basis of accounting. Employer and employee contributions are recognized when earned in the year that the contributions are required. Benefits and refunds are recognized as an expense and liability when due and payable.

CITY OF ERIE, PENNSYLVANIA
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 FOR THE YEAR ENDED DECEMBER 31, 2022

NOTE 6: PENSION PLANS (CONTINUED)

Primary Government (Continued)B. Plan Membership

As of December 31, 2022, the Plans' memberships consisted of the following:

	<u>Officers' and Employees' Retirement Plan</u>	<u>Police Relief and Pension Association</u>	<u>Firefighters' Pension Fund</u>
Active plan members	306	181	134
Dropped Participants	13	0	0
Retirees and beneficiaries currently receiving benefits	364	275	207
Terminated plan members entitled to but not yet receiving benefits	<u>18</u>	<u>6</u>	<u>0</u>
Total	<u><u>701</u></u>	<u><u>462</u></u>	<u><u>341</u></u>

C. Contributions

The employer follows the funding policy prescribed by Act 205 of 1984 (as amended), which requires that annual contributions be based upon the Minimal Municipal Obligation (MMO) using the plan's most recent biennial actuarial valuation. The MMO includes the normal cost, estimated administrative expenses and an amortization contribution of the unfunded actuarial liability, less estimated member contributions, and a credit equal to 10% of the excess (if any) of the actuarial value of assets over the actuarial accrued liability. The state provides an allocation of funds which must be used for pension funding. Any financial requirement established by the MMO which exceeds state contributions must be funded by the employer.

Officers' and Employees' Retirement Plan. All members of the Plan are required to contribute 6.5% of their gross monthly wages to the Plan for basic pension benefits. The City remits member contributions monthly and the Water Authority remits member contributions after each pay period.

Police Relief and Pension Association. Plan members hired prior to January 1, 1981 are required to contribute 5% of their annual covered salary, plus \$1 per month. Members hired after January 1, 1981 are required to contribute 6% of their annual covered salary plus \$1 per month.

Firefighters' Pension Fund. The Plan is funded from City contributions, State contributions, and employee contributions. Employee contributions to the plan are 6% of salary plus \$1 per month.

CITY OF ERIE, PENNSYLVANIA
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 FOR THE YEAR ENDED DECEMBER 31, 2022

NOTE 6: PENSION PLANS (CONTINUED)

Primary Government (Continued)D. Net Pension Liability

The components of the net pension liability as of December 31, 2022 are as follows:

	Officers' and Employees' Retirement Plan	Police Relief and Pension Association	Firefighters' Pension Fund	Total
Total Pension Liability	\$ 150,455,771	\$ 210,800,441	\$ 162,065,500	\$ 523,321,712
Plan Fiduciary Net Position	(109,008,973)	(123,025,561)	(104,701,207)	(336,735,741)
City's Net Pension Liability	<u>\$ 41,446,798</u>	<u>\$ 87,774,880</u>	<u>\$ 57,364,293</u>	<u>\$ 186,585,971</u>
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	72.45%	58.36%	64.60%	64.35%

The total pension liability was determined by an actuarial valuation as of December 31, 2022 using the following significant actuarial assumptions applied to all periods included in the measurement:

- I. *Investment Rate of Return.* 6.00%
- II. *Projected Salary Increases.* 3.50%
- III. *Inflation Rate.* 2.62%
- IV. *Cost of Living Adjustments.*
 - a. Police – 2.50% for pre-1981 hires and 2.66% for post-1981 hires.
 - b. Fire – 2.66%
 - c. Officer's and Employees' – None
- V. *Mortality.* RP-2014 mortality table adjusted for mortality improvement scale MP-2020
- VI. *Actuarial Cost Method.* Individual Entry Age
- VII. *Amortization Method.* Recognition Period
- VIII. *Assumed Retirement Age.*
 - a. Fire – 8% at ages 50-53; 10% at ages 54-55; 12% at ages 56-57; 15% at ages 58-59; 35% at ages 60-61; 100% at age 62

CITY OF ERIE, PENNSYLVANIA
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 FOR THE YEAR ENDED DECEMBER 31, 2022

NOTE 6: PENSION PLANS (CONTINUED)

Primary Government (Continued)

D. Net Pension Liability (Continued)

- b. Police – 30% at age 50; 15% at ages 51-52; 10% at age 53; 15% at age 54; 20% at age 55; 15% at ages 56-58; 0% at age 59; 60% at age 60; 0% at age 61; 100% at age 62
- c. Officer's and Employees' – 15% at age 55; 4% at ages 56-59; 25% at age 60; 10% at age 61; 35% at ages 62-64; 100% at age 65

E. Long-Term Expected Rate of Return

The long-term expected rate of return on pension plan investments was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for major asset classes. These ranges are combined to produce the expected long-term rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

The following was the asset allocation policy and best estimates of arithmetic real rates of return for each major asset class included in the fund's target asset allocation as of December 31, 2022:

<u>Asset Class</u>	<u>Long-Term Expected Rate of Return</u>
Large Cap Equity	6.45%
Mid Cap Equity	6.84%
Small Cap Equity	7.32%
International Equity	8.52%
Emerging Markets Equity	9.34%
Real Estate Investment Trust	5.32%
Aggregate Bonds	2.06%
High Yield Bonds	4.52%

E. Discount Rate

The discount rate used to measure the total pension liability was 6.00%. The projection of cash flows used to determine the discount rate assumed that Plan member contributions will be made at the current contribution rate and that contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the Plans' fiduciary net position was projected to be available to make all projected future benefit payments of current Plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

CITY OF ERIE, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2022

NOTE 6: PENSION PLANS (CONTINUED)

Primary Government (Continued)F. Annual Money-Weighted Rate of Return

The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested. For the year ended December 31, 2022, the annual money-weighted rate of return for the Officers' and Employees' Retirement Fund, Police Relief and Pension Association, and the Firefighters' Pension Fund was -14.61%, -14.50%, and -14.09%, respectively.

G. Changes in the Net Pension Liability

The components and changes in the City's net pension liability for the Plans, in aggregate, for the year ended December 31, 2022 are presented in the following table:

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances at 12/31/21	\$ 515,998,981	\$ 397,741,912	\$ 118,257,069
Service Cost	9,145,445	-	9,145,445
Interest Cost	30,574,995	-	30,574,995
Differences Between Expected and Actual Experience	5,386,141	-	5,386,141
Contributions - Employer	-	27,921,210	(27,921,210)
Contributions - Member	-	3,011,124	(3,011,124)
Net Investment Income	-	(57,460,352)	57,460,352
Benefit Payments, including Refunds of Member Contributions	(28,728,341)	(28,728,341)	-
Administrative Expense	-	(298,064)	298,064
Net Changes	16,378,240	(55,554,423)	71,932,663
Balances at 12/31/22	\$ 532,377,221	\$ 342,187,489	\$ 190,189,732
Split of Net Pension Liability:			
Governmental Activities	\$ 479,642,771	\$ 308,660,935	\$ 170,981,836
Business-Type Activities	43,678,941	28,074,806	15,604,135
Erie Water Authority	9,055,509	5,451,748	3,603,761
Total	\$ 532,377,221	\$ 342,187,489	\$ 190,189,732

CITY OF ERIE, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2022

NOTE 6: PENSION PLANS (CONTINUED)

Primary Government (Continued)H. Sensitivity of the Net Pension Liability to Changes in the Discount Rate

	1% Decrease 5.00%	Current Discount Rate 6.00%	1% Increase 7.00%
Net Pension Liability	<u>\$ 262,282,974</u>	<u>\$ 190,189,732</u>	<u>\$ 131,235,884</u>

I. Deferred Outflows and Inflows of Resources

The total pension expense recognized in 2022 for the Plans was \$12,230,665 for governmental activities and \$1,982,118 for business-type activities. As of December 31, 2022, the City reported deferred outflows of resources and deferred inflows of resources related to the Plans from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference Between Expected and Actual Experience	\$ 7,024,009	\$ 2,717,880
Changes in Assumptions	7,063,800	-
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	<u>36,995,877</u>	<u>-</u>
Total	<u>\$ 51,083,686</u>	<u>\$ 2,717,880</u>

Split of Deferred Outflows of Resources and Deferred Inflows of Resources:

Governmental Activities	\$ 44,590,497	\$ 2,454,774
Business-Type Activities	<u>6,493,189</u>	<u>263,106</u>
Total	<u>\$ 51,083,686</u>	<u>\$ 2,717,880</u>

Amounts reported as deferred outflows of resources and deferred inflows of resources related to the Plans will be recognized in pension expense as follows:

<u>Year ended December 31,</u>	
2022	\$ 9,240,431
2023	9,151,315
2024	13,701,468
2025	16,310,855
2026	<u>(38,263)</u>
	<u>\$ 48,365,806</u>

CITY OF ERIE, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2022

NOTE 6: PENSION PLANS (CONTINUED)

Component Unit – Erie Metropolitan Transit Authority

A. Plan Descriptions

Erie Metropolitan Transit Authority Employees' Retirement Plan. The Fixed Route Division of the Authority contributes to a single employer defined benefit pension plan, the Erie Metropolitan Transit Authority Employees' Retirement Plan (the Plan). The Plan previously covered substantially all employees. Effective December 2012, the Authority's Board of Directors approved an amendment to restrict any new employees from participating in the Plan. Effective September 15, 2018, the Authority's Board of Directors approved an amendment to allow eligible employees to once again participate in the Plan.

Erie Metropolitan Transit Authority Non-Bargained Employees' Supplemental Retirement Plan. The Authority also contributes to a single-employer defined benefit pension plan, the Erie Metropolitan Transit Authority Non-Bargained Employees' Supplemental Retirement Plan (the Supplemental Plan). The Supplemental Plan covers substantially all non-bargained employees. Effective December 2012, the Authority's Board of Directors approved an amendment to restrict any new employees from participating in the Supplemental Plan.

The Plan and Supplemental Plan both operate in accordance with Pennsylvania Act 205. Under Act 205, actuarial valuations are required every two years. The following information is based on the most recent actuarial report as of April 30, 2022. Both the Plan and Supplemental Plan issue stand-alone financial statements.

B. Benefits Provided

i. Erie Metropolitan Transit Authority Employees' Retirement Plan

- *Normal Retirement.* A participant is eligible for normal retirement on the first of the month coincident with or next following the attainment of the earlier of age 65, age 62 and completion of 25 years of service, or age 55 and completion of 30 years of service. The normal retirement pension is payable monthly during the participant's lifetime, with payments ceasing upon the participant's death. The monthly pension benefit is equal to the sum of the past service benefit and the future service benefit. The past service benefit equals \$44 per month multiplied by years of credited service up to April 1, 2012, while the future service benefit equals \$46 per month for each year of credited service achieved after April 1, 2012.
- *Late Retirement.* If a participant continues working after their normal retirement date, their pension does not start until they actually retire. The monthly late retirement pension is equal to the benefit accrued to the late retirement date.

CITY OF ERIE, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2022

NOTE 6: PENSION PLANS (CONTINUED)

Component Unit – Erie Metropolitan Transit Authority (Continued)

B. Benefits Provided (Continued)

i. Erie Metropolitan Transit Authority Employees' Retirement Plan (Continued)

- *Early Retirement.* A participant is eligible for early retirement after attainment of age 55 and completion of 15 years of service. A participant may elect either of the following at the time of their retirement:
 - a. A deferred retirement benefit, commencing at normal retirement date based on the past service benefit and future service benefit in effect on the early retirement date or
 - b. An immediate retirement benefit equal to the deferred retirement benefit reduced by 0.25% to 0.50%, based on age and credited service, for each month until the participant attains age 65.
- *Disability Retirement.* If an active participant who has completed ten years of service becomes disabled, the participant is eligible for disability retirement. The monthly disability retirement pension is based on years of service and the dollar unit in effect at the time of disability.
- *Death Benefits.* The death benefit for a participant's designated beneficiary prior to the age of 55 with 15 years of service is equal to a lump sum equal to the participant's total contributions less any benefits previously received. The death benefit for a participant after the age of 55 with 15 years of service, but prior to retirement, is a spouse pension equal to 50% of the participant's accrued benefit, reduced for the 50% Joint and Survivor option.
- *Termination Benefit.* A participant leaving the service of the Authority for any cause other than death, or one which entitles the participant to a vested retirement pension, is entitled to a full refund of their total contributions to the fund whiteout interest, less any benefits received.

ii. Erie Metropolitan Transit Authority Non-Bargained Employees' Supplemental Retirement Plan

- *Normal Retirement.* A participant is eligible for normal retirement on the first of the month coincident with or next following the attainment of the earlier of age 65, age 62 and the completion of ten years of service, or age 55 and completion of 30 years of service. The normal retirement pension is payable monthly during the participant's lifetime, with payments ceasing upon the participant's death. The monthly pension benefit will equal 2.0% of a participant's average monthly compensation (highest 36 consecutive months) multiplied by years of credited service, to a maximum of 35 years, minus the benefit payable from the Supplemental Plan.

CITY OF ERIE, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2022

NOTE 6: PENSION PLANS (CONTINUED)

Component Unit – Erie Metropolitan Transit Authority (Continued)

B. Benefits Provided (Continued)

ii. Erie Metropolitan Transit Authority Non-Bargained Employees' Supplemental Retirement Plan (Continued)

- *Late Retirement.* If a participant continues working after their normal retirement date, their pension does not start until they actually retire. The monthly late retirement pension is equal to the benefit accrued to the late retirement date.
- *Early Retirement.* A participant is eligible for early retirement after attainment of age 52 and completion of ten years of service. The early retirement benefit is based on service and the participant's average monthly compensation at the time of retirement. The benefit is reduced by 0.16% for each month it commences prior to normal retirement.
- *Disability Retirement.* If an active participant who has completed ten years of service becomes disabled, the participant is eligible for disability retirement. The disability benefit is based on years of service and the participant's average monthly compensation in effect at the time of disability.
- *Death Benefits.* The death benefit for a participant's designated beneficiary prior to the age of 55 with 15 years of service is equal to a lump sum equal to the participant's total contributions less any benefits previously received. The death benefit for a participant after the age of 55 with 15 years of service, but prior to retirement, is a spouse pension equal to 50% of the participant's accrued benefit, reduced for the 50% Joint and Survivor option.
- *Termination Benefit.* A participant leaving the service of the Authority for any cause other than death, or one which entitles the participant to a vested retirement pension, is entitled a full refund of their total contributions to the fund without interest, less any benefits received.

CITY OF ERIE, PENNSYLVANIA
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 FOR THE YEAR ENDED DECEMBER 31, 2022

NOTE 6: PENSION PLANS (CONTINUED)

Component Unit – Erie Metropolitan Transit Authority (Continued)C. Plan Membership

The employees covered by the Plan and the Supplemental Plan were as follows for 2022:

	<u>Plan</u>	<u>Supplemental Plan</u>
Retired beneficiaries currently receiving benefits	88	10
Inactive employees entitled to, but not yet receiving benefits	7	0
Active employees	<u>147</u>	<u>6</u>
	<u>242</u>	<u>16</u>

D. Contributions

The Plan and the Supplemental Plan are funded by the Authority on an annual basis pursuant to the provisions of Act 205 of 1984, as amended by Act 44 of 2009. Act 205 requires contributions be based upon the calculation of the Minimum Municipal Obligation (MMO). For the year ended June 30, 2022, the Plan and the Supplemental Plan had deposits totaling \$497,928, and \$169,113, respectively.

E. Net Pension Liability (Asset)

As of June 30, 2022, the Authority reported an asset of (\$52,231) and a liability of \$708,734 for the Plan and the Supplemental Plan, respectively. The net pension liability and asset were measured as of April 30, 2022, and were determined by rolling forward the liabilities from an actuarial valuation as of April 30, 2021. No significant events or changes in actuarial assumptions occurred between the valuation date and the measurement date.

F. Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources

For the year ended June 30, 2022, the Authority recognized pension expense of \$7,906 for the Plan, and \$142,736 for the Supplemental Plan. In addition, the Authority reported deferred outflows of resources and deferred inflows of resources from the following sources:

	<u>Deferred Inflows of Resources</u>	<u>Deferred Outflows of Resources</u>
Difference Between Expected and Actual Experience	\$ 353,244	\$ 550,000
Changes in Assumptions	289,626	-
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	<u>132,309</u>	<u>-</u>
Total	<u>\$ 775,179</u>	<u>\$ 550,000</u>

CITY OF ERIE, PENNSYLVANIA
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 FOR THE YEAR ENDED DECEMBER 31, 2022

NOTE 6: PENSION PLANS (CONTINUED)

Component Unit – Erie Metropolitan Transit Authority (Continued)F. Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources (Continued)

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30,		
2023	\$	239,929
2024		93,978
2025		(394,685)
2026		346,521
2027		(35,684)
Thereafter		<u>(24,880)</u>
	<u>\$</u>	<u>225,179</u>

G. Actuarial Assumptions

The total pension liability in the April 30, 2022 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

i. Erie Metropolitan Transit Authority Employees' Retirement Plan

- *Inflation Rate. 3.00%*
- *Salary Increases. 4.00%*
- *Investment Rate of Return. 7.00%*

ii. Erie Metropolitan Transit Authority Non-Bargaining Employees' Supplemental Retirement Plan

- *Inflation Rate. 3.00%*
- *Salary Increases. 3.00%*
- *Investment Rate of Return. 7.00%*

Mortality rates were based on the Society of Actuaries RP-2014 Total Dataset Mortality Tables adjusted to 2006 for base rates and projected to the valuation date using Mortality Improvement Scale MP-2020.

The actuarial assumptions used in the April 30, 2022 valuation were based on past experience under the Plan and Supplemental Plan, and reasonable future expectations, which represents the best estimate of anticipated experience under the Plans.

CITY OF ERIE, PENNSYLVANIA
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 FOR THE YEAR ENDED DECEMBER 31, 2022

NOTE 6: PENSION PLANS (CONTINUED)

Component Unit – Erie Metropolitan Transit Authority (Continued)

H. Long-Term Expected Rate of Return

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. As of June 30, 2022, the target allocation and best estimates of arithmetic real rates of return for each major asset class for both Plans are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Equity	75%	8.0%
Fixed Income	20%	2.5%
Alternative Strategies	5%	5.0%

I. Discount Rate

The discount rate used to measure the total pension liability (asset) for both plans was 7.00%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that the Authority's contributions will be made based on the yearly MMO calculation. Based on those assumptions, the Plan and Supplementary Plan's fiduciary net position as projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

CITY OF ERIE, PENNSYLVANIA
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 FOR THE YEAR ENDED DECEMBER 31, 2022

NOTE 6: PENSION PLANS (CONTINUED)

Component Unit – Erie Metropolitan Transit Authority (Continued)J. Changes in the Net Pension Liability (Asset)

For the year ended June 30, 2022, changes in the Net Pension Liability (Asset) for the Plan and the Supplemental Plan were as follows:

The Plan:

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
	(a)	(b)	(a) - (b)
Balances at 12/31/21	\$ 13,490,701	\$ 15,235,413	\$ (1,744,712)
Service Cost	264,175	-	264,175
Interest Cost	930,323	-	930,323
Changes in Benefit Terms	-	-	-
Differences Between Expected and Actual Experience	-	-	-
Changes in Assumptions	-	-	-
Contributions - Employer	-	305,344	(305,344)
Contributions - Member	-	192,584	(192,584)
Net Investment Income	-	(984,251)	984,251
Benefit Payments, including Refunds of Member Contributions	(857,619)	(857,619)	-
Administrative Expense	-	(11,660)	11,660
Net Changes	<u>336,879</u>	<u>(1,355,602)</u>	<u>1,692,481</u>
Balances at 12/31/22	<u>\$ 13,827,580</u>	<u>\$ 13,879,811</u>	<u>\$ (52,231)</u>

The Supplemental Plan:

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
	(a)	(b)	(a) - (b)
Balances at 12/31/21	\$ 2,713,137	\$ 2,198,496	\$ 514,641
Service Cost	14,220	-	14,220
Interest Cost	184,841	-	184,841
Differences Between Expected and Actual Experience	-	-	-
Contributions - Employer	-	138,504	(138,504)
Contributions - Member	-	30,609	(30,609)
Net Investment Income	-	(155,795)	155,795
Benefit Payments, including Refunds of Member Contributions	(160,198)	(160,198)	-
Administrative Expense	-	(8,350)	8,350
Net Changes	<u>38,863</u>	<u>(155,230)</u>	<u>194,093</u>
Balances at 12/31/22	<u>\$ 2,752,000</u>	<u>\$ 2,043,266</u>	<u>\$ 708,734</u>

CITY OF ERIE, PENNSYLVANIA
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 FOR THE YEAR ENDED DECEMBER 31, 2022

NOTE 6: PENSION PLANS (CONTINUED)

Component Unit – Erie Metropolitan Transit Authority (Continued)K. Sensitivity of the Net Pension Liability to Changes in the Discount Rate

As of June 30, 2022, the following is a sensitivity analysis of the Authority's net pension liability to changes in the discount rate. The table below presents the net pension liability calculated using the discount rate of 7.00% as well as what the net pension liability would be if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current rate.

The Plan:

	1% Decrease 6.00%	Current Discount Rate 7.00%	1% Increase 8.00%
Net Pension Liability	<u>\$ 1,513,895</u>	<u>\$ (52,231)</u>	<u>\$ (1,368,874)</u>

The Supplemental Plan:

	1% Decrease 6.00%	Current Discount Rate 7.00%	1% Increase 8.00%
Net Pension Liability	<u>\$ 1,041,356</u>	<u>\$ 708,734</u>	<u>\$ 430,246</u>

Component Unit – Erie Parking AuthorityA. Plan Description

The Plan is a single employer defined benefit pension plan that provides retirement benefits to employees of the Erie Parking Authority. The Plan is controlled by the provisions of a pension plan and trust agreement most recently adopted by resolution on August 31, 2010. The Plan is governed by the board of supervisors which is responsible for the management of plan assets. The board of supervisors has delegated the Authority to manage certain plan assets to Northwest Savings Bank. The employees eligible to participate in the Plan include employees who were employed prior to September 1, 2000. Employees were eligible to participate on the first day of the calendar year after their date of employment. The Plan does not issue a publicly available financial report.

B. Benefits Provided

The Plan provides retirement, disability, and death benefits. Plan benefits begin vesting after five years of service with full vesting occurring after fifteen years of service. Members are entitled to begin receiving retirement benefits on the first of the month coincident with or next following the attainment of age 65. Upon a participant's normal retirement date, the participant is entitled to receive their accrued benefit of \$17 per month per year of credited service. A participant may retire early on the first day of any month after attaining age 55 and completing ten years of credited service. Upon a member's early retirement date, the member is entitled to receive their accrued benefit earned as of their early retirement date actuarially reduced for benefit commencement prior to age 65.

CITY OF ERIE, PENNSYLVANIA
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 FOR THE YEAR ENDED DECEMBER 31, 2022

NOTE 6: PENSION PLANS (CONTINUED)

Component Unit – Erie Parking Authority (Continued)

B. Benefits Provided

Participants are entitled to a disability benefit on the date they have applied, qualified for, and are receiving disability benefits under the Social Security Act. A participant will be entitled to receive their accrued benefit earned to the date of disability.

Death benefits are payable upon the death of a participant to the spouse of each married participant who has a vested interest in the Plan. The benefit shall be equal to 50% of the participant's accrued benefit had the participant terminated service on the date of their death and elected the joint and 50% survivor annuity. The payment will commence on the first day which the participant could have retired had they lived.

C. Plan Membership

As of December 31, 2022, the members covered by benefit terms was as follows:

Retired beneficiaries currently receiving benefits	6
Inactive employees entitled to, but not yet receiving benefits	8
Active employees	<u>5</u>
	<u><u>19</u></u>

D. Contributions

There are no employee contributions under the Plan. The Plan is funded by the Authority on an annual basis pursuant to the provisions of Act 205 of 1984. The Act requires that annual contributions be based upon the calculation of the Minimum Municipal Obligation (MMO). During the year ended December 31, 2022, the Authority contributed \$39,420 to the Plan.

E. Net Pension Liability

As of December 31, 2022, the Authority reported a net pension liability of \$102,040. The net pension liability was measured as of December 31, 2021, and the total pension liability used to calculate the net pension liability was determined by rolling forward the Plan's total pension asset as of December 31, 2020 to December 31, 2021.

CITY OF ERIE, PENNSYLVANIA
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 FOR THE YEAR ENDED DECEMBER 31, 2022

NOTE 6: PENSION PLANS (CONTINUED)

Component Unit – Erie Parking Authority (Continued)

F. Actuarial Assumptions

The total pension liability was determined by rolling forward the Plan's total pension asset as of the December 31, 2019 actuarial valuation to December 31, 2020 using the following actuarial assumptions, applied to all periods:

- *Cost Method.* Individual Entry Age Normal
- *Investment Rate of Return.* 5.00%
- *Salary Increases.* 0%

Mortality rates were based on the IRS 2018+ Applicable Mortality Table for males and females for 417(e).

G. Long-Term Expected Rate of Return

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These projections are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation of 2.62%. The best estimates of arithmetic real rates of returns for each major asset class are summarized as follows:

<u>Asset Class</u>	<u>Long-Term Expected Real Rate of Return</u>
U.S. Large Cap	6.45%
U.S. Mid Cap	6.84%
U.S. Small Cap	7.32%
EAFE Equity	8.52%
Emerging Markets Equity	9.34%
U.S. REITs	5.32%
U.S. Aggregate Bonds	2.06%
U.S. High Yield Bonds	4.52%

CITY OF ERIE, PENNSYLVANIA
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 FOR THE YEAR ENDED DECEMBER 31, 2022

NOTE 6: PENSION PLANS (CONTINUED)

Component Unit – Erie Parking Authority (Continued)H. Pension Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources

For the year ended December 31, 2022, the Authority recognized pension expense of \$12,686. As of December 31, 2022, the Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference Between Expected and Actual Experience	\$ 14,326	\$ -
Changes in Assumptions	-	-
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	-	68,379
Contributions Subsequent to the Measurement Date	<u>39,420</u>	<u>-</u>
Total	<u>\$ 53,746</u>	<u>\$ 68,379</u>

The \$39,420 reported as deferred outflows of resources related to pensions resulting from Authority contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be amortized and recognized in pension expense as follows:

<u>Year Ended December 31,</u>	
2023	\$ (3,162)
2024	(30,410)
2025	(14,269)
2026	<u>(6,212)</u>
	<u>\$ (54,053)</u>

CITY OF ERIE, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2022

NOTE 6: PENSION PLANS (CONTINUED)

Component Unit – Erie Parking Authority (Continued)I. Changes in the Net Pension Liability

Changes in the net pension liability for the year ended December 31, 2022 is as follows:

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances at 12/31/21	\$ 779,079	\$ 604,510	\$ 174,569
Service Cost	4,099	-	4,099
Interest Cost	31,786	-	31,786
Difference Between Expected and Actual Experience	-	-	-
Contributions - Employer	-	53,175	(53,175)
Net Investment Income	-	55,239	(55,239)
Benefit Payments, including Refunds of Member Contributions	(272,227)	(272,227)	-
Net Changes	(236,342)	(163,813)	(72,529)
Balances at 12/31/22	<u>\$ 542,737</u>	<u>\$ 440,697</u>	<u>\$ 102,040</u>

J. Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following presents the net pension liability, calculated using the discount rate of 5.00%, as well as what the net pension liability would be if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current rate.

	1% Decrease 4.00%	Current Discount Rate 5.00%	1% Increase 6.00%
	Net Pension Liability	<u>\$ 167,932</u>	<u>\$ 102,040</u>

CITY OF ERIE, PENNSYLVANIA
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 FOR THE YEAR ENDED DECEMBER 31, 2022

NOTE 7: OTHER POSTEMPLOYMENT BENEFITS

Primary GovernmentA. Plan Description

The City's has one single employer defined benefit OPEB plan that provides healthcare coverage for qualified retirees until they become eligible for Medicare. To qualify for healthcare benefits under the plan, the retiree must have no other health insurance coverage available at the time of retirement, either on a contributory or a non-contributory basis. Coverage under the plan shall cease upon the retiree becoming eligible for coverage under any other insurance plan.

Police. All police officers retiring on or after January 1, 1992 shall be eligible for basic hospital and medical insurance coverage for the officer and the officer's non-working spouse. All officers retiring on or after January 1, 2002 shall be eligible for basic hospital and medical insurance coverage for the officer, the officer's non-working spouse, and dependents under the age of 18, if not enrolled in an institution of higher learning, or 21 if enrolled.

Firefighters. All persons retiring on or after January 1, 1990 shall be eligible for basic hospital and medical insurance coverage on an individual basis. All persons retiring on or after January 1, 1993 shall be eligible for basic hospital and medical insurance coverage for the retiree and the person's non-working spouse. All persons retiring on or after January 1, 2002 shall be eligible for basic hospital and medical insurance coverage for the retiree, the retiree's non-working spouse, and the dependents under the age of 18 if not enrolled in an institution of higher learning, or 21 if enrolled.

B. Employees Covered by Benefit Terms

As of December 31, 2022, the following employees were covered by benefit terms:

Active Participants	277
Retired Participants	153
Total	<u>430</u>

C. Contributions

The Plan is funded by the City on a "pay as you go" basis. Contributions are made to the Plan to pay claims as they happen. For the year ended December 31, 2022, the total contributions to the Plan were \$2,581,223.

D. Total OPEB Liability

The City's total OPEB liability of \$31,114,390 was measured as of December 31, 2022. This liability was determined by an actuarial valuation as of December 31, 2022.

CITY OF ERIE, PENNSYLVANIA
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 FOR THE YEAR ENDED DECEMBER 31, 2022

NOTE 7: OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

Primary Government (Continued)

E. Actuarial Assumptions

The total OPEB liability as of December 31, 2022 was determined using the following actuarial assumptions and other inputs, applied to all periods in the measurement, unless otherwise specified:

- i. *Actuarial Cost Method.* Entry Age Normal Cost
- ii. *Measurement Date.* December 31, 2022
- iii. *Inflation.* 2.00%
- iv. *Salary Increases.* 3.50%
- v. *Healthcare Cost Trend Rates.* 3.00%
- vi. *Discount Rate.* 4.31%
- vii. *Turnover.* T-2
- viii. *Retirement Rates.*

<u>Age</u>	<u>Police</u>	<u>Firemen</u>
53	30%	8%
54	15%	8%
55	15%	8%
56	10%	8%
57	15%	10%
58	20%	10%
59	15%	12%
60	15%	12%
61	15%	15%
62	0%	15%
63	60%	35%
64	0%	35%
65	100%	100%

F. Mortality Rates

Rates of mortality are in accordance with Society of Actuaries RP-2014 total dataset mortality adjusted to 2006 for base rates and projected to the valuation date using mortality improvement scale MP-2021. Death of disabled members is assumed to occur in accordance with Society of Actuaries RP-2014 disabled retiree mortality adjusted to 2006 for base rates and projected to the valuation date using mortality improvement scale MP-2021.

CITY OF ERIE, PENNSYLVANIA
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 FOR THE YEAR ENDED DECEMBER 31, 2022

NOTE 7: OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

Primary Government (Continued)G. Healthcare Cost Trend Rate

The health care cost trend rate was developed after a review of the historical claims expenses and Consumer Price Index increases. It was concluded to use the ten-year CPI plus one half of one percent rounded to the nearest half-percent. This resulted in a trend rate of 3.00%.

H. Discount Rate

The discount rate used to measure the total OPEB liability for the Plan was 4.31%. The discount rate was based on the S&P Municipal Bond 20-Year High Grade Index as of December 31, 2022. The discount rate used in the prior period was 2.25%.

I. Changes in the Total OPEB Liability

Changes in the total OPEB liability for 2022 were as follows:

	<u>Governmental Activities</u>
Service Cost	\$ 1,094,006
Interest	645,292
Differences Between Expected and Actual Experience	5,732,769
Changes in Assumptions	(2,760,241)
Contributions - Employer	<u>(2,581,223)</u>
Net Change in the Total OPEB Liability	<u>2,130,603</u>
Total OPEB Liability - Beginning of Year	<u>28,983,787</u>
Total OPEB Liability - End of Year	<u>\$ 31,114,390</u>

J. OPEB Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources

For the year ended December 31, 2022, the City recognized OPEB expense of \$3,553,763, and deferred outflows of resources from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 8,042,961	\$ -
Change of assumptions	<u>2,469,609</u>	<u>2,696,304</u>
Total	<u>\$ 10,512,570</u>	<u>\$ 2,696,304</u>

CITY OF ERIE, PENNSYLVANIA
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 FOR THE YEAR ENDED DECEMBER 31, 2022

NOTE 7: OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

Primary Government (Continued)

J. OPEB Expense and Deferred Outflows of Resources (Continued)

Amounts reported as deferred outflows of resources related to OPEB will be recognized in OPEB expense as follows:

<u>Period ended December 31,</u>	
2023	\$ 2,493,964
2024	1,906,398
2025	1,499,114
2026	1,448,972
2027	409,532
Thereafter	<u>58,286</u>
	<u>\$ 7,816,266</u>

K. Sensitivity of the Total OPEB Liability to Changes in the Discount Rate

The following is the total OPEB liability of the City, as well as the total OPEB liability using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current discount rate:

	<u>1% Decrease</u> 3.31%	<u>Current Rate</u> 4.31%	<u>1% Increase</u> 5.31%
Total OPEB Liability	<u>\$ 33,117,078</u>	<u>\$ 31,114,390</u>	<u>\$ 29,242,293</u>

L. Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rate

The following represents the total OPEB liability of the City, calculated using the healthcare cost trend rate of 3.00%, as well as what the City's total OPEB liabilities would be if they were calculated using a healthcare cost trend rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

	<u>1% Decrease</u> 2.00%	<u>Current Rate</u> 3.00%	<u>1% Increase</u> 4.00%
Total OPEB Liability	<u>\$ 28,709,454</u>	<u>\$ 31,114,390</u>	<u>\$ 33,834,836</u>

CITY OF ERIE, PENNSYLVANIA
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 FOR THE YEAR ENDED DECEMBER 31, 2022

NOTE 7: OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

Component Unit – Erie Metropolitan Transit Authority

A. Plan Description

The Erie Metropolitan Transit Authority's postemployment benefit plan is a single-employer defined benefit plan that pays the cost of healthcare coverage for qualified retirees for the remainder of their lives. To qualify for healthcare benefits under the Plan, an employee is required to work for the Authority until eligible for retirement under the terms of the Erie Metropolitan Transit Authority Pension Plan.

B. Benefits Provided

The Authority provides postemployment benefits for qualified retirees. The Authority pays 100% of the health insurance premiums for qualified retirees for the remainder of their lives. Retirees of the Authority under the age of 65 and until Medicare eligibility age are provided with the same health benefits as active employees. Retirees of the Authority who retire from active employment with the Authority and are over the age of 65 will receive a Medicare Supplement Plan. There is no spousal or dependent coverage under the postemployment benefit plan.

C. Funding Policy

The Authority currently funds OPEB costs as they occur.

D. Employees Covered by Benefit Terms

Active Participants	157
Retired Participants	<u>61</u>
Total	<u><u>218</u></u>

E. Total OPEB Liability

As of June 30, 2022, the Authority reported a liability of \$6,450,025 for its postemployment liability. The total OPEB liability was measured as of June 30, 2021, and was determined by rolling forward liabilities from an actuarial valuation as of May 1, 2021.

CITY OF ERIE, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2022

NOTE 7: OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

Component Unit – Erie Metropolitan Transit Authority (Continued)

F. Actuarial Assumptions

Projections of benefits are based on the substantive plan and include the types of benefits in force at the valuation date and the pattern of sharing benefit costs between the Authority and plan members to that point. Actuarial calculations reflect a long-term perspective and employ methods and assumptions that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets. Significant methods and assumptions are as follows:

- *Actuarial Cost Method.* Entry Age Normal
- *Discount Rate.* 2.06% per annum based on the Bond Buyer 20-Bond General Obligation Index as of December 31, 2021
- *Inflation Rate.* 2.50%
- *Healthcare Inflation Rate.* 2.50%
- *Salary Increases.* 4.00%
- *Mortality.* RP-2014 Total Dataset Mortality Tables adjusted to 2006 for base rates and projected to the valuation date using Mortality Improvement Scale MP-2021
- *Retirement Age.* 15% at age 55; 5% for ages 56-61; 50% at age 62; 15% at ages 63-64; 100% at age 65

Changes in Assumptions. Changes in assumptions as of June 30, 2022 include the discount rate changed from 2.12% to 2.06% and the mortality tables utilized changed from RP-2014 Total Dataset Mortality Tables adjusted to 2006 for base rates and projected to the valuation date using Mortality Improvement Scale MP-2020 to RP-2014 Total Dataset Mortality Tables adjusted to 2006 for base rates and projected to the valuation date using Mortality Improvement Scale MP-2021.

CITY OF ERIE, PENNSYLVANIA
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 FOR THE YEAR ENDED DECEMBER 31, 2022

NOTE 7: OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

Component Unit – Erie Metropolitan Transit Authority (Continued)G. OPEB Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources

For the year ended June 30, 2022, the Authority recognized OPEB expense of \$714,704. The Authority reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 690,988	\$ 174,408
Change in assumptions	<u>878,599</u>	<u>201,971</u>
Total	<u>\$ 1,569,587</u>	<u>\$ 376,379</u>

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

<u>Period ended June 30,</u>	
2023	\$ 248,123
2024	298,647
2025	311,938
2026	240,404
2027	<u>94,096</u>
	<u>\$1,193,208</u>

H. Changes in the Total OPEB Liability

For the year ended June 30, 2022, the changes in the total OPEB liability were as follows:

Service Cost	\$ 348,870
Interest	141,962
Changes in Assumptions	84,234
Differences Between Expected and Actual Experience	842,521
Contributions - Employer	<u>(189,345)</u>
Net Change in the Total OPEB Liability	<u>1,228,242</u>
Total OPEB Liability - Beginning of Year	<u>6,450,025</u>
Total OPEB Liability - End of Year	<u>\$ 7,678,267</u>

CITY OF ERIE, PENNSYLVANIA
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 FOR THE YEAR ENDED DECEMBER 31, 2022

NOTE 7: OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

Component Unit – Erie Metropolitan Transit Authority (Continued)I. Sensitivity of the Authority's Total OPEB Liability to Changes in the Discount Rate

As of June 30, 2022, the following is a sensitivity analysis of the total OPEB liability to changes in the discount rate. The table below presents the total OPEB liability calculated using the discount rate of 2.06% as well as what the total OPEB liability would be if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current rate:

	1% Decrease 1.06%	Current Rate 2.06%	1% Increase 3.06%
Total OPEB Liability	\$ 8,869,542	\$ 7,678,267	\$ 6,707,756

J. Sensitivity of the Authority's Total OPEB Liability to Changes in the Healthcare Cost Trend Rate

The following is a sensitivity analysis of the total OPEB liability to changes in the healthcare cost trend rate. The table below presents the total OPEB liability calculated using the healthcare cost trend rate of 2.50% as well as what the total OPEB liability would be if it were calculated using a healthcare cost trend rate that is one percentage point lower or one percentage point higher than the current rate:

	1% Decrease 1.50%	Current Rate 2.50%	1% Increase 3.50%
Total OPEB Liability	\$ 6,540,093	\$ 7,678,267	\$ 9,131,932

NOTE 8: DEFERRED COMPENSATION PLAN

Primary Government

The City offers its employees two deferred compensation plans created in accordance with Internal Revenue Codes 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 a 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.

CITY OF ERIE, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2022

NOTE 8: DEFERRED COMPENSATION PLAN (CONTINUED)

Primary Government (Continued)

In accordance with GASB No. 72, 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 \$79,239,851 as of December 31, 2022. Gains (losses) on unrealized appreciation (depreciation) of an investment's fair value above (below) cost are recognized in the period of appreciation (depreciation). 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.

Component Unit – Erie Parking Authority

The Authority maintains a defined contribution retirement savings plan for its employees. Benefits payable under this plan depend solely on amounts contributed to the plan plus investment earnings. Employees are eligible to participate beginning on the first day of the calendar year after their date of employment. The Authority has the authority to establish and amend benefit provisions, including contribution requirements.

Participants may contribute up to the maximum percentage allowed by law of their compensation to the Plan, of which, up to 6% is matched by the Authority

The Authority's contributions for each employee begin besting after five years of service with full vesting occurring after fifteen years of service. Beginning January 1, 2009, full vesting occurs after six years of service. Forfeited contributions and related interest of employees who leave employment before full vesting occurs are used to reduce the Authority's Plan contributions. The Plan also provides for salary reduction features and death and disability benefits.

For the year ended December 31, 2022, the Authority recognized expenses and made contributions to the Plan that totaled \$33,708. Of that amount, \$0 represented amounts contributed due to forfeitures. Employee contributions to the Plan amounted to \$49,172 for the year ended December 31, 2022

CITY OF ERIE, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2022

NOTE 9: LONG-TERM OBLIGATIONS

Primary Government

A summary of changes in long-term obligations for 2022 is as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One Year
<u>Governmental Activities:</u>					
Bonds, Notes, and Leases Payable:					
GOB Series 2015A	\$ 668,250	\$ -	\$ -	\$ 668,250	\$ -
GOB Series 2015B	1,957,200	-	-	1,957,200	-
GOB Series 2017A	1,972,801	-	-	1,972,801	-
GOB Series 2019A	29,027,484	-	-	29,027,484	-
GOB Series 2019B	2,060,000	-	-	2,060,000	-
CAB Series 2019C	22,730,000	-	-	22,730,000	-
Leases Payable	33,578	-	(7,619)	25,959	8,114
Notes Payable	115,807	-	(36,061)	79,746	36,867
Subtotal	58,565,120	-	(43,680)	58,521,440	44,981
Premium on GOB Series 2019	222,383	-	(14,826)	207,557	-
Premium on GOB 2015B	670,170	-	(67,017)	603,153	-
Accreted Interest on CAB Series 2019C	(10,593,554)	-	462,675	(10,130,879)	-
Total Governmental Activities	48,864,119	-	337,152	49,201,271	44,981
<u>Business-Type Activities</u>					
Bonds, Notes, and Leases Payable:					
GOB Series 2015A	141,236	-	-	141,236	-
GOB Series 2015B	143,280	-	-	143,280	-
GOB Series 2017A	427,275	-	-	427,275	-
GOB Series 2019A	6,127,516	-	-	6,127,516	-
Sewer Revenue Bonds, Series 2001AB	10,878,086	-	(1,948,942)	8,929,144	2,053,635
Sewer Revenue Bonds, Series 2015AB	12,960,000	-	(530,000)	12,430,000	550,000
Sewer Revenue Bonds, Series 2018AB	47,335,000	-	(5,000)	47,330,000	5,000
Sewer Revenue Bonds, Series 2021	3,880,000	-	(65,000)	3,815,000	65,000
Subtotal	81,892,393	-	(2,548,942)	79,343,451	2,673,635
Premium Related to Sewer Revenue Bonds	304,050	-	(6,008)	298,042	-
Total Business-Type Activities	82,196,443	-	(2,554,950)	79,641,493	2,673,635
Total Primary Government	<u>\$ 131,060,562</u>	<u>\$ -</u>	<u>\$ (2,217,798)</u>	<u>\$ 128,842,764</u>	<u>\$ 2,718,616</u>

CITY OF ERIE, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2022

NOTE 9: LONG-TERM OBLIGATIONS (CONTINUED)

Primary Government (Continued)A. Bonds PayableGeneral Obligation Bonds, Series of 2015A (2015A Bonds) and General Obligation Bonds, Series of 2015B (2015B Bonds)

On June 3, 2015, the City issued the 2015A and 2015B Bonds in the principal amount of \$41,280,000. The 2015 Bonds were issued to finance various capital projects, including, but not limited to improvements to various streets and construction of curb ramps, the purchase of capital equipment, the advanced refunding of portions of the City's General Obligation Bonds, Series of 1998B, the advanced refunding of portions of the City's General Obligation Bonds, Series of 2001C, the advanced refunding of portions of the City's General Obligation Bonds, Series of 2004A, the advanced refunding of portions of the City's General Obligation Bonds, Series of 2011, and funding the costs and expenses related to the issuance of the 2015 Bonds. The 2015 Bonds, maturing on November 15, 2027 through and including November 15, 2030, were issued as current interest bonds and will bear interest at varying rates from 2.00% to 5.00% from July 6, 2015. Interest is payable semiannually on May 15 and November 15 of each year, commencing on July 6, 2015. Principal of the 2015 Bonds will be paid to the registered owners, when due, upon surrender of these Bonds to the designated paying agent. The 2015A and 2015B Bonds were partially refunded by the Series 2019A Bonds as described below. Outstanding principal of the 2015A Bonds in the amount of \$141,236 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 \$668,250 of the 2015A Bonds is included in Governmental Activities of the Statement of Net Position. Outstanding principal of the 2015B Bonds in the amount of \$143,280 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 \$1,957,200 of the 2015B Bonds is included in Governmental Activities of the Statement of Net Position.

General Obligation Bonds, Series of 2017A (2017A Bonds)

On August 16, 2017, the City issued the 2017A Bonds in the principal amount of \$5,235,000 and the 2017B Bonds in the principal amount of \$5,285,000. The 2017A Bonds were issued for the advanced refunding of portions of the City's General Obligation Bonds, Series of 1998B, the advanced refunding of portions of the City's General Obligation Bonds, Series of 2012, and funding the costs and expenses related to the issuance of the 2017A Bonds. The 2017A Bonds, maturing on November 15, 2027 through and including November 15, 2031, were issued as current interest bonds and will bear interest at varying rates from 2.715% to 3.879% from August 15, 2017. Interest is payable semiannually on May 15 and November 15 of each year, commencing on August 15, 2017. Principal on the 2017A Bonds will be paid to the registered owners, when due, upon surrender of the Bonds to the designated paying agent. Outstanding principal of the 2017A Bonds in the amount of \$427,275 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 \$1,927,801 is included in Governmental Activities of the Statement of Net Position.

CITY OF ERIE, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2022

NOTE 9: LONG-TERM OBLIGATIONS (CONTINUED)

Primary Government (Continued)

A. Bonds Payable (Continued)

General Obligation Bonds, Series of 2019A (2019A Bonds)

On April 16, 2019, the City issued the 2019A Bonds in the principal amount of \$38,295,000. The 2019A Bonds were issued for the advanced refunding of portions of the City's General Obligation Bonds, Series of 1998B, the advanced refunding of portions of the City's General Obligation Bonds, Series of 2001C, the advanced refunding of portions of the City's General Obligation Bonds, Series of 2011, the advanced refunding of portions of the City's General Obligation Bonds, Series 2012, the advanced refunding of portions of the City's General Obligation Bonds, Series 2015A and 2015B, and funding the costs and expenses related to the issuance of the 2019A Bonds. The 2019A Bonds, maturing on November 15, 2036, were issued as current interest bonds and will bear interest at varying rates from 2.82% to 4.04%. Interest is payable semiannually on May 15 and November 15 of each year, commencing on May 15, 2020. Principal of the 2019A Bonds will be paid to the registered owners, when due, upon surrender of these Bonds to the designated paying agent. Outstanding principal of the 2019A Bonds in the amount of \$6,127,517 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 principal of \$29,027,484 is included in Governmental Activities of the Statement of Net Position.

General Obligation Bonds, Series of 2019B (2019B Bonds)

On April 16, 2019, the City issued the 2019B Bonds in the principal amount of \$2,640,000. The 2019B Bonds were issued to fund various capital projects of the City, funding a capitalized interest fund account, and provide funds for the costs of issuing the 2019B Bonds. The 2019B Bonds, maturing on November 15, 2036, were issued as current interest bonds and will bear interest at varying rates from 3% to 5%. Interest is payable semiannually on May 15 and November 15 of each year, commencing May 15, 2020. Principal of the 2019B Bonds will be paid to the registered owners, when due, upon surrender of these Bonds to the designated paying agent. Outstanding principal of the 2019B Bonds is \$2,060,000 and is included in Governmental Activities of the Statement of Net Position.

Capital Appreciation Bonds, Series of 2019C (2019C Bonds)

On April 16, 2019, the City issued the 2019C Bonds in the principal amount of \$11,045,022. The 2019C Bonds were issued to fund various capital projects of the City, funding a capitalized interest fund account, and provide funds for the costs of issuing the 2019C Bonds. The 2019C Bonds, maturing on November 15, 2039, were issued as capital appreciation bonds and do not pay interest currently but will accrete in value and interest will be payable at maturity. Outstanding principal and the accreted value of the 2019C Bonds is \$12,599,121, and is included in Governmental Activities of the Statement of Net Position.

CITY OF ERIE, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2022

NOTE 9: LONG-TERM OBLIGATIONS (CONTINUED)

Primary Government (Continued)A. Bonds Payable (Continued)Sewer Revenue Bonds, Series A and B of 2001

On November 15, 2001, the Erie Sewer Authority issued the Sewer Revenue Bonds, Series A and B of 2001 in the principal amount of \$20,899,967. The Bonds were issued to refund the Sewer Revenue Bonds, Series A and B of 1998, to restructure the Authority's debt service requirements, to fund \$3,000,000 in new sewer system improvements, and to pay the costs of issuing the bonds. This financing resulted in a present value loss of \$332,734. These bonds were partially refunded by the Variable Rate Demand Sewer Revenue Bonds, Series of 2011. \$1,500,000 of these bonds were partially refunded by the 2015 Revenue Bonds. \$9,700,000 of these bonds were refunded by the 2018 Revenue Bonds. The bonds are due in annual principal installments ranging from \$2,540,000 to \$2,550,000 through 2026, with interest at rates from 2.25% to 5.50% due semiannually on June 1 and December 1.

Sewer Revenue Bonds, Series A and B of 2015

On April 1, 2015, the Erie Sewer Authority issued the Sewer Revenue Bonds, Series A and B of 2015 in the principal amount of \$20,350,000. The Bonds were issued to refund the Sewer Revenue Bonds, Series of 2001, 2010, and 2012, and pay the costs of issuing the bonds. \$6,490,000 of these bonds were refunded by the 2018 Revenue Bonds. The bonds are due in annual principal installments ranging from \$5,000 to \$4,000,000 through 2030, with interest at rates from 1.71% to 3.987% due semiannually on June 1 and December 1.

Sewer Revenue Bonds, Series A and B of 2018

On December 27, 2018, The Erie Sewer Authority issued the Sewer Revenue Bonds, Series A and B of 2018 in the principal amount of \$47,345,000. The Bonds were issued to partially refund the Sewer Revenue Bonds, Series of 2001, 2012, and pay the costs of issuing the bonds, and to fund future capital improvement projects. The Bonds are due in annual principal installments ranging from \$5,000 to \$5,620,000 through 2041, with interest at rates from 3.777% to 4.763% due semiannually on June 1 and December 1.

Sewer Revenue Bonds, Series of 2021

On September 2, 2021, the Erie Sewer Authority issued the Sewer Revenue Bonds, Series of 2021, in the principal amount of \$3,975,000. The Bonds were issued to refund, on a current basis, the Sewer Revenue Bonds, Series of 2016, and pay the costs of issuing the bonds. The Bonds are due in annual principal installments ranging from \$65,000 to \$1,205,000 through 2029, with interest at rates from 2% to 4%, due June 1 and December 1.

CITY OF ERIE, PENNSYLVANIA
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 FOR THE YEAR ENDED DECEMBER 31, 2022

NOTE 9: LONG-TERM OBLIGATIONS (CONTINUED)

Primary Government (Continued)A. Bonds Payable (Continued)

Principal payments on bonds are as follows:

Year Ending December 31,	Governmental Activities	Business-Type Activities	Primary Government
2023	\$ -	\$ 2,673,635	\$ 2,673,635
2024	-	2,814,236	2,814,236
2025	-	2,956,115	2,956,115
2026	-	3,115,157	3,115,157
2027	-	3,367,424	3,367,424
2028-2032	5,483,893	19,256,033	24,739,926
2033-2037	30,201,842	28,390,851	58,592,693
2038-2041	22,730,000	16,770,000	39,500,000
	<u>\$ 58,415,735</u>	<u>\$ 79,343,451</u>	<u>\$ 137,759,186</u>

In addition, the City guarantees the following debt issued by the Erie Parking Authority:

Erie Parking Authority Debt	Amount
Parking Revenue Bonds, Series 2012	\$ 6,490,000
Parking Revenue Bonds, Series 2016	4,870,000
Parking Revenue Bonds, Series 2018	2,265,000
Parking Revenue Bonds, Series 2020AB	<u>17,525,000</u>
Total Debt Guaranteed by the City	<u>\$ 31,150,000</u>

B. Notes Payable

In March 2020, the City entered into a 5 year lease agreement with Ricoh USA, Inc. for the use of office equipment. This lease has a \$1 buyout option at the end of the term, and thus is a finance-type lease and is being reported as a note payable. The lease's interest rate is 6.66%, and principal and interest payments are due quarterly in the amount of \$7,800 through March 2025. As of December 31, 2022, the amount outstanding on the lease is \$59,096.

In December 2021, the City entered into a 5 year lease agreement with Ford Motor Credit Company for the use of a vehicle. This lease has a \$1 buyout option at the end of the term, and thus is a finance-type lease and is being reported as a note payable. The lease's interest rate is 6.35%, and principal and interest payments are due annually in the amount of \$7,192 through December 2026. As of December 31, 2022, the amount outstanding on the lease is \$20,650.

CITY OF ERIE, PENNSYLVANIA
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 FOR THE YEAR ENDED DECEMBER 31, 2022

NOTE 9: LONG-TERM OBLIGATIONS (CONTINUED)

Primary Government (Continued)B. Notes Payable (Continued)

Future payments on notes payable are as follows:

Year Ending December 31,	Governmental Activities		
	Principal	Interest	Total
2023	\$ 36,867	\$ 1,523	\$ 38,390
2024	35,841	22,706	58,547
2025	7,038	154	7,192
	<u>\$ 79,746</u>	<u>\$ 24,383</u>	<u>\$ 104,129</u>

C. Leases Payable

In March 2021, the City entered into a 5 year lease agreement with Pitney Bowes for the use of office equipment. The lease's estimated interest rate is 6.35% and the City is required to make quarterly principal and interest payments in the amount of \$2,356 through March 2026. As of December 31, 2022, the amount outstanding on the lease is \$25,959.

Future payments on leases payable are as follows:

Year Ending December 31,	Governmental Activities		
	Principal	Interest	Total
2023	\$ 8,114	\$ 1,308	\$ 9,422
2024	8,642	781	9,423
2025	9,203	219	9,422
	<u>\$ 25,959</u>	<u>\$ 2,308</u>	<u>\$ 28,267</u>

NOTE 10: FUND BALANCES

Under GASB 54, fund balances are recorded as non-spendable, restricted, committed, assigned, and unassigned. The following restrictions are included in the fund financial statements:

General Fund

Restricted. Fund balance in the amount of \$8,374,067 is restricted to fund the City's pension plans.

Debt Service Fund

Restricted. Fund balance in the amount of \$31,606 is restricted for debt service.

CITY OF ERIE, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2022

NOTE 10: FUND BALANCES (CONTINUED)

HUD Programs Fund

Non-spendable. Fund balance in the amount of \$16,378,660 in the HUD Programs Fund represents receivables that will be received greater than one year from the date of the financial statements and does not represent current financial resources, therefore is non-spendable.

Restricted. Fund balance in the amount of \$194,970 in the HUD Programs Fund is restricted for HUD Programs.

Other Grants Fund

Non-spendable. Fund balance in the amount of \$13,182,811 in the Other Grants Fund represents receivables that will be received greater than one year from the date of the financial statements and does not represent current financial resources, therefore is non-spendable.

Restricted. Fund balance in the amount of \$9,495,702 in the Other Grants Fund is restricted for Economic and Community Development services.

Capital Improvements Fund

Non-spendable. Fund balance in the amount of \$1,739,331 in the Capital Improvements Fund represents receivables that will be received greater than one year from the date of the financial statements and does not represent current financial resources, therefore is non-spendable.

Restricted. Fund balance in the amount of \$13,078,999 in the Capital Improvements Fund is restricted for various capital projects.

General Obligation Bond Fund

Restricted. Fund balance in the amount of \$506,042 in the General Obligation Bond Fund is restricted for various capital projects.

ARP Fund

Restricted. Fund balance in the amount of \$19,516 in the ARP Fund is restricted.

Other Governmental Funds

Restricted. Fund balance in the amount of \$2,332,375 in the Liquid Fuels Tax Fund restricted for the maintenance and repair of highways and streets.

Committed. Fund balance in the amount of \$830,186 in the Paving and Sewer Revolving Fund is committed for public improvements.

CITY OF ERIE, PENNSYLVANIA
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 FOR THE YEAR ENDED DECEMBER 31, 2022

NOTE 11: INTERFUND BALANCES

During 2022, the following interfund transfers were made to write off interfund balances and reimburse funds for expenditures.

Fund	Transfers In	Transfers Out
General Fund	\$ 16,483,119	\$ (4,696,983)
Debt Service Fund	-	(1,303,017)
Other Grants Fund	6,050,000	(6,050,000)
Sewer Revenue Fund	285,398	(500,001)
Water Revenue Fund	-	(9,583,119)
Refuse and Recycling Fund	-	(685,397)
Total	<u>\$ 22,818,517</u>	<u>\$ (22,818,517)</u>

NOTE 12: TAX ABATEMENTS

In June 2019, the City adopted ordinances, which superseded ordinances originally adopted in October 2012, to provide for a beneficial investment incentive for Commercial/Industrial and Residential properties throughout the City of Erie. This real estate tax abatement program applies to the increased taxes that would result from an increase in the assessed value of a property due to improvements that are completed through the permitting process. The property owner will continue to pay existing real estate taxes on the property (and an increased level of taxes on a vacant lot that is converted to an improved lot), but they will not be fully taxed on the improvements until the abatement period ends.

“Improvements” is defined as repairs, renovations, new construction, reconstruction, alterations, or additions, having the effect of rehabilitating a deteriorated property, either commercial or residential, so that it becomes habitable or attains higher standards of safety, health, economic use or amenity, or is brought into compliance by laws, ordinances, or regulations governing such standards. Ordinary upkeep and maintenance shall not be deemed an improvement and should not result in an increased assessed value and taxation. Improvements that do not result in an increased assessed value on the subject property will not qualify for LERTA.

LERTA will only be granted when a LERTA application accompanies a building permit. Benefits will not be applied retroactively to projects started without the proper limits. To be eligible for the exemption, the applicant/property owner must submit a LERTA application for tax exemption to the City at the time the applicant/property owner secures the building permit. Additionally, the applicant/property owner must be current on all real estate taxes owed on all properties owned in the County of Erie. New construction and improvements made to all industrial, commercial, and business properties in the City of Erie shall be eligible for an exemption of real estate property taxes pursuant to the following schedule:

CITY OF ERIE, PENNSYLVANIA
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 FOR THE YEAR ENDED DECEMBER 31, 2022

NOTE 12: TAX ABATEMENTS (CONTINUED)

<u>YEAR</u>	<u>CITY & COUNTY TAX EXEMPTION</u>	<u>SCHOOL EXEMPTION</u>
1	100%	80%
2	100%	80%
3	100%	80%
4	100%	80%
5	100%	80%
6	100%	80%
7	100%	80%
8	100%	80%
9	100%	80%
10	100%	80%

New construction and improvements made to all residential properties in the City of Erie shall be eligible for an exemption of real estate property taxes pursuant to the following schedule:

<u>YEAR</u>	<u>CITY & COUNTY TAX EXEMPTION</u>
1	100%
2	100%
3	100%
4	100%
5	100%
6	100%
7	100%
8	100%
9	100%
10	100%

CITY OF ERIE, PENNSYLVANIA
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 FOR THE YEAR ENDED DECEMBER 31, 2022

NOTE 12: TAX ABATEMENTS (CONTINUED)

The exemption from taxes granted under this program shall not terminate upon the sale or exchange of the property.

Applicants must pay a one-time fee at the time of submission of LERTA application. This fee is as follows:

<u>Nature of Exemption</u>	<u>Application Fee</u>
Residential Improvements	\$ 25.00
Residential New Construction	\$ 25.00
Industrial, Commercial, Business Improvements	\$ 100.00
Industrial, Commercial, Business New Construction	\$ 100.00

Deteriorated/Demolished Property (Commercial/Industrial or Residential). In any case where deteriorated property is damaged, destroyed, or demolished, by any cause or for any reason, and the assessed valuation of the property affected has been reduced as the result of such damage, the exemption from real property taxation shall be limited to the actual cost of improvements or construction that is in excess of the original assessment that existed prior to the damage, destruction, or demolition of the property. In the event that a property has been fully demolished by demolition permit and has remained vacant of any structure after the expiration of one year from the time of issue of the permit, then the assessed value of the demolished improvements shall thereafter not be subject to taxation.

Sunset Provision. The provisions of the LERTA ordinance shall expire on the tenth anniversary of its enactment, unless extended by ordinance duly adopted.

The total amount of taxes abated during the year ended December 31, 2022 is \$65,491.

NOTE 13: COMMITMENTS AND CONTINGENCIES

Primary Government

APA Curb Ramp Program. On April 19, 2007, the City was ordered by the U.S. District Court, Western District Pennsylvania, through a settlement agreement to install curb ramps crossing city streets that intersect with state highways. Each year the City publishes a progress report documenting curb ramp projects proposed and completed during the year. The total number of ramps completed in 2022 was 311. The City will continue to invest resources toward the completion of these ramps in the foreseeable future.

Grant Programs. The City participates in a number of federal and state programs that are fully or partially funded by grants received from other governmental units. Expenditures financed by grants are subject to audit by the appropriate grantor government. If expenditures are disallowed due to noncompliance with grant program regulations, the City may be required to reimburse the grantor government.

Litigation. The City is involved in various lawsuits arising in the ordinary course of its municipal activities. Management believes that the resolution of these actions is not expected to have a material adverse effect on the financial statements of the City.

CITY OF ERIE, PENNSYLVANIA
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 FOR THE YEAR ENDED DECEMBER 31, 2022

NOTE 13: COMMITMENTS AND CONTINGENCIES

Component Unit – Erie Metropolitan Transit Authority

As of June 30, 2022, the Authority has entered into purchase commitments that have not been completed as of the end of the fiscal year. Amounts remaining on the contracts for purchases of equipment and vehicles as of June 30, 2022 total approximately \$870,000. Capital projects are scheduled to be completed during the upcoming fiscal year.

The Authority receives significant financial assistance from governmental agencies in the form of contracts, grants, and other entitlements. The disbursements of funds received under such programs generally requires compliance with terms and conditions specified in the contract agreements and are subject to audit by grantor agencies. Any disallowed costs resulting from such audits could become a liability of the Authority. The amount, if any, of expenditures that may be disallowed by the granting agencies cannot be determined at this time. The Authority's management expects such amounts, if any, to be immaterial.

NOTE 14: CLAIMS LIABILITIES

Workers' Compensation Claims Liability

The following represents the changes in approximate aggregate liabilities for the City as of December 31, 2022.

Workers' Comp Claims Liability, 12/31/20	\$ 412,837
2021 Claims	518,560
2021 Claim Payments	<u>(498,489)</u>
Workers' Comp Claims Liability, 12/31/21	432,908
2022 Claims	256,362
2022 Claim Payments	<u>(469,528)</u>
Workers' Comp Claims Liability, 12/31/22	<u>\$ 219,742</u>

Judgments Payable

Judgments payable represents amounts of cases against the City which the City Solicitor has indicated will probably result in a liability to the City. 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 estimated expected losses for the individual cases would generally not exceed \$50,000, thus no provision has been made in the financial statements.

With regard to unsettled cases, the range of possible outcomes varies from remote to reasonably possible. The City's aggregate potential liability is \$25,000. This estimate was not affected by incremental claims adjustment expenses and does not include other allocated or unallocated claims adjustment expense.

CITY OF ERIE, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2022

NOTE 15: LINE OF CREDIT

Component Unit – Erie Metropolitan Transit Authority

The Authority has two unsecured lines of credit totaling \$1,600,000 with a bank with interest rate of 0.50 percentage points more than the prime rate, or 5.25% as of June 30, 2022. As of June 30, 2022, no amounts were outstanding against the lines of credit.

NOTE 16: RISK MANAGEMENT

Component Unit – Erie Metropolitan Transit Authority

The Authority is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters.

The Authority has joined together with other transit organizations in the Commonwealth to form the State Association for Transportation Insurance (SAFTI) Property & Liability Pool and the State Association for Transportation Insurance (SAFTI) Workers' Compensation Pool, public entity risk pools currently operating as common risk management and insurance programs. The Authority pays annual premiums to the SAFTI Property & Liability Pool for its property, general liability, automobile liability, automobile physical damage and crime, boiler and machinery, and public officials' errors and omissions insurance coverage. It also pays annual premiums to the SAFTI Workers' Compensation Pool for its workers' compensation insurance coverage. The agreement for formation of the Pools provides that the SAFTI Property & Liability Pool and the SAFTI Workers' Compensation Pool will be self-sustaining through member premiums and will reinsure through commercial companies for claims in excess of certain amounts specified for each type of coverage. In the event annual contributions are not sufficient to fund operations or obligations of the Pools, additional supplementary premiums may be assessed to members on a pro rata basis. Premiums paid to the SAFTI Property & Liability Insurance Pool and charged to operations during the year ended June 30, 2022 amounted to \$642,877. Premiums paid to the SAFTI Workers' Compensation Pool and charged to operations during the year ended June 30, 2022 amounted to \$322,442, which was net of premium refunds in the amount of \$156,378.

The Authority carries commercial insurance for other risks of loss, including employee health and accident insurance.

For the year ended June 30, 2022, there has been no significant reduction in insurance coverage from coverage in the prior years. Settlement claims have not exceeded the insurance coverage purchased for the year ended June 30, 2022.

Component Unit – Erie Parking Authority

The Authority is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets, errors and omissions, and injuries to employees for which the Authority purchase commercial insurance. Settled claims have not exceeded insurance coverage in any of the past three years. There were no significant reductions in coverage compared to prior years.

NOTE 17: SUBSEQUENT EVENTS

Subsequent events have been evaluated through September 28, 2023, the date the financial statements were available to be issued.

CITY OF ERIE, PENNSYLVANIA
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 FOR THE YEAR ENDED DECEMBER 31, 2022

NOTE 18: PRIOR PERIOD RESTATEMENT

Blended Component Unit – Erie Sewer Authority

The following restatement was necessary to correctly reflect the beginning Net Position of the Erie Sewer Authority due to the correction of long-term debt balances:

Erie Sewer Authority:

	January 1, 2022 as Previously Reported	Long-Term Debt Restatement	January 1, 2022 as Restated
Total Net Position	\$ 15,704,621	\$ (7,234,620)	\$ 8,470,001

Business-Type Activities:

	January 1, 2022 as Previously Reported	Long-Term Debt Restatement	January 1, 2022 as Restated
Total Net Position	\$ (64,377,557)	\$ (7,234,620)	\$ (71,612,177)

NOTE 19: EXPENDITURES IN EXCESS OF APPROPRIATIONS

For the year ended December 31, 2022, the General Fund's total expenditures exceeded appropriations by \$4,893,070. This amount was covered by other financing sources exceeding budgeted amounts by \$11,098,253.

REQUIRED
SUPPLEMENTARY
INFORMATION

CITY OF ERIE, PENNSYLVANIA
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
 GENERAL FUND – BUDGET AND ACTUAL
 FOR THE YEAR ENDED DECEMBER 31, 2022

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Favorable/ (Unfavorable)
	Original	Final		
Revenues				
Taxes	\$ 76,426,302	\$ 76,426,302	\$ 75,403,441	\$ (1,022,861)
Licenses and Permits	3,382,365	3,382,365	3,977,839	595,474
Intergovernmental	12,428,755	12,428,755	11,063,403	(1,365,352)
Charges for Services	435,500	435,500	444,627	9,127
Fines and Forfeits	1,695,000	1,695,000	1,430,478	(264,522)
Contributions	225,000	225,000	184,095	(40,905)
Investment Income	53,000	53,000	134,647	81,647
Miscellaneous	173,000	173,000	89,233	(83,767)
Total Revenues	<u>94,818,922</u>	<u>94,818,922</u>	<u>92,727,763</u>	<u>(2,091,159)</u>
Expenditures				
General Government	12,722,542	12,722,542	19,865,306	(7,142,764)
Public Safety	66,652,625	66,652,625	65,371,345	1,281,280
Highways and Streets	12,571,296	12,571,296	11,850,277	721,019
Culture and Recreation	2,180,287	2,180,287	2,076,495	103,792
Economic and Community Development	1,382,382	1,382,382	1,238,087	144,295
Debt Service	-	-	692	(692)
Total Expenditures	<u>95,509,132</u>	<u>95,509,132</u>	<u>100,402,202</u>	<u>(4,893,070)</u>
Excess (Deficiency) of Revenues Over Expenditures	(690,210)	(690,210)	(7,674,439)	(6,984,229)
Other Financing Sources (Uses)				
Proceeds from the Sale of Assets	-	-	2,327	2,327
Operating Transfers In	900,000	900,000	16,483,119	15,583,119
Operating Transfers (Out)	(209,790)	(209,790)	(4,696,983)	(4,487,193)
Total Other Financing Sources and (Uses)	<u>690,210</u>	<u>690,210</u>	<u>11,788,463</u>	<u>11,098,253</u>
Excess (Deficiency) of Revenues and Other Financing Sources Over Expenditures, Budgetary Basis	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,114,024</u>	<u>\$ 4,114,024</u>

See accompanying notes to required supplementary information.

CITY OF ERIE, PENNSYLVANIA
SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY AND RELATED RATIOS
OFFICERS' AND EMPLOYEES' PENSION TRUST FUND – LAST 10 YEARS
DECEMBER 31, 2022

	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
Total pension liability										
Service cost	\$ 3,096,239	\$ 3,086,821	\$ 3,085,154	\$ 1,927,303	\$ 1,789,021	\$ 1,736,895	\$ 1,703,752	\$ 1,580,112	\$ 1,575,412	\$ 1,582,345
Interest	8,727,646	8,521,434	8,374,221	8,352,631	8,293,968	8,031,697	7,709,706	7,442,115	7,419,914	7,134,618
Differences between expected and actual experience	89,538	-	(1,218,036)	-	(2,422,908)	-	694,908	-	(3,228,347)	-
Changes in assumptions	-	-	-	31,163,955	-	-	-	-	-	-
Benefit payments, including refunds of member contributions	(8,339,319)	(7,993,453)	(7,548,355)	(7,310,374)	(6,775,182)	(6,267,153)	(5,938,728)	(5,638,160)	(5,324,004)	(4,930,908)
Net change in total pension liability	3,574,104	3,614,802	2,692,984	34,133,515	884,899	3,501,439	4,169,638	3,384,067	442,975	3,786,055
Total pension liability - beginning	146,881,667	143,266,865	140,573,881	106,440,366	105,555,467	102,054,028	97,884,390	94,500,323	94,057,348	90,271,293
Total pension liability - ending (a)	<u>\$ 150,455,771</u>	<u>\$ 146,881,667</u>	<u>\$ 143,266,865</u>	<u>\$ 140,573,881</u>	<u>\$ 106,440,366</u>	<u>\$ 105,555,467</u>	<u>\$ 102,054,028</u>	<u>\$ 97,884,390</u>	<u>\$ 94,500,323</u>	<u>\$ 94,057,348</u>
Plan fiduciary net position										
Contributions - employer	\$ 6,054,934	\$ 6,429,681	\$ 6,428,677	\$ 2,689,938	\$ 2,639,251	\$ 2,367,868	\$ 2,569,332	\$ 2,527,541	\$ 2,204,981	\$ 2,207,360
Contributions - member	1,317,878	1,286,273	1,252,058	1,176,793	1,228,732	1,147,984	1,202,810	1,158,006	1,080,543	1,085,138
Net investment income	(18,745,095)	13,070,473	13,743,228	18,842,046	(5,120,841)	13,770,457	4,489,640	1,126,155	5,075,151	11,939,310
Benefit payments, including refunds of member contributions	(8,339,319)	(7,993,453)	(7,548,355)	(7,310,374)	(6,775,182)	(6,267,153)	(5,938,728)	(5,638,160)	(5,324,004)	(4,930,908)
Administrative expense	(134,134)	(98,235)	(115,218)	(72,711)	(122,130)	(86,889)	(98,478)	(20,116)	(88,328)	(95,059)
Other	-	-	-	47,569	-	-	-	-	-	-
Net change in plan fiduciary net position	(19,845,736)	12,694,739	13,760,390	15,373,261	(8,150,170)	10,932,267	2,224,576	(846,574)	2,948,343	10,205,841
Plan fiduciary net position-beginning	128,854,709	116,159,970	102,399,580	87,026,319	95,176,489	84,244,222	82,019,646	82,866,220	79,917,877	69,712,036
Plan fiduciary net position-ending (b)	<u>\$ 109,008,973</u>	<u>\$ 128,854,709</u>	<u>\$ 116,159,970</u>	<u>\$ 102,399,580</u>	<u>\$ 87,026,319</u>	<u>\$ 95,176,489</u>	<u>\$ 84,244,222</u>	<u>\$ 82,019,646</u>	<u>\$ 82,866,220</u>	<u>\$ 79,917,877</u>
Net pension liability-ending (a) - (b)	<u>\$ 41,446,798</u>	<u>\$ 18,026,958</u>	<u>\$ 27,106,895</u>	<u>\$ 38,174,301</u>	<u>\$ 19,414,047</u>	<u>\$ 10,378,978</u>	<u>\$ 17,809,806</u>	<u>\$ 15,864,744</u>	<u>\$ 11,634,103</u>	<u>\$ 14,139,471</u>
Plan fiduciary net position as a percentage of the total pension liability	72.45%	87.73%	81.08%	72.84%	81.76%	90.17%	82.55%	83.79%	87.69%	84.97%
Covered-employee payroll	\$ 19,304,916	\$ 19,340,662	\$ 18,670,801	\$ 17,954,616	\$ 17,787,150	\$ 17,387,631	\$ 16,982,842	\$ 16,997,651	\$ 15,917,268	\$ 15,987,320
Net pension liability as a percentage of covered-employee payroll	214.70%	93.21%	145.18%	212.62%	109.15%	59.69%	104.87%	93.33%	73.09%	88.44%

See accompanying notes to required supplementary information.

CITY OF ERIE, PENNSYLVANIA
SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY AND RELATED RATIOS
POLICE PENSION TRUST FUND – LAST 10 YEARS
DECEMBER 31, 2022

	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
Total pension liability										
Service cost	\$ 3,415,264	\$ 3,325,347	\$ 3,210,646	\$ 1,749,623	\$ 1,678,322	\$ 1,648,394	\$ 1,668,629	\$ 1,564,357	\$ 1,500,302	\$ 1,469,155
Interest	11,815,679	11,554,862	11,224,812	11,488,780	10,991,668	10,649,986	10,352,694	10,000,734	9,390,331	9,110,603
Differences between expected and actual experience	7,252,115	-	531,578	-	1,795,444	-	(638,526)	-	3,612,232	-
Changes in assumptions	-	-	-	37,646,553	-	-	-	-	-	-
Benefit payments, including refunds of member contributions	(11,335,267)	(9,781,633)	(9,343,680)	(8,322,254)	(8,323,511)	(7,742,670)	(7,532,644)	(6,959,287)	(6,910,412)	(7,355,279)
Net change in total pension liability	11,147,791	5,098,576	5,623,356	42,562,702	6,141,923	4,555,710	3,850,153	4,605,804	7,592,453	3,224,479
Total pension liability - beginning	199,652,650	194,554,074	188,930,718	146,368,016	140,226,093	135,670,383	131,820,230	127,214,426	119,621,973	116,397,494
Total pension liability - ending (a)	<u>\$ 210,800,441</u>	<u>\$ 199,652,650</u>	<u>\$ 194,554,074</u>	<u>\$ 188,930,718</u>	<u>\$ 146,368,016</u>	<u>\$ 140,226,093</u>	<u>\$ 135,670,383</u>	<u>\$ 131,820,230</u>	<u>\$ 127,214,426</u>	<u>\$ 119,621,973</u>
Plan fiduciary net position										
Contributions - employer	\$ 11,837,419	\$ 12,635,212	\$ 12,552,752	\$ 7,186,308	\$ 7,150,737	\$ 5,945,568	\$ 4,940,860	\$ 4,888,047	\$ 4,004,714	\$ 3,988,557
Contributions - member	951,271	922,827	948,249	939,079	873,752	842,889	809,343	822,167	768,259	718,921
Net investment income	(20,745,031)	14,597,401	14,509,373	18,585,079	(4,955,655)	13,291,880	4,067,201	1,109,554	4,491,830	11,314,178
Benefit payments, including refunds of member contributions	(11,335,267)	(9,781,633)	(9,343,680)	(8,322,254)	(8,323,511)	(7,742,670)	(7,532,644)	(6,959,287)	(6,910,412)	(7,355,279)
Administrative expense	(118,316)	(72,654)	(71,429)	(79,684)	(97,857)	(75,090)	(78,560)	(95,387)	(119,903)	(85,001)
Net change in plan fiduciary net position	(19,409,924)	18,301,153	18,595,265	18,308,528	(5,352,534)	12,262,577	2,206,200	(234,906)	2,234,488	8,581,376
Plan fiduciary net position - beginning	142,435,485	124,134,332	105,539,067	87,230,539	92,583,073	80,320,496	78,114,296	78,349,202	76,114,714	67,533,338
Plan fiduciary net position - ending (b)	<u>\$ 123,025,561</u>	<u>\$ 142,435,485</u>	<u>\$ 124,134,332</u>	<u>\$ 105,539,067</u>	<u>\$ 87,230,539</u>	<u>\$ 92,583,073</u>	<u>\$ 80,320,496</u>	<u>\$ 78,114,296</u>	<u>\$ 78,349,202</u>	<u>\$ 76,114,714</u>
Net pension liability - ending (a) - (b)	<u>\$ 87,774,880</u>	<u>\$ 57,217,165</u>	<u>\$ 70,419,742</u>	<u>\$ 83,391,651</u>	<u>\$ 59,137,477</u>	<u>\$ 47,643,020</u>	<u>\$ 55,349,887</u>	<u>\$ 53,705,934</u>	<u>\$ 48,865,224</u>	<u>\$ 43,507,259</u>
Plan fiduciary net position as a percentage of the total pension liability	58.36%	71.34%	63.80%	55.86%	59.60%	66.02%	59.20%	59.26%	61.59%	63.63%
Covered-employee payroll	\$ 15,505,237	\$ 15,346,235	\$ 14,821,339	\$ 17,149,390	\$ 14,525,366	\$ 14,015,389	\$ 17,370,976	\$ 15,661,713	\$ 12,057,786	\$ 11,807,462
Net pension liability as a percentage of covered-employee payroll	566.10%	372.84%	475.12%	486.27%	407.13%	339.93%	318.63%	342.91%	405.26%	368.47%

See accompanying notes to required supplementary information.

CITY OF ERIE, PENNSYLVANIA
SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY AND RELATED RATIOS
FIREFIGHTERS' PENSION TRUST FUND – LAST 10 YEARS
DECEMBER 31, 2022

	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
Total pension liability										
Service cost	\$ 2,633,942	\$ 2,466,582	\$ 2,552,139	\$ 1,663,823	\$ 1,578,496	\$ 1,473,156	\$ 1,401,775	\$ 1,266,732	\$ 1,278,994	\$ 1,166,988
Interest	9,442,692	9,209,976	9,254,354	9,816,461	9,194,974	8,853,237	8,243,434	7,967,232	7,457,238	7,220,944
Differences between expected and actual experience	(1,033,142)	-	(4,018,738)	-	3,403,498	-	3,866,424	-	3,327,789	-
Changes in assumptions	-	-	-	27,186,919	-	-	-	-	-	-
Benefit payments, including refunds of member contributions	(8,121,281)	(7,780,985)	(9,222,843)	(6,602,914)	(6,364,662)	(5,918,149)	(6,010,511)	(5,805,347)	(5,524,974)	(5,571,413)
Net change in total pension liability	2,922,211	3,895,573	(1,435,088)	32,064,289	7,812,306	4,408,244	7,501,122	3,428,617	6,539,047	2,816,519
Total pension liability - beginning	159,143,289	155,247,716	156,682,804	124,618,515	116,806,209	112,397,965	104,896,843	101,468,226	94,929,179	92,112,660
Total pension liability - ending (a)	<u>\$ 162,065,500</u>	<u>\$ 159,143,289</u>	<u>\$ 155,247,716</u>	<u>\$ 156,682,804</u>	<u>\$ 124,618,515</u>	<u>\$ 116,806,209</u>	<u>\$ 112,397,965</u>	<u>\$ 104,896,843</u>	<u>\$ 101,468,226</u>	<u>\$ 94,929,179</u>
Plan fiduciary net position										
Contributions - employer	\$ 9,164,404	\$ 10,262,205	\$ 10,323,075	\$ 6,438,082	\$ 6,389,725	\$ 5,357,018	\$ 4,443,702	\$ 4,370,193	\$ 3,703,438	\$ 3,642,281
Contributions - member	741,975	710,538	721,061	788,458	730,144	707,327	640,020	657,501	598,699	592,040
Net investment income	(17,030,737)	11,997,562	12,232,477	15,858,029	(4,388,394)	10,953,413	3,369,398	1,009,427	3,730,879	9,041,143
Benefit payments, including refunds of member contributions	(8,121,281)	(7,780,985)	(9,222,843)	(6,602,914)	(6,364,662)	(5,918,149)	(6,010,511)	(5,805,347)	(5,524,974)	(5,571,413)
Administrative expense	(35,090)	(50,783)	(49,051)	(46,346)	(44,816)	(52,024)	(39,154)	(42,048)	(40,483)	(46,825)
Other	-	-	-	-	-	-	-	-	-	46,643
Net change in plan fiduciary net position	(15,280,729)	15,138,537	14,004,719	16,435,309	(3,678,003)	11,047,585	2,403,455	189,726	2,467,559	7,703,869
Plan fiduciary net position - beginning	119,981,936	104,843,399	90,838,680	74,403,371	78,081,374	67,033,789	64,630,334	64,440,608	61,973,049	54,269,180
Plan fiduciary net position - ending (b)	<u>\$ 104,701,207</u>	<u>\$ 119,981,936</u>	<u>\$ 104,843,399</u>	<u>\$ 90,838,680</u>	<u>\$ 74,403,371</u>	<u>\$ 78,081,374</u>	<u>\$ 67,033,789</u>	<u>\$ 64,630,334</u>	<u>\$ 64,440,608</u>	<u>\$ 61,973,049</u>
Net pension liability - ending (a) - (b)	<u>\$ 57,364,293</u>	<u>\$ 39,161,353</u>	<u>\$ 50,404,317</u>	<u>\$ 65,844,124</u>	<u>\$ 50,215,144</u>	<u>\$ 38,724,835</u>	<u>\$ 45,364,176</u>	<u>\$ 40,266,509</u>	<u>\$ 37,027,618</u>	<u>\$ 32,956,130</u>
Plan fiduciary net position as a percentage of the total pension liability	64.60%	75.39%	67.53%	57.98%	59.70%	66.85%	59.64%	61.61%	63.51%	65.28%
Covered-employee payroll	\$ 11,995,484	\$ 11,815,423	\$ 11,335,463	\$ 14,025,943	\$ 11,896,982	\$ 11,466,628	\$ 10,618,049	\$ 10,708,529	\$ 9,595,242	\$ 9,535,816
Net pension liability as a percentage of covered-employee payroll	478.22%	331.44%	444.66%	469.45%	422.08%	337.72%	427.24%	376.02%	385.90%	345.60%

See accompanying notes to required supplementary information.

CITY OF ERIE, PENNSYLVANIA
 SCHEDULE OF CONTRIBUTIONS AND INVESTMENT RETURNS
 OFFICERS' AND EMPLOYEES' PENSION TRUST FUND – LAST 10 YEARS
 DECEMBER 31, 2022

SCHEDULE OF CONTRIBUTIONS - LAST 10 FISCAL YEARS

	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
Actuarially determined contribution	\$ 6,054,934	\$ 6,429,681	\$ 6,428,678	\$ 2,689,938	\$ 2,639,251	\$ 2,367,868	\$ 2,569,332	\$ 2,527,541	\$ 2,204,981	\$ 2,207,360
Contributions in relation to the actuarially deemed contribution	<u>6,054,934</u>	<u>6,429,681</u>	<u>6,428,677</u>	<u>2,689,938</u>	<u>2,639,251</u>	<u>2,367,868</u>	<u>2,569,332</u>	<u>2,527,541</u>	<u>2,204,981</u>	<u>2,207,360</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered-employee payroll	\$ 19,304,916	\$ 19,340,662	\$ 18,670,801	\$ 17,954,616	\$ 17,787,150	\$ 17,387,631	\$ 16,982,842	\$ 16,997,651	\$ 15,917,268	\$ 15,978,320
Contributions as a percentage of covered-employee payroll	31.36%	33.24%	34.43%	14.98%	14.84%	13.62%	15.13%	14.87%	13.85%	13.81%

SCHEDULE OF INVESTMENT RETURNS - LAST 10 FISCAL YEARS

	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
Annual money-weighted rate of return, net of investment expense	-14.61%	11.27%	13.42%	22.09%	-5.47%	16.63%	5.55%	1.38%	6.44%	17.34%

See accompanying notes to required supplementary information.

CITY OF ERIE, PENNSYLVANIA
 SCHEDULE OF CONTRIBUTIONS AND INVESTMENT RETURNS
 POLICE PENSION TRUST FUND – LAST 10 YEARS
 DECEMBER 31, 2022

SCHEDULE OF CONTRIBUTIONS - LAST 10 FISCAL YEARS

	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
Actuarially determined contribution	\$ 11,837,419	\$ 12,635,212	\$ 12,552,752	\$ 7,186,308	\$ 7,150,737	\$ 5,945,568	\$ 4,940,860	\$ 4,888,047	\$ 4,004,714	\$ 3,988,557
Contributions in relation to the actuarially deemed contribution	11,837,419	12,635,212	12,552,752	7,186,308	7,150,737	5,945,568	4,940,860	4,888,047	4,004,714	3,988,557
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered-employee payroll	15,505,237	15,346,235	14,821,339	17,149,390	14,525,366	14,015,389	17,370,976	15,661,713	12,057,786	11,807,462
Contributions as a percentage of covered-employee payroll	76.34%	82.33%	84.69%	41.90%	49.23%	42.42%	28.44%	31.21%	33.21%	33.78%

SCHEDULE OF INVESTMENT RETURNS - LAST 10 FISCAL YEARS

	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
Annual money-weighted rate of return, net of investment expense	-14.50%	11.59%	13.49%	21.34%	-5.36%	16.66%	5.27%	1.43%	5.99%	17.10%

See accompanying notes to required supplementary information.

CITY OF ERIE, PENNSYLVANIA
 SCHEDULE OF CONTRIBUTIONS AND INVESTMENT RETURNS
 FIREFIGHTER'S PENSION TRUST FUND – LAST 10 YEARS
 DECEMBER 31, 2022

SCHEDULE OF CONTRIBUTIONS - LAST 10 FISCAL YEARS

	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
Actuarially determined contribution	\$ 9,164,404	\$ 10,262,205	\$ 10,323,075	\$ 6,438,082	\$ 6,389,725	\$ 5,357,018	\$ 4,443,702	\$ 4,370,193	\$ 3,703,438	\$ 3,642,281
Contributions in relation to the actuarially deemed contribution	9,164,404	10,262,205	10,323,075	6,438,082	6,389,725	5,357,018	4,443,702	4,370,193	3,703,438	3,642,281
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered-employee payroll	11,995,484	11,815,423	11,335,463	14,025,943	11,896,982	11,466,628	10,618,049	10,708,529	9,595,242	9,535,816
Contributions as a percentage of covered-employee payroll	76.40%	86.85%	91.07%	45.90%	53.71%	46.72%	41.85%	40.81%	38.60%	38.20%

SCHEDULE OF INVESTMENT RETURNS - LAST 10 FISCAL YEARS

	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
Annual money-weighted rate of return, net of investment expense	-14.09%	11.27%	13.34%	21.22%	-5.59%	16.33%	5.25%	1.58%	6.08%	16.87%

See accompanying notes to required supplementary information.

CITY OF ERIE, PENNSYLVANIA
 SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY AND RELATED RATIOS – LAST 10 YEARS
 DECEMBER 31, 2022

	2022	2021	2020	2019	2018
Total OPEB Liability					
Service cost	\$ 1,094,006	\$ 972,305	\$ 807,706	\$ 740,058	\$ 469,299
Interest	645,292	573,201	731,821	819,217	587,968
Differences between expected and actual experience	5,732,769	-	4,253,775	-	3,797,543
Changes of assumptions	(2,760,241)	(542,537)	3,160,621	485,266	2,248,714
Benefit payments	(2,581,223)	(1,628,493)	(2,149,951)	(2,192,964)	(1,685,559)
Net Change in Total OPEB Liability	2,130,603	(625,524)	6,803,972	(148,423)	5,417,965
Total OPEB Liability - Beginning	28,983,787	29,609,311	22,805,339	22,953,762	17,535,797
Total OPEB Liability - Ending	<u>\$ 31,114,390</u>	<u>\$ 28,983,787</u>	<u>\$ 29,609,311</u>	<u>\$ 22,805,339</u>	<u>\$ 22,953,762</u>
Covered-employee payroll	\$ 27,500,721	\$ 27,161,658	\$ 26,156,801	\$ 31,175,333	\$ 25,884,381
City of Erie's total OPEB liability as a percentage of covered-employee payroll	113.14%	106.71%	113.20%	73.15%	88.68%

Assumptions:

Measurement Date	December 31, 2022	December 31, 2021	December 31, 2020	December 31, 2019	December 31, 2018
Inflation	2.00%	2.00%	2.00%	2.00%	2.50%
Salary Increases	3.50%	3.50%	3.50%	5.00%	5.00%
Healthcare Cost Trend Rates	3.00%	2.50%	2.50%	2.50%	2.50%
Discount Rate	4.31%	2.25%	1.93%	3.26%	3.64%
Turnover	T-2	T-2	T-2	T-2	T-2
Mortality Rates	RP-2014	RP-2014	RP-2014	RP-2000	RP-2000

This schedule is presented to illustrate the requirement to present information for 10 years; however, until a full 10-year trend is compiled, information for those years which information is available is shown.

See accompanying notes to required supplementary information.

CITY OF ERIE, PENNSYLVANIA
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
DECEMBER 31, 2022

NOTE 1: BUDGETARY ACCOUNTING AND CONTROL

A. 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.

B. Budget Requirements, Accounting, and Reporting

Budget Policy. The City annually adopts the Budget for the General Fund, Liquid Fuels Tax Fund, Debt Service Fund, Capital Improvement Fund, Sewer Revenue Fund, Refuse and Recycling Fund, Golf Fund, and the Internal Service Fund. The City's budget ordinance provides transfer authority to 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 amount or \$5,000 without council approval. City Council also has the authority 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.

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 unexpected grant appropriations, lapse at the end of the year. Expenditures may not legally exceed budgeted appropriations at the fund level for the General Fund, Liquid Fuels Tax Fund, Capital Improvements Fund, Sewer Revenue Fund, Refuse and Recycling Fund, Golf Fund, and 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.

CITY OF ERIE, PENNSYLVANIA
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION (CONTINUED)
DECEMBER 31, 2022

NOTE 1: BUDGETARY ACCOUNTING AND CONTROL (CONTINUED)

C. Budget Requirements, Accounting, and Reporting (Continued)

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

- Budgetary Submission – Not later than the last council meeting in November, the Mayor submits to City Council proposed operating budgets for the General Fund, Liquid Fuels Tax Fund, Debt Service Fund, Capital Improvement Fund, Sewer Revenue Fund, Refuse and Recycling Fund, Golf Fund, and 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 budgets are previously submitted to City Council are 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 annual transfer up to the lessor of 5% of the budget units (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.
- Unexpected 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 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.

CITY OF ERIE, PENNSYLVANIA
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION (CONTINUED)
DECEMBER 31, 2022

NOTE 2: ACTUARIAL METHODS AND ASSUMPTIONS

The information presented in the required supplementary information was determined as part of the actuarial valuation on January 1, 2020. Methods and assumptions used to determine contribution rates for the Officers' and Employees', Police, and Firefighter's Pension Trust Funds under Act 205 for the year ended December 31, 2022 are as follows:

	Officers' and Employees'	Police	Firefighters'
Measurement Date	12/31/2022	12/31/2022	12/31/2022
Actuarial cost method	Individual Entry Age	Individual Entry Age	Individual Entry Age
Amortization method	Recognition Period	Recognition Period	Recognition Period
Asset valuation method	Fair Market Value	Fair Market Value	Fair Market Value
Inflation	2.62%	2.62%	2.62%
Investment rate of return	6%	6%	6%
Salary increases	3.5%	3.5%	3.5%
Cost of living adjustments	None	2.66% or 2.50%/year	2.66%
Turnover table	T-2	T-2	T-2
Retirement age	15% at age 55 4% at ages 56-59 25% at age 60	30% at age 50 15% at ages 51-52 10% at age 53	8% at age 50-53 10% at age 54-55 12% at age 56-57

NOTE 3: CHANGES IN ASSUMPTIONS

There have been no changes in assumptions since the last reporting period.

NOTE 4: DISCOUNT RATE

The discount rate used to measure the total pension liability for the plans was 6.0%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that the City's contributions will be made based on the yearly MMO calculation. Based on those assumptions, the Plans' fiduciary net position were projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

OTHER SUPPLEMENTARY
INFORMATION

CITY OF ERIE, PENNSYLVANIA
DESCRIPTION OF OTHER GOVERNMENTAL FUNDS
DECEMBER 31, 2022

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

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

Capital Projects Funds- 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.

- 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
 OTHER GOVERNMENTAL FUNDS
 DECEMBER 31, 2022

	<u>Special Revenue</u>	<u>Capital Projects</u>	
	Liquid Fuels Tax Fund	Paving and Sewer Revolving Fund	Total Non-Major Governmental Funds
Assets			
Cash and Cash Equivalents	\$ 2,372,384	\$ 830,186	\$ 3,202,570
Other Receivables	6,642.00	-	6,642
Total Assets	<u>\$ 2,379,026</u>	<u>\$ 830,186</u>	<u>\$ 3,209,212</u>
Liabilities			
Accounts Payable	\$ 46,651	\$ -	\$ 46,651
Total Liabilities	<u>46,651</u>	<u>-</u>	<u>46,651</u>
Fund Balances			
Committed	-	830,186	830,186
Restricted:			
Liquid Fuels Tax	2,332,375	-	2,332,375
Total Fund Balances	<u>2,332,375</u>	<u>830,186</u>	<u>3,162,561</u>
 Total Liabilities and Fund Balances	 <u>\$ 2,379,026</u>	 <u>\$ 830,186</u>	 <u>\$ 3,209,212</u>

CITY OF ERIE, PENNSYLVANIA
 COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
 OTHER GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED DECEMBER 31, 2022

	<u>Special Revenue</u>	<u>Capital Projects</u>	
	Liquid Fuels Tax Fund	Paving and Sewer Revolving Fund	Total Non-Major Governmental Funds
Revenues			
Intergovernmental	\$ 2,621,260	\$ 366,195	\$ 2,987,455
Investment Income	1,910	507	2,417
Miscellaneous	104,099	-	104,099
Total Revenues	<u>2,727,269</u>	<u>366,702</u>	<u>3,093,971</u>
Expenditures			
Highway and Streets	1,457,532	-	1,457,532
Capital Outlay	1,164,766	472,848	1,637,614
Total Expenditures	<u>2,622,298</u>	<u>472,848</u>	<u>3,095,146</u>
Excess (Deficiency) of Revenues Over Expenditures	104,971	(106,146)	(1,175)
Net Change in Fund Balance	104,971	(106,146)	(1,175)
Fund Balance - Beginning of Year	2,227,404	936,332	3,163,736
Fund Balance - End of Year	<u>\$ 2,332,375</u>	<u>\$ 830,186</u>	<u>\$ 3,162,561</u>

CITY OF ERIE, PENNSYLVANIA
DESCRIPTION OF OTHER PROPRIETARY FUNDS
DECEMBER 31, 2022

Other Proprietary Funds

- Golf Fund – To account for the operation of the two City-owned golf courses.
- Sewer Reserve Fund – To account for amounts set aside for future improvements to the sewer infrastructure system.

CITY OF ERIE, PENNSYLVANIA
 COMBINING STATEMENT OF NET POSITION
 OTHER PROPRIETARY FUNDS
 DECEMBER 31, 2022

	Golf Fund	Sewer Reserve Fund	Total Other Proprietary Funds
Assets			
Current Assets			
Cash and Cash Equivalents	\$ 224,135	\$ 659,174	\$ 883,309
Total Current Assets	224,135	659,174	883,309
Non-Current Assets			
Capital Assets			
Land	138,630	-	138,630
Buildings and Improvements	505,732	-	505,732
Improvements Other than Building	968,764	-	968,764
Equipment and Vehicles	754,125	-	754,125
Less Accumulated Depreciation	(1,930,605)	-	(1,930,605)
Total Capital Assets, (net)	436,646	-	436,646
Total Assets	660,781	659,174	1,319,955
Deferred Outflows of Resources			
Deferred Outflows Related to Pensions	129,223	-	129,223
Total Deferred Outflows of Resources	129,223	-	129,223
Liabilities			
Current Liabilities			
Accounts Payable	2,586	-	2,586
Accrued Payroll and Related	3,943	-	3,943
Unearned Revenue	11,504	-	11,504
Total Current Liabilities	18,033	-	18,033
Non-Current Liabilities			
Compensated Absences Payable	3,971	-	3,971
Net Pension Liability	244,639	-	244,639
Total Non-Current Liabilities	248,610	-	248,610
Total Liabilities	266,643	-	266,643
Deferred Inflows of Resources			
Deferred Inflows Related to Pensions	25,164	-	25,164
Total Deferred Inflows of Resources	25,164	-	25,164
Net Position			
Investment in Capital Assets	436,646	-	436,646
Unrestricted	61,551	659,174	720,725
Total Net Position	\$ 498,197	\$ 659,174	\$ 1,157,371

CITY OF ERIE, PENNSYLVANIA
 COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
 OTHER PROPRIETARY FUNDS
 DECEMBER 31, 2022

	Golf Fund	Sewer Reserve Fund	Total Other Proprietary Funds
Operating Revenues			
Charges for Services	\$ 473,445	\$ -	\$ 473,445
Rental Income	149,901	-	149,901
Total Operating Revenues	<u>623,346</u>	<u>-</u>	<u>623,346</u>
Operating Expenses			
Personnel Services	322,673	-	322,673
Other Personnel Services	86,581	-	86,581
Services and Fees	43,128	-	43,128
Utilities	26,387	-	26,387
Rent	35,085	-	35,085
Materials and Supplies	128,340	-	128,340
Insurance	27,095	-	27,095
Depreciation and Amortization	64,319	-	64,319
Other Expenses	1,460	-	1,460
Total Operating Expenses	<u>735,068</u>	<u>-</u>	<u>735,068</u>
Operating Income (Loss)	(111,722)	-	(111,722)
Nonoperating Revenue			
Intergovernmental Revenue	2,060	-	2,060
Investment Earnings	113	323	436
Total Nonoperating Revenue	<u>2,173</u>	<u>323</u>	<u>2,496</u>
Change in Net Position	(109,549)	323	(109,226)
Net Position - Beginning of Year	607,746	658,851	1,266,597
Net Position - End of Year	<u>\$ 498,197</u>	<u>\$ 659,174</u>	<u>\$ 1,157,371</u>

CITY OF ERIE, PENNSYLVANIA
 COMBINING STATEMENT OF CASH FLOWS
 OTHER PROPRIETARY FUNDS
 DECEMBER 31, 2022

	Golf Fund	Sewer Reserve Fund	Total Other Proprietary Funds
Cash Flows from Operating Activities			
Receipts from Customers, Users, and Other	\$ 623,346	\$ -	\$ 623,346
Payments to Suppliers	(261,620)	-	(261,620)
Payments to Employees	(409,000)	-	(409,000)
Receipts from Other Operating Activities	18,703	-	18,703
Net Cash Provided by (Used in) Operating Activities	<u>(28,571)</u>	<u>-</u>	<u>(28,571)</u>
Cash Flows from Capital and Related Financing Activities			
Miscellaneous Cash Receipts	2,060	-	2,060
Net Cash Provided by (Used in) Capital and Related Financing Activities	<u>2,060</u>	<u>-</u>	<u>2,060</u>
Cash Flows from Investing Activities			
Interest and Dividends Received	113	323	436
Net Cash Provided by (Used in) Investing Activities	<u>113</u>	<u>323</u>	<u>436</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(26,398)	323	(26,075)
Cash and Cash Equivalents, Beginning of Year	250,533	658,851	909,384
Cash and Cash Equivalents, End of Year	<u>\$ 224,135</u>	<u>\$ 659,174</u>	<u>\$ 883,309</u>
Reconciliation of Operating Profit (Loss) to Net Cash Provided (Used) by Operating Activities			
Operating Profit (Loss)	\$ (111,722)	\$ -	\$ (111,722)
Adjustments to Reconcile Operating Profit (Loss) to Net Cash Provided (Used) by Operating Activities			
Depreciation and Amortization Expense	64,319	-	64,319
(Increase) Decrease in Deferred Outflows of Resources	(19,243)	-	(19,243)
Increase (Decrease) in Accounts Payable	(125)	-	(125)
Increase (Decrease) in Accrued Payroll and Related	254	-	254
Increase (Decrease) in Compensated Absences Payable	2,254	-	2,254
Increase (Decrease) in Net Pension Liability	78,327	-	78,327
Increase (Decrease) in Deferred Inflows of Resources	(42,635)	-	(42,635)
Total Adjustments	<u>83,151</u>	<u>-</u>	<u>83,151</u>
Net Cash Provided by (Used in) Operating Activities	<u>\$ (28,571)</u>	<u>\$ -</u>	<u>\$ (28,571)</u>

CITY OF ERIE, PENNSYLVANIA
DESCRIPTION OF FIDUCIARY FUNDS
DECEMBER 31, 2022

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.
- Firefighter's Pension Fund (Fire) – To account for monies to cover all members of the Bureau of Fire except the employees in the radio and communication center.

Custodial Funds

- Traffic Court Refunds – To account for monies posted by traffic court defendants pending a hearing.
- Cable Television Security Deposit Account – To account for a refundable deposit from the cable TV company.
- Unclaimed Money Account- To account for unclaimed monies.
- Property Tax Account – To account for undistributed payments of real estate and personal property tax for the City of Erie, the Erie School District and the County of Erie.
- Pension Board Salaries – To account for pension board salaries to be paid.
- PennDOT Right of Way Escrow – To account for escrow deposits held on behalf of local businesses located along state highways.
- Fire Insurance Escrow – To account for monies received for fire insurance premiums.
- Dickson Tavern Renovations – To account for a refundable deposit from Dickson Tavern.
- Bid Bonds – To account for bid bonds held by the City for related constructions projects.

CITY OF ERIE, PENNSYLVANIA
COMBINING STATEMENT OF NET POSITION
FIDUCIARY FUNDS
DECEMBER 31, 2022

	Deferred Compensation Trust Fund	Officers' and Employees' Pension Trust Fund	Police Pension Trust Fund	Firefighter's Pension Trust Fund	Total Pension Trust Funds
Assets					
Cash and Cash Equivalents	\$ -	\$ 2,601	\$ 9,134,270	\$ 32,880	\$ 9,169,751
Investments, at Fair Value					
Commercial Mortgages	-	2,821,667	144,514	2,436,546	5,402,727
Common Stocks & Exchange Traded Mutual Funds	-	39,837,895	57,816,242	34,213,094	131,867,231
Limited Partnership	-	36,875,683	-	30,482,942	67,358,625
Alternative Investments	-	10,648,861	36,086,010	9,052,988	55,787,859
Common Collective Trust	-	11,433,273	-	9,828,084	21,261,357
Corporate Bonds and Notes	-	2,558,252	2,494,181	2,201,241	7,253,674
United States Government and Agency Obligations	-	3,684,913	6,164,450	3,161,055	13,010,418
Fixed Income Mutual Funds	-	2,146,756	11,095,361	3,899,520	17,141,637
Money Markets	-	4,370,256	-	9,306,183	13,676,439
Registered Investment Companies - Mutual Funds	79,239,851	-	-	-	79,239,851
Accrued Investment Income	-	83,340	99,933	90,198	273,471
Total Assets	<u>79,239,851</u>	<u>114,463,497</u>	<u>123,034,961</u>	<u>104,704,731</u>	<u>421,443,040</u>
Liabilities					
Accounts Payable	-	2,776	9,400	3,524	15,700
Total Liabilities	<u>-</u>	<u>2,776</u>	<u>9,400</u>	<u>3,524</u>	<u>15,700</u>
Net Position					
Restricted:					
Held in Trust for Employees' Pension Benefits	79,239,851	114,460,721	123,025,561	104,701,207	421,427,340
Total Net Position	<u>\$ 79,239,851</u>	<u>\$ 114,460,721</u>	<u>\$ 123,025,561</u>	<u>\$ 104,701,207</u>	<u>\$ 421,427,340</u>

CITY OF ERIE, PENNSYLVANIA
 COMBINING STATEMENT OF NET POSITION
 FIDUCIARY FUNDS (CONTINUED)
 DECEMBER 31, 2022

	Traffic Court Refunds	Cable Television Security Deposit	Unclaimed Monies	Property Tax	Pension Board Salaries	PENNDOT Right of Way	Fire Insurance	Dickson Tavern Renovations	Land Lighthouse Security Deposits	Bid Bonds	Total Custodial Funds
Assets											
Cash and Cash Equivalents	\$ 418	\$ 25,000	\$ (382)	\$ -	\$ 20,681	\$ 15,000	\$ 342,285	\$ 500	\$ 14,648	\$ 25,000	\$ 443,150
Total Assets	<u>\$ 418</u>	<u>\$ 25,000</u>	<u>\$ (382)</u>	<u>\$ -</u>	<u>\$ 20,681</u>	<u>\$ 15,000</u>	<u>\$ 342,285</u>	<u>\$ 500</u>	<u>\$ 14,648</u>	<u>\$ 25,000</u>	<u>\$ 443,150</u>
Liabilities											
Deposits Held in Trust Due to Other Governments	\$ 418	\$ 25,000	\$ (382)	\$ -	\$ 20,681	\$ 15,000	\$ 342,285	\$ 500	14,648	\$ 25,000	\$ 443,150
Total Liabilities	<u>\$ 418</u>	<u>\$ 25,000</u>	<u>\$ (382)</u>	<u>\$ -</u>	<u>\$ 20,681</u>	<u>\$ 15,000</u>	<u>\$ 342,285</u>	<u>\$ 500</u>	<u>\$ 14,648</u>	<u>\$ 25,000</u>	<u>\$ 443,150</u>

CITY OF ERIE, PENNSYLVANIA
 COMBINING STATEMENT OF CHANGES IN NET POSITION
 FIDUCIARY FUNDS
 FOR THE YEAR ENDED DECEMBER 31, 2022

	Deferred Compensation Trust Fund	Officers' and Employees' Pension Trust Fund	Police Pension Trust Fund	Firefighter's Pension Trust Fund	Total Pension Trust Funds
Additions:					
Contributions					
Employer	\$ -	\$ 6,054,934	\$ 11,837,419	\$ 9,164,404	\$ 27,056,757
City of Erie Water Authority	-	864,453	-	-	864,453
Plan Members	4,956,823	1,302,061	951,271	741,975	7,952,130
Other	-	15,817	-	-	15,817
Total Contributions	4,956,823	8,237,265	12,788,690	9,906,379	35,889,157
Investment Earnings					
Net Appreciation (Depreciation) in Fair Value of Investments	(13,313,520)	(20,452,256)	(21,690,065)	(17,931,109)	(73,386,950)
Interest and Dividends	2,683,357	1,237,537	1,413,328	1,204,410	6,538,632
Less: Investment Expenses	-	(469,865)	(471,401)	(304,038)	(1,245,304)
Total Investment Earnings	(10,630,163)	(19,684,584)	(20,748,138)	(17,030,737)	(68,093,622)
Other Income	1,693,606	-	3,107	-	1,696,713
Total Additions	(3,979,734)	(11,447,319)	(7,956,341)	(7,124,358)	(30,507,752)
Deductions:					
Benefits Paid and Participant Refunds	5,032,282	9,271,793	11,335,267	8,121,281	33,760,623
Administrative Expenses	338,662	144,658	118,316	35,090	636,726
Total Deductions	5,370,944	9,416,451	11,453,583	8,156,371	34,397,349
Net Increase (Decrease) in Net Position	(9,350,678)	(20,863,770)	(19,409,924)	(15,280,729)	(64,905,101)
Net Position:					
Net Position, Beginning of Year	88,590,529	135,324,491	142,435,485	119,981,936	486,332,441
Net Position, End of Year	\$ 79,239,851	\$ 114,460,721	\$ 123,025,561	\$ 104,701,207	\$ 421,427,340

STATISTICAL
SECTION

CITY OF ERIE, PENNSYLVANIA
SCHEDULE OF NET POSITION BY COMPONENT
DECMEBER 31, 2022

	<u>2020</u>	<u>2021</u>	<u>2022</u>
<u>Governmental activities</u>			
Invested in capital assets, net of related debt	\$ (19,204,328)	\$ 26,990,991	\$ 23,152,843
Restricted	59,134,894	67,285,112	65,969,295
Unrestricted	<u>(140,626,239)</u>	<u>(129,098,208)</u>	<u>(130,547,547)</u>
Total governmental activities net position	<u>\$ (100,695,673)</u>	<u>\$ (34,822,105)</u>	<u>\$ (41,425,409)</u>
<u>Business-type activities</u>			
Invested in capital assets, net of related debt	\$ (31,254,079)	\$ (25,261,674)	\$ (18,234,589)
Restricted	48,611,668	48,611,668	27,451,849
Unrestricted	<u>(11,432,992)</u>	<u>(87,727,551)</u>	<u>(88,714,327)</u>
Total business-type activities net position	<u>\$ 5,924,597</u>	<u>\$ (64,377,557)</u>	<u>\$ (79,497,067)</u>
<u>Primary government</u>			
Invested in capital assets, net of related debt	\$ (50,458,407)	\$ 1,729,317	\$ 4,918,254
Restricted	107,746,562	115,896,780	93,421,144
Unrestricted	<u>(152,059,231)</u>	<u>(216,825,759)</u>	<u>(219,261,874)</u>
Total primary government net position	<u>\$ (94,771,076)</u>	<u>\$ (99,199,662)</u>	<u>\$ (120,922,476)</u>

CITY OF ERIE, PENNSYLVANIA
SCHEDULE OF CHANGES IN NET POSITION
DECEMBER 31, 2022

	2020	2021	2022
Expenses			
Governmental activities:			
General government	\$ 12,736,153	\$ 12,727,411	\$ 23,911,163
Public Safety	70,320,156	67,299,977	79,013,145
Highways and streets	15,929,875	18,964,871	19,189,450
Culture and Recreation	1,988,293	2,019,608	3,289,343
Economic and Community Development	6,873,331	6,310,190	16,365,446
Interest on long-term debt	3,325,885	16,399,798	693,242
Total governmental activities expense	<u>111,173,693</u>	<u>123,721,855</u>	<u>142,461,789</u>
Business-type activities:			
Sewer	30,706,580	33,240,846	31,983,766
Water	524,939	524,939	524,939
Refuse	8,398,327	8,423,317	8,812,232
Other Proprietary Funds	511,383	615,591	735,069
Total business-type activities expenses	<u>40,141,229</u>	<u>42,804,693</u>	<u>42,056,006</u>
Total primary government expenses	<u>\$ 151,314,922</u>	<u>\$ 166,526,548</u>	<u>\$ 184,517,795</u>
Program Revenues			
Governmental activities			
Program revenues			
Charges for services	\$ 369,035	\$ 458,507	\$ 446,002
Operating grants and contributions	20,558,930	35,648,800	41,423,114
Capital grants and contributions	94,200	326,440	-
Total governmental activities program revenues	<u>\$ 21,022,165</u>	<u>\$ 36,433,747</u>	<u>\$ 41,869,116</u>
Business-type activities:			
Program revenues:			
Charges for services:	\$ 33,112,230	\$ 35,597,628	\$ 34,212,579
Total business-type activities program revenues	<u>33,112,230</u>	<u>35,597,628</u>	<u>34,212,579</u>
Total primary government program revenues	<u>\$ 54,134,395</u>	<u>\$ 72,031,375</u>	<u>\$ 76,081,695</u>

CITY OF ERIE, PENNSYLVANIA
SCHEDULE OF CHANGES IN NET POSITION (CONTINUED)
DECMEBER 31, 2022

Business-type activities	(7,028,999)	(7,207,065)	(7,843,427)
Total primary government net expense	<u>\$ (97,180,527)</u>	<u>\$ (94,495,173)</u>	<u>\$ (108,436,100)</u>

General Revenue and Other Changes in Net Position

Governmental activities:

Taxes

Property Taxes, General Purposes	\$ 36,622,714	\$ 35,580,410	\$ 39,891,878
Property Taxes, Debt Service	3,618,855	3,646,276	1,512,807
Income Taxes	26,670,738	27,637,994	29,272,343
Other taxes	3,734,249	3,830,986	4,822,586
Licenses and permits	3,349,321	3,523,456	3,980,489
Fines and penalties	1,524,161	1,934,332	1,430,478
Investment earnings	2,316,799	1,794,828	-
Transfers	9,950,679	73,450,550	10,483,119
Miscellaneous	4,755,496	1,762,844	2,595,669
Total governmental activities	<u>92,543,012</u>	<u>153,161,676</u>	<u>93,989,369</u>

Business-type activities:

Investment earnings	476,531	309,324	582,851
Lease Rental	6,495,583	6,492,871	6,413,084
Miscellaneous	4,681,299	3,553,266	3,445,721
Transfers	(9,950,679)	(73,450,550)	(10,483,119)
Total business-type activities	<u>1,702,734</u>	<u>(63,095,089)</u>	<u>(41,463)</u>

Total primary government	<u>\$ 94,245,746</u>	<u>\$ 90,066,587</u>	<u>\$ 93,947,906</u>
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Change in Net Position

Governmental activities	\$ 2,391,484	\$ 65,873,568	\$ (6,603,304)
Business-type activities	(5,326,265)	(70,302,154)	(7,884,890)
Total primary government	<u>\$ (2,934,781)</u>	<u>\$ (4,428,586)</u>	<u>\$ (14,488,194)</u>

CITY OF ERIE, PENNSYLVANIA
SCHEDULE OF FUND BALANCES
DECMEBER 31, 2022

	<u>2020</u>	<u>2021</u>	<u>2022</u>
General Fund			
Restricted	\$ 2,300,969	\$ 5,482,123	\$ 8,374,067
Unassigned	16,966,014	21,804,662	23,026,742
Total general fund	<u>\$ 19,266,983</u>	<u>\$ 27,286,785</u>	<u>\$ 31,400,809</u>
All Governmental Funds			
Nonspendable	\$ 26,976,830	\$ 28,953,924	\$ 31,300,802
Committed	975,462	936,332	830,186
Restricted	31,182,602	37,575,469	34,033,277
Unassigned	16,808,308	21,804,662	23,026,742
Total all governmental funds	<u>\$ 75,943,202</u>	<u>\$ 89,270,387</u>	<u>\$ 89,191,007</u>

CITY OF ERIE, PENNSYLVANIA
SCHEDULE OF CHANGES IN FUND BALANCES
DECMEBER 31, 2022

	2020	2021	2022
Revenues			
Taxes	\$ 72,659,407	\$ 74,736,477	76,916,248
Licenses and permits	3,350,496	3,524,881	3,981,864
Intergovernmental	22,908,695	35,624,506	42,067,502
Charges for Services	367,860	457,082	444,627
Fines and penalties	1,524,161	1,934,332	1,430,478
Investment earnings	709,459	425,914	184,245
Payment in Lieu of Taxes	2,316,799	1,794,828	(1,997,000)
Miscellaneous	741,283	428,779	870,777
Total Revenues	<u>104,578,160</u>	<u>118,926,799</u>	<u>123,898,741</u>
Expenditures			
Current:			
General government	12,611,803	12,213,893	20,332,584
Public Safety	65,634,867	66,454,738	65,922,945
Highways and streets	12,772,380	15,272,422	13,609,815
Culture and Recreation	1,905,234	2,018,885	3,178,145
Economic and Community Development	6,704,784	6,023,783	15,755,956
Capital Outlay	7,763,066	7,411,695	15,448,434
Debt Service:			
Principal	551,580	57,701,031	43,680
Interest	1,899,524	11,957,991	172,008
Total Expenditures	<u>109,843,238</u>	<u>179,054,438</u>	<u>134,463,567</u>
Excess (Deficiency) of Revenues over Expenditures	(5,265,078)	(60,127,639)	(10,564,826)
Other Financing Sources and (Uses)			
Operating Transfers In	18,914,821	76,001,185	22,533,119
Operating Transfers (Out)	(8,996,472)	(2,550,634)	(12,050,000)
Proceeds from Sale of Assets	16,229	4,273	2,327
Total Other Financing Sources and (Uses)	<u>9,934,578</u>	<u>73,454,824</u>	<u>10,485,446</u>
Net Change in Fund Balances	<u>\$ 4,669,500</u>	<u>\$ 13,327,185</u>	<u>\$ (79,380)</u>
Debt service as a % of noncapital expenditures	2.46%	68.30%	0.18%

CITY OF ERIE, PENNSYLVANIA
 SCHEDULE OF ASSESSED VALUE AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY
 DECMEBER 31, 2022

Fiscal Year	Residential Property	Commercial Property	Industrial Property	Tax Exempt Property	Total Taxable Assessed Value	Total Direct Tax Rate
2020	\$2,317,861,908	\$728,104,937	\$92,290,449	\$1,347,892,964	\$3,138,257,294	\$13.12
2021	\$2,331,044,143	\$742,532,128	\$89,002,026	\$1,370,948,242	\$3,162,578,297	\$13.12
2022	\$2,329,480,783	\$758,769,079	\$88,865,657	\$1,361,420,878	\$3,177,115,519	\$13.12

CITY OF ERIE, PENNSYLVANIA
 SCHEDULE OF DIRECT AND OVERLAPPING TAX RATES
 DECMEBER 31, 2022

Fiscal Year	<u>City Direct Rates</u>			<u>Overlapping Rates</u>	
	Basic Rate	General Obligation Debt Service	Total Direct Rate	Erie School District	Erie County
2020	\$11.92	\$ 1.20	\$13.12	\$17.2029	\$5.71
2021	\$11.64	\$ 1.48	\$13.12	\$17.7190	\$5.96
2022	\$12.60	\$ 0.52	\$13.12	\$17.7190	\$5.96

CITY OF ERIE, PENNSYLVANIA
 SCHEDULE OF PRINCIPAL PROPERTY TAX PAYERS
 DECMEBER 31, 2022

Taxpayer	2022		2013	
	Taxable Assessed Value	Percentage of Total City Taxable Assessed Value	Taxable Assessed Value	Percentage of Total City Taxable Assessed Value
Erie Insurance	\$ -	0.00%	\$ 37,625,801	1.25%
Erie Indemnity	102,344,035	3.24%	-	0.00%
Baldwin Brothers	25,917,055	0.82%	32,738,823	1.09%
St. Vincent/Allegheny Health	23,400,450	0.74%	-	0.00%
UPMC/Hamot	14,858,200	0.47%	8,436,720	0.28%
NHI REIT of Bickford LLC	13,159,500	0.42%	-	0.00%
Adam Levin	12,402,100	0.39%	11,658,248	0.39%
SB3 LLC/SB Erie Properties	16,560,170	0.52%	-	0.00%
607 E 26st SNF Real Estate LLC	12,948,500	0.41%	-	0.00%
H.A.N.D.S	18,048,362	0.57%	-	0.00%
Erie Station LLC	-	0.00%	13,601,370	0.45%
LECOM	21,300,465	0.67%	14,317,648	0.47%
GEIDC	-	0.00%	11,496,242	0.38%
Central Mall Partnership	-	0.00%	8,881,954	0.29%
Prischak	-	0.00%	8,461,700	0.28%
Albert M. Covelli Trust	-	0.00%	8,278,710	0.27%
	<u>\$ 260,938,837</u>	<u>8.25%</u>	<u>\$ 155,497,216</u>	<u>5.15%</u>

CITY OF ERIE, PENNSYLVANIA
 SCHEDULE OF PROPERTY TAX LEVIES AND COLLECTIONS
 DECMEBER 31, 2022

Fiscal Year	Taxes Levied in Fiscal Year	Collected within Fiscal Year	Percentage of Levy	Collection in Subsequent Years	Total Collected to Date	Percentage of Levy
2020	\$41,173,936	\$37,394,812	90.82%	\$ 2,854,878	\$40,249,690	97.76%
2021	\$41,493,027	\$37,678,190	90.81%	\$ 3,224,216	\$40,902,406	98.58%
2022	\$41,683,756	\$38,169,292	91.57%	\$ 2,873,414	\$41,042,706	98.46%

CITY OF ERIE, PENNSYLVANIA
 SCHEDULE OF RATIOS OF OUTSTANDING DEBT BY TYPE
 DECMEBER 31, 2022

Fiscal Year	Governmental Activities		Business Activates		Total Primary Government	Percentage of Per Capita Income	Per Capita
	General Obligation Bonds	Other Bonds (Revenue, Special Assessment, etc.)	General Obligation Bonds	Other Bonds (Revenue, Special Assessment, etc.)			
2020	\$ 102,103,974	\$ -	\$ 14,701,098	\$ 72,853,466	\$ 189,658,538	3.23%	\$1,225.41
2021	\$ 48,714,734	\$ -	\$ 6,839,307	\$ 68,426,069	\$ 123,980,110	1.53%	\$ 591.02
2022	\$ 49,095,566	\$ -	\$ 6,839,307	\$ 72,802,186	\$ 128,737,059	1.48%	\$ 595.06

CITY OF ERIE, PENNSYLVANIA
 SCHEDULE OF RATIOS OF GENERAL BONDED DEBT OUTSTANDING
 DECMEBER 31, 2022

General Bonded Debt Outstanding						
Fiscal Year	General Obligation Bonds	Other Bonds (Revenue, Special Assessment, etc.)	Total	Percentage of Actual Taxable Value of Property	Per Capita	
2020	\$ 116,715,072	\$ 72,853,466	\$ 189,568,538	6.04%	\$1,225.41	
2021	\$ 55,554,042	\$ 68,416,069	\$ 123,970,111	3.92%	\$ 591.02	
2022	\$ 55,934,873	\$ 72,802,186	\$ 128,737,059	4.05%	\$ 595.06	

CITY OF ERIE, PENNSYLVANIA
 SCHEDULE OF DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT
 DECMEBER 31, 2022

Government Unit	Debt Outstanding 2021	Less: Amounts Available in Debt Service Fund 2022	Classified as Proprietary Fund Use	Classified as General Fund Use	Estimated Percentage Applicable	Estimated Share of Direct and Overlapping Debt Total 2022
City of Erie:						
2015 General Obligation Bond (A)	\$ 809,486	\$ -	\$ 141,236	\$ 668,250	100%	\$ 809,486
2015 General Obligation Bond (B)	2,100,480	-	143,280	1,957,200	100%	2,100,480
2017 General Obligation Bond (A)	2,400,076	-	427,275	1,972,801	100%	2,400,076
2019 General Obligation Bond (A)	35,155,000	-	6,127,516	29,027,484	100%	35,155,000
2019 General Obligation Bond (B)	2,060,000	-	-	2,060,000	100%	2,060,000
2019 Capital Appreciation Bond (C)	22,730,000	-	-	22,730,000	100%	22,730,000
Total City Direct Debt	\$ 65,255,042	\$ -	\$ 6,839,307	\$ 58,415,735		\$ 65,255,042
County of Erie	\$ 33,699,957	\$ 8,535,747	\$ -	\$ 25,164,210	40%	\$ 10,065,684
Erie School District	106,631,697	4,482,552	-	102,149,145	100%	102,149,145
Erie Sewer Authority	86,662,442	-	-	86,662,442	70%	60,663,709
Erie Parking Authority	45,741,650	2,658,164	-	43,083,486	100%	43,083,486
Erie Water Authority	408,944,872	(245,393,431)	-	654,338,303	70%	458,036,812
Total Overlapping Debt	\$ 681,680,618	\$ (229,716,968)	\$ -	\$ 911,397,586		\$ 673,998,837
Total Direct and Overlapping Debt						\$ 739,253,879

CITY OF ERIE, PENNSYLVANIA
 COMPUTATION OF LEGAL DEBT MARGIN
 DECMEBER 31, 2022

Nonelectoral Debt Incurring Capacity:

Borrowing base(1)	\$ 137,367,768
Percentage limitation	<u>250%</u>
Net nonelectoral debt limit	<u>\$ 343,419,420</u>
Less: net nonelectrical debt incurred	(128,027,833)
Add: current principal appropriation	-
Remaining nonelectoral debt incurring capacity	<u><u>\$ 215,391,587</u></u>

Nonelectoral Plus Leave Rental Debt Incurring Capacity:

Borrowing base(1)	\$ 137,367,768
Percentage limitation	<u>350%</u>
Net nonelectoral debt limit	<u>\$ 480,787,188</u>
Less: net nonelectrical debt incurred	(257,773,761)
Add: current principal appropriation	<u>4,308,635</u>
Remaining nonelectoral plus lease rental debt incurring capacity	<u><u>\$ 227,322,062</u></u>

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

CITY OF ERIE, PENNSYLVANIA
 SCHEDULE OF DEMOGRAPHIC AND ECONOMIC STATISTICS
 DECMEBER 31, 2022

Year:	2020	2021	2022
Population	94,831	93,999	93,511
Personal Income (thousands of dollars)	3,593,526	3,633,531	3,759,236
Median Household Income (dollars)	37,894	38,655	40,201
Median Age	34.9	38.2	38.0
High School Graduate, % of persons age 25+	86.1	86.6	86.9
Bachelor's degree or higher, % of persons 25+	21.6	22.0	22.2
Unemployment Rate	9.80%	5.30%	5.00%

*Population figures are estimates based on the last census conducted in 2010.

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 Commerce: Bureau of Economic Analysis, CNN, Money.Com and CensusScope.Org

CITY OF ERIE, PENNSYLVANIA
SCHEDULE OF PRINCIPAL EMPLOYERS
DECMEBER 31, 2022

Employer	2022		2013	
	Employees	**Percentage of Total MSA Employment	Employees	**Percentage of Total MSA Employment
Erie Indemnity Company	5,805	4.72%	4,450	3.44%
General Electric Company	-	0.00%	5,500	4.25%
UPMC Hamot Medical Center	4,000	3.25%	3,100	2.40%
Pennsylvania State Government**	3,050	2.48%	2,500	1.93%
Wal-Mart**	3,060	2.49%	2,000	1.55%
Saint Vincent Health Center	2,600	2.11%	2,864	2.22%
Wabtec US Rail Inc.	2,240	1.82%	-	0.00%
United States Government	2,195	1.78%	1,200	0.93%
County of Erie	2,736	2.22%	1,098	0.85%
School District of the City of Erie	1,502	1.22%	1,300	1.01%
Regional Health Services	-	0.00%	-	0.00%
Dr. Gertrude A Barger Center Inc.	-	0.00%	816	0.63%
Verizon	-	0.00%	-	0.00%

*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 Department of Labor are based on Metropolitan Statistical Areas (MSA) and not on the City of Erie city limits.

CITY OF ERIE, PENNSYLVANIA
 SCHEDULE OF FULL TIME CITY GOVERNMENT EMPLOYEES BY FUNCTION/DEPARTMENT
 DECMEBER 31, 2022

<u>Function/Department</u>	<u>Full-Time Employees</u>		
	<u>2020</u>	<u>2021</u>	<u>2022</u>
General Government			
Administration	22	19	22
Controller's Office	3	3	3
Treasurer's Office	6	6	6
Finance & Purchasing	10	10	11
Economic and Community Development	10	11	12
Other	11	11	11
Police			
Officers	173	173	194
Civilians	22	22	22
Fire			
Firefighters and Officers	134	134	134
Civilians	4	4	4
Public Works			
Code Enforcement	16	18	20
Engineering	5	5	5
Streets	47	47	47
Parks & Recreation	11	11	11
Golf	1	1	1
Refuse	32	32	32
Sewer	88	88	88
Other	39	39	39
Total:	634	634	662

CITY OF ERIE, PENNSYLVANIA
 SCHEDULE OF OPERATING STATISTICS BY FUNCTION
 DECMEBER 31, 2022

Function/Department	Operating Statistics		
	2020	2021	2022
Police			
Law Violations	9,270	11,269	9,983
Traffic Violations	3,783	5,304	5,048
Fire			
Total Fire Rums	4,034	6,365	8,917
Inspections	329	508	355
Refuse/Recycling			
Refuse Collected (tons/year)	31,967	37,809	33,594
Recycling Collected (tons/year)	3,696	2,102	1,835
Code Enforcement			
Building/Construction/Trade Permits Issues	7,422	2,561	2,552
Recreation			
Special Event Permits Issued	47	164	185
Vendor Permits Issues	12	139	65
Wastewater			
Average Daily Sewer Treatment (MGD)	34.6	35.0	36.6
Golf			
Number of Patrons	37,006	40,257	42,982

CITY OF ERIE, PENNSYLVANIA
 SCHEDULE OF CAPITAL ASSETS STATISTICS BY FUNCTION
 DECMEBER 31, 2022

Function/Department	Capital Asset Statistics		
	2020	2021	2022
Police			
Stations	1	1	1
Police Officers	173	173	194
Patrol Units	132	132	132
Fire			
Fire Houses	7	7	6
Firefighters	120	120	138
Rescue Vehicles	14	14	14
Refuse/Recycling			
Refuse Collected (tons/year)	18	18	18
Streets			
Streets (miles)	320	320	320
Street Lights	8,488	8,488	8,488
Traffic Signals	209	209	209
Parks			
Parks	54	54	54
Swimming Pools	1	1	1
Playgrounds	23	24	24
Wastewater			
Sanitary Sewers (miles)	260	260	260
Storm Sewers (miles)	160	160	160
Daily Treatment Capacity (MGD)	69	69	69
Golf			
Golf Courses	2	2	2