

Erie County Gaming Revenue Authority

Financial Statements

**Year Ended March 31, 2025
with Independent Auditor's Report**

MaherDuessel

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ERIE COUNTY GAMING REVENUE AUTHORITY

YEAR ENDED MARCH 31, 2025

TABLE OF CONTENTS

Independent Auditor's Report

Financial Statements:

Statement of Net Position	1
Statement of Revenues, Expenses, and Changes in Net Position	2
Statement of Cash Flows	3
Notes to Financial Statements	4

Independent Auditor's Report

**Board of Directors
Erie County Gaming Revenue Authority**

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of the business-type activities of the Erie County Gaming Revenue Authority (Authority), a component unit of the County of Erie, Pennsylvania as of and for the year ended March 31, 2025, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities of the Authority, as of March 31, 2025, and the changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Authority, and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Authority's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with generally accepted auditing standards, we:

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

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

Required Supplementary Information

Management has omitted the Management Discussion and Analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing 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. Our opinion on the basic financial statements is not affected by this missing information.

Maher Duessel

Pittsburgh, Pennsylvania
July 28, 2025

ERIE COUNTY GAMING REVENUE AUTHORITY

STATEMENT OF NET POSITION

MARCH 31, 2025

Assets	
Current assets:	
Cash and cash equivalents	\$ 12,539,041
Certificates of deposit	9,266,508
Prepaid expenses	17,591
Notes receivable	<u>2,098,506</u>
Total current assets	23,921,646
Noncurrent assets:	
Notes receivable, net	<u>4,047,118</u>
Total Assets	<u>\$ 27,968,764</u>
Liabilities and Net Position	
Current liabilities:	
Unearned revenue	\$ 2,720,891
Accrued compensated absences	<u>29,566</u>
Total liabilities	<u>2,750,457</u>
Net Position:	
Restricted - economic development	<u>25,218,307</u>
Total Liabilities and Net Position	<u>\$ 27,968,764</u>

See accompanying notes to financial statements.

ERIE COUNTY GAMING REVENUE AUTHORITY

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

YEAR ENDED MARCH 31, 2025

Operating Revenues:

Gaming revenue	\$ 6,101,289
Governmental grants	648,517
Recovery of provision for uncollectible notes	2,172
Interest income - note receivable	133,716
Total operating revenues	<u>6,885,694</u>

Operating Expenses:

Economic Development:	
Grants awarded	5,923,919
Employee costs	354,541
Professional fees	89,346
Office space	20,130
Marketing and communications	9,355
Office expenses	13,600
Data processing	20,701
Insurance	15,881
General and meeting	7,919
Loan forgiveness	45,329
Total operating expenses	<u>6,500,721</u>
Operating Income (Loss)	<u>384,973</u>

Nonoperating Revenues (Expenses):

Interest income	<u>698,880</u>
Change in Net Position	1,083,853

Net Position:

Beginning of year	<u>24,134,454</u>
End of year	<u>\$ 25,218,307</u>

See accompanying notes to financial statements.

ERIE COUNTY GAMING REVENUE AUTHORITY

STATEMENT OF CASH FLOWS

YEAR ENDED MARCH 31, 2025

Cash Flows From Operating Activities:

Cash received from gaming revenue	\$ 6,101,289
Cash received from governmental grants	2,500,000
Cash received from borrowers	133,716
Cash received from recoverability from borrowers	50,901
Cash paid to employees and for employee benefits	(324,975)
Cash paid as grant awards	(5,923,919)
Cash paid for operating expenses	(179,880)
Net cash provided by (used in) operating activities	<u>2,357,132</u>

Cash Flows From Investing Activities:

Interest income	419,149
Purchase of certificates of deposit	(8,986,777)
Net cash provided by (used in) investing activities	<u>(8,567,628)</u>

Net Increase (Decrease) in Cash and Cash Equivalents (6,210,496)

Cash and Cash Equivalents:

Beginning of year	<u>18,749,537</u>
End of year	<u>\$ 12,539,041</u>

Reconciliation of Operating Income (Loss) to Net Cash Flows Provided by (Used in) Operating Activities:

Operating income (loss)	\$ 384,973
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:	
Recovery of provision for uncollectible notes	(2,172)
Change in operating assets and liabilities:	
Prepaid expenses	(2,948)
Notes receivable	96,230
Compensated absences	29,566
Unearned revenue	<u>1,851,483</u>
Total adjustments	<u>1,972,159</u>
Net cash provided by (used in) operating activities	<u>\$ 2,357,132</u>

See accompanying notes to financial statements.

ERIE COUNTY GAMING REVENUE AUTHORITY

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED MARCH 31, 2025

1. General Information

The Erie County Gaming Revenue Authority (Authority) was established in February 2008. The Authority was formed pursuant to the provisions of the Economic Development Financing Law, the Pennsylvania Race Horse Development and Gaming Act, and the Home Rule Charter of the County of Erie (County). The purpose of the Authority is to administer municipal grants and otherwise perform the functions of the County's Economic Development Authority.

The Authority's Board of Directors (Board) consists of nine Board members. Two of the members are ex-officio, non-voting members, namely, the Chairman of County Council, and the County Executive or designee. The remaining members consist of one resident from each of the seven districts within the County who shall be appointed by the County Executive with the consent of County Council.

Under the guidelines for determining the definition of the reporting entity, the Authority has been determined to be includable as a component of the County, the primary government. These financial statements reflect only that portion of the activities and transactions which are attributable to the Authority. The accounts and operations of the County are addressed in separate general purpose financial statements.

The Authority is dependent on gaming revenues generated from the Presque Isle Downs and Casino and federal grant funds. These revenues are passed on to the Authority from the County as restricted funds.

2. Summary of Significant Accounting Policies

The financial statements of the Authority have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the Authority's accounting policies are described below.

ERIE COUNTY GAMING REVENUE AUTHORITY

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED MARCH 31, 2025

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

The Authority is considered a special purpose government entity operating a single government program. Non-operating revenue and expenses consist of those revenues and expenses that are related to the financing and investing type of activities.

Net Position

The Authority only reports restricted net position which represents constraints placed on net position used through external restrictions, reduced by liabilities related to those assets. The Authority's net position is restricted for economic development grants and loans. Of the total restricted net position, approximately \$4.1 million represents notes receivable (net) from various borrowers as described in Note 5, and approximately \$650,000 represents grant funding committed via award agreements but not yet spent. The remaining funds are restricted by the County for economic development.

The Authority's policy is to use funds in the order of the most restricted to the least restrictive.

Cash and Cash Equivalents

Cash and cash equivalents are cash on hand, as well as demand deposits in checking and savings accounts and investments with maturities of three months or less at a local financial institution.

Certificates of Deposit

The Authority has certificates of deposit totaling \$1,025,637 at March 31, 2025, which are reported in the accompanying statement of net position at cost plus accrued interest. The certificates bear interest of 5.15% and mature on May 21, 2025. These certificates of deposit are insured by FDIC or are collateralized in accordance with Pennsylvania Act 72 of 1971.

The Authority has certificates of deposit totaling \$1,026,129 at March 31, 2025, which are reported in the accompanying statement of net position at cost plus accrued interest. The

ERIE COUNTY GAMING REVENUE AUTHORITY

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED MARCH 31, 2025

certificates bear interest of 4.00% and mature on November 21, 2025. These certificates of deposit are insured by FDIC or are collateralized in accordance with Pennsylvania Act 72 of 1971.

The Authority has certificates of deposit totaling \$2,063,221 at March 31, 2025, which are reported in the accompanying statement of net position at cost plus accrued interest. The certificates bear interest of 4.46% and mature on September 26, 2025. These certificates of deposit are insured by FDIC or are collateralized in accordance with Pennsylvania Act 72 of 1971.

The Authority has certificates of deposit totaling \$5,151,521 at March 31, 2025, which are reported in the accompanying statement of net position at cost plus accrued interest. The certificates bear interest of 5.33% and mature on August 28, 2025. These certificates of deposit are insured by the National Credit Union Administration (NCUA) for \$250,000 and the local financial institution purchases an additional policy for another \$250,000.

Notes Receivable

As described in Note 5, the Authority has issued various economic development related notes. Notes receivable are written off when they are determined to be uncollectible. It is the Authority's policy to provide for future losses on notes based on an evaluation of the current portfolio, current economic conditions, and such other factors which, in the Authority's judgement, may impact collectability for specific notes. While management uses available information to recognize losses on notes receivable, future additions to the allowance may be necessary based on changes in economic conditions. The allowance for uncollectable notes totaled \$1,577,553 as of March 31, 2025. As of March 31, 2025, none of the notes receivable are in default.

From time to time, the Authority awards convertible loans to organizations ("Awardee") which are required to loan those funds to third parties ("Recipient"). If the Recipient defaults on the loans to the Awardee, the Authority's loan to the Awardee converts to a grant. If the Recipient pays the loan back to the Awardee, the Authority will continue to receive its payments from the Awardee. Based on the convertible nature of these provisions, the Authority recognizes these awards as grants, since the likelihood of receiving funds cannot be determined, nor can they be quantified, at the time the grants are awarded.

ERIE COUNTY GAMING REVENUE AUTHORITY

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED MARCH 31, 2025

Unearned Revenue

The Authority received grant funding from the American Rescue Plan Act of 2021 (ARPA) in the amount of \$4,000,000 during the 2022 fiscal year. Approximately \$221,000 of ARPA funds are included in unearned revenue at March 31, 2025. An additional \$2,500,000 of ARPA funds were received during the fiscal year 2025 related to childcare initiative. Approximately \$2,500,000 of ARPA funds are included in unearned revenue at March 31, 2025. Amounts received prior to incurring qualifying expenditures are reported as unearned revenue as of March 31, 2025. Unearned revenues will be recognized as revenue in the fiscal year they are earned in accordance with the accrual basis of accounting.

Compensated Absences

The Authority recognizes a liability for compensated absences for leave time that (1) has been earned for services previously rendered by employees, (2) accumulates and is allowed to be carried over to subsequent years, and (3) is more likely than not to be used as time off or settled (for example, paid in cash to the employee) during or upon separation from employment. Based on the criteria listed, two types of leave qualify for liability recognition for compensated absences – vacation and sick leave. The Authority's policy permits employees to accumulate earned but unused vacation and sick leave benefits which are eligible for payment at the employee's current pay rate upon separation from employment. The liability for compensated absences is recorded as incurred in the financial statements.

Risk Management & Contingencies

The Authority is exposed to various risks of loss related to torts (mitigated through the Pennsylvania Political Subdivision Tort Claims Act), theft of, damage to and destruction of assets; error and omission, and natural disasters for which the Authority carries commercial insurance. There have been no significant changes in insurance coverage since the prior year.

The Authority receives federal and state funding that may be subject to audit from funding agencies. Applicable laws and regulations are complex and subject to interpretation and as a result an audit could lead to disallowed costs. The Authority management believes that audits of existing programs will not result in any significant liabilities to the Authority.

The Pennsylvania Auditor General issued a Performance Audit Report of ECGRA's operations on May 15, 2025. The Audit Report indicated ECGRA "did not receive \$538,248 in gaming revenue it was due from Erie County for the period April 1, 2021 to March 31,

ERIE COUNTY GAMING REVENUE AUTHORITY

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED MARCH 31, 2025

2024." ECGRA is currently in discussions with the County of Erie regarding the reconciliation of the gaming revenues identified within the audit period, as well as subsequent periods. Revenues anticipated to be received as a result of this reconciliation process have not been recorded in the accompanying financial statements.

Estimates

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

Adopted Pronouncements

GASB Statement No. 100, (Accounting Changes and Error Corrections) was adopted for the year ended March 31, 2025. This statement had no significant impact on the Authority's financial statements for the year ended March 31, 2025.

GASB Statement No. 101, (Compensated Absences) was adopted for the year ended March 31, 2025. The value of unused vacation and sick time owed to employees upon separation of employment is recognized as an estimated amount of leave earned as of year-end that will be used by employees as time off in future years as part of the liability for compensated absences.

Pending Pronouncements

GASB has issued statements that will become effective in future years, including Statement Nos. 102 (Certain Risk Disclosures), 103 (Financial Reporting Model Improvements), and 104 (Disclosure of Certain Capital Assets). Management has not yet determined the impact of these statements on the financial statements.

3. Cash and Cash Equivalents

Custodial credit risk is the risk that in the event of a bank failure, the Authority's deposits may not be returned to it. The Authority does not have a policy for custodial credit risk. As of March 31, 2025, \$6,014,759 of the Authority's bank balance of \$12,474,870 was collateralized with securities held by the pledging financial institution and \$6,460,111 was covered by the Federal Deposit Insurance Corporation (FDIC). The remaining balance is

ERIE COUNTY GAMING REVENUE AUTHORITY

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED MARCH 31, 2025

collateralized in accordance with Act 72 of the Pennsylvania state legislature, which requires the financial institution to pool collateral for all governmental deposits and have the collateral held by an approved custodian in the institution's name. These deposits include amounts with a book balance as of March 31, 2025 of \$12,539,041, which are reported as cash and cash equivalents in the statement of net position.

4. Irrevocable Gifts to Erie Community Foundation

The Authority has entered into an irrevocable gift agreement with the Erie Community Foundation (ECF). This fund is under the control of the ECF and subject to their policies and as such, is not recorded on the books of the Authority. The market value of this fund as reported by the ECF as of March 31, 2025 was approximately \$16.8 million. A donor designated fund, called the Lead Asset Endowment Fund, was established to perpetually provide financial assistance to organizations designated by the settlement dated December 13, 2010 (Erie County Lead Regional Assets). During the fiscal year, \$609,656 in distributions from this fund were awarded directly to Erie County Lead Assets.

5. Notes Receivable

On September 13, 2012 and August 13, 2013, the Authority entered into loan agreements with the Enterprise Development Fund of Erie County, Inc. (Fund) for \$500,000 and \$800,000, respectively. The purpose of the loan was to provide loans to various entities in the County area to create and retain jobs. In March 2018, the loans were restructured and combined into one loan agreement. The loan agreement requires quarterly interest-only payments at a rate of 1% per annum, until March 31, 2028. The loan has an outstanding principal balance of \$1,300,000 as of March 31, 2025. The Authority was notified in 2016 that an entity related to the Fund, The Greater Erie Industrial Development Corporation (GEIDC), filed for Chapter 7 bankruptcy. The management of the Fund was transferred to another entity in Erie and has been stabilized. The bankruptcy of GEIDC has not impacted the collectability of the loan. The Fund is current on the quarterly interest-only payments.

In January 2016, the Authority entered into a loan agreement with Bridgeway Capital for \$1,000,000. The purpose of the loan was to create the Erie Growth Fund. The loan requires interest-only quarterly payments at a rate of 3% per annum. The entire principal is due January 2026. The loan has an outstanding principal balance of \$1,000,000 as of March 31, 2025.

ERIE COUNTY GAMING REVENUE AUTHORITY

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED MARCH 31, 2025

In April 2017, the Authority entered into a loan agreement with The Progress Fund for \$1,000,000. The purpose of the loan was to provide capital to rural businesses that create jobs and invest in Erie County. The loan requires interest-only quarterly payments at a rate of 2% per annum. The entire principal is due January 2026. The loan has an outstanding principal balance of \$1,000,000 as of March 31, 2025.

In December 2017, the Authority entered into a loan agreement with 1855 Capital Fund for \$500,000. The purpose of the loan was to provide capital to technology-based businesses that create jobs and invest in Erie County. Minimum Interest, as that term is defined in the loan agreement, is due to ECGRA semiannually. Outstanding Minimum Interest, Fixed Interest, Participating Interest, and Principal are due on the Maturity Date, as that term is defined in the loan agreement. The entire principal is due December 2027. The loan has an outstanding principal balance of \$500,000 as of March 31, 2025.

In September 2018, the Authority entered into a loan agreement with Bridgeway Capital for \$2,500,000. The purpose of the loan was to create the Erie Inclusive Fund. The loan requires interest-only quarterly payments at a rate of 1% per annum. The entire principal is due December 2028. The loan has an outstanding principal balance of \$2,500,000 as of March 31, 2025.

In January 2019, the Authority entered into a loan agreement with Blue Highway Capital for \$250,000. The purpose of the loan was to provide capital to rural businesses throughout Erie County. Minimum Interest, as that term is defined in the loan agreement, is due to ECGRA semiannually. Outstanding Minimum Interest, Fixed Interest, Participating Interest, and Principal are due on the Maturity Date, as that term is defined in the loan agreement. The entire principal is due in January 2029, unless extensions are exercised. The loan has an outstanding principal balance of \$250,000 as of March 31, 2025.

In March 2020, the Authority entered into a loan agreement with Bridgeway Capital to develop two separate coronavirus COVID-19 emergency loan funds, one to provide loans to small businesses within Erie County that have demonstrated actual negative economic impact due to effects of coronavirus COVID-19 in the amount of \$520,000, and one to provide loans to small Erie County nonprofit organizations for the purpose of providing the nonprofit organization with resources to aid in their mission based on local response to the pandemic in the amount of \$100,000. The loan bears zero interest. The entire outstanding balance is due in October 2026. During the 2025 fiscal year, the Board approved of partial forgiveness of the loan for \$45,329. The loan has an outstanding principal balance of \$574,671 as of March 31, 2025.

ERIE COUNTY GAMING REVENUE AUTHORITY

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED MARCH 31, 2025

In August 2020, the Authority entered into a loan agreement with Erie Center for Arts & Technology for \$500,000. The purpose of the loan was to rehabilitate Wayne School building in support of workforce development, educational, and healthcare programming anchoring a distressed neighborhood. Minimum Interest, as that term is defined in the loan agreement, is due to the Authority quarterly. Outstanding Minimum Interest, Fixed Interest, Participating Interest, and Principal are due on the Maturity Date, as that term is defined in the loan agreement. The entire principal is due in August 2027, unless extensions are exercised. The loan has an outstanding principal balance of \$500,000 as of March 31, 2025.

In January 2022, the Authority entered into a loan agreement with Youth Leadership Institute of Erie for \$188,000. The purpose of the loan was to create the Community Enterprise Financing Loan as a funding stream to make mission-related investments within Erie County for the purpose of assisting established community-based entrepreneurs that do not have access to available bank financing to provide upfront and startup capital to fund startup costs related to the receipt of a grant or service contract to provide a community enriching program. The Authority has designed this program as a means for gap financing, as banks often require collateral to make lines of credit available, leaving small budget or undercapitalized organizations no alternatives but to use high-interest loans. This is a zero-percent interest rate loan with an original maturity date of February of 2023. Subsequent to the original maturity date, the Authority and the Youth Leadership Institute of Erie agreed to extend the maturity date until approximately June 2025. Subsequent to year-end, the Authority began the process to undergo a default workout agreement; however, it has not been finalized. The loan has an outstanding principal balance of \$98,506 as of March 31, 2025.

6. Cash Benefit Plan

The Authority established a defined contribution Benefit Plan (Plan), which is administered by PMRS, on January 1, 2021. All employees of the Authority are required to participate in the Plan. Members are eligible for retirement at 65 years of age or early retirement at 60 years of age with the benefit being actuarially reduced for each year or partial year prior to the attainment of age 65. The Authority contributes 8% of each member's compensation. Contributions made from April 1, 2024 through March 31, 2025 by the Authority were \$18,287.