

**THE SCHOOL DISTRICT OF THE CITY OF ERIE, PENNSYLVANIA**

**ERIE, PENNSYLVANIA**

**FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2021**

THE SCHOOL DISTRICT OF THE CITY OF ERIE, PENNSYLVANIA  
YEAR ENDED JUNE 30, 2021

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# *Zelenkofske Axlerod LLC*

CERTIFIED PUBLIC ACCOUNTANTS

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## Independent Auditor's Report

Members of the Board  
The School District of the City of Erie, Pennsylvania  
Erie, Pennsylvania

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund, and the aggregate remaining fund information of the SCHOOL DISTRICT OF THE CITY OF ERIE, PENNSYLVANIA as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the SCHOOL DISTRICT OF THE CITY OF ERIE, PENNSYLVANIA's basic financial statements as listed in the table of contents.

### **Management's Responsibility for the Financial Statements**

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; this includes 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.

### **Auditor's Responsibility**

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the Auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund, and the aggregate remaining fund information for the SCHOOL DISTRICT OF THE CITY OF ERIE, PENNSYLVANIA as of June 30, 2021, and the respective changes in the financial position, and cash flows, where applicable, thereof for the year ended in conformity with the accounting principles generally accepted in the United States of America.



# *Zelenkofske Axerod LLC*

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The School District of the City of Erie, Pennsylvania

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## **Adoption of GASB Statements**

As described in Note 1 to the financial statements, in 2021 the District adopted the provisions of Governmental Accounting Standards Board's Statement No. 84 "Fiduciary Activities" and Statement No. 90 "Majority Equity Interests (an Amendment of GASB Statements No. 14 and No. 61)", and certain provisions of Statement No. 97, "Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans – and amendment of GASB Statements No. 14 and No. 84, and a supersession of GASB Statement No. 32". Our opinion is not modified in respect to these matters.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, schedule of District's OPEB contributions, schedules of changes in the OPEB liability, budgetary comparison, schedule of district's proportionate share of the OPEB liability - PSERS plan, schedule of the district's proportionate share of the net pension liability- last 10 years, and schedule of district's contributions- last 10 years information on pages 4 through 15 and 58 through 63 be presented to supplement the basic financial statements. Such information, 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.

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the SCHOOL DISTRICT OF THE CITY OF ERIE, PENNSYLVANIA's basic financial statements. The Combining Non-Major Funds financial statements on pages 65 through 70 are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining nonmajor fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. 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, based on our audit, the procedures performed as described above, the combining nonmajor fund financial statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.



# *Zelenkofske Axlerod LLC*

**CERTIFIED PUBLIC ACCOUNTANTS**

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The School District of the City of Erie, Pennsylvania  
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## **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated December 22, 2021 on our consideration of the SCHOOL DISTRICT OF THE CITY OF ERIE, PENNSYLVANIA'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 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

*Zelenkofske Axlerod LLC*

ZELENKOSKE AXELROD LLC

December 22, 2021  
Pittsburgh, Pennsylvania

## **MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2021**

THE SCHOOL DISTRICT OF THE CITY OF ERIE, PENNSYLVANIA, hereafter referred to as the "SCHOOL DISTRICT", is pleased to present its financial statements developed in compliance with Statement of Governmental Accounting Standard No. 34, entitled "Basic Financial Statements – Management's Discussion and Analysis – For State and Local Governments (hereafter "GASB 34"), and related standards. GASB 34 enhances information provided to the users of its financial statements. This section of the financial reporting package presents our discussion and analysis of the SCHOOL DISTRICT's financial performance during the year that ended on June 30, 2021. Please read this Management Discussion and Analysis in conjunction with the SCHOOL DISTRICT's financial statements that follow this section.

### **OVERVIEW OF THE FINANCIAL STATEMENTS**

This report consists of the following three parts:

- Management's discussion and analysis (this section)
- Basic financial statements (including notes)
- Required supplementary information
- Other supplementary information

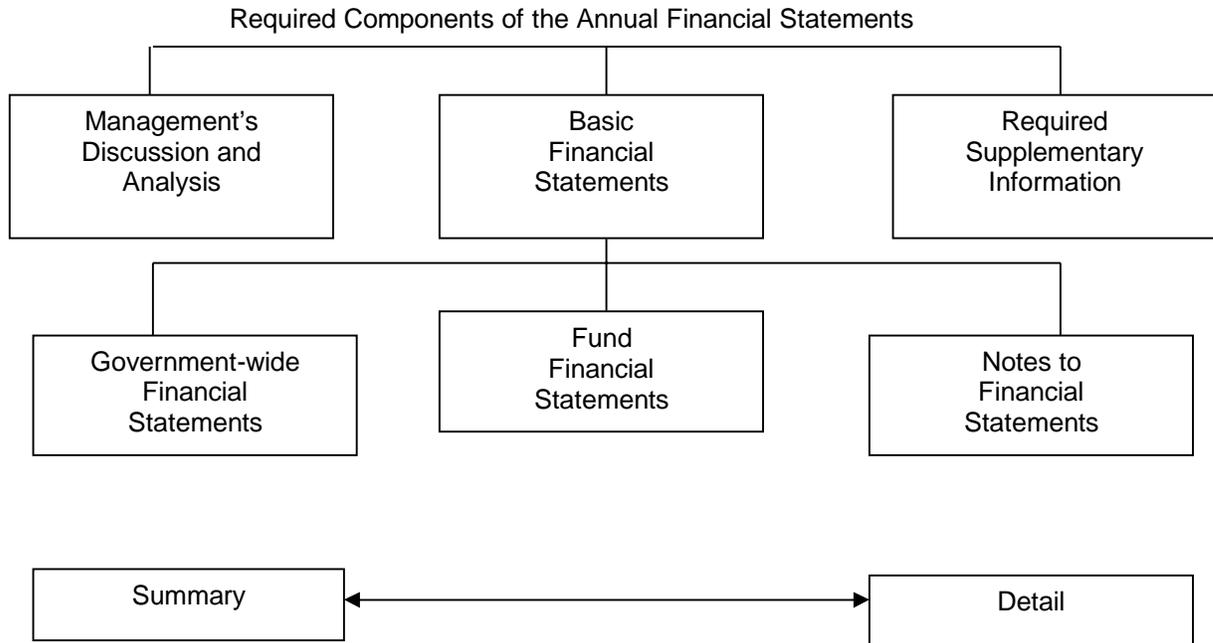
Management's discussion and analysis is a guide to reading the financial statements and provides related information to help the reader to better understand the SCHOOL DISTRICT's government. The basic financial statements include notes that provide additional information essential to a full understanding of the financial data provided in the government-wide and fund financial statements. Required supplementary information is provided on the SCHOOL DISTRICT's budget to actual figures for the general fund as well as certain pension and other postretirement benefit schedules. Other supplementary information consists of combining non-major financial statements.

The basic financial statements present two different views of the SCHOOL DISTRICT.

- *Government-wide financial statements*, the first two statements, provide information about the SCHOOL DISTRICT's overall financial status.
- *Fund financial statements*, the remaining statements, focus on individual parts of the SCHOOL DISTRICT's government. They provide more detail on operations than the government-wide statements. There are three types of fund financial statements:
  - *Governmental funds statements* show how services such as instruction, support services, and non-instructional services are financed in the short term, as well as what remains for future spending.
  - *Proprietary fund statements* offer short-term and long-term financial information about the activities the SCHOOL DISTRICT operates like a business, like the Food Service Fund.

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2021**

**Table A-1: Organization of the School District's annual financial report**



**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**JUNE 30, 2021**

Table A-2 summarizes the major features of the SCHOOL DISTRICT's financial statements, including the area of the SCHOOL DISTRICT's activities they cover and the types of information they contain.

**Table A-2: Major features of the government-wide and fund financial statements**

	<b>Government-wide Statements</b>	<b>Fund Financial Statements</b>	
		<b>Governmental</b>	<b>Proprietary</b>
Scope	Entire entity (except fiduciary funds)	The day-to-day operating activities of the SCHOOL DISTRICT, such as instruction and support services.	The activities of the SCHOOL DISTRICT, such as the Food Service Fund
Required Financial Statements	-Statement of Net Position -Statement of activities	-Balance Sheet -Statement of revenues, expenditures and changes in fund balances	-Statement of Net Position -Statement of revenues, expenses and changes in Net Position -Statement of cash flows
Accounting basis and measurement focus	Accrual	Modified Accrual	Accrual accounting and economic resources focus
Type of asset and liability information	All assets and liabilities, short-term and long-term	Current assets and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, short-term and long-term
Type of inflow and outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenue for which cash is received during the year or soon thereafter; expenditures when goods or services have been received and the related liability is due and payable	All revenues and expenses during year, regardless of when cash is received or paid

## MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2021

The remainder of the overview explains the structure and contents of the government-wide and fund financial statements.

### **Government-wide financial statements**

Government-wide financial statements report information about the SCHOOL DISTRICT as a whole using accounting methods similar to those used by private-sector companies.

- The Statement of Net Position includes all the SCHOOL DISTRICT's assets and liabilities, with the difference between the two reported as Net Position. This statement serves a purpose similar to that of the balance sheet of a private-sector business.
- The Statement of Activities focuses on how the SCHOOL DISTRICT's Net Position changed during the year. Because it separates program revenue (revenue generated by specific programs through charges for services, grants and contributions) from general revenue (revenue provided by taxes and other sources not tied to a particular program), it shows to what extent each program has to rely on local taxes for funding.

All changes to Net Position are reported using the economic resources measurement focus and the accrual basis of accounting, which requires that revenues be reported when they are earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flow.

Net Position is one way to measure the SCHOOL DISTRICT's financial position. Over time, increases or decreases in the SCHOOL DISTRICT's Net Position are one indicator of whether the SCHOOL DISTRICT's financial position is improving or deteriorating. However, other non-financial factors such as changes in the SCHOOL DISTRICT's property tax base and general economic conditions must be considered to assess the overall position of the SCHOOL DISTRICT.

There are two categories of activities for the primary government:

- *Governmental activities* include the SCHOOL DISTRICT's basic services such as instruction, support services, and non-instructional services.
- *Business-type activities* such as the Food Service Fund charge a fee to customers to help cover the costs of services.

Net Position of the governmental activities differ from the governmental fund balances because governmental fund level statements only report transactions using or providing current financial resources. Also, capital assets in the fund level statements are reported as expenditures when financial resources (money) are expended to purchase or build assets. Likewise, the financial resources that may have been borrowed are considered revenue when they are received. The principal and interest payments are both considered revenue when they are received. The principal and interest payments are both considered expenditures when paid. Depreciation is not calculated as it does not provide or reduce current financial resources. Finally, capital assets and long-term debt do not affect fund balances.

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2021**

Government wide statements are reported on the accrual basis of accounting that involves the following steps to format the Statement of Net Position:

- Capitalize current outlays for capital assets
- Report long-term debt as a liability
- Depreciate capital assets and allocate the depreciation to the proper program/activities
- Allocate net position balances as follows:
  - Net Investment in Capital Assets
  - Restricted Net Position are those with constraints placed on the use by external sources (creditors, grantors, contributors, or laws or regulations of governments) or imposed by law through constitutional provisions or enabling legislation
  - Unrestricted Net Position is Net Position that does not meet any of the above restrictions

**Fund Financial Statements**

Fund financial statements provide more detailed information on the SCHOOL DISTRICT's most significant funds, not the SCHOOL DISTRICT as a whole. Funds are accounting devices, i.e., a group of related accounts, the SCHOOL DISTRICT uses to keep track of specific sources of funding and spending for particular purposes. Some funds are required by state law. Other funds are established to control and manage resources designated for specific purposes. Fund financial statements are reported using the modified accrual basis of accounting.

The SCHOOL DISTRICT has three kinds of funds:

- *Governmental funds* include most of the SCHOOL DISTRICT's basic services and focus on: (1) the flow in and out of cash and other financial assets that can readily be converted into cash, and: (2) the balances left at year-end that are available for spending. These funds are reported using the modified accrual basis of accounting.

The relationship between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds is described in a reconciliation that follows the governmental fund financial statements.

The SCHOOL DISTRICT adopts an annual budget for the general fund, as required by state law. A budgetary comparison of the SCHOOL DISTRICT's general fund is presented as required supplementary information.

- *Proprietary Funds* report business-type programs and activities that charge fees designed to recover the cost of providing services. The proprietary funds report using the accrual basis of accounting.

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2021**

**GOVERNMENT-WIDE FINANCIAL STATEMENTS**

**Net Position**

The SCHOOL DISTRICT's total assets were \$289,719,372 at June 30, 2021. Of this amount, \$131,333,726 was capital assets.

GASB No. 34 required that all capital assets, including infrastructure, be valued and reported within the governmental activities column of the government-wide financial statements, but allowed infrastructure to be added over several years. The SCHOOL DISTRICT adopted the provisions of GASB 34 related to infrastructure on the retroactive basis.

**Condensed Statement of Net Position – 2021/2020**

	2021 Governmental Activities	2021 Business-Type Activities	2021 Total	2020 Total
Current and other assets	\$ 156,280,311	\$ 2,105,335	\$ 158,385,646	\$ 143,495,771
Capital assets	<u>126,512,510</u>	<u>4,821,216</u>	<u>131,333,726</u>	<u>116,521,242</u>
Total Assets	<u>\$ 282,792,821</u>	<u>\$ 6,926,551</u>	<u>\$ 289,719,372</u>	<u>\$ 260,017,013</u>
Deferred Outflows of Resources	<u>\$ 47,354,471</u>	<u>\$ -</u>	<u>\$ 47,354,471</u>	<u>\$ 30,490,943</u>
Current and other liabilities	\$ 53,872,719	\$ 300,925	\$ 54,173,644	\$ 49,830,160
Long-term liabilities	<u>472,383,556</u>	<u>-</u>	<u>472,383,556</u>	<u>459,684,549</u>
Total liabilities	<u>526,256,275</u>	<u>300,925</u>	<u>526,557,200</u>	<u>509,514,709</u>
Deferred Inflows of Resources	<u>\$ 10,610,749</u>	<u>\$ -</u>	<u>\$ 10,610,749</u>	<u>\$ 22,110,967</u>
Net Position:				
Net Investment in Capital Assets	69,457,858	4,821,216	74,279,074	47,274,431
Restricted	16,293,047	-	16,293,047	-
Unrestricted	<u>(292,470,637)</u>	<u>1,804,410</u>	<u>(290,666,227)</u>	<u>(288,392,151)</u>
Total Net Position	<u>\$ (206,719,732)</u>	<u>\$ 6,625,626</u>	<u>\$ (200,094,106)</u>	<u>\$ (241,117,720)</u>

**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**JUNE 30, 2021**

**Change in Net Position**

The following Statement of Activities represents the Change in Net Position for the years ended June 30, 2021 and 2020. It shows revenues by source and expenses by function for governmental activities, business-type activities and the government as a whole.

	2021	2021	2021	2020
	Governmental	Business-type	Total	Total
	Activities	Activities	Total	Total
Program Revenues:				
Charges for Services	\$ 1,172,786	\$ 54,719	\$ 1,227,505	\$ 1,685,438
Grants and Contributions	161,480,948	6,481,019	167,961,967	154,696,253
General Revenues:				
Property Taxes	48,810,571	-	48,810,571	47,479,097
Earned Income and LST	8,878,046	-	8,878,046	8,867,835
Transfer Tax	1,173,334	-	1,173,334	1,031,138
Public Utility Realty	56,988	-	56,988	53,890
Swaption Gain	104,589	-	104,589	38,310
Investment Earnings	806,097	252	806,349	1,620,620
Miscellaneous	358,875	-	358,875	698,602
Other Income	-	-	-	3,278,012
Insurance Recoveries	2,500,000	-	2,500,000	-
<b>Total Revenues</b>	<b>\$ 225,342,234</b>	<b>\$ 6,535,990</b>	<b>\$ 231,878,224</b>	<b>\$ 219,449,195</b>
Expenses:				
Instruction	\$121,890,222	\$ -	\$ 121,890,222	\$ 115,678,167
Support Services	40,753,533	-	40,753,533	43,109,536
Noninstructional Services	1,134,834	-	1,134,834	1,329,286
Facilities, Acquisition, Construction and Improvement	16,696,403	-	16,696,403	9,796,589
Food service	-	6,412,848	6,412,848	8,437,550
Stadium Commission	-	138,871	138,871	109,012
Interest on Long-Term Debt	5,449,587	-	5,449,587	5,671,063
<b>Total Expenses</b>	<b>185,924,579</b>	<b>6,551,719</b>	<b>192,476,298</b>	<b>184,131,203</b>
Change in Net Position	39,417,655	(15,729)	39,401,926	35,317,992
Net Position - July 1 (As Restated, Note 16)	(246,137,387)	6,641,355	(239,496,032)	(276,435,712)
Net Position - June 30	<b>\$ (206,719,732)</b>	<b>\$ 6,625,626</b>	<b>\$ (200,094,106)</b>	<b>\$ (241,117,720)</b>

**MANAGEMENT DISCUSSION AND ANALYSIS  
JUNE 30, 2021**

**Net Program Expenses**

Net program expenses indicate the amount of support required from taxes and other general revenues for a program of the government. In 2021, taxes brought in \$58,918,939.

**Net Cost of Governmental and Business-type Activities**

	2021	2020	2021	2020
	<u>Total Cost</u>	<u>Total Cost</u>	<u>Net Cost</u>	<u>Net Cost</u>
	<u>of Services</u>	<u>of Services</u>	<u>of Services</u>	<u>of Services</u>
Program:				
Instructional	\$ 121,890,222	\$ 115,678,167	\$ 26,663,945	\$ 18,352,033
Support Services	40,753,533	43,109,536	(29,376,280)	(31,261,093)
Noninstructional Services	1,134,834	1,329,286	944,896	501,818
Facilities, Acquisition, Construction and Improvement	16,696,403	9,796,589	(16,696,403)	(9,796,589)
Interest on Long-Term Debt	5,449,587	5,671,063	(4,807,003)	(5,030,185)
Food Service	6,412,848	8,437,550	88,693	(434,518)
Stadium Commission	<u>138,871</u>	<u>109,012</u>	<u>(104,674)</u>	<u>(80,978)</u>
Change in Net Position	<u>\$ 192,476,298</u>	<u>\$ 184,131,203</u>	<u>\$ (23,286,826)</u>	<u>\$ (27,749,512)</u>

The SCHOOL DISTRICT relied on property taxes and other general revenues to fund 12.10% of its governmental and business-type activities in 2021.

**MANAGEMENT DISCUSSION AND ANALYSIS**  
**JUNE 30, 2021**

**Capital Assets**

The SCHOOL DISTRICT's investment in capital assets in its Governmental Activities at June 30, 2021, net of accumulated depreciation, was \$126,512,510. Capital assets consist primarily of land, buildings, equipment, and books. The following is a summary of capital assets at June 30, 2021:

<b>Capital Assets</b>				
	Beginning Balance			Ending Balance
GOVERNMENTAL ACTIVITIES	*As Restated	Increases	Decreases	Ending Balance
Capital Assets, Not Being Depreciated:				
Land	\$ 7,651,057	\$ -	\$ -	\$ 7,651,057
Construction in Progress	8,953,034	19,440,295	(3,436,132)	24,957,197
<b>Total Capital Assets, Not Being Depreciated</b>	<b>16,604,091</b>	<b>19,440,295</b>	<b>(3,436,132)</b>	<b>32,608,254</b>
Capital Assets, Being Depreciated:				
Building/Land Held for Resale	12,520,161	-	(3,847,600)	8,672,561
Buildings and Improvements	201,639,857	3,436,132	-	205,075,989
Furniture and Equipment	53,304,335	449,377	-	53,753,712
Vehicles	3,096,448	223,693	-	3,320,141
<b>Total Capital Assets, Being Depreciated</b>	<b>270,560,801</b>	<b>4,109,202</b>	<b>(3,847,600)</b>	<b>270,822,403</b>
Less Accumulated Depreciation For:				
Building/Land Held for Resale	(9,259,504)	(142,512)	3,578,268	(5,823,748)
Buildings and Improvements	(120,044,463)	(4,371,001)	-	(124,415,464)
Furniture and Equipment	(42,107,711)	(1,558,670)	-	(43,666,381)
Vehicles	(2,916,022)	(96,532)	-	(3,012,554)
<b>Total Accumulated Depreciation</b>	<b>(174,327,700)</b>	<b>(6,168,715)</b>	<b>3,578,268</b>	<b>(176,918,147)</b>
<b>Total Capital Assets, Being Depreciated, Net</b>	<b>96,233,101</b>	<b>(2,059,513)</b>	<b>(269,332)</b>	<b>93,904,256</b>
<b>Governmental Activities Capital Assets, Net</b>	<b>\$ 112,837,192</b>	<b>\$ 17,380,782</b>	<b>\$ (3,705,464)</b>	<b>\$ 126,512,510</b>
BUSINESS TYPE ACTIVITIES	Beginning Balance			Ending Balance
BUSINESS TYPE ACTIVITIES	*As Restated	Increases	Decreases	Ending Balance
Capital Assets, Being Depreciated:				
Building	\$ 7,832,725	\$ -	\$ -	\$ 7,832,725
Equipment	1,386,774	13,057	-	1,399,831
Vehicles	106,317	-	-	106,317
<b>Total Capital Assets, Being Depreciated</b>	<b>9,325,816</b>	<b>13,057</b>	<b>-</b>	<b>9,338,873</b>
Less Accumulated Depreciation				
Building	(2,715,877)	(339,054)	-	(3,054,931)
Equipment	(1,339,376)	(17,033)	-	(1,356,409)
Vehicles	(106,317)	-	-	(106,317)
<b>Total Accumulated Depreciation</b>	<b>(4,161,570)</b>	<b>(356,087)</b>	<b>-</b>	<b>(4,517,657)</b>
<b>Total Capital Assets, Being Depreciated, Net</b>	<b>\$ 5,164,246</b>	<b>\$ (343,030)</b>	<b>\$ -</b>	<b>\$ 4,821,216</b>

**MANAGEMENT DISCUSSION AND ANALYSIS**  
**JUNE 30, 2021**

Detailed information about the SCHOOL DISTRICT's capital assets can be found in Note 4, Notes to the Financial Statements.

**Debt Administration**

At June 30, 2021, the SCHOOL DISTRICT had \$142,362,688 of long-term liabilities outstanding in its Governmental Activities. Long-term liabilities decreased 4.94% from the previous year. The following is a summary of long-term liabilities for the 2021 year:

Governmental Activities:	Beginning Balance	Additions	Bond Accretions	Reductions	Ending Balance	Amounts Due Within One Year
General obligation bonds	\$ 132,975,624	\$ -	\$ 2,006,852	\$ (8,480,000)	\$ 126,502,476	\$ 8,580,000
Bond premium	10,322,268	-	-	(956,596)	9,365,672	-
Bond discount	(55,023)	-	-	2,896	(52,127)	-
Compensated absences	6,290,358	336,062	-	-	6,626,420	1,807,100
Deferred loss on refunding	(599,648)	-	-	54,513	(545,135)	-
Deferred loss on sale leaseback	(101,798)	-	-	10,180	(91,618)	-
Retirement incentive	934,000	-	-	(377,000)	557,000	377,000
<b>Total Long-Term Liabilities</b>	<b>\$ 149,765,781</b>	<b>\$ 336,062</b>	<b>\$ 2,006,852</b>	<b>\$ (9,746,007)</b>	<b>\$ 142,362,688</b>	<b>\$ 10,764,100</b>

Detailed information on the SCHOOL DISTRICT's debt can be found in Note 5, Notes to the financial statements.

**GOVERNMENTAL FUNDS**

The SCHOOL DISTRICT uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The focus of governmental funds is to provide information on inflows, outflows, and balances of spendable resources. Such information is useful in assessing the SCHOOL DISTRICT's financing requirements. In particular, unassigned fund balance may serve as a useful measure of the SCHOOL DISTRICT's net resources available for spending at the end of the year.

The SCHOOL DISTRICT's governmental funds include the general fund. The general fund is the chief operating fund for the SCHOOL DISTRICT.

**GOVERNMENTAL FUND REVENUES**

Governmental fund revenues by source at June 30, 2021 and 2020 were as follows:

Revenues:	<u>2021</u>	<u>2020</u>
Local Sources	\$ 62,036,798	\$ 64,059,684
State Sources	133,285,205	133,302,881
Federal Sources	28,195,743	13,513,383
<b>Total revenues</b>	<b><u>\$222,950,962</u></b>	<b><u>\$210,875,948</u></b>

There are several factors relating to increases in revenues from 2020 to 2021. Local revenues decreased as a result of decreased investment earnings and reduced IDEA pass-through funding. State revenues remained level from the prior year. Federal revenues increased \$14,682,360 or 108.65% during 2021 due to an increase of funds received from the CARES Act and American Rescue Plan.

**MANAGEMENT DISCUSSION AND ANALYSIS  
JUNE 30, 2021**

**GOVERNMENTAL FUND EXPENDITURES**

Governmental fund expenditures by function at June 30, 2021 and 2020 were as follows:

Expenditures:	<u>2021</u>	<u>2020</u>
Instruction	\$ 137,350,307	\$ 132,019,197
Support Services	43,669,540	47,033,246
Non-instructional Services	1,186,633	1,473,586
Facilities Acquisition, Construction and Improvements	20,274,671	10,683,468
Debt Service	<u>12,969,522</u>	<u>13,196,804</u>
Total expenditures	<u>\$ 215,450,673</u>	<u>\$ 204,406,301</u>

Total expenditures for the year increased \$11,044,372 or 5.40%. Instruction expenditures increased \$5,331,110 or 4.04%. This increase was largely due to an increase in pension costs and other employee benefits. Support services decreased \$3,363,706 or 7.15%. The decrease in support services was primarily caused by an decrease in staff due to COVID-19 shutdowns. Non-instructional expenditures decreased \$286,953 or 19.47%. Facilities acquisition, construction, and improvements increased \$9,591,203 or 89.78%. The increase was related to the ramp up of capital projects throughout the district. Debt Service decreased \$227,282 or 1.72%. See Note 6 Long Term Liabilities for further information on the Debt Service requirements.

**GOVERNMENTAL FUND BALANCES AND PROPRIETARY FUND NET POSITION**

Ending fund balances for governmental funds and net position for proprietary funds at June 30, 2021 and 2020 were as follows:

Fund:	2021 Governmental <u>Funds</u>	2020 Governmental <u>Funds</u> <i>(as previously stated)</i>	2021 Proprietary <u>Funds</u>	2020 Proprietary <u>Funds</u> <i>(as previously stated)</i>
General Fund	\$ 24,396,960	\$ 16,953,078	\$ -	\$ -
Capital Projects	76,418,808	73,294,612	-	-
Student Activities	114,699	-	-	-
Food Service	-	-	4,096,247	4,945,008
Non-Major Funds	-	-	2,529,379	2,633,801
Total	<u>\$ 100,930,467</u>	<u>\$ 90,247,690</u>	<u>\$ 6,625,626</u>	<u>\$ 7,578,809</u>

The reasons for the changes in governmental fund balances are explained above in the governmental funds revenues and expenditures sections.

**BUDGETARY HIGHLIGHTS**

The SCHOOL DISTRICT adopts an annual appropriated budget for its general fund. Detailed information about the SCHOOL DISTRICT's 2021 general fund budget can be found in Required Supplemental Information.

Overall the SCHOOL DISTRICT had a positive variance of \$7,426,249 for actual results in comparison to budget. Numerous factors went in to these results. Revenue had a positive variance of \$12,960,375 which resulted from higher than expected federal revenue subsidies. Expenditures had a positive variance of \$4,378,391 for actual results in comparison to budget, largely resulting from instruction and support expenditures that were lower than the budget. The SCHOOL DISTRICT also transferred more funding than anticipated to the Capital Projects fund.

**MANAGEMENT DISCUSSION AND ANALYSIS  
JUNE 30, 2021**

**ECONOMIC CONDITIONS AND LONG-TERM OUTLOOK**

Current difficult economic conditions have negatively affected the SCHOOL DISTRICT's financial position. Increases in pension, healthcare, and charter costs have outpaced revenue growth. To address this issue, the SCHOOL DISTRICT management has lowered expenses by reducing staff, eliminating programs, and consolidating school buildings. The district also received a recurring annual \$14 million adjustment in state aid to improve financial stability. The expense reductions coupled with the state subsidy increase is projected to eliminate the district's long-term structural deficit and provide resources to improve educational outcomes and renovate facilities. As a result of this subsidy adjustment and pursuant to Section 695-A of the PA School Code, ECSD was placed under the supervision of a Financial Administrator appointed by the Governor. The statute directs the Financial Administrator to develop a Financial Improvement Plan to improve the financial performance and ensure fiscal solvency of the school district. This plan was submitted to the Secretary of Education on January 31, 2019, re-submitted on May 1, 2019 and was approved on May 14, 2019. Pursuant to the Financial Improvement Plan the District was to undertake 20 specific actions. To date, all actions have been either completed or are substantially achieved and are on track for completion. To meet the statutory obligation of the plan the District must also show its ability to maintain a balanced budget through a cash flow analysis projected out for 5 years.

On November 11, 2021, ECSD submitted a formal letter to the Pennsylvania Department of Education formally requesting to be removed from Financial Watch Status. The letter noted each action item and its status along with the required 5 year projection showing a balanced budget. The Department has advised the District that the recommendation to be removed from Financial Watch Status must be made by the Financial Administrator and that it is prepared to consult with that individual when such appointment occurs. The position has been vacant since 2020. On December 3, 2021, the District submitted a letter to the President Pro Tempore requesting he initiate the process to appoint a financial administrator and is awaiting a response.

**CONTACTING THE SCHOOL DISTRICT'S FINANCIAL MANAGEMENT**

This financial report is designed to provide citizens, taxpayers, customers, investors and creditors with a general overview of the SCHOOL DISTRICT's finances and to demonstrate the SCHOOL DISTRICT's accountability. Questions concerning this financial information or requests for additional information should be directed to:

THE SCHOOL DISTRICT OF THE CITY OF ERIE, PENNSYLVANIA  
John Kuhn, CPA  
Controller  
148 West 21<sup>th</sup> Street  
Erie, PA 16502  
Phone: 814-874-6040

THE SCHOOL DISTRICT OF THE CITY OF ERIE, PENNSYLVANIA  
STATEMENT OF NET POSITION  
JUNE 30, 2021

	Primary Government		
	Governmental Activities	Business-type Activities	Total
<u>Assets</u>			
Cash and Cash Equivalents	\$ 14,988,550	\$ 2,550,932	\$ 17,539,482
Investments	101,201,859	24,388	101,226,247
Taxes Receivable	8,179,449	-	8,179,449
Due From Other Governments	22,493,925	-	22,493,925
Other Receivables	7,981,874	2,201	7,984,075
Internal Balances	681,597	(681,597)	-
Prepaid and Other Assets	704,118	-	704,118
Inventory	48,939	209,411	258,350
Capital Assets:			
Non-depreciable	32,608,254	-	32,608,254
Depreciable (Net)	93,904,256	4,821,216	98,725,472
<b>Total Assets</b>	<b>282,792,821</b>	<b>6,926,551</b>	<b>289,719,372</b>
<u>Deferred Outflows of Resources</u>			
Pension	32,792,944	-	32,792,944
OPEB - Single Employer	12,915,792	-	12,915,792
OPEB - PSERS	1,008,920	-	1,008,920
Deferred Loss on Refunding	545,135	-	545,135
Unamortized Loss on Sale and Leaseback	91,680	-	91,680
<b>Total deferred outflows of resources</b>	<b>47,354,471</b>	<b>-</b>	<b>47,354,471</b>
<u>Liabilities</u>			
Current Liabilities:			
Accounts Payable	13,872,901	300,925	14,173,826
Accrued Wages and Benefits	18,523,030	-	18,523,030
Accrued Interest Payable on Debt	2,602,818	-	2,602,818
Unearned Revenues	2,219,589	-	2,219,589
Other Current Liabilities	5,890,281	-	5,890,281
Current Portions of Long-Term Liabilities:			
Bonds and Notes Payable	8,580,000	-	8,580,000
Compensated Absences	1,807,100	-	1,807,100
Retirement Incentive	377,000	-	377,000
Non-Current Portions of Long-Term Liabilities:			
Bonds and Notes Payable	127,236,021	-	127,236,021
Other Post Employment Benefits	94,740,959	-	94,740,959
Compensated Absences	4,819,320	-	4,819,320
Retirement Incentive	180,000	-	180,000
Net Pension Liability	245,407,256	-	245,407,256
<b>Total Liabilities</b>	<b>526,256,275</b>	<b>300,925</b>	<b>526,557,200</b>
<u>Deferred Inflows of Resources</u>			
Swaption	270,918	-	270,918
Pension	4,174,868	-	4,174,868
OPEB - Single Employer	5,423,040	-	5,423,040
OPEB - PSERS	741,923	-	741,923
<b>Total deferred inflows of resources</b>	<b>10,610,749</b>	<b>-</b>	<b>10,610,749</b>
<u>Net Position</u>			
Net Investment in Capital Assets	69,457,858	4,821,216	74,279,074
Restricted	16,293,047	-	16,293,047
Unrestricted	(292,470,637)	1,804,410	(290,666,227)
<b>Total Net Position</b>	<b>\$ (206,719,732)</b>	<b>\$ 6,625,626</b>	<b>\$ (200,094,106)</b>

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

THE SCHOOL DISTRICT OF THE CITY OF ERIE, PENNSYLVANIA  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2021

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Primary Government		Total
				Governmental Activities	Business-Type Activities	
<b>Primary Government:</b>						
<b>Governmental Activities:</b>						
Instruction	\$ 121,890,222	\$ 687,671	\$ 147,866,496	\$ 26,663,945	\$ -	\$ 26,663,945
Support Services	40,753,533	91,318	11,285,935	(29,376,280)	-	(29,376,280)
Noninstructional Services	1,134,834	393,797	1,685,933	944,896	-	944,896
Facilities Acquisition, Construction and Improvement	16,696,403	-	-	(16,696,403)	-	(16,696,403)
Interest on Long-Term Debt	5,449,587	-	642,584	(4,807,003)	-	(4,807,003)
<b>Total Governmental Activities</b>	<b>185,924,579</b>	<b>1,172,786</b>	<b>161,480,948</b>	<b>(23,270,845)</b>	<b>-</b>	<b>(23,270,845)</b>
<b>Business-Type Activities:</b>						
Food Service	6,412,848	20,522	6,481,019	-	88,693	88,693
Stadium Commission	138,871	34,197	-	-	(104,674)	(104,674)
<b>Total Business-Type Activities</b>	<b>6,551,719</b>	<b>54,719</b>	<b>6,481,019</b>	<b>-</b>	<b>(15,981)</b>	<b>(15,981)</b>
<b>Total Primary Government</b>	<b>\$ 192,476,298</b>	<b>\$ 1,227,505</b>	<b>\$ 167,961,967</b>	<b>\$ (23,270,845)</b>	<b>\$ (15,981)</b>	<b>\$ (23,286,826)</b>
<b>General Revenues:</b>						
<b>Taxes:</b>						
Property				48,810,571	-	48,810,571
Other taxes levied				8,878,046	-	8,878,046
Transfer Tax				1,173,334	-	1,173,334
Public Utility Realty Tax				56,988	-	56,988
Swaption Gain				104,589	-	104,589
Investment Earnings				806,097	252	806,349
Miscellaneous				358,875	-	358,875
Insurance Recoveries				2,500,000	-	2,500,000
<b>Total General Revenues</b>				<b>62,688,500</b>	<b>252</b>	<b>62,688,752</b>
<b>Change in Net Position</b>				<b>39,417,655</b>	<b>(15,729)</b>	<b>39,401,926</b>
<b>Net Position (Deficit) - Beginning (As Restated, Note 16)</b>				<b>(246,137,387)</b>	<b>6,641,355</b>	<b>(239,496,032)</b>
<b>Net Position (Deficit) - Ending</b>				<b>\$ (206,719,732)</b>	<b>\$ 6,625,626</b>	<b>\$ (200,094,106)</b>

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

THE SCHOOL DISTRICT OF THE CITY OF ERIE, PENNSYLVANIA  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2021

	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Student Activities Fund</u>	<u>Total Governmental Funds</u>
<u>Assets</u>				
Cash and cash equivalents	\$ 7,718,943	\$ -	\$ 114,699	\$ 7,833,642
Investments	22,469,497	78,124,554	-	100,594,051
Receivables:				
Taxes	8,179,449	-	-	8,179,449
Intergovernmental Receivables	22,493,925	-	-	22,493,925
Other Receivables	1,612,478	-	-	1,612,478
Interfund Receivables	2,387,343	-	-	2,387,343
Other current assets	264,118	-	-	264,118
Inventories	48,939	-	-	48,939
 Total assets	 <u>\$ 65,174,692</u>	 <u>\$ 78,124,554</u>	 <u>\$ 114,699</u>	 <u>\$ 143,413,945</u>
<u>Liabilities</u>				
Accounts Payable	\$ 9,712,664	\$ -	\$ -	\$ 9,712,664
Accrued Salaries and Benefits	18,523,030	-	-	18,523,030
Due to Other Funds	-	1,705,746	-	1,705,746
Other Current Liabilities	5,890,281	-	-	5,890,281
Deferred revenues	2,219,589	-	-	2,219,589
 Total liabilities	 <u>36,345,564</u>	 <u>1,705,746</u>	 <u>-</u>	 <u>38,051,310</u>
<u>Deferred Inflows of Resources</u>				
Unavailable Revenue - Property Taxes	4,432,168	-	-	4,432,168
Total Deferred Inflows of Resources	<u>4,432,168</u>	<u>-</u>	<u>-</u>	<u>4,432,168</u>
<u>Fund Balances</u>				
Non-spendable	48,939	-	-	48,939
Restricted	16,178,348	76,418,808	114,699	92,711,855
Unassigned	<u>8,169,673</u>	<u>-</u>	<u>-</u>	<u>8,169,673</u>
 Total fund balances	 <u>24,396,960</u>	 <u>76,418,808</u>	 <u>114,699</u>	 <u>100,930,467</u>
 Total liabilities, deferred inflows of resources and fund balances	 <u>\$ 65,174,692</u>	 <u>\$ 78,124,554</u>	 <u>\$ 114,699</u>	 <u>\$ 143,413,945</u>

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

THE SCHOOL DISTRICT OF THE CITY OF ERIE, PENNSYLVANIA  
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF NET POSITION  
JUNE 30, 2021

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

Total fund balances of governmental funds	\$	100,930,467
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Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. The cost of the assets is \$303,430,657 and the accumulated depreciation is \$176,918,147.		126,512,510
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Property taxes receivable will be collected, but are not available soon enough to pay for current year's expenditures, and therefore are deferred in the Governmental Funds.		4,432,168
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Internal service funds are used by management to charge the costs of workers' compensation and dental and health insurance to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the Statement of Net Position.		10,411,875
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Long-term liabilities and related deferrals such as Debt, Accrued Interest, and Compensated Absences 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 Bonds and Notes Payable	\$ (135,816,021)	
Unamortized Loss on Sale Leaseback	91,680	
Deferred Loss on Refunding	545,135	
Swaption	(270,918)	
Retirement Incentive	(557,000)	
Accrued Interest	(2,602,818)	
Other Post Employment Benefits	(94,740,959)	
Deferred Outflow of Resources - Pension	32,792,944	
Deferred Inflow of Resources - Pension	(4,174,868)	
Deferred Outflow of Resources - OPEB	13,924,712	
Deferred Inflow of Resources - OPEB	(6,164,963)	
Net Pension Liability	(245,407,256)	
Compensated Absences	<u>(6,626,420)</u>	<u>(449,006,752)</u>

Total net position of governmental activities	\$	<u>(206,719,732)</u>
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The accompanying notes are an integral part of the financial statements

THE SCHOOL DISTRICT OF THE CITY OF ERIE, PENNSYLVANIA  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED JUNE 30, 2021

	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Student Activities Fund</u>	<u>Total Governmental Funds</u>
<b>Revenues</b>				
Local Revenue Sources	\$ 61,470,014	\$ 515,292	\$ 51,492	\$ 62,036,798
State Revenue Sources	133,285,205	-	-	133,285,205
Federal Revenue Sources	28,195,743	-	-	28,195,743
Total Revenues	<u>222,950,962</u>	<u>515,292</u>	<u>51,492</u>	<u>223,517,746</u>
<b>Expenditures</b>				
Current operating:				
Instruction	137,350,307	-	-	137,350,307
Support Services	43,669,540	-	-	43,669,540
Noninstructional Services	1,125,981	-	60,652	1,186,633
Facilities Acquisition, Construction and Improvements	7,113,070	13,161,601	-	20,274,671
Debt service	12,969,522	-	-	12,969,522
Total Expenditures	<u>202,228,420</u>	<u>13,161,601</u>	<u>60,652</u>	<u>215,450,673</u>
Excess (deficiency) of revenues over expenditures	<u>20,722,542</u>	<u>(12,646,309)</u>	<u>(9,160)</u>	<u>8,067,073</u>
<b>Other financing sources (uses)</b>				
Insurance Recoveries	2,500,000	-	-	2,500,000
Refund of Prior Year Revenues	(25,788)	-	-	(25,788)
Transfers In	-	15,770,505	-	15,770,505
Transfers Out	<u>(15,770,505)</u>	<u>-</u>	<u>-</u>	<u>(15,770,505)</u>
Total other financing sources (uses)	<u>(13,296,293)</u>	<u>15,770,505</u>	<u>-</u>	<u>2,474,212</u>
Net change in fund balance	<u>7,426,249</u>	<u>3,124,196</u>	<u>(9,160)</u>	<u>10,541,285</u>
Fund balance, beginning of year (As Restated, Note 16)	<u>16,970,711</u>	<u>73,294,612</u>	<u>123,859</u>	<u>90,389,182</u>
Fund balance, end of year	<u>\$ 24,396,960</u>	<u>\$ 76,418,808</u>	<u>\$ 114,699</u>	<u>\$ 100,930,467</u>

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

THE SCHOOL DISTRICT OF THE CITY OF ERIE, PENNSYLVANIA  
RECONCILIATION OF STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2021

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

Net Change in fund balances - total governmental funds	\$	10,541,285
<p>Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over the estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation expense in the current period.</p>		
Capital Outlays	20,113,365	
Depreciation Expense	(6,168,715)	
Retirement of Capital Assets	(3,847,600)	
Accumulated Depreciation on Retirement of Capital Assets	<u>3,578,268</u>	13,675,318
<p>Payments of long-term debt and certain expenditures of debt issuance are expensed when paid in the Governmental Funds, but are amortized or recorded as a reduction of long term liabilities in the Statement of Net Position</p>		
Debt Principal Repayments	8,480,000	
Amortization of Sale-Leaseback	(10,180)	
Amortization of Bond Discounts	(2,896)	
Amortizations of Bond Premium	956,596	
Change in Accrued Interest	157,780	
Amortization of Deferred Loss on Refunding	(54,513)	
Change in Retirement Incentive	377,000	
Change in Compensated Absences	<u>(336,062)</u>	9,567,725
<p>Certain activities reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the Governmental Funds</p>		
Change in accreted value of bonds	(2,006,852)	
Change in swaption value	<u>104,589</u>	(1,902,263)
<p>Internal service funds are used by management to charge the costs of workers' compensation and dental and health insurance to individual funds. The net revenue of certain activities of internal service funds is reported with governmental activities.</p>		
		467,418
<p>Governmental funds do not report the changes in the Other Post Employment Benefit liability:</p>		
		(1,106,061)
<p>Governmental funds do not report the changes in the Pension expense:</p>		
District Pension Contributions	23,271,700	
Amortization of deferred outflows/inflows related to future pension obligations	(595,959)	
Cost of benefits earned net of employee contributions	<u>(13,747,195)</u>	8,928,546
<p>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.</p>		
Current year	4,432,168	
Prior year	<u>(5,186,481)</u>	<u>(754,313)</u>
Changes in net position of governmental activities	\$	<u>39,417,655</u>

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

THE SCHOOL DISTRICT OF THE CITY OF ERIE, PENNSYLVANIA  
STATEMENT OF NET POSITION  
PROPRIETARY FUNDS  
JUNE 30, 2021

	Business-Type Activities - Enterprise Fund Food Service	Business-Type Activities - Enterprise Fund Non-Major Funds	Business-Type Activities - Enterprise Fund Total	Governmental Activities - Internal Service Fund
<u>Assets</u>				
Current Assets:				
Cash and cash equivalents	\$ 2,536,024	\$ 14,908	\$ 2,550,932	\$ 7,154,908
Investments	-	24,388	24,388	607,808
Other receivables	2,201	-	2,201	6,369,396
Prepaid expense	-	-	-	440,000
Inventories	209,411	-	209,411	-
Total Current Assets	<u>2,747,636</u>	<u>39,296</u>	<u>2,786,932</u>	<u>14,572,112</u>
Non-current Assets:				
Capital Assets (net of accumulated depreciation)	2,331,133	2,490,083	4,821,216	-
Total Non-current Assets	<u>2,331,133</u>	<u>2,490,083</u>	<u>4,821,216</u>	<u>-</u>
Total Assets	<u>\$ 5,078,769</u>	<u>\$ 2,529,379</u>	<u>\$ 7,608,148</u>	<u>\$ 14,572,112</u>
<u>Liabilities</u>				
Current liabilities:				
Accounts payable	\$ 300,925	\$ -	\$ 300,925	\$ 4,160,237
Due to other funds	681,597	-	681,597	-
Total current liabilities	<u>982,522</u>	<u>-</u>	<u>982,522</u>	<u>4,160,237</u>
Total liabilities	<u>982,522</u>	<u>-</u>	<u>982,522</u>	<u>4,160,237</u>
<u>Net Position</u>				
Net Investment in Capital Assets	2,331,133	2,490,083	4,821,216	-
Unrestricted	1,765,114	39,296	1,804,410	10,411,875
Total net position	<u>4,096,247</u>	<u>2,529,379</u>	<u>6,625,626</u>	<u>10,411,875</u>
Total Liabilities and Net Position	<u>\$ 5,078,769</u>	<u>\$ 2,529,379</u>	<u>\$ 7,608,148</u>	<u>\$ 14,572,112</u>

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

THE SCHOOL DISTRICT OF THE CITY OF ERIE, PENNSYLVANIA  
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED JUNE 30, 2021

	Business-Type Activities - Enterprise Fund Food Service	Business-Type Activities - Enterprise Fund Non-Major Funds	Business-Type Activities - Enterprise Fund Total	Governmental Activities - Internal Service Fund
Operating Revenues				
Receipts from Providing Services	\$ 1,998	\$ 21,839	\$ 23,837	\$ -
Charges for Services	-	-	-	25,155,078
Other Revenue	18,524	12,358	30,882	-
Total Operating Revenues	<u>20,522</u>	<u>34,197</u>	<u>54,719</u>	<u>25,155,078</u>
Operating Expenses				
Service Costs	6,162,377	33,255	6,195,632	-
Depreciation	250,471	105,616	356,087	-
Other Operating Expense	-	-	-	49,674
Claims Expense	-	-	-	24,661,248
Total Operating Expenses	<u>6,412,848</u>	<u>138,871</u>	<u>6,551,719</u>	<u>24,710,922</u>
Operating Income/(Loss)	<u>(6,392,326)</u>	<u>(104,674)</u>	<u>(6,497,000)</u>	<u>444,156</u>
Nonoperating Revenues (Expenses)				
Interest	-	252	252	23,262
Grants	6,481,019	-	6,481,019	-
Total Nonoperating Revenues (Expenses)	<u>6,481,019</u>	<u>252</u>	<u>6,481,271</u>	<u>23,262</u>
Change in Net Position	88,693	(104,422)	(15,729)	467,418
Net Position - Beginning of Year, As Restated (Note 16)	<u>4,007,554</u>	<u>2,633,801</u>	<u>6,641,355</u>	<u>9,944,457</u>
Net Position - End of Year	<u>\$ 4,096,247</u>	<u>\$ 2,529,379</u>	<u>\$ 6,625,626</u>	<u>\$ 10,411,875</u>

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

THE SCHOOL DISTRICT OF THE CITY OF ERIE, PENNSYLVANIA  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED JUNE 30, 2021

	Business-Type Activities - Enterprise Fund Food Service	Business-Type Activities - Enterprise Fund Non-Major	Business-Type Activities - Enterprise Fund Total	Governmental Activities - Internal Service Fund
Cash flows from operating activities				
Cash received from customers	\$ 20,522	\$ 34,197	\$ 54,719	\$ 25,231,994
Cash paid to employees	(387,289)	(7,820)	(395,109)	-
Cash paid to suppliers	(4,048,365)	(25,435)	(4,073,800)	(23,285,833)
Net cash provided by (used in) operating activities	<u>(4,415,132)</u>	<u>942</u>	<u>(4,414,190)</u>	<u>1,946,161</u>
Cash flows from investing activities				
Purchase of Investments	-	-	-	1,026
Sale of Investments	-	10,011	-	-
Interest income	-	252	252	23,262
Net cash used in investing activities	<u>-</u>	<u>10,263</u>	<u>252</u>	<u>24,288</u>
Cash flows from non-capital financing activities				
Grant payments received	5,439,953	-	5,439,953	-
Net cash provided by non-capital financing activities	<u>5,439,953</u>	<u>-</u>	<u>5,439,953</u>	<u>-</u>
Cash flows from capital and related financing activities				
Purchase of capital assets	(13,057)	-	(13,057)	-
Net cash used in capital and related financing activities	<u>(13,057)</u>	<u>-</u>	<u>(13,057)</u>	<u>-</u>
Net increase/(decrease) in cash and cash equivalents	1,011,764	11,205	1,022,969	1,970,449
Beginning cash and cash equivalents	1,524,260	3,703	1,527,963	5,184,459
Ending cash and cash equivalents	<u>\$ 2,536,024</u>	<u>\$ 14,908</u>	<u>2,550,932</u>	<u>\$ 7,154,908</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES				
Operating income (loss)	\$ (6,392,326)	\$ (104,674)	\$ (6,497,000)	\$ 444,156
Adjustments to reconcile operating loss to net cash used in operating activities				
Depreciation	250,471	105,616	356,087	-
Donated commodities	1,041,066	-	1,041,066	-
(Increase) decrease in assets				
Accounts Receivable	-	-	-	76,916
Inventories	33,522	-	33,522	-
Increase (decrease) in liabilities				
Accounts Payable	69,748	-	69,748	1,425,089
Due to Other Funds	582,387	-	582,387	-
Net cash provided by (used in) operating activities	<u>\$ (4,415,132)</u>	<u>\$ 942</u>	<u>\$ (4,414,190)</u>	<u>\$ 1,946,161</u>

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

THE SCHOOL DISTRICT OF THE CITY OF ERIE, PENNSYLVANIA  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2021

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

THE SCHOOL DISTRICT OF THE CITY OF ERIE, PENNSYLVANIA (the "District") is located in Erie County, Pennsylvania. The District's tax base consists of the City of Erie.

The District is governed by a board of nine school board members who are residents of the District and who are elected every two years, on a staggered basis, for a four-year term.

The Board of Directors (the "Board") has the power and duty to establish, equip, furnish and maintain a sufficient number of elementary, secondary and other schools necessary to educate every person residing in such district between the ages of six and twenty-one years, who may attend.

In order to establish, enlarge, equip, furnish, operate and maintain any school herein provided, or to pay any school indebtedness, which the District is required to pay, or to pay an indebtedness that may at any time hereafter be created by the District. The Board is vested with all the necessary authority and power annually to levy and collect the necessary taxes required and granted by the legislature, in addition to the annual State appropriation, and are vested with all necessary power and authority to comply with and carry out any or all of the provisions of the Public School Code of 1949.

The financial statements of the District have been prepared in accordance with generally accepted accounting principles as applied to governmental units. The Governmental Accounting Standards Board ("GASB") is the authoritative standard-setting body for the establishment of governmental accounting and financial reporting principles.

A.) Use of Estimates:

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

B.) Reporting Entity:

The District is the basic level of government, which has financial accountability and control over all activities related to the public school education in the District. The District receives funding from local, state and federal government sources and must comply with the requirements of these funding source entities. However, the District, is not included in any other governmental "reporting entity" as defined by the GASB pronouncements, since Board members are elected from the public and have decision making authority, the authority to levy taxes, the power to designate management, the ability to significantly influence operations and primary accountability for fiscal matters. In addition, its component unit, the Erie School District Foundation, is reported as a component unit as defined as defined in GASB Statement No. 61. The Foundation is reported in the General Fund in the financial statements. The Foundation does not issue its own financial statements.

THE SCHOOL DISTRICT OF THE CITY OF ERIE, PENNSYLVANIA  
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2021

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

C.) Jointly Governed Organizations:

The District is a participating member of the Northwest Tri-County Intermediate Unit and Midwestern Intermediate Unit IV ("IU's"). Operations of the IU's are directed by a board of directors consisting of members from each participating district and other institutions. No participating district or other institution appoints a majority of the board of directors. The board of directors of each participating district or other institution must approve IU's annual operating budget.

The IU's are self-sustaining organizations that provide services for fees to participating districts and other institutions. As such, the District has no ongoing financial interest or responsibility in the IU's. The IU's contract with participating districts and other institutions to supply special education services, computer services and to act as a conduit for certain federal programs.

D.) Fund Accounting:

The accounts of the District are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts, which are comprised of each fund's assets, liabilities, fund balance, revenues and expenditures or expenses as appropriate. Resources are allocated to and accounted for in the individual funds based on the purpose for which they are to be spent. The District uses the following funds:

GOVERNMENTAL FUNDS – These funds are used to account for most of the District's finances. The measurement focus is on determination of the financial position and changes in financial position (current financial resources) rather than on income determination. The district reports the following major funds:

1. General Fund – This is the general operating fund of the District. All activities of the District are accounted for through this major fund except for those required to be accounted for in another fund.
2. Capital Projects Fund - This fund is used to account for financial resources to be used in acquisition, construction, or improvement of capital facilities other than those financed by proprietary funds.
3. Activity Funds - These funds are set up in accordance with Section 511 of the PA School Code for student sponsored school organizations and publications which do not meet the criteria to be reported as custodial funds per GASB Statement No. 84.

PROPRIETARY FUNDS – These funds account for District activities that are similar to business operations in the private sector or where the reporting focus is on determining net income, financial position and changes in financial position (economic resources measurement focus). The district reports the following major proprietary fund:

1. Food Service Fund – This major fund is used to account for the District's food service operations that are financed and operated in a manner similar to private business enterprises. The Fund accounts for all revenues, food purchases, costs and expenses for the Food Service Program.

THE SCHOOL DISTRICT OF THE CITY OF ERIE, PENNSYLVANIA  
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2021

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

D.) Fund Accounting (Continued)

Additionally, the District reports the following fund types:

INTERNAL SERVICE FUNDS – These funds account for workers' compensation and dental and health insurance charged to other departments of the government on a cost reimbursement basis.

E.) Basis of Presentation:

Government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all of the activities of the District. As a general rule, the effect of interfund activity has been eliminated from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities which rely, to a significant extent, on fees and charges for support.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable within a specific function or segment. Program revenues include charges to customers who purchase, use or directly benefit from goods, services, or privileges provided by a given function or segment. In addition, program revenues include grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Fund financial statements are also provided in the report for all of the governmental funds and proprietary funds of the District. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. Non-major funds are aggregated and presented in a single column. Fiduciary funds are reported by fund type.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the Proprietary Fund's principal ongoing operations. The principal operating revenues of the District's Enterprise Funds are food service charges and stadium revenues. Operating expenses for the District's Enterprise Funds include food production costs, supplies, stadium expenses, administrative costs and depreciation on capital assets. All revenues or expenses not meeting this definition are reported as non-operating revenues and expenses.

THE SCHOOL DISTRICT OF THE CITY OF ERIE, PENNSYLVANIA  
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2021

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

F.) Measurement Focus and Basis of Accounting:

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting as is the Proprietary Fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. 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. Net Position (total assets and deferred outflows less total liabilities and deferred inflows) is used as a practical measure of economic resources and the operating statement includes all transactions and events that increased or decreased Net Position. Depreciation is charged as expense against current operations and accumulated depreciation is reported on the Statement of Net Position.

The 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 collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers tax revenue to be available if collected within sixty days of the end of the fiscal period. Revenue from federal, state, and other grants designated for payment of specific school district expenditures is recognized when the related expenditures are incurred; accordingly, when such funds are received, they are recorded as deferred revenues until earned. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

G.) Budgetary Data:

An annual budget is adopted for the general fund. The budget is adopted on a basis consistent with generally accepted accounting principles. All annual appropriations lapse at fiscal year-end. Project length financial plans are adopted for the capital projects funds. The District follows the procedures outlined below in establishing the budgetary data reflected in the basic financial statements:

1. Prior to May 31, the Board submits a proposed operating budget for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures and the means of financing them for the General Fund.
2. A public hearing is conducted to obtain taxpayer comments.
3. Prior to June 30, the budget is legally enacted through passage of a resolution.
4. Form budgetary integration is employed as a management control device during the year for the General Fund. Formal budgetary integration is not employed by other funds because effective budgetary control is alternatively achieved through direct authorization by the School Board or the expenditures are all fixed in nature.
5. The budget for the General Fund is adopted on the modified accrual basis of accounting, which is consistent with accounting principles generally accepted in the United States of America.

THE SCHOOL DISTRICT OF THE CITY OF ERIE, PENNSYLVANIA  
 NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
 JUNE 30, 2021

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

G.) Budgetary Data (Continued):

6. The budget of the District is the approved spending plan of the District for the year and the Board is prohibited from obligating funds in excess of these amounts. The Board may, during any fiscal year, amend the budget by making additional appropriations or increase existing appropriations to meet emergencies. The funds shall be provided from unexpended balances in existing appropriations, from unappropriated revenues or from temporary loans. Legal budgetary control is maintained by the Board at the department level. Transfers between departments, whether between funds or within a fund or revisions that alters the total revenues and expenditures of any fund, must be approved by the Board. Budget information in the Budgetary Comparison Schedule is presented at or below the legal level of budgetary control. Several functions had expenditures that exceeded the budgeted amount; however, these overages were absorbed by surpluses in revenues, other functions and fund balance.
7. There were supplemental budgetary appropriations or amendments proposed or approved during the year.

The Controller is authorized to transfer budgeted amounts within a specific budget object. Any other transfers or revisions between funds or within a fund or revisions that alter the total revenues and expenditures of any fund must be approved by the District Board. Budget information in the Budgetary Comparison Schedule for the General Fund is presented at or below the legal level of budgetary control. Non-Instruction and Facilities, Acquisition, Construction and Improvements expenditures exceeded the budgeted amount; however, these overages were absorbed by surpluses in other functions, revenues and fund balance.

Included in the General Fund budget are program budgets as prescribed by the state and federal agencies funding the program. These budgets are approved on a program basis by the state or federal funding agency.

I.) Cash and Cash Equivalents:

Cash and cash equivalents in the basic financial statements include all highly liquid investments with an original maturity of three months or less.

J.) Investments:

Investments are carried at market value based on quoted market prices.

K.) Receivables/Payables:

Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as "interfund receivables/payables." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

L.) Accounts Receivable:

Accounts receivable are recorded at the invoiced amount. The District determines the allowance for doubtful accounts based on historical write-off experience. Account balances are charged off against the allowance after all means of collection have been exhausted and the potential for recovery is considered remote.

THE SCHOOL DISTRICT OF THE CITY OF ERIE, PENNSYLVANIA  
 NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
 JUNE 30, 2021

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

M.) Inventories and Prepaid Items:

Inventories of the General Fund consisting of instruction, operation and maintenance and transportation supplies are carried at cost, using the first-in, first-out method. The inventories on hand at June 30, 2021 totaled \$48,939.

Inventories of the Food Service Fund consisting of food and paper supplies are carried at cost, using the first-in, first-out method. Federal donated commodities are valued at their fair market value as determined by the U.S. Department of Agriculture at the date of donation. The inventories on hand at June 30, 2021 consist of the following:

Donated Commodities	<u>\$209,411</u>
Total Inventory	<u>\$209,411</u>

Certain payments to vendors reflect costs applicable to future periods and are recorded as prepaid items in both government-wide and fund financial statements.

N.) Capital Assets:

Capital assets, which include property, plant and equipment, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. The School maintains a \$1,500 threshold for additions to equipment. Buildings and improvements are capitalized when the value is \$25,000 or greater. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. In addition, capital assets purchased with long-term debt may be capitalized regardless of the thresholds established. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

All reported capital assets are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings and Improvements	30 - 50
Equipment	7 - 10
Vehicles	5 - 7

O.) Long-Term Obligations:

In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities or proprietary fund type statement of Net Position. Bond premiums are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium.

THE SCHOOL DISTRICT OF THE CITY OF ERIE, PENNSYLVANIA  
 NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
 JUNE 30, 2021

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

O.) Long-Term Obligations: (Continued)

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources, while discounts on debt issuances are reported as other financial uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

P.) Net Position/Fund Balance:

The government-wide 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 District, not restricted for any project or other purpose.

*Fund Balance Classification:* The governmental fund financial statements present fund balances based on classifications that comprise a hierarchy that is based primarily on the extent to which the School District is bound to honor constraints on the specific purposes for which amounts in the respective governmental funds can be spent. The classifications used in the governmental fund financial statements are as follows:

- *Non-spendable:* This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) are legally or contractually required to be maintained intact. The School District has \$48,939 in non-spendable fund balance in the General Fund as of June 30, 2021.
- *Restricted:* This classification includes amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors (such as through a debt covenant), grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation. The School District had \$92,711,855 of restricted fund balance as of June 30, 2021. Of this amount, \$92,597,156 was restricted for capital improvements, and \$114,699 was restricted for student activities.
- *Committed:* This classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by formal action of the Board of Directors. These amounts cannot be used for any other purpose unless the Board of Directors removes or changes the specified use by taking the same type of action (ordinance or resolution) that was employed when the funds were initially committed. This classification also includes contractual obligations to the extent that existing resources have been specifically committed for use in satisfying those contractual requirements. The School District did not have any committed resources as of June 30, 2021.

THE SCHOOL DISTRICT OF THE CITY OF ERIE, PENNSYLVANIA  
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2021

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

P.) Fund Balance: (Continued)

- *Assigned:* This classification includes amounts that are constrained by the School District's intent to be used for a specific purpose but are neither restricted nor committed. This intent can be expressed by the Board of Directors or through the Board of Directors delegating this responsibility to the School District's management. The School District did not have any assigned resources as of June 30, 2021.
- *Unassigned:* This classification includes the residual fund balance for the General Fund. The Unassigned classification also includes negative residual fund balance of any other governmental fund that cannot be eliminated by offsetting of Assigned fund balance amounts. The School District had \$8,169,673 of unassigned fund balance as of June 30, 2021.

The School District uses restricted fund balances first, followed by committed resources, and then assigned resources, as appropriate opportunities arise, but reserves the right to selectively spend unassigned resources first to defer the use of these other classified funds.

Q.) Deferred Outflows /Inflows of Resources

The Statement of Net Position report separate sections for deferred outflows and deferred inflows of resources. These separate financial statement elements represent a consumption or acquisition of net position that applies to a future period(s) and so will not be recognized as an outflow or inflow of resources (expense/revenue) until then. The District has six items that qualify for reporting in these categories: deferred outflows on unamortized loss on sale leaseback, deferred outflows and inflows related to OPEB, deferred outflows and inflows related to pensions, swaption, deferred loss on refunding and unavailable tax revenue.

In accordance with applicable guidance, the loss on the sale portion of the sale leaseback transaction is recorded as a deferred outflow of resources on the statement of net position and amortized as a component of interest expense over the remaining economic life of the property.

Deferred outflows of resources and deferred inflows of resources related to OPEB is described further in Note 6. Deferred outflows of resources and deferred inflows of resources should be recognized in OPEB expense, beginning in the current reporting period, using a systematic and rational method over a closed period equal to the average of the expected remaining services lives of all employees that are provided with OPEB through the OPEB plan (active employees and inactive employees) determined as of the beginning of the measurement period. The recognition period for the OPEB Plan's difference between expected and actual experience and change in assumption is 12 years.

THE SCHOOL DISTRICT OF THE CITY OF ERIE, PENNSYLVANIA  
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2021

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

Q.) Deferred Outflows /Inflows of Resources (Continued)

Deferred outflows and inflows of resources related to pensions are described further in Note 7. Annual changes to the net pension liability resulting from differences between expected and actual experience with regard to economic and demographic factors and from changes of assumptions about future economic or demographic factors or other inputs are deferred and amortized over a closed period equal to the average of the expected service lives of all employees that are provided with pension benefits determined for the period during which the changes occurred. Differences between projected and actual earnings on pension plan investments are amortized over a closed five-year period.

In the governmental funds balance sheet, the District only has one type of item, which arises under a modified accrual basis of accounting that qualifies for reporting in this category. Accordingly, the item, *unavailable tax revenue*, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenue from property taxes. This amount is deferred and recognized as an inflow of resources in the period that the amount becomes available.

R.) PSERS Net OPEB Liability:

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about fiduciary net position of the Public School Employees' Retirement System (PSERS) and additions to/deductions from PSERS' fiduciary net position have been determined on the same basis as they are reported by PSERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

S.) Adoption of Governmental Accounting Standards Board Statements

The District adopted the requirements of GASB Statement No. 84, "Fiduciary Activities". The adoption of this statement resulted in a restatement of fund balance and the inclusion of a statement of revenues, expenditures and changes in net position for the District's custodial funds.

The District adopted the requirements of GASB Statement No. 90 "Majority Equity Interests (an Amendment of GASB Statements No. 14 and No. 61)". The adoption of this statement had no effect on the District's financial statements.

The District adopted certain requirements 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 the certain requirements of this statement had no effect on previously reported amounts.

T.) Pending Changes in Accounting Principles

In June 2017, the GASB issued Statement No. 87, "Leases". The District is required to adopt Statement No. 87 for its fiscal year 2022 financial statements.

In April 2018, the GASB issued Statement No. 88, "Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements". The District is required to adopt Statement No. 88 for its fiscal year 2022 financial statements.

THE SCHOOL DISTRICT OF THE CITY OF ERIE, PENNSYLVANIA  
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2021

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

T.) Pending Changes in Accounting Principles (Continued)

In June of 2018, the GASB issued Statement No. 89 "Accounting for Interest Cost Incurred before the End of a Construction Period". The District is required to adopt statement No. 89 for its fiscal year 2022 financial statements.

In May of 2019, the GASB issued Statement No. 91 "Conduit Debt Obligations". The District is required to adopt statement No. 91 for its fiscal year 2023 financial statements.

In January of 2020, the GASB issued Statement No. 92, "Omnibus 2020". The District is required to adopt the requirements related to Statement 92 immediately and the rest of the requirement for its fiscal year 2022 financial statements.

In March of 2020, the GASB issued statement No. 93, "Replacement of Interbank Offered Rates". The District is required to adopt Statement No. 93, except for paragraphs 13 and 14, for its fiscal year 2021 financial statements. The District is required to adopt the requirements in paragraph 13 and 14 for its fiscal year 2022 financial statements.

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

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

In June of 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 District is required to adopt paragraphs 4 and 5 of this Statement immediately. The District is required to adopt all other paragraphs for its fiscal year 2022 financial statements.

In October 2021, the GASB issued Statement No. 98, "The Annual Comprehensive Financial Report". The District is required to adopt Statement No. 98 for its fiscal year 2022 financial statements.

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

NOTE 2: CASH AND CASH EQUIVALENTS AND INVESTMENTS

Under Section 440.1 of the Public School Code of 1949, as amended, the District is permitted to invest funds in the following types of investments:

Obligations of (a) the United States of America or any of its agencies or instrumentalities backed by the full faith and credit of the United States of America, (b) the Commonwealth of Pennsylvania or any of its agencies or instrumentalities backed by the full faith and credit of the Commonwealth, or (c) any political subdivision of the Commonwealth of Pennsylvania or any of its agencies or instrumentalities backed by the full faith and credit of the political subdivision and (d) shares of an investment company registered under the Investment Company Act of 1940, provided that the instruments are those types of investments listed above, and the investment company is managed so as to maintain its

THE SCHOOL DISTRICT OF THE CITY OF ERIE, PENNSYLVANIA  
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2021

NOTE 2: CASH AND CASH EQUIVALENTS AND INVESTMENTS (CONTINUED)

shares at a constant net asset value and the investment company is rated in the highest category by a nationally recognized rating agency. Pursuant to Act 72 of the Pennsylvania State Legislature, a depository must pledge assets to secure state and municipal deposits. The pledged assets must at least be equal to the amount of such assets required to secure all of the public deposits at the depository and may be on a pooled basis. Additionally, all such pledged assets must be delivered to a legal custodian.

Act 10 of 2016 broadened the scope of investment options for the District with safeguard measures to protect those investments. The Act added high quality money market instruments including repurchase agreements, commercial paper, negotiable certificates of deposit and bankers' acceptances to the authorized list of investments.

The deposit and investment policy of the District adheres to State statutes and prudent business practice. There were no deposits or investment transactions during the year that were in violation of either the State statutes or the policy of the District.

A portion of the District's cash and investments are in the Pennsylvania Local Government Investment Trust Fund ("PLGIT"), which is a fund very similar to mutual funds. PLGIT operates in accordance with appropriate State laws and regulations and under State oversight. The reported value of the pool is the same as the fair value of the pool shares.

In accordance with the Government Accounting Standards Board, investments in PLGIT are valued at amortized cost, which approximates market value. The amortized cost method involves valuing a security at its cost on the date of purchase and recording a constant amortization or accretion to maturity of any discount or premium, regardless of the impact of fluctuating interest rates on the market value of the investment. The net asset value per share for the purpose of calculating the price at which shares are issued and redeemed is determined by the Administrator each banking day. Such determination is made by subtracting the liabilities from the value of the assets and dividing the remainder by the number of shares outstanding.

As of June 30, 2021, there were no redemption fees or maximum transaction amounts, or any other requirements that serve to limit a participant's daily access to 100 percent of their account value.

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

*Credit Risk* – The School District has no formal investment policy for its operating and Fiduciary funds that addresses credit risk. As of June 30, 2021, the School District's operating investments were all maintained in Money Market funds with the Pennsylvania School District Liquid Asset Fund (PSDLAF), PLGIT and PNC Bank.

*Custodial Credit Risk* – For deposits and investments, custodial credit risk is the risk that in the event of the failure of the counterparty, the School District will be able to recover the value of its investment or collateral securities that are in the possession of an outside party. As of June 30, 2021, the School District's cash balances for its governmental activities and business-type activities were \$17,539,482 and its bank balances were \$17,994,229. Of these bank balances, \$16,845,792 was collateralized with securities held by the pledging financial institutions, or by their trust departments or agents, but not in the School District's name, and therefore was subject to custodial credit risk.

THE SCHOOL DISTRICT OF THE CITY OF ERIE, PENNSYLVANIA  
 NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
 JUNE 30, 2021

NOTE 2: CASH AND CASH EQUIVALENTS AND INVESTMENTS (CONTINUED)

*Concentration of Credit Risk* – The School District has no formal investment policy for operating investments pertaining to the concentration of credit risk. All of the School District's investments were in the PSDLAF, PLGIT and PNC Bank.

NOTE 3: REAL ESTATE TAXES RECEIVABLE

The District has independently elected tax collectors who are responsible for the collection of taxes. Assessed values are established by the Erie County Board of Assessment. The District tax rate for the year ended June 30, 2021 was 17.2029 mills (\$17.2029) per \$1,000 of assessed valuation) as levied by the Board of School Directors.

The schedule for real estate taxes levied for each fiscal year is as follows:

July 1	Levy Date
July 1 – September 30	2% Discount period
October 1 – November 30	Face Payment period
December 1 – December 31	10% Penalty period
January 1	Turnover to delinquent collector

Taxpayers can make installment payments at face beginning November 15 to February 15.

The District, in accordance with U.S. generally accepted accounting principles, recognizes the 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 District also collects earned income tax and local services tax from its residents. The tax rate for the current fiscal year is ½% earned income tax and \$5 local services tax.

The Balances at June 30, 2021 are as follows:

	Gross Tax Receivable	Allowance for Uncollectible Taxes	Net	Tax Revenue Recognized	Unavailable Real Estate Taxes
Real Estate Tax	\$ 6,877,549	\$ 475,000	\$ 6,402,549	\$ 1,970,381	\$ 4,432,168
Earned Income Tax	1,574,677	-	1,574,677	1,574,677	-
Transfer Tax	202,223	-	202,223	202,223	-
Total	<u>\$ 8,654,449</u>	<u>\$ 475,000</u>	<u>\$ 8,179,449</u>	<u>\$ 3,747,281</u>	<u>\$ 4,432,168</u>

THE SCHOOL DISTRICT OF THE CITY OF ERIE, PENNSYLVANIA  
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2021

## NOTE 4: CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2021 was as follows:

GOVERNMENTAL ACTIVITIES	Beginning Balance *As Restated	Increases	Decreases	Ending Balance
Capital Assets, Not Being Depreciated:				
Land	\$ 7,651,057	\$ -	\$ -	\$ 7,651,057
Construction in Progress	8,953,034	19,440,295	(3,436,132)	24,957,197
Total Capital Assets, Not Being Depreciated	<u>16,604,091</u>	<u>19,440,295</u>	<u>(3,436,132)</u>	<u>32,608,254</u>
Capital Assets, Being Depreciated:				
Building/Land Held for Resale	12,520,161	-	(3,847,600)	8,672,561
Buildings and Improvements	201,639,857	3,436,132	-	205,075,989
Furniture and Equipment	53,304,335	449,377	-	53,753,712
Vehicles	3,096,448	223,693	-	3,320,141
Total Capital Assets, Being Depreciated	<u>270,560,801</u>	<u>4,109,202</u>	<u>(3,847,600)</u>	<u>270,822,403</u>
Less Accumulated Depreciation For:				
Building/Land Held for Resale	(9,259,504)	(142,512)	3,578,268	(5,823,748)
Buildings and Improvements	(120,044,463)	(4,371,001)	-	(124,415,464)
Furniture and Equipment	(42,107,711)	(1,558,670)	-	(43,666,381)
Vehicles	(2,916,022)	(96,532)	-	(3,012,554)
Total Accumulated Depreciation	<u>(174,327,700)</u>	<u>(6,168,715)</u>	<u>3,578,268</u>	<u>(176,918,147)</u>
Total Capital Assets, Being Depreciated, Net	<u>96,233,101</u>	<u>(2,059,513)</u>	<u>(269,332)</u>	<u>93,904,256</u>
Governmental Activities Capital Assets, Net	<u>\$ 112,837,192</u>	<u>\$ 17,380,782</u>	<u>\$ (3,705,464)</u>	<u>\$ 126,512,510</u>

THE SCHOOL DISTRICT OF THE CITY OF ERIE, PENNSYLVANIA  
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2021

## NOTE 4: CAPITAL ASSETS (CONTINUED)

BUSINESS TYPE ACTIVITIES	Beginning Balance *As Restated	Increases	Decreases	Ending Balance
Capital Assets, Being Depreciated:				
Building	\$ 7,832,725	\$ -	\$ -	\$ 7,832,725
Equipment	1,386,774	13,057	-	1,399,831
Vehicles	106,317	-	-	106,317
<b>Total Capital Assets, Being Depreciated</b>	<b>9,325,816</b>	<b>13,057</b>	<b>-</b>	<b>9,338,873</b>
Less Accumulated Depreciation				
Building	(2,715,877)	(339,054)	-	(3,054,931)
Equipment	(1,339,376)	(17,033)	-	(1,356,409)
Vehicles	(106,317)	-	-	(106,317)
<b>Total Accumulated Depreciation</b>	<b>(4,161,570)</b>	<b>(356,087)</b>	<b>-</b>	<b>(4,517,657)</b>
<b>Total Capital Assets, Being Depreciated, Net</b>	<b>\$ 5,164,246</b>	<b>\$ (343,030)</b>	<b>\$ -</b>	<b>\$ 4,821,216</b>

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

## Governmental Activities:

Instruction	\$ 5,551,844
Support Services:	
Student Transportation	82,661
Administration	497,815
Operation and Maintenance	36,395
<b>Total Depreciation Expense - Governmental Activities</b>	<b>\$ 6,168,715</b>

## Business Type Activities:

Food Service	\$ 250,471
Stadium Commission	105,616
<b>Total Depreciation Expense - Business Type Activities</b>	<b>\$ 356,087</b>

## NOTE 5: LONG-TERM LIABILITIES OBLIGATIONS

Bonds Payable:

The government issues general obligation bonds/notes to provide funds for the acquisition and construction of major capital facilities. General obligation bonds are direct general obligations of the School District. Principal and interest payments are backed by the full faith, credit, and taxing authority of the School District.

Governmental Activities

General Obligation Bonds, Series of 1998, in the original principal amount of \$48,635,752. These capital appreciation bonds mature in varying amounts from September 1, 1998 through 2025. The bonds bear interest ranging from 4.5% to 6.167%. The bonds maturing September 1, 2000 through 2003 have been determined to be taxable, the remaining bonds are tax-exempt.

THE SCHOOL DISTRICT OF THE CITY OF ERIE, PENNSYLVANIA  
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2021

NOTE 5: LONG-TERM LIABILITIES OBLIGATIONS (CONTINUED)

General Obligation Bonds, Series of 2000, in the original principal amount of \$37,137,023. The bonds bear interest ranging from 5.09% to 6.23%. The bonds require interest payments semi-annually on September 1 and March 1 commencing on September 1, 2001. The bonds mature beginning September 1, 2001 and ending September 1, 2030. The current interest bonds maturing September 1, 2001 through September 1, 2029 were defeased by the funds provided by the 2001 Series General Obligation Bonds. The remaining bonds are capital appreciation bonds for which interest is being accrued.

On March 1, 2012, the School District borrowed \$13,407,000 from the State Public School Building Authority of the Commonwealth of Pennsylvania. The purpose of the bonds was to provide funds for various building renovation projects of the District. The loan requires semi-annual interest payments on March 15 and September 15 of each year beginning March 15, 2012 with interest at rates ranging from 5.088% to 5.138% with maturity scheduled for April 1, 2031. On December 13, 2019, the District refunded the outstanding balance on advance basis. The refinancing transaction resulted in an estimated cash flow present value loss of \$253,746 and estimated economic loss of \$335,906. As a result of the advance refunding, the District recognized a loss of \$654,161 that is being amortized on over the term of the refunded bonds, which were scheduled to mature on April 1, 2031. The balance of the deferred loss at June 30, 2021 is \$545,135.

In May of 2019, the School District issued \$45,400,000 aggregate principal amount General Obligation Bonds Series A of 2020. The purpose of the bonds was to provide financing for various capital projects of the District as well as to pay for issuance costs. The 2020 bonds mature on October 1 of each year beginning in 2020. The bonds require semi-annual interest payments on April 1 and October 1 of each year, beginning October 1, 2020. Interest rates on the bonds range from 3.0% to 5.0% with maturity scheduled for April 1, 2034.

In May of 2019, the District issued \$9,560,000 aggregate principal amount General Obligation Bonds Series B of 2020. The purpose of the bonds was to currently refund the 2009 Series General Obligation Bonds, finance a termination payment associated with the 2011 Swap as well as pay for issuance costs. The 2020 bonds mature on October 1 of each year beginning in 2020. The bonds require semi-annual interest payments on April 1 and October 1 of each year, beginning October 1, 2020. Interest rates on the bonds are 5.0% with maturity scheduled for April 1, 2026. The refunding resulted in a difference between the cash flow required to service the old debt and that required to service the new debt of \$147,633. The refunding also resulted in a net economic loss (difference between the present value of the debt service payments on the old and new debt) of \$71,014.

In May of 2019, the District issued \$30,990,000 aggregate principal amount General Obligation Bonds Series C of 2020. The purpose of the bonds was to currently refund the 2011 Series Butler County General Authority Variable Rate Demand Bonds (School District of the City of Erie Project) as well as pay for issuance costs. The 2020 bonds mature on October 1 of each year beginning in 2020. The bonds require semi-annual interest payments on April 1 and October 1 of each year, beginning October 1, 2020. Interest rates on the bonds are 5.0% with maturity scheduled for April 1, 2030. The refunding resulted in a difference between the cash flow required to service the old debt and that required to service the new debt of \$227,542. The refunding also resulted in a net economic loss (difference between the present value of the debt service payments on the old and new debt) of \$146,098.

THE SCHOOL DISTRICT OF THE CITY OF ERIE, PENNSYLVANIA  
 NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
 JUNE 30, 2021

NOTE 5: LONG-TERM LIABILITIES OBLIGATIONS (CONTINUED)

In the prior years, the District defeased certain general obligation bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in these financial statements.

The following summarizes the maturities and interest payments for general obligation bonds payable as of June 30, 2021:

Governmental Activities

Year Ended June 30:	Principal Requirements	Interest Requirements	Total Debt Service Requirements
2022	\$ 8,580,000	\$ 4,476,898	\$ 13,056,898
2023	8,695,000	4,388,148	13,083,148
2024	9,290,000	4,293,648	13,583,648
2025	9,460,000	4,169,648	13,629,648
2026	9,900,000	4,036,898	13,936,898
2027-2031	59,547,000	13,724,518	73,271,518
2032-2034	31,580,000	2,703,450	34,283,450
Less Discounted Interest	<u>(10,549,524)</u>	<u>-</u>	<u>(10,549,524)</u>
Total	<u>\$ 126,502,476</u>	<u>\$ 37,793,208</u>	<u>\$ 164,295,684</u>

Retirement Incentive:

The District has incurred a liability for special termination benefits, which include various early retirement incentive programs. Under such programs, retirees are eligible for monthly or annual payments until age sixty-two. The long-term liability for future benefits has been discounted using an 8% factor.

Compensated Absences:

Compensated absences are comprised of accumulated unused sick days and vacation days. The aggregate liability is \$6,626,420 as of June 30, 2021.

Under the current plan, the following is a summary of the items covered:

- Superintendent and Chief Financial Officer – Rate paid equals \$100 per day.
- Administrators – Rate paid equals \$100 per day.
- Teachers and Non-Professionals – Rate paid equals \$80 per day.

THE SCHOOL DISTRICT OF THE CITY OF ERIE, PENNSYLVANIA  
 NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
 JUNE 30, 2021

## NOTE 5: LONG-TERM LIABILITIES OBLIGATIONS (CONTINUED)

A summary of changes in long-term debt obligations for 2021 is as follows:

Governmental Activities:	Beginning Balance	Additions	Bond Accretions	Reductions	Ending Balance	Amounts Due Within One Year
General obligation bonds	\$ 132,975,624	\$ -	\$ 2,006,852	\$ (8,480,000)	\$ 126,502,476	\$ 8,580,000
Bond premium	10,322,268	-	-	(956,596)	9,365,672	-
Bond discount	(55,023)	-	-	2,896	(52,127)	-
Compensated absences	6,290,358	336,062	-	-	6,626,420	1,807,100
Deferred loss on refunding	(599,648)	-	-	54,513	(545,135)	-
Deferred loss on sale leaseback	(101,798)	-	-	10,180	(91,618)	-
Retirement incentive	934,000	-	-	(377,000)	557,000	377,000
<b>Total Long-Term Liabilities</b>	<b>\$ 149,765,781</b>	<b>\$ 336,062</b>	<b>\$ 2,006,852</b>	<b>\$ (9,746,007)</b>	<b>\$ 142,362,688</b>	<b>\$ 10,764,100</b>

Payments on bonds are by the General Fund. The compensated absence and retirement incentive liabilities will be liquidated by the General Fund. Total interest paid during the year ended June 30, 2021 was \$4,489,522.

## NOTE 6: OTHER POST-EMPLOYMENT BENEFITS

Plan Description:

The District administers a single-employer defined benefit healthcare plan (the "Retiree Health Plan"). The plan provides healthcare, prescription drug, dental and/or vision insurance, at various costs to the member and the District, for the life of the member or until the member is eligible for Medicare, depending on the terms of the contract when they retire, for eligible retirees and their spouses through the District's health insurance plan. The Retiree Health Plan covers both active and retired members. Benefit provisions are established and may be amended through negotiation with the District and the unions representing the District's employees. The Retiree Health Plan does not issue a publicly available financial report.

Employees covered by benefit terms. At June 30, 2021, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	1,252
Inactive employees entitled to but not yet receiving benefit payments	-
Active employees	<u>1,401</u>
	<u><u>2,653</u></u>

*Funding Policy.* No assets are accumulated in a trust that meets the criteria in paragraph 4 of Statement No. 75. The benefits are expensed when incurred and are financed on a pay-as-you-go basis. Retirees currently pay a portion of the monthly premium. The School District covers the balance of the premium not paid by the retiree. Retiree and dependent coverage, group plans, and costs to the retiree are subject to change. A spouse may be covered as a dependent until the death of the retiree; thereafter, they are eligible to continue coverage by paying 100% of the monthly insurance premium.

THE SCHOOL DISTRICT OF THE CITY OF ERIE, PENNSYLVANIA  
 NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
 JUNE 30, 2021

NOTE 6: OTHER POST-EMPLOYMENT BENEFITS (CONTINUED)

*Total OPEB Liability.* The District's total OPEB liability of \$83,935,313 was measured as of July 1, 2019, and was determined by an actuarial valuation as of that date.

*Actuarial assumptions and other inputs.* The total OPEB liability in the July 1, 2019 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified: The discount rate was based on the S & P Municipal Bond 20 Year High Grade Rate Index at July 1, 2020.

Inflation	2.5 percent
Salary Increases	Composed of 1.0 percent real wage growth and merit increases which vary by age from 2.75 - 0.0 percent.
Discount rate	1.86 percent
Healthcare cost trend rates	5.5 percent in 2020 through 2023. Rates gradually decrease from 5.4 percent in 2024 to 4.0 percent in 2075 and later based on the Society of Actuaries Long-Run Medical Cost Trend Model.

Separate mortality rates are assumed preretirement and postretirement using the rates assumed in the PSERS defined benefit pension plan actuarial valuation. Incorporated into the table are rates projected generationally by the Buck Modified 2016 projection scale to reflect mortality improvement. A recent actuarial experience study was not performed.

Changes in the total OPEB Liability.

The District's total OPEB liability has been measured as of June 30, 2021. The total OPEB liability was determined by an actuarial valuation as of July 1, 2019. No significant events or changes in assumptions occurred between the valuation date and the fiscal year end. The net OPEB liability is \$83,935,313, all of which is unfunded. As of June 30, 2021, the total OPEB liability of \$83,935,313 is related to the governmental funds and is recorded in the governmental activities in the government-wide statement of net position.

THE SCHOOL DISTRICT OF THE CITY OF ERIE, PENNSYLVANIA  
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2021

## NOTE 6: OTHER POST-EMPLOYMENT BENEFITS (CONTINUED)

The District's change in its total OPEB liability for the year ended June 30, 2021 was as follows:

	<u>Governmental Activities</u>
Service cost	\$ 2,927,956
Interest	2,505,461
Differences between expected and actual experience	-
Changes of assumptions or other inputs	8,879,782
Benefit payments	<u>(4,401,540)</u>
Net change in total OPEB liability	9,911,659
Total OPEB liability - Beginning	74,023,654
Total OPEB liability - Ending	<u>\$ 83,935,313</u>

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB.

For the year ended June 30, 2021, the District recognized OPEB expense of \$5,670,027. At June 30, 2021, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ -	\$ 3,736,098
Changes of assumptions	8,571,658	1,686,942
Contributions subsequent to the measurement date	4,344,134	-
Total	<u>\$ 12,915,792</u>	<u>\$ 5,423,040</u>

\$4,344,134 reported as deferred outflows of resources related to OPEB resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the total OPEB liability in the year ended June 30, 2021. The amount reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

**Year ended June 30:**

2021	\$ 236,610
2022	236,610
2023	236,610
2024	236,610
2025	236,610
Thereafter	<u>1,965,568</u>
	<u>\$ 3,148,618</u>

*Sensitivity of the total OPEB liability to changes in the discount rate.* The following presents the total OPEB liability of the District, as well as what the District's total OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (0.86 percent) or 1 percentage point higher (2.86 percent) than the current discount rate:

THE SCHOOL DISTRICT OF THE CITY OF ERIE, PENNSYLVANIA  
 NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
 JUNE 30, 2021

## NOTE 6: OTHER POST-EMPLOYMENT BENEFITS (CONTINUED)

	<u>1% Decrease</u> <u>(0.86%)</u>	<u>Discount Rate</u> <u>(1.86%)</u>	<u>1% Increase</u> <u>(2.86%)</u>
District's total OPEB liability	\$ 90,101,952	\$ 83,935,313	\$ 78,157,281

*Sensitivity of the total OPEB Liability to Changes in the Healthcare Cost Trend Rates.* The following shows presents the total OPEB liability of the District, as well as what the District's total OPEB liability would be if it were calculated using healthcare trend rates that are 1 percentage point higher or 1 percentage point lower than the current healthcare cost trend rates:

	<u>1% Decrease</u> <u>Between 3.0% to 4.5%</u>	<u>Current</u> <u>Trend Rate</u> <u>Between 4.0% to 5.5%</u>	<u>1% Increase</u> <u>Between 5.0% to 6.5%</u>
District's total OPEB liability	\$ 74,518,396	\$ 83,935,313	\$ 95,126,134

Health Insurance Premium Assistance Plan

In addition, the Pennsylvania Public School Employees' Retirement System ("PSERS") provides a Health Insurance Premium Assistance Plan ("PSERS Plan"). The PSERS Plan is a governmental cost-sharing multi-employer postretirement benefits plan that provides premium assistance to eligible public school employees of the Commonwealth of Pennsylvania. Under the PSERS Plan, employer contribution rates for Premium Assistance are established to provide reserves in the Health Insurance Account that are sufficient for the payment of premium assistance benefits for each succeeding year.

The administrative staff of PSERS administers the PSERS Plan. The control and management of PSERS, including the investment of its assets, is vested in the 15 member Board of Trustees (Board). The Commonwealth General Assembly has the authority to amend the benefit terms of the PSERS Plan by passing a bill in the Senate and House of Representatives and sending the bills to the Governor for approval. PSERS issues a publicly available financial report that can be obtained at [www.psers.state.pa.us](http://www.psers.state.pa.us).

Premium Assistance Eligibility Criteria

Retirees of the System can participate in the PSERS Plan if they satisfy the following criteria:

- Have 24 ½ or more years of service, or
- Are a disability retiree, or
- Have 15 or more years of services and retired after reaching superannuation age, and
- Participate in the HOP or employer-sponsored health insurance program.

Benefits Provided

Participating eligible retirees are entitled to receive premium assistance payments equal to the lessor of \$100 per month or their out-of-pocket monthly health insurance premium. To receive premium assistance, eligible retirees must obtain their health insurance through either their school employer or the PSERS' Health Options Program. As of June 30, 2020 there were no assumed future benefit increases to participating eligible retirees.

THE SCHOOL DISTRICT OF THE CITY OF ERIE, PENNSYLVANIA  
 NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
 JUNE 30, 2021

NOTE 6: OTHER POST-EMPLOYMENT BENEFITS (CONTINUED)

*Employer Contributions.* The school districts' contractually required contribution rate for fiscal year ended June 30, 2021 was 0.82% of covered payroll, an actuarially determined amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the PSERS Plan from the District were \$566,423 for the year ended June 30, 2021.

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows or Resources Related to OPEB:

At June 30, 2021, the District reported a liability of \$10,805,646 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2020, and the total OPEB liability used to calculate the net OPEB liability was determined by rolling forward the System's total OPEB liability as of June 30, 2019 to June 30, 2020. The District's proportion of the net OPEB liability was calculated utilizing the employer's one-year reported covered payroll as it relates to the total one-year reported covered payroll of all School Districts in the PSERS Plan. At June 30, 2020, the District's proportion was 0.5001 percent, which was a decrease of 0.0021 from its proportion measured as of June 30, 2019.

For the year ended June 30, 2021, the District recognized OPEB expense of \$551,650. At June 30, 2021, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ 79,261	\$ -
Changes of assumptions	352,771	158,710
Net difference between projected and actual investment earnings	10,465	-
Changes in proportion	-	583,213
Differences between district contributions and proportionate share of contribution	-	-
District contributions subsequent to the measurement date	566,423	-
Total	<u>\$ 1,008,920</u>	<u>\$ 741,923</u>

\$566,423 reported as deferred outflows of resources related to OPEB resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

**Year ended June 30:**

2022	\$ (193,717)
2023	(196,108)
2024	13,229
2025	49,779
2026	27,391
	<u>\$ (299,426)</u>

THE SCHOOL DISTRICT OF THE CITY OF ERIE, PENNSYLVANIA  
 NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
 JUNE 30, 2021

NOTE 6: OTHER POST-EMPLOYMENT BENEFITS (CONTINUED)

Actuarial Assumptions. The total OPEB liability as of June 30, 2020 was determined by rolling forward the System's total OPEB liability as of the June 30, 2019 actuarial valuation to June 30, 2020 measurement date using the following actuarial assumptions, applied to all periods included in the measurement:

- Actuarial cost method – Entry Age Normal – level % of pay.
- Investment return – 2.66% - S&P 20 Year Municipal Bond Rate.
- Salary growth – Effective average of 5.00%, comprised of inflation of 2.75% and 2.25% for real wage growth and for merit and seniority increases.
- Premium assistance reimbursement capped at \$1,200 per year.
- Assumed Healthcare cost trends were applied to retirees with less than \$1,200 in premium assistance per year.
- Mortality rates were based on the RP-2014 Mortality Tables for Males and Females adjusted to reflect PSERS' experience and projected using a modified version of the RP-2015 Mortality Improvement Scale.
- Participation rate:
  - Eligible retirees will elect to participate pre age 65 at 50%.
  - Eligible retirees will elect to participate post age 65 at 70%.

The following assumptions were used to determine the contribution rate:

- The results of the actuarial valuation as of June 30, 2018 determined the employer contribution rate for fiscal year 2020.
- Cost Method: Amount necessary to assure solvency of Premium Assistance through the third fiscal year after the valuation date.
- Asset valuation method: Market Value.
- Participation rate: 63% of eligible retirees are assumed to elect premium assistance.
- Mortality rates and retirement ages were based on the RP-2000 Combined Healthy Annuitant Tables with age set back 3 years for both males and females for healthy annuitants and for dependent beneficiaries. For disabled annuitants, the RP-2000 Combined Disabled Tables with age set back 7 years for males and 3 years for females for disabled annuitants. (A unisex table based on the RP-2000 Combined Healthy Annuitant Tables with age set back 3 years for both genders assuming the population consists of 25% males and 75% females is used to determine actuarial equivalent benefits). The actuarial assumptions used in the June 30, 2019 valuation were based on the results of an actuarial experience study that was performed for the five year the period ending June 30, 2015.

Investments consist primarily of short term assets designed to protect the principal of the plan assets. The expected rate of return on OPEB plan investments was determined using the OPEB asset allocation policy and best estimates of geometric real rates of return for each asset class.

The OPEB plan's policy in regard to the allocation of invested plan assets is established and may be amended by the Board. Under the Program, as defined in the retirement code employer contribution rates for Premium Assistance are established to provide reserves in the Health Insurance Account that are sufficient for the payment of Premium Assistance benefits for each succeeding year. The Board's adopted asset allocation policy and best estimates of geometric real rates of return for each major asset class as of June 30, 2020 were:

THE SCHOOL DISTRICT OF THE CITY OF ERIE, PENNSYLVANIA  
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2021

## NOTE 6: OTHER POST-EMPLOYMENT BENEFITS (CONTINUED)

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Cash	50.3%	1.0%
US Core Fixed Income	46.5%	0.1%
Non-US Developed Fixed	3.2%	0.1%
Total	<u>100.0%</u>	

Discount rate. The discount rate used to measure the total OPEB liability was 2.66%. Under the plan's funding policy, contributions are structured for short term funding of Premium Assistance. The funding policy sets contribution rates necessary to assure solvency of Premium Assistance through the third fiscal year after the actuarial valuation date. The Premium Assistance account is funded to establish reserves that are sufficient for the payment of Premium Assistance benefits for each succeeding year. Due to the short term funding policy, the OPEB plan's fiduciary net position was not projected to be sufficient to meet projected future benefit payments, therefore the plan is considered a "pay-as-you-go" plan. A discount rate of 2.66% which represents the S&P 20 year Municipal Bond Rate at June 30, 2020, was applied to all projected benefit payments to measure the total OPEB liability.

Sensitivity of the District's proportionate share of the net OPEB liability to changes in the healthcare cost trend rates

Healthcare cost trends were applied to retirees receiving less than \$1,200 in annual Premium Assistance. As of June 30, 2019, retirees Premium Assistance benefits are not subject to future healthcare cost increases. The annual Premium Assistance reimbursement for qualifying retirees is capped at a maximum of \$1,200. As of June 30, 2019, 93,339 retirees were receiving the maximum amount allowed of \$1,200 per year. As of June 30, 2019, 780 members were receiving less than the maximum amount allowed of \$1,200 per year. The actual number of retirees receiving less than the \$1,200 per year cap is a small percentage of the total population and has a minimal impact on Healthcare Cost Trends as depicted below.

The following presents the District's Proportionate Share of the net OPEB liability as well as what the District's Proportionate Share of the net OPEB liability would be if it was calculated using health cost trends that are 1-percentage point lower or 1-percentage higher than the current rate:

	<u>1% Decrease</u>	<u>Current Trend Rate</u>	<u>1% Increase</u>
District's proportionate share of the net OPEB liability	\$ 10,804,000	\$ 10,805,646	\$ 10,807,000

Sensitivity of the District's proportionate share of the net OPEB liability to changes in the discount rate.

The following presents the District's proportionate share of the net OPEB liability, as well as what the District's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (1.66 percent) or higher (3.66 percent) than the current discount rate:

THE SCHOOL DISTRICT OF THE CITY OF ERIE, PENNSYLVANIA  
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2021

## NOTE 6: OTHER POST-EMPLOYMENT BENEFITS (CONTINUED)

	<u>1% Decrease</u> <u>(1.66%)</u>	<u>Discount Rate</u> <u>(2.66%)</u>	<u>1% Increase</u> <u>(3.66%)</u>
District's proportionate share of net OPEB liability	\$ 12,320,000	\$ 10,805,646	\$ 9,552,000

OPEB plan fiduciary net position.

Detailed information about PSERS' fiduciary net position is available in PSERS Comprehensive Annual Financial Report which can be found on the System's website at [www.psers.pa.gov](http://www.psers.pa.gov).

## NOTE 7: EMPLOYEE RETIREMENT PLAN

*Pensions.* For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about fiduciary net position of the Public School Employees' Retirement System (PSERS) and additions to/deductions from PSERS' fiduciary net position have been determined on the same basis as they are reported by PSERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

General Information about the Pension Plan:

*Plan Description.* The District contributes to the Commonwealth of Pennsylvania School Employees Retirement System ("PSERS"), a governmental cost-sharing multi-employer defined benefit plan. Benefit provisions of the plan are established under the provisions of the PSERS Code (Act No. 96 of October 2, 1975, as amended) (24 PA C. S. 8101-8535) and may be amended by an act of the Pennsylvania legislature. The plan provides retirement and disability, legislatively mandated ad hoc cost-of-living adjustments and healthcare insurance premium assistance to qualifying plan members and beneficiaries. It also provides for refunds of a member's accumulated contributions upon termination of a member's employment in the public school sector. PSERS issues a comprehensive annual financial report that includes financial statements and required supplementary information for the plan. A copy of the report may be obtained by writing to, PSERS, P.O. Box 125, Harrisburg, PA 17108-0125. This publication is also available on the PSERS website at [www.psers.state.pa.us/publications/cafr/index.htm](http://www.psers.state.pa.us/publications/cafr/index.htm).

*Benefits provided.* PSERS provides retirement, disability, and death benefits. Retirement benefits are determined as 2.5 percent of the employee's final 3-year average compensation times the employee's years of service. Employees with 10 years of continuous service are eligible to retirement at age 60. Employees are eligible for service-related disability benefits regardless of length of service. Five years of services is required for nonservice-related disability eligibility. Disability benefits are determined in the same manner as retirement benefits but are payable immediately without an actuarial reduction. Death benefits equal two times the employee's final full-year salary.

*Contributions.* The contribution policy is established in the Public School Employee's Retirement Code and requires contributions by active members, employers and the Commonwealth. Active members who joined the System prior to July 22, 1983, contribute at 5.25% (Membership Class T-C) or at 6.50% (Membership Class T-D) of the member's qualifying compensation. Members who joined the System on or after July 22, 1983, and who were active or inactive as of July 1, 2001, contribute at 6.25% (Membership Class T-C) or at 7.50% (Membership Class T-D) of member's qualifying compensation. Members who joined the System after June 30, 2001 and before July 1, 2011, contribute at 7.50% (automatic Membership Class T-D.) For all new hires and for members who elected

THE SCHOOL DISTRICT OF THE CITY OF ERIE, PENNSYLVANIA  
 NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
 JUNE 30, 2021

NOTE 7: EMPLOYEE RETIREMENT PLAN (CONTINUED)

Class T-D membership, the higher contribution rates began with service rendered on or after January 1, 2002. Members who joined the System after June 30, 2011, automatically contribute at the Membership Class T-E rate of 7.5% (base rate) of the member's qualifying compensation. All new hires after June 30, 2011, who elect Class T-F membership, contribute at 10.3% (base rate) of the member's qualifying compensation. Membership Class T-E and Class T-F are affected by a "shared risk" provision in Act 120 of 2010 that in future fiscal years could cause the Membership Class T-F contribution rate to fluctuate between 7.5% and 9.5% and Membership Class T-E contribution rate to fluctuate between 10.3% and 12.3%.

*Employer Contributions.* The school districts' contractually required contribution rate for fiscal year ended June 30, 2021 was 33.69% of covered payroll, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The 33.69% is comprised of a pension contribution rate of 33.51% for pension benefits and a 0.18% act 5 employer contribution. Contributions to the pension plan from the District were \$23,271,700 for the year ended June 30, 2021.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows or Resources Related to Pensions:

At June 30, 2021, the District reported a liability of \$245,407,256 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2020, and the total pension liability used to calculate the net pension liability was determined by rolling forward the System's total pension liability as of June 30, 2019 to June 30, 2020. The District's proportion of the net pension liability was calculated utilizing the employer's one-year reported covered payroll as it relates to the total one-year reported covered payroll. At June 30, 2020, the District's proportion was 0.4984 percent, which was a decrease of 0.0038 from its proportion measured as of June 30, 2019.

For the year ended June 30, 2021, the District recognized pension expense of \$25,121,354. At June 30, 2021, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ -	\$ 2,688,368
Changes of assumptions	-	-
Net difference between projected and actual investment earnings	9,521,244	-
Changes in proportion	-	1,486,500
District contributions subsequent to the measurement date	23,271,700	-
Total	<u>\$ 32,792,944</u>	<u>\$ 4,174,868</u>

\$23,271,700 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

THE SCHOOL DISTRICT OF THE CITY OF ERIE, PENNSYLVANIA  
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2021

## NOTE 7: EMPLOYEE RETIREMENT PLAN (CONTINUED)

## Year ended June 30:

2022	\$	(595,959)
2023		2,738,249
2024		3,204,086
	\$	<u>5,346,376</u>

Actuarial Assumptions. The total pension liability as of June 30, 2020 was determined by rolling forward the System's total pension liability as of the June 30, 2019 actuarial valuation to June 30, 2020 using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial cost method	Entry Age Normal – level % of pay
Salary increases	5.00 percent, average, including inflation of 2.75 percent, and real wage growth and merit or seniority increases of 2.25%
Investment rate of return	7.25 percent, net of pension plan investment expense, includes inflation of 2.75%

Mortality rates were modified from the RP-2000 Combined Healthy Annuitant Tables (male and female) with age set back 3 years for both males and females to the RP-2014 Mortality Tables for Males and Females, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2015 Mortality Improvement Scale. For disabled annuitants the RP-2000 Combined Disabled Tables (male and female) with age set back 7 years for males and 3 years for females to the RP-2014 Mortality Tables for Males and Females, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2015 Mortality Improvement Scale.

The actuarial assumptions used in the June 30, 2020 valuation were based on the experience study that was performed for the five-year period ending June 30, 2015. The recommended assumption changes based on this experience study were adopted by the Board at its June 10, 2016 Board meeting, and were effective beginning with the June 30, 2016 actuarial valuation.

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 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.

The pension plan's policy in regard to the allocation of invested plan assets is established and may be amended by the Board. Plan assets are managed with a long-term objective of achieving and maintaining a fully funded status for the benefits provided through the pension.

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Global public equity	15.0%	5.2%
Fixed Income	36.0%	1.1%
Commodities	8.0%	1.8%
Absolute return	10.0%	2.5%
Risk parity	8.0%	3.3%
Infrastructure/MLP's	6.0%	5.7%
Real estate	10.0%	5.5%
Private Equity	15.0%	7.2%
Cash	6.0%	1.0%
Financing (LIBOR)	-14.0%	0.7%
Total	<u>100.0%</u>	

THE SCHOOL DISTRICT OF THE CITY OF ERIE, PENNSYLVANIA  
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2021

NOTE 7: EMPLOYEE RETIREMENT PLAN (CONTINUED)

The above was the Board's adopted asset allocation policy and best estimates of geometric real rates of return for each major asset class as of June 30, 2020.

*Discount rate.* The discount rate used to measure the total pension liability was 7.25%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from employers will be made at contractually required rates, actuarially determined. Based on those assumptions, the pension plan's 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.

*Sensitivity of the District's proportionate share of the net pension liability to changes in the discount rate.* The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 7.25 percent, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (6.25 percent) or 1-percentage point higher (8.25 percent) than the current rate:

	<b>Amounts X \$1,000</b>		
	<b>1% Decrease</b>	<b>Current Rate</b>	<b>1% Increase</b>
	<b>6.25%</b>	<b>7.25%</b>	<b>8.25%</b>
District's proportionate share of the net pension liability	\$ 303,621	\$ 245,407	\$ 196,092

*Pension plan fiduciary net position.* Detailed information about PSERS' fiduciary net position is available in PSERS Comprehensive Annual Financial Report which can be found on the System's website at [www.psers.state.pa.us](http://www.psers.state.pa.us).

*Act 5 of 2017.* On June 12, 2017, the Commonwealth of Pennsylvania Act 5 of 2017 was signed into law. This legislation established a new hybrid defined benefit/defined contribution retirement benefit plan applicable to all school employees who become new members of PSERS on July 1, 2019 and thereafter. The three new plan options under Act 5 include two hybrid plans consisting of defined benefit and defined contribution components and a stand-alone defined contribution plan. The current stand-alone defined benefit plan is no longer available to new members after June 30, 2019.

NOTE 8: SELF-INSURANCE

The District maintains self-insurance programs for health insurance, workers' compensation coverage and a dental plan, which are being accounted for as internal service funds. The funds charge premiums to the general fund based on an amount determined by the administering insurance company. The insurance company serves as claims administrator and reviews and processes claims. The premiums are based on anticipated claims and estimated costs of administering and satisfying claims. The District maintains an insurance policy that limits the maximum workers' compensation liability per occurrence to \$450,000. No such policy is maintained for the dental plan. Through an insurance policy, the District's health insurance liability is limited to \$125,000 per individual and claims are reimbursed from \$125,000 - \$300,000. Claims expenditures and liabilities are reported when it is probable that a loss can be reasonably estimated.

At June 30, 2021, the workers' compensation fund had a liability of \$464,118, which represented the estimated amount required to satisfy existing claims and those incurred but not reported. Workers' compensation claim expenses totaled \$698,556 for the year ended June 30, 2021.

THE SCHOOL DISTRICT OF THE CITY OF ERIE, PENNSYLVANIA  
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2021

## NOTE 8: SELF-INSURANCE (CONTINUED)

Health insurance claim expenses totaled \$23,285,826 for the year ended June 30, 2021 and a liability of \$3,696,119 at June 30, 2021 was owed to Highmark. The School District also had a prepayment at Highmark in the amount of \$440,000.

Dental plan claim expenses totaled \$676,866 for the year ended June 30, 2021.

At June 30, 2021, the workers' compensation, health insurance and dental plan had a net position balance of \$150,793, \$10,086,216 and \$174,886, respectively.

Changes in the balances of claims liabilities during the years ended June 30, 2020 through 2021 are as follows:

	Workers' Comp.	Dental Plan	Health Insurance	Total
Unpaid Claims, July 1, 2019	\$ 285,431	\$ -	\$ 2,310,062	\$ 2,595,493
Incurring Claims	718,809	699,599	20,023,718	21,442,126
Claim Payments	<u>(579,155)</u>	<u>(699,599)</u>	<u>(20,023,718)</u>	<u>(21,302,472)</u>
Unpaid Claims, July 1, 2020	425,085	-	2,310,062	2,735,147
Incurring Claims	698,556	676,866	23,285,826	24,661,248
Claim Payments	<u>(659,523)</u>	<u>(676,866)</u>	<u>(21,899,769)</u>	<u>(23,236,158)</u>
Unpaid Claims, June 30, 2021	<u>\$ 464,118</u>	<u>\$ -</u>	<u>\$ 3,696,119</u>	<u>\$ 4,160,237</u>

The amount, if any, of future liability that may arise as a result of self-insurance is not readily determinable and cannot be reasonably estimated. Accordingly, the financial statements do not reflect a liability for any unasserted claims related to the current or prior period. To fund future health insurance claims, the District maintained a prepaid deposit with Highmark of \$440,000.

## NOTE 9: DERIVATIVE INSTRUMENTS

On July 29, 2003, the School District approved an interest rate swap agreement (the "2003 Swaption").

Due to Federal tax law restrictions, the School District was not permitted to advance refund its 2001 Bonds at a time when interest savings could have otherwise been available. In an effort to reduce its debt service costs, the District used a synthetic fixed rate refunding structure (which was accomplished using the 2003 Swaption) that was designed to provide the District with some of the benefit of reduced interest rates. The 2003 Swaption was structured with all savings taken up front, as opposed to over time.

The School District entered into the 2003 Swaption with JP Morgan and in return, JP Morgan provided the District an upfront payment of \$785,000. The 2003 Swaption granted JP Morgan, as counterparty, the option to require the District to enter into a fixed payor interest rate swap at a future date. If the option is exercised, the District would then expect to issue variable rate refunding bonds which would be swapped to a synthetic fixed rate upon the effective date of the Swaption.

THE SCHOOL DISTRICT OF THE CITY OF ERIE, PENNSYLVANIA  
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2021

NOTE 9: DERIVATIVE INSTRUMENTS (CONTINUED)

The Trade Date for the 2003 Swaption was September 4, 2003. The \$785,000 payment was based on a notional amount of \$37,310,000. The Counterparty has the option to exercise the agreement on September 1, 2011, or any March 1, or September 1, thereafter. The 2001 bond issue's first call date is September 1, 2011. The fixed swap rate (approximately 4.77%) was set at a rate that will approximate the average coupon rate of the 2001 bonds to be refunded. The 2003 Swaption's variable rate payment would be 67% of the one-month London Interbank Offered Rate (LIBOR).

**Swaption Restructuring**

In 2006, the District restructured its 2003 Swaption. The District restructured its 2003 Swaption by entering into a new Swaption with PNC Bank. The new Swaption was structured initially so that PNC would pay the Bond Market Association Municipal Swap Index (now referred to as SIFMA); however, the District and PNC immediately entered into a basis swap whereby the District agreed to pay SIFMA in return for 67% of one month LIBOR. As part of the restructuring, the District received an additional upfront payment of \$732,000 and the new counterparty paid the prior counterparty \$2,938,000 in order to terminate the 2003 Swaption on July 5, 2006.

The payments referred to above were based on a notional amount of \$38,115,000 on the basis swap. The new counterparty (PNC) has exercised on November 1, 2011 the Basis Interest Rate Swap. The District has issued variable rate bonds for the purpose of currently refunding the 2001 Bond issue. The swap is scheduled to terminate as of September 1, 2029.

**Fair Value.** Because interest rates have declined from rates that were in effect on the date the swap was entered into, the swap has a negative fair value as of June 30, 2020. The fair values of the swap were developed by an independent pricing consultant to the District that does not have a financial interest in the swaps, using a market accepted method similar to the zero coupon method example described in GASB 53 of calculating fair value. The methodology used consists of calculating the future net settlement payments required by the swap agreement, assuming that the current forward rates implied by the yield curve correctly anticipate future spot interest rates. These payments are then discounted using the spot rates implied by the current yield curve for hypothetical zero coupon bonds due on the date of each future net settlement date of the swap. As of June 30, 2021, the swap had a fair value of negative \$270,918 which is an increase in value of \$104,589 recorded in the statement of net position and statement of activities, respectively.

**Credit Risk.** As of June 30, 2020, the District was not exposed to credit risk because the swap had a negative fair value. However, should interest rates change and the value of the swap becomes positive, the District would be exposed to credit risk in the amount equal to the swap's fair value. PNC Bank, N.A., the counterparty to the swap, is rated A by Standard and Poor's and A2 by Moody's Investors Service and A+ by Fitch. The Counterparty has entered into a Credit Support Annex that could enable it to avoid termination upon downgrade by posting certain specified collateral.

**Interest Rate Risk.** The School District is exposed to interest rate risk on its fixed interest rate swap. As the LIBOR increases, the School District's payment on the swap increases.

**Basis Risk.** The risk that there is a mismatch between a floating rate paid by the District and a floating rate received by the District.

THE SCHOOL DISTRICT OF THE CITY OF ERIE, PENNSYLVANIA  
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2021

## NOTE 9: DERIVATIVE INSTRUMENTS (CONTINUED)

Termination Risk. The swap agreements provide for certain events that could cause the counterparties or the District to terminate the swap. The swap may be terminated by the counterparties or the District if the other party fails to perform under the terms of the swap agreement. If the swap is terminated, the District would no longer have synthetic fixed rate obligations. Also, if at the time of termination the swap has a negative fair value, the District would be liable to the counterparty for a payment equal to the swap's fair value.

## NOTE 10: INTERFUND RECEIVABLES AND PAYABLES

The following is a summary of Interfund Receivables and Payables at June 30, 2021:

	<u>Due from</u>	<u>Due to</u>
<u>Governmental Fund Types</u>		
General Fund	\$ 2,387,343	\$ -
Capital Projects Fund	-	1,705,746
Total Governmental Fund Type	<u>2,387,343</u>	<u>1,705,746</u>
<u>Enterprise Fund</u>		
Food Service	-	681,597
Total Enterprise Fund	<u>-</u>	<u>681,597</u>
 Total Internal Balances	 <u>\$ 2,387,343</u>	 <u>\$ 2,387,343</u>

The proceeding interfund receivables and payables are the result of short-term borrowings or unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

## NOTE 11: TRANSFERS

Interfund transfers are executed as a result of the requirements for certain funds to fund a portion of the expenditures or expenses of other funds. Interfund operating transfers were as follows for the year ended June 30, 2021:

	<u>Transfers In</u>	<u>Transfers Out</u>
<u>Governmental Fund Types</u>		
General Fund	\$ -	\$ 15,770,505
Capital Projects Fund	15,770,505	-
Total Governmental Fund Type	<u>15,770,505</u>	<u>15,770,505</u>
 Totals	 <u>\$ 15,770,505</u>	 <u>\$ 15,770,505</u>

THE SCHOOL DISTRICT OF THE CITY OF ERIE, PENNSYLVANIA  
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 JUNE 30, 2021

NOTE 12:       CONTRACTS/COMMITMENTS

The School District has entered into labor agreements with bargaining units and contracts expire as follows:

<u>Bargaining Unit</u>	<u>Contract Expires</u>
The Erie Education Association	June 30, 2024
The International Union of Operating Engineers	June 30, 2024
The Erie Educational Secretaries Association	June 30, 2024
The Erie County Civil Service Employees of Painters and Allied Trades, AFL-CIO	June 30, 2020
Administrative Personnel	June 30, 2023

NOTE 13:       COMMITMENTS AND CONTINGENCIES

The School District is a defendant in various lawsuits. Management does not believe the settlement of these matters will have a material effect upon the District's financial condition.

The District receives a number of state and federal grants. The grants may be subject to audit by the granting agency to determine if activities undertaken by the District comply with the conditions of the grant. Management believes no material liability would arise from any such audit.

NOTE 14:       FINANCIAL WATCH STATUS

Pursuant to Section 694-A of the PA School Code, ECSD was placed in "Financial Watch" status by the PA Department of Education (PDE) on September 27, 2019 and was required to submit a Financial Plan that outlines a path toward the district's financial solvency. Prior to completing this plan, the school district reconfigured and consolidated school operations and received a recurring annual \$14 million adjustment in state aid to close its structural deficit, repair its buildings and improve educational resources. As a result of this subsidy adjustment and pursuant to Section 695-A of the PA School Code, ECSD was placed under the supervision of a Financial Administrator appointed by the Governor from three names provided by the President Pro Tempore of the Pennsylvania Senate. The statute directs the Financial Administrator to develop a Financial Improvement Plan to improve the financial performance and ensure fiscal solvency of the school district. This plan was submitted to the Secretary of Education on January 31, 2019, re-submitted on May 1, 2019 and was approved on May 14, 2019. Pursuant to the Financial Improvement Plan the District was to undertake 20 specific actions. To date, all actions have been either completed or are substantially achieved and are on track for completion. To meet the statutory obligation of the plan the District must also show its ability to maintain a balanced budget through a cash flow analysis projected out for 5 years. On November 11, 2021, ECSD submitted a formal letter to the Pennsylvania Department of Education formally requesting to be removed from Financial Watch Status. The letter noted each action item and its status along with the required 5 year projection showing a balanced budget. The Department has advised the District that the recommendation to be removed from Financial Watch Status must be made by the Financial Administrator and that it is prepared to consult with that individual when such appointment occurs. The position has been vacant since 2020. On December 3, 2021, the District submitted a letter to the President Pro Tempore requesting he initiate the process to appoint a financial administrator and is awaiting a response.

THE SCHOOL DISTRICT OF THE CITY OF ERIE, PENNSYLVANIA  
 NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
 JUNE 30, 2021

## NOTE 15: RISKS AND UNCERTAINTIES

As the effects of the Coronavirus pandemic continue to evolve and are dependent upon future developments, the impact of the Coronavirus on the District's operations and financial results are uncertain at this time.

## NOTE 16: RESTATEMENT

During the year ended June 30, 2021 the District adopted new accounting guidance by implementing the provisions of GASB Statement No. 84, Fiduciary Activities, which establishes criteria for identifying and reporting fiduciary activities. The implementation of this statement has resulted in changing the presentation of the financial statements by the District reclassifying private purpose trust funds as governmental funds. These fund reclassifications resulted in the below restatement of fund balance.

	Activity Funds	General Fund
Net Position/Fund Balance at July 1, 2020 as previously reported	\$ -	\$ 16,953,078
Private Purpose Trusts	-	17,633
Activity Funds - Adoption of GASB 84	<u>123,589</u>	<u>-</u>
Net Position/Fund Balance at July 1, 2020 as restated	<u>\$ 123,589</u>	<u>\$ 16,970,711</u>

The following restatement was necessary to reflect the understatement in the Governmental Activities and Food Service Fund Capital Assets beginning balance due to various reclassifications.

	Food Service Fund	Governmental Activities
Net Position (Deficit) at July 1, 2020 as previously reported	\$ 4,945,008	\$ (248,696,529)
(Overstatement)/Understatement of Capital Assets	(937,454)	2,417,650
Adoption of GASB 84	<u>-</u>	<u>141,492</u>
Net Position (Deficit) at July 1, 2020 as restated	<u>\$ 4,007,554</u>	<u>\$ (246,137,387)</u>

REQUIRED  
SUPPLEMENTARY  
INFORMATION

THE SCHOOL DISTRICT OF THE CITY OF ERIE, PENNSYLVANIA  
 BUDGETARY COMPARISON SCHEDULE  
 GENERAL FUND  
 FOR THE YEAR ENDED JUNE 30, 2021

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		Positive (Negative)
<b>Revenues</b>				
Local Revenue Sources	\$ 55,379,232	\$ 55,379,232	\$ 61,470,014	\$ 6,090,782
State Revenue Sources	132,473,994	132,473,994	133,285,205	811,211
Federal Revenue Sources	<u>22,137,361</u>	<u>22,137,361</u>	<u>28,195,743</u>	<u>6,058,382</u>
<b>Total Revenues</b>	<u>209,990,587</u>	<u>209,990,587</u>	<u>222,950,962</u>	<u>12,960,375</u>
<b>Expenditures</b>				
Current operating:				
Instruction	141,447,351	141,447,351	137,350,307	4,097,044
Support Services	50,073,791	50,073,791	43,669,540	6,404,251
Noninstructional Services	1,887,271	1,887,271	1,125,981	761,290
Facilities Acquisition, Construction and Improvements	158,000	158,000	7,113,070	(6,955,070)
Debt Service	<u>13,040,398</u>	<u>13,040,398</u>	<u>12,969,522</u>	<u>70,876</u>
<b>Total Expenditures</b>	<u>206,606,811</u>	<u>206,606,811</u>	<u>202,228,420</u>	<u>4,378,391</u>
Excess (deficiency) of revenues over expenditures	<u>3,383,776</u>	<u>3,383,776</u>	<u>20,722,542</u>	<u>17,338,766</u>
<b>Other financing sources (uses)</b>				
Insurance Recoveries	-	-	2,500,000	2,500,000
Transfers out	(2,883,776)	(2,883,776)	(15,770,505)	(12,886,729)
Budgetary reserve	(500,000)	(500,000)	-	500,000
Refund of Prior Year Revenues	-	-	(25,788)	(25,788)
<b>Total other financing     sources (uses)</b>	<u>(3,383,776)</u>	<u>(3,383,776)</u>	<u>(13,296,293)</u>	<u>(9,912,517)</u>
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 7,426,249</u>	<u>\$ 7,426,249</u>

THE SCHOOL DISTRICT OF THE CITY OF ERIE, PENNSYLVANIA  
 SCHEDULE OF CHANGES IN THE TOTAL OPEB LIABILITY AND RELATED RATIOS - RETIREE'S HEALTH PLAN  
 JUNE 30, 2021

	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>
<b>Total OPEB liability</b>				
Service cost	\$ 3,274,094	\$ 3,068,986	\$ 3,276,704	\$ 2,927,956
Interest	1,944,933	2,395,512	2,323,522	2,505,461
Changes of benefit terms	550,157	-	-	-
Differences between expected and actual experience	(3,037,276)	-	(2,091,524)	-
Changes of assumptions or other inputs	494,820	225,664	(2,061,818)	8,879,782
Benefit payments	<u>(4,979,301)</u>	<u>(4,274,383)</u>	<u>(4,619,374)</u>	<u>(4,401,540)</u>
Net change in total OPEB liability	(1,752,573)	1,415,779	(3,172,490)	9,911,659
Total OPEB liability - beginning	<u>77,532,938</u>	<u>75,780,365</u>	<u>77,196,144</u>	<u>74,023,654</u>
Total OPEB liability - ending	<u>\$ 75,780,365</u>	<u>\$ 77,196,144</u>	<u>\$ 74,023,654</u>	<u>\$ 83,935,313</u>
<b>Covered payroll</b>	\$ 61,417,654	\$ 61,417,654	\$ 65,611,035	\$ 65,611,035
<b>County's total OPEB liability as a percentage of covered payroll</b>	123.39%	125.69%	112.82%	127.93%

In accordance with GASB Statement No. 75, this schedule has been prepared prospectively.  
 This schedule will accumulate each year until sufficient information to present a ten-year trend is available.

THE SCHOOL DISTRICT OF THE CITY OF ERIE, PENNSYLVANIA  
 SCHEDULE OF DISTRICT'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY - PSERS PLAN  
 JUNE 30, 2021

	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>
District's proportion of the net OPEB liability	0.5323%	0.5071%	0.5022%	0.4984%
District's proportionate share of the net OPEB liability	\$ 10,845,144	\$ 10,572,776	\$ 10,681,001	\$ 10,805,646
District's covered payroll	\$ 68,295,272	\$ 69,259,391	\$ 69,498,759	\$ 69,075,987
District's proportionate share of the net OPEB liability as a percentage of its covered payroll	16%	15%	15%	16%
Plan fiduciary net position as a percentage of the total OPEB liability	6%	6%	6%	6%

In accordance with GASB Statement No. 75, this schedule has been prepared prospectively.  
 This schedule will accumulate each year until sufficient information to present a ten-year trend is available.

THE SCHOOL DISTRICT OF THE CITY OF ERIE, PENNSYLVANIA  
 SCHEDULE OF DISTRICT'S OPEB CONTRIBUTIONS - PSERS PLAN  
 JUNE 30, 2021

	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>
Contractually determined contribution	\$ 566,851	\$ 597,716	\$ 571,491	\$ 583,790	\$ 566,423
Contributions in relation to the actuarially determined contribution	<u>587,900</u>	<u>597,716</u>	<u>571,491</u>	<u>583,790</u>	<u>566,423</u>
Contribution deficiency	<u>\$ (21,049)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 68,295,272	\$ 69,259,391	\$ 69,498,759	\$ 70,197,269	\$ 69,075,987
Contributions as a percentage of covered payroll	0.86%	0.86%	0.87%	0.83%	0.82%

In accordance with GASB Statement No. 75, this schedule has been prepared prospectively.  
 This schedule will accumulate each year until sufficient information to present a ten-year trend is available.

THE SCHOOL DISTRICT OF THE CITY OF ERIE, PENNSYLVANIA  
 Schedules of Required Supplementary Information  
 SCHEDULE OF THE DISTRICT'S PRPORTIONATE SHARE OF THE  
 NET PENSION LIABILITY  
 Teachers Pension Plan  
 Last 10 Fiscal Years\*  
 (Dollar amounts in thousands)

	2013	2014	2015	2016	2017	2018	2019	2020
Districts proportion of the net pension liability	0.5572%	0.6017%	0.5594%	0.5750%	0.5323%	0.5071%	0.5022%	0.4984%
District's proportionate share of the net pension liability	\$236,284	\$ 238,158	\$ 242,306	\$284,952	\$262,894	\$243,433	\$234,942	\$245,407
District's covered-employee payroll	\$ 74,068	\$ 76,776	\$ 71,976	\$ 74,473	\$ 70,831	\$ 68,295	\$ 69,259	\$ 70,197
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	319%	310%	337%	383%	371%	356%	339%	350%
Plan fiduciary net position as a percentage of the total pension liability	54%	57%	54%	50%	52%	52%	56%	54%

\* The amounts presented for each fiscal year were determined as of 06/30

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, governments should present information for those years for which information is available

THE SCHOOL DISTRICT OF THE CITY OF ERIE, PENNSYLVANIA  
Schedules of Required Supplementary Information  
SCHEDULE OF DISTRICT CONTRIBUTIONS  
Teachers Pension Plan  
Last 10 Fiscal Years\*

	2021	2020	2019	2018	2017	2016	2015	2014
Contractually required contribution	\$ 23,271,700	\$ 23,247,335	\$ 22,446,508	\$ 22,857,247	\$ 20,682,736	\$ 18,218,629	\$ 15,718,095	\$ 11,947,419
Contributions in relation to the contractually required contribution	23,271,700	23,247,335	22,446,508	22,857,247	20,682,736	18,218,629	15,718,095	11,947,419
Contribution deficiency (excess)	<u>\$ -</u>							
District's covered-employee payroll	\$ 69,075,987	\$ 70,197,269	\$ 69,498,759	\$ 69,259,391	\$ 68,295,272	\$ 74,472,653	\$ 71,975,741	\$ 76,775,653
Contributions as a percentage of covered-employee payroll	33.69%	33.12%	32.30%	33.00%	30.28%	24.46%	21.84%	15.56%

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, governments should present information for those years for which information is available

OTHER  
SUPPLEMENTARY  
INFORMATION

THE SCHOOL DISTRICT OF THE CITY OF ERIE, PENNSYLVANIA  
 COMBINING STATEMENT OF NET POSITION - NON-MAJOR PROPRIETARY FUNDS  
 JUNE 30, 2021

Assets	Stadium Commission	Play Erie	Total Non-Major Proprietary Funds
<u>Current Assets:</u>			
Cash	\$ 12,847	\$ 2,061	\$ 14,908
Investments	24,388	-	24,388
Total Current Assets	<u>37,235</u>	<u>2,061</u>	<u>39,296</u>
<u>Non-current Assets:</u>			
Buildings and Building Improvements	3,146,471	-	3,146,471
Machinery and Equipment	211,367	-	211,367
Accumulated Depreciation	<u>(867,755)</u>	<u>-</u>	<u>(867,755)</u>
Total Non-current Assets	<u>2,490,083</u>	<u>-</u>	<u>2,490,083</u>
Total Assets	<u>\$ 2,527,318</u>	<u>\$ 2,061</u>	<u>\$ 2,529,379</u>
<u>Net Position</u>			
Net Investment in Capital Assets	\$ 2,490,083	\$ -	\$ 2,490,083
Unrestricted	37,235	2,061	39,296
Total Net Position	<u>2,527,318</u>	<u>2,061</u>	<u>2,529,379</u>
Total Liabilities and Net Position	<u>\$ 2,527,318</u>	<u>\$ 2,061</u>	<u>\$ 2,529,379</u>

THE SCHOOL DISTRICT OF THE CITY OF ERIE, PENNSYLVANIA  
 COMBINING STATEMENT OF REVENUES, EXPENSES AND  
 CHANGES IN NET POSITION - NON-MAJOR PROPRIETARY FUNDS  
 FOR THE YEAR ENDED JUNE 30, 2021

	<u>Stadium Commission</u>	<u>Play Erie</u>	<u>Total Non-Major Proprietary Funds</u>
Operating Revenues			
Receipts from Providing Services	\$ 21,839	\$ -	\$ 21,839
Other Revenue	<u>12,358</u>	<u>-</u>	<u>12,358</u>
Total Operating Revenues	<u>34,197</u>	<u>-</u>	<u>34,197</u>
Operating Expenses			
Service Costs	33,255	-	33,255
Depreciation	<u>105,616</u>	<u>-</u>	<u>105,616</u>
Total Operating Expenses	<u>138,871</u>	<u>-</u>	<u>138,871</u>
Operating Loss	<u>(104,674)</u>	<u>-</u>	<u>(104,674)</u>
Nonoperating Revenues (Expenses)			
Gain on Investments	<u>252</u>	<u>-</u>	<u>252</u>
Total Nonoperating Revenues (Expenses)	<u>252</u>	<u>-</u>	<u>252</u>
Change in Net Position	(104,422)	-	(104,422)
Net Position - Beginning of Year	<u>2,631,740</u>	<u>2,061</u>	<u>2,633,801</u>
Net Position - End of Year	<u><u>\$ 2,527,318</u></u>	<u><u>\$ 2,061</u></u>	<u><u>\$ 2,529,379</u></u>

THE SCHOOL DISTRICT OF THE CITY OF ERIE, PENNSYLVANIA  
 COMBINING STATEMENT OF CASH FLOWS - NON-MAJOR PROPRIETARY FUNDS  
 FOR THE YEAR ENDED JUNE 30, 2021

	Stadium Commission	Play Erie	Total
Cash flows from operating activities			
Cash received from customers	\$ 34,197	\$ -	\$ 34,197
Cash paid to employees	(7,820)	-	(7,820)
Cash paid to suppliers	(25,435)	-	(25,435)
Net cash used in operating activities	<u>942</u>	<u>-</u>	<u>942</u>
Cash flows from investing activities			
Sale of Investments	10,011	-	10,011
Gain on Investments	252	-	252
Net cash provided by investing activities	<u>10,263</u>	<u>-</u>	<u>10,263</u>
Net decrease in cash and cash equivalents	11,205	-	11,205
Beginning cash and cash equivalents	<u>1,642</u>	<u>2,061</u>	<u>3,703</u>
Ending cash and cash equivalents	<u>\$ 12,847</u>	<u>\$ 2,061</u>	<u>\$ 14,908</u>
RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED BY OPERATING ACTIVITIES			
Operating loss	\$ (104,674)	\$ -	\$ (104,674)
Adjustments to reconcile operating loss to net cash provided by operating activities			
Depreciation	<u>105,616</u>	<u>-</u>	<u>105,616</u>
Net cash provided by operating activities	<u>\$ 942</u>	<u>\$ -</u>	<u>\$ 942</u>

THE SCHOOL DISTRICT OF THE CITY OF ERIE, PENNSYLVANIA  
 COMBINING STATEMENT OF NET POSITION - INTERNAL SERVICE FUNDS  
 JUNE 30, 2021

Assets	Workers' Comp.	Dental Plan	Health Plan	Total
<u>Current Assets:</u>				
Cash	\$ 7,103	\$ -	\$ 7,147,805	\$ 7,154,908
Investments	607,808	-	-	607,808
Other Receivables	-	174,866	6,194,530	6,369,396
Prepaid Expenses	-	-	440,000	440,000
 Total Current Assets	 614,911	 174,866	 13,782,335	 14,572,112
 Total Assets	 \$ 614,911	 \$ 174,866	 \$ 13,782,335	 \$ 14,572,112
<u>Liabilities</u>				
<u>Current Liabilities</u>				
Overdraft Liability	\$ -	\$ -	\$ -	\$ -
Accounts Payable	464,118	-	3,696,119	4,160,237
 Total Current Liabilities	 464,118	 -	 3,696,119	 4,160,237
 Total Liabilities	 464,118	 -	 3,696,119	 4,160,237
<u>Net Position</u>				
Unrestricted	150,793	174,866	10,086,216	10,411,875
 Total Net Position	 150,793	 174,866	 10,086,216	 10,411,875
 Total Liabilities and Net Position	 \$ 614,911	 \$ 174,866	 \$ 13,782,335	 \$ 14,572,112

THE SCHOOL DISTRICT OF THE CITY OF ERIE, PENNSYLVANIA  
 COMBINING STATEMENT OF REVENUES, EXPENSES AND  
 CHANGES IN NET POSITION - INTERNAL SERVICE FUNDS  
 FOR THE YEAR ENDED JUNE 30, 2021

	Workers' Comp.	Dental Plan	Health Plan	Total
Operating Revenues				
Charges for Services	\$ 719,536	\$ 753,687	\$ 23,681,855	\$ 25,155,078
Total Operating Revenues	<u>719,536</u>	<u>753,687</u>	<u>23,681,855</u>	<u>25,155,078</u>
Operating Expenses				
Claims Expense	698,556	676,866	23,285,826	24,661,248
Other Operating Expense	-	49,674	-	49,674
Total Operating Expenses	<u>698,556</u>	<u>726,540</u>	<u>23,285,826</u>	<u>24,710,922</u>
Operating Income	<u>20,980</u>	<u>27,147</u>	<u>396,029</u>	<u>444,156</u>
Nonoperating Revenues (Expenses)				
Earnings (Loss) on Investments	(937)	-	24,199	23,262
Total Nonoperating Revenues (Expenses)	<u>(937)</u>	<u>-</u>	<u>24,199</u>	<u>23,262</u>
Change in Net Position	<u>20,043</u>	<u>27,147</u>	<u>420,228</u>	<u>467,418</u>
Net Position - Beginning of Year	<u>130,750</u>	<u>147,719</u>	<u>9,665,988</u>	<u>9,944,457</u>
Net Position - End of Year	<u><u>\$ 150,793</u></u>	<u><u>\$ 174,866</u></u>	<u><u>\$ 10,086,216</u></u>	<u><u>\$ 10,411,875</u></u>

THE SCHOOL DISTRICT OF THE CITY OF ERIE, PENNSYLVANIA  
 COMBINING STATEMENT OF CASH FLOWS - INTERNAL SERVICE FUNDS  
 FOR THE YEAR ENDED JUNE 30, 2021

	Workers' Comp.	Dental Plan	Health Plan	Total
Cash flows from operating activities				
Cash received from customers	\$ 719,536	\$ 726,540	\$ 23,785,918	\$ 25,231,994
Cash paid to suppliers	(659,523)	(726,540)	(21,899,770)	(23,285,833)
Net cash provided by (used in) operating activities	<u>60,013</u>	<u>-</u>	<u>1,886,148</u>	<u>1,946,161</u>
Cash flows from investing activities				
Earnings/(Loss) on Investments	(937)	-	24,199	23,262
Purchase of Investments	1,026	-	-	1,026
Net cash provided by (used in) investing activities	<u>89</u>	<u>-</u>	<u>24,199</u>	<u>24,288</u>
Net increase/(decrease) in cash and cash equivalents	60,102	-	1,910,347	1,970,449
Beginning cash and cash equivalents	(52,999)	-	5,237,458	5,184,459
Ending cash and cash equivalents	<u>\$ 7,103</u>	<u>\$ -</u>	<u>\$ 7,147,805</u>	<u>\$ 7,154,908</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES				
Operating income/(loss)	\$ 20,980	\$ 27,147	\$ 396,029	\$ 444,156
Adjustments to reconcile operating income to net cash provided by operating activities				
(Increase) decrease in assets				
Other Receivables	-	(27,147)	104,063	76,916
Other Current Liabilities	-	-	-	-
Accounts Payable	39,033	-	1,386,056	1,425,089
Net cash provided by (used in) operating activities	<u>\$ 60,013</u>	<u>\$ -</u>	<u>\$ 1,886,148</u>	<u>\$ 1,946,161</u>

**THE SCHOOL DISTRICT OF THE CITY OF ERIE, PENNSYLVANIA**

**SINGLE AUDIT REPORT**

**YEAR ENDED JUNE 30, 2021**

THE SCHOOL DISTRICT OF THE CITY OF ERIE, PENNSYLVANIA  
SINGLE AUDIT REPORT  
YEAR ENDED JUNE 30, 2021

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# Zelenkofske Axlerod LLC

CERTIFIED PUBLIC ACCOUNTANTS

EXPERIENCE | EXPERTISE | ACCOUNTABILITY

## REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

### Independent Auditor's Report

To the Members of the Board  
The School District of the City of Erie, Pennsylvania

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of THE SCHOOL DISTRICT OF THE CITY OF ERIE, PENNSYLVANIA, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise THE SCHOOL DISTRICT OF THE CITY OF ERIE, PENNSYLVANIA's basic financial statements, and have issued our report thereon dated December 22, 2021.

#### **Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered THE SCHOOL DISTRICT OF THE CITY OF ERIE, PENNSYLVANIA's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of THE SCHOOL DISTRICT OF THE CITY OF ERIE, PENNSYLVANIA's internal control. Accordingly, we do not express an opinion on the effectiveness of THE SCHOOL DISTRICT OF THE CITY OF ERIE, PENNSYLVANIA's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.



# *Zelenkofske Axelrod LLC*

CERTIFIED PUBLIC ACCOUNTANTS

EXPERIENCE | EXPERTISE | ACCOUNTABILITY

To the Members of the Board  
The School District of the City of Erie, Pennsylvania  
Page 2

## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether THE SCHOOL DISTRICT OF THE CITY OF ERIE, PENNSYLVANIA's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

## **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

This report is intended solely for the information and use of the management of THE SCHOOL DISTRICT OF THE CITY OF ERIE, PENNSYLVANIA, federal awarding agencies, and is not intended to be and should not be used by anyone other than these specified parties.

*Zelenkofske Axelrod LLC*

ZELENKOFSCHE AXELROD LLC

Pittsburgh, Pennsylvania  
December 22, 2021



# Zelenkofske Axlerod LLC

CERTIFIED PUBLIC ACCOUNTANTS

EXPERIENCE | EXPERTISE | ACCOUNTABILITY

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM;  
REPORT ON INTERNAL CONTROL OVER COMPLIANCE; AND REPORT ON SCHEDULE OF  
EXPENDITURES OF FEDERAL AWARDS REQUIRED BY THE UNIFORM GUIDANCE

Independent Auditor's Report

To the Members of the Board  
The School District of the City of Erie, Pennsylvania

**Report on Compliance for Each Major Federal Program**

We have audited THE SCHOOL DISTRICT OF THE CITY OF ERIE, PENNSYLVANIA's compliance with the types of compliance requirements described in the U.S. Office of Management and Budget ("OMB") *Compliance Supplement* that could have a direct and material effect on each of THE SCHOOL DISTRICT OF THE CITY OF ERIE, PENNSYLVANIA's major federal programs for the year ended June 30, 2021. THE SCHOOL DISTRICT OF THE CITY OF ERIE, PENNSYLVANIA's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

**Management's Responsibility**

Management is responsible for compliance with federal statutes, regulations, and terms and conditions of its awards applicable to its federal programs.

**Auditors' Responsibility**

Our responsibility is to express an opinion on compliance for each of THE SCHOOL DISTRICT OF THE CITY OF ERIE, PENNSYLVANIA's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of *Title 2 U.S. Code of Federal Regulations part 200, Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about THE SCHOOL DISTRICT OF THE CITY OF ERIE, PENNSYLVANIA's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of THE SCHOOL DISTRICT OF THE CITY OF ERIE, PENNSYLVANIA's compliance.

**Opinion on Each Major Federal Program**

In our opinion, THE SCHOOL DISTRICT OF THE CITY OF ERIE, PENNSYLVANIA complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2021.



# *Zelenkofske Axerrod LLC*

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To the Members of the Board  
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## **Report on Internal Control Over Compliance**

Management of THE SCHOOL DISTRICT OF THE CITY OF ERIE, PENNSYLVANIA is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered THE SCHOOL DISTRICT OF THE CITY OF ERIE, PENNSYLVANIA's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of THE SCHOOL DISTRICT OF THE CITY OF ERIE, PENNSYLVANIA's internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



# *Zelenkofske Axelrod LLC*

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To the Members of the Board  
The School District of the City of Erie, Pennsylvania  
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## **Report on Schedule of Expenditures of Federal Awards Required by Uniform Guidance**

We have audited the financial statements of the governmental activities, the business type activities, each major fund, and the aggregate remaining fund information of THE SCHOOL DISTRICT OF THE CITY OF ERIE, PENNSYLVANIA, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise THE SCHOOL DISTRICT OF THE CITY OF ERIE, PENNSYLVANIA's basic financial statements. We issued our report thereon dated December 22, 2021, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the basic financial statements. Such information is 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. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the 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 schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

*Zelenkofske Axelrod LLC*

ZELENKOSFKE AXELROD LLC

Pittsburgh, Pennsylvania  
December 22, 2021

THE SCHOOL DISTRICT OF THE CITY OF ERIE, PENNSYLVANIA  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR YEAR ENDED JUNE 30, 2021

Federal Grantor/Pass Through Grantor/Program Title	Source Code	Federal AL Number	Pass Through Grantor Number	Grant Period		Accrued/ (Deferred) Revenue at July 1, 2020	Total Received for the Year	Expenditures	Accrued/ (Deferred) Revenue at June 30, 2021	Subrecipient Expenditures
				Beginning	Ending					
<u>U.S. Department of Agriculture</u>										
Passed through Pennsylvania Dept. of Agriculture										
Child Nutrition Cluster										
National School Lunch Program - U.S. Donated Commodities	I	10.555	2-01-25-100	7/1/2020	6/30/2021	\$ (242,933)	\$ 1,041,066	\$ 1,074,588	\$ (209,411)	\$ -
Passed through Pennsylvania Dept. of Education										
National School Lunch Program										
National School Lunch Program	I	10.555	362	7/1/2020	6/30/2021	-	3,283,128	3,283,128	-	-
National School Breakfast Program	I	10.553	365	7/1/2019	6/30/2020	-	1,897,950	1,897,950	-	-
Total Child Nutrition Cluster						(242,933)	6,222,144	6,255,666	(209,411)	-
Fresh Fruit and Vegetable Program	I	10.582	362	7/1/2020	6/30/2021	-	27,903	27,903	-	-
Total U.S. Dept. of Agriculture						(242,933)	6,250,047	6,283,569	(209,411)	-
<u>U.S. Department of Treasury</u>										
Passed through Pennsylvania Commission on Crime and Delinquency										
COVID-19 School Safety and Security	I	21.019	2020-CS-01 33436	7/1/2020	9/30/2021	-	618,030	618,030	-	-
Total U.S. Dept. of Treasury						-	618,030	618,030	-	-
<u>U.S. Department of Education</u>										
Passed through Northwest Tri- County IU										
Title I Improving Basic Programs	I	84.010	N/A	7/1/2020	9/30/2021	-	2,956	2,956	-	-
Passed through Pennsylvania Dept. of Education										
Title I Improving Basic Programs	I	84.010	013-210139	7/1/2020	9/30/2021	-	7,614,261	8,158,137	543,876	-
Subtotal						-	7,617,217	8,161,093	543,876	-
School Improvement Grant	I	84.377	142-180139	8/31/2018	9/30/2019	525,277	-	-	525,277	-
Title II Improving Teacher Quality	I	84.367	020-200139	7/1/2019	9/30/2020	119,133	119,133	-	-	-
Title II Improving Teacher Quality	I	84.367	021-200139	7/1/2020	9/30/2021	-	750,993	862,316	111,323	-
Title IIA Teachers in the Workplace	I	84.367	220-200139	7/1/2019	9/30/2020	20,454	6,818	-	13,636	-
Subtotal						139,587	876,944	862,316	124,959	-
Title III Language Ins LEP Immigrant Students	I	84.365	010-190139	7/1/2019	9/30/2020	40,073	26,715	-	13,358	-
Title III Language Ins LEP Immigrant Students	I	84.365	020-190139	7/1/2020	9/30/2021	-	161,659	186,530	24,871	-
Subtotal						40,073	188,374	186,530	38,229	-
Secondary Allocations	I	84.048	380-200085	7/1/2019	6/30/2020 *	-	393,060	393,060	-	-
Elementary and Secondary School Emergency Relief Fund (ESSER I)	I	84.425D	200-200139	7/1/2020	9/30/2022 *	-	5,693,496	4,778,937	(914,559)	-
Governor's Emergency Education Relief Fund (GEER)	I	84.425C	162-190031	7/1/2020	9/30/2022 *	-	26,585	26,585	-	-
Governor's Emergency Education Relief Fund (GEER)	I	84.425C	163-190031	7/1/2020	9/30/2022 *	-	44,308	44,308	-	-
Governor's Emergency Education Relief Fund (GEER)	I	84.425C	252-200139	7/1/2020	9/30/2022 *	-	29,634	112,608	82,974	-
Governor's Emergency Education Relief Fund (GEER)	I	84.425C	253-200139	7/1/2020	9/30/2022 *	-	23,684	45,000	21,316	-
Governor's Emergency Education Relief Fund (GEER)	I	84.425C	354-210005	7/1/2020	9/30/2022 *	-	182,819	182,819	-	-
Elementary and Secondary School Emergency Relief Fund (ESSER II)	I	84.425D	N/A	7/1/2020	9/30/2023 *	-	-	3,630,912	3,630,912	-
American Rescue Plan Elementary and Secondary School Emergency Relief Fund (ARP ESSER)		84.425U	N/A	7/1/2020	9/30/2024 *	-	-	3,206,644	3,206,644	-
Subtotal						-	6,000,526	12,027,813	6,027,287	-
COVID-19 Pre-K and HSSAP		21.019	161-190143	7/1/2020	9/30/2021	-	59,887	59,887	-	-

\*Denotes tested as a major program

THE SCHOOL DISTRICT OF THE CITY OF ERIE, PENNSYLVANIA  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)  
FOR YEAR ENDED JUNE 30, 2021

Federal Grantor/Pass Through Grantor/Program Title	Source Code	Federal CFDA Number	Pass Through Grantor Number	Grant Period		Accrued/ (Deferred) Revenue at July 1, 2019	Total Received for the Year	Expenditures	Accrued/ (Deferred) Revenue at June 30, 2020	Subrecipient Expenditures
				Beginning	Ending					
Passed through Northwest Tri- County IU										
Special Education Cluster										
School Age Section 611	I	84.027	062-02-0-005	7/1/2019	6/30/2020	2,593,467	2,593,467	-	-	-
School Age - Pass Through	I	84.027	062-02-0-005	7/1/2019	6/30/2020	328,209	328,209	-	-	-
EI Section 619	I	84.027	062-02-0-005	7/1/2019	6/30/2020	27,633	27,633	-	-	-
EI - Pass Through	I	84.027	062-02-0-005	7/1/2019	6/30/2020	154,830	154,830	-	-	-
School Age Section 611	I	84.027	062-02-0-005	7/1/2020	6/30/2021	-	-	2,679,602	2,679,602	-
School Age - Pass Through	I	84.027	062-02-0-005	7/1/2020	6/30/2021	-	-	344,773	344,773	-
EI Section 619	I	84.027	062-02-0-005	7/1/2020	6/30/2021	-	-	26,722	26,722	-
EI - Pass Through	I	84.027	062-02-0-005	7/1/2020	6/30/2021	-	-	155,295	155,295	-
Passed through Northwest Tri- County IU										
SSIP	I	84.027	N/A	7/1/2020	6/30/2021	-	35,000	35,000	-	-
Subtotal						3,104,139	3,139,139	3,241,392	3,206,392	-
Total Special Education Cluster						3,104,139	3,139,139	3,241,392	3,206,392	-
Title IV - Student Support and Academic Enrichment										
Title IV - Student Support and Academic Enrichment	I	84.424	144-200139	7/1/2019	9/30/2020	125,555	125,555	-	-	-
Title IV - Student Support and Academic Enrichment	I	84.424	144-210139	7/1/2020	9/30/2021	-	416,187	624,281	208,094	-
Subtotal						125,555	541,742	624,281	208,094	-
Elect Parenting 21st Century Community Learning Ctr.										
Elect Parenting 21st Century Community Learning Ctr.	I	84.287	N/A	10/1/2019	9/30/2020	239,233	239,233	-	-	-
Elect Parenting 21st Century Community Learning Ctr.	I	84.287	N/A	10/1/2020	9/30/2021	-	40,907	40,907	-	-
Subtotal						239,233	280,140	40,907	-	-
Total U.S. Department of Education						4,173,864	19,097,029	25,597,279	10,674,114	-
<u>U.S. Department of Health and Human Services</u>										
Passed through Pennsylvania Dept. of Human Services										
State Access Direct - Early Intervention	I	93.778	N/A	7/1/2020	6/30/2021	-	103,556	103,556	-	-
Passed through PA Dept. of Education										
Elect & Fatherhood Initiative	I	93.558	110-110009	7/1/2020	6/30/2021	-	439,704	439,704	-	-
Refugee Child Sch. Imp Act	I	93.576	4100045645	7/1/2020	6/30/2021	-	53,985	53,895	-	-
Total U.S. Dept. of Health & Human Services						-	597,245	597,155	-	-
Total Federal Assistance						\$ 3,930,931	\$ 26,562,351	\$ 33,096,033	\$ 10,464,703	\$ -

\*Denotes tested as a major program

THE SCHOOL DISTRICT OF THE CITY OF ERIE, PENNSYLVANIA  
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2021

NOTE 1: REPORTING ENTITY

The SCHOOL DISTRICT OF THE CITY OF ERIE, PENNSYLVANIA (the "School District") is the reporting entity for financial reporting purposes as defined in Note 1 to the School District's financial statements.

NOTE 2: BASIS OF ACCOUNTING

The accompanying schedule of expenditures of federal awards has been prepared on the basis of accounting practices prescribed or permitted by the Manual of Accounting and Related Financial Procedures for Pennsylvania School Systems, issued by the Pennsylvania Department of Education. These practices, as they apply to the School District, are in conformity with U.S. generally accepted accounting principles. The District did not use the 10% de minimis indirect cost rate.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

THE SCHOOL DISTRICT OF THE CITY OF ERIE, PENNSYLVANIA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2021

Section I - Summary of Auditor's Results:

*Financial Statements*

Type of auditor's report issued: Qualified

Internal control over financial reporting:

Material weakness(es) identified?  yes  no

Significant deficiency(ies) identified not considered to be material weaknesses?  
 yes  none reported

Noncompliance material to financial statements noted?  yes  no

*Federal Awards*

Internal control over major programs:

Material weakness(es) identified?  yes  no

Significant deficiency(ies) identified not considered to be material weaknesses?  
 yes  none reported

Type of auditor's report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with  
2 CFR 200.516(a)  yes  no

Identification of major programs:

<u>AL Number(s)</u>	<u>Name of Program or Cluster</u>
84.425	ESSERS
84.048	Secondary Allocations

Dollar threshold used to distinguish between Type A and Type B programs: \$992,881

Auditee qualified as low-risk auditee?  yes  no

THE SCHOOL DISTRICT OF THE CITY OF ERIE, PENNSYLVANIA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2021

Section II – Findings Relating to the Financial Statements Audit as Required to be Reported in Accordance with Generally Accepted Government Auditing Standards

No matters were reported.

Section III – Federal Awards Findings and Questioned costs.

No matters were reported.

THE SCHOOL DISTRICT OF THE CITY OF ERIE, PENNSYLVANIA  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
FOR THE YEAR ENDED JUNE 30, 2021

Status of Prior Audit Findings

No matters to report.