ERIE COUNTY TECHNICAL SCHOOL

AUDITED FINANCIAL STATEMENTS

JUNE 30, 2010

ERIE COUNTY TECHNICAL SCHOOL
AUDITED FINANCIAL STATEMENTS
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FOR THE YEAR ENDED JUNE 30, 2010

Independent Auditors' Report

To The Members of the Operating Committee
Erie County Technical School
Erie, Pennsylvania

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 Erie County Technical School as of and for the year ended June 30, 2010, which collectively comprise the School's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the School's management. 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 includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

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 of the Erie County Technical School as of June 30, 2010, and the respective changes in financial position and cash flows, where applicable, thereof, and the respective budgetary comparison for the general fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Independent Auditors' Report
(Continued)

In accordance with *Government Auditing Standards*, we have also issued our report dated August 20, 2010 on our consideration of the Erie County Technical School'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.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 5 through 18 and 47 be presented to supplement the basic financial statements. Such information, although not part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information with consistency with management's responses to our inquires, 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.

Felix and Gloekler, P.C.

Felix and Gloekler, P.C.

August 20, 2010
Erie, Pennsylvania

ERIE COUNTY TECHNICAL SCHOOL
Management's Discussion and Analysis (MD&A)
June 30, 2010

The discussion and analysis of Erie County Technical School's financial performance provides an overall review of the area vocational technical school (AVTS) financial activities for the fiscal year ended June 30, 2010. The intent of this discussion and analysis is to look at the AVTS financial performance as a whole; readers should also review the notes to the basic financial statements and financial statements to enhance their understanding of the AVTS financial performance.

The Management Discussion and Analysis (MD&A) is an element of the reporting model adopted by the Governmental Accounting Standards Board (GASB) in their Statement No. 34, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments, issued June 1999.

<u>Joint Venture</u>

Erie County Technical School is a joint venture of eleven public school districts in Erie County, Pennsylvania, organized under the Public School Code of Pennsylvania. The school provides vocational and technical training programs for high school students who are residents of the participating school districts and out of school youths and adults. Each district is responsible for a share of the operating budget based on student enrollment using a formula described within the Articles of Agreement. The participating districts include: Fairview School District, Fort LeBoeuf School District, General McLane School District, Girard School District, Harbor Creek School District, Iroquois School District, Millcreek Township School District, North East School District, Northwestern School District, Union City Area School District, and Wattsburg Area School District.

A division with-in the school that offers adult training is the Regional Career and Technical Center (RCTC). RCTC receives no school district funding and operates on student and employer paid tuition as well as federal and state grants that may become available.

FINANCIAL HIGHLIGHTS

<u>District contributions:</u>

The largest source of revenue comes from the participating school districts to support the secondary education program and is based on a funding formula agreed upon by all the districts as part of the Articles of Agreement. Total district contributions for the <u>secondary program</u> were:

- $3,597,010 for 2009-10
- $3,364,860 for 2008-09
- $3,120,514 for 2007-08

Additional revenue from school districts is for students enrolled in the Career and Alternative Education Program for Disruptive Youth. Total district tuition payments were:

- $626,795 for 2009-10
- $731,770 for 2008-09
- $743,170 for 2007-08

The AVTS operated a satellite Diversified Occupations Program at Wattsburg Area School District beginning in 2006-2007 and total payments were:

- $12,570 for 2009-10
- $24,242 for 2008-09
- $20,651 for 2007-08

Construction completed in 2009-10 of a Special Education Transition Center within the Skill Center Building to provide training for a successful transition to work and/or additional training after graduation for special needs students. Participating school districts provided construction funding. Construction continued during 2007-08, 2008-2009 with completion and occupancy in August 2009. AVTS High School students and instructors were utilized for the construction phase.

- Construction Costs to the participating districts was $110,734

Nine districts make operating and rental payments according to a lease agreement. Professional staff and instructional aides are employed by ECTS beginning with the 2009-10 school year to operate the program. Operating costs and rental fees paid by the participating districts was:

- $198,459 for 2009-10, including $45,000 for kitchen equipment

Total contributions from participating school districts for all programs as a percentage of secondary program operating revenue:

- 75% for 2009-10
- 77% for 2008-09
- 76% for 2007-08

Regional Career and Technical Center (RCTC):

During 2009-10, the adult training programs continued as part-time, certificate classes. PDE accreditation has been obtained which will enable student access to federal tuition assistance so that RCTC adult students could co-enroll in the secondary program. The Joint Operating Committee has not approved the co-enrollment of adults in the secondary program.

A New Choice Career Development grant of $61,793 funded through PA Department of Labor provided training and counseling for adults during 2009-10. This grant replaced funding received in previous years through Department of Education and was a reduction of $100,000 from 2008-09. The funding loss resulted in the furlough of a full-time staff counselor and no reimbursement for clerical personnel costs.

Skill Center Building:

The Northwest Tri-County Intermediate Unit leases Skill Center Building space for classrooms for a regional collaborative effort for the delivery of advanced courses to high school students from participating school districts.

The Career and Alternative Education Program for Disruptive Youth uses classroom space at the Skill Center Building, as well as the high school building for a high school and middle school program.

RCTC uses the welding lab to provide skill training for area employers.

The Special Education Transition Center construction completed within the Skill Center Building to provide training for special needs students from nine participating districts. The program began operating with staff and students in 2009-10.

A small part of the Skill Center Building is leased to Northwest Tri-County Intermediate Unit for supply storage.

All the Erie County Technical School high school career and technical programs are housed at the main high school building.

Northwestern Region Employee Benefit Trust (NOREBT):

The AVTS participates in a self-funded insurance trust for the purpose of providing medical, prescription, dental and vision plans to eligible employees, retirees and their dependents. The AVTS makes contributions to the trust for payment of claims, expenses, and stop-loss insurance. The AVTS asset share of the trust balance is recorded as a prepaid deposit on the Balance Sheet and corresponding Fund Balance Reserve. This reserve is being maintained to fund future claims and to moderate future contribution increases:

- $525,305 at June 30, 2010
- $515,668 at June 30, 2009
- $632,605 at June 30, 2008

Several area school districts, area technical schools, and Northwestern Tri-County Intermediate Unit are members of NOREBT and share in the risk pool.

FINANCIAL STATEMENTS

Within the Financial Section are the Management Discussion and Analysis (this section) and a series of financial statements and notes to those statements. These statements are organized so that the reader can understand Erie County Technical School as an entire operating entity. The statements then proceed to provide an increasingly detailed look at specific financial activities.

The first two statements are government-wide financial statements - the Statement of Net Assets and the Statement of Activities. These provide both long-term and short-term information about the AVTS overall financial status.

The remaining statements are fund financial statements that focus on individual parts of the AVTS operations in more detail than the government-wide statements. The governmental funds statements tell how general AVTS services were financed in the short term, as well as what remains for future spending. Proprietary fund statements offer short and long-term financial information about the activities that the AVTS operates like a business. For this AVTS, this is our Food Service Fund. Fiduciary fund statements provide information about financial relationships where the AVTS acts solely as a trustee or agent for the benefit of others, to whom the reported resources belong.

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data.

Figure A-1 shows how the required parts of the Financial Section are arranged and relate to one another:

Figure A-1
Required components of
Erie County Technical School's
Financial Report

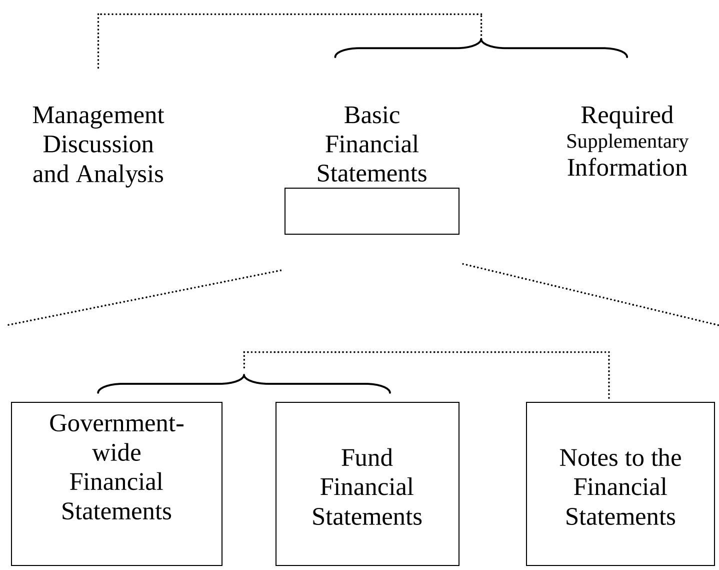

Figure A-2 summarizes the major features of the AVTS financial statements, including the portion of the AVTS they cover and the types of information they contain. The remainder of this overview section of management discussion and analysis explains the structure and contents of each of the statements.

Figure A-2
Major Features of Erie County Technical School's
Government-wide and Fund Financial Statements

		Fund Statements		
	Government-Wide Statements	Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire AVTS (except fiduciary funds)	The activities of the AVTS that are not proprietary or fiduciary, such as education, administration and community services	Activities the AVTS operates similar to private business – Food Services	Instances in which the AVTS is the trustee or agent to someone else's resources – Scholarship Funds
Required financial statements	Statement of net assets Statement of activities	Balance Sheet Statement of revenues, expenditures, and changes in fund balance	Statement of net assets Statement of revenues, expenses and changes in net assets Statement of cash flows	Statement of fiduciary net assets Statement of changes in fiduciary net assets
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, and short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets included	All assets and liabilities, both financial and capital, and short-term and long-term	All assets and liabilities, both short-term and long-term
Type of inflow-outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon thereafter	All revenues and expenses during year, regardless of when cash is received or paid	All revenues and expenses during year, regardless of when cash is received or paid

OVERVIEW OF FINANCIAL STATEMENTS

Government-wide Statements

The government-wide statements report information about the AVTS as a whole using accounting methods similar to those used by private-sector companies. The statement of net assets includes all of the government's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two government-wide statements report the AVTS net assets and how they have changed. Net assets, the difference between the AVTS assets and liabilities, are one way to measure the AVTS financial health or position.

Over time, increases or decreases in the AVTS net assets are an indication of whether its financial health is improving or deteriorating, respectively.

To assess the overall health of the AVTS, you need to consider additional non-financial factors, such as changes in the school districts' property tax base and the performance of the students.

The government-wide financial statements of the AVTS are divided into two categories:

- Governmental activities – All of the AVTS basic services are included here, such as instruction, administration and community services. Participating school district contributions, state and federal subsidies and grants finance most of these activities.
- Business type activities –The AVTS operates a food service operation and charges fees to staff, students and visitors to help it cover the costs of the food service operation.

Fund Financial Statements

The AVTS fund financial statements provide detailed information about the most significant funds - not the AVTS as a whole. Some funds are required by state law and by bond requirements.

Governmental funds - Most of the AVTS activities are reported in governmental funds, which focus on the determination of financial position and change in financial position, not on income determination. They are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the AVTS operations and the services it provides. Governmental fund information helps the reader determine whether there are more or fewer financial resources that can be spent in the near future to finance the AVTS programs. The relationship (or differences) between governmental activities (reported in the statement of net assets and the statement of activities) and governmental funds is reconciled in the financial statements.

Proprietary funds - These funds are used to account for the AVTS activities that are similar to business operations in the private sector; or where the reporting is on determining net income, financial position, changes in financial position, and a significant portion of funding through user charges. When the AVTS charges customers for services it provides – whether to outside customers or to other units in the AVTS - these services are generally reported in proprietary funds. The Food Service Fund is the AVTS proprietary fund and is the same as the business-type activities we report in the government-wide statements, but provide more detail and additional information, such as cash flows.

Fiduciary funds - The AVTS is the trustee, or fiduciary, for some scholarship funds. All of the AVTS fiduciary activities are reported in separate statements of fiduciary net assets. We exclude these activities from the AVTS financial statements because the AVTS cannot use these assets to finance its operations.

FINANCIAL ANALYSIS OF THE AVTS AS A WHOLE

The AVTS total net assets were:

$6,510,367 at June 30, 2010
$6,455,443 at June 30, 2009
$6,743,962 at June 30, 2008

The change in value can be attributed to asset acquisitions, asset depreciation, asset sales and disposals. The school continues to make a major effort to insure that machinery and equipment is recorded properly and is verifiable.

Table A-1
Fiscal Year Ended June 30, 2010
Net Assets

	Governmental Activities	Business-Type Activities	Total	Prior Year Total 6/30/2009
Current and other assets	$ 2,051,717	$ 27,323	$ 2,079,040	$ 1,910,110
Non current assets	5,152,780	38,993	5,191,773	5,343,531
Total assets	$ 7,204,497	$ 66,316	$ 7,270,813	$ 7,253,641
Current and other liabilities	$ 517,728	$ 5,648	$ 523,376	$ 542,052
Non current liabilities	237,070	-	237,070	256,146
Total liabilities	754,798	5,648	760,446	798,198
Net assets				
Invested in capital assets, net of related debt	5,152,780	38,993	5,191,773	5,325,963
Restricted-capital projects	340,516	-	340,516	329,612
Unrestricted	956,403	21,675	978,078	799,868
Total net assets	6,449,699	60,668	6,510,367	6,455,443
Total liabilities and net assets	$ 7,204,497	$ 66,316	$ 7,270,813	$ 7,253,641

Most of the AVTS net assets are invested in capital assets (buildings, land, and equipment). The remaining unrestricted net assets are a combination of designated and undesignated amounts. The designated balances are amounts set-aside to fund future equipment purchases or capital projects as may be planned by the AVTS.

The results of this year's operations as a whole are reported in the statement of activities. All expenses are reported in the first column. Specific charges, grants, revenues and subsidies that directly relate to specific expense categories are represented to determine the final amount of the AVTS activities that are supported by other general revenues. The largest general revenue category is the contribution from the participating school districts.

Table A-2 takes the information from that statement, rearranges it slightly, so you can see our total revenues for the year.

Table A-2
Fiscal Year Ended June 30, 2010
Changes in Net Assets

	Governmental Activities	Business-Type Activities	Total	Prior Year Total 6/30/2009
Revenues				
Program revenues				
Charges for services	$ 351,767	$ 114,026	$ 465,793	$ 475,207
Operating grants and contributions	1,045,436	63,472	1,108,908	1,099,573
Capital grants and contributions	96,269	-	96,269	195,329
General revenues	4,493,802	21	4,493,823	4,199,916
Total Revenues	5,987,274	177,519	6,164,793	5,970,025
Expenses				
Instruction	3,296,823	-	3,296,823	3,366,451
Pupil Personnel	433,154		433,154	478,044
Instructional staff support	233,581	-	233,581	247,732
Administrative and financial support	750,092	-	750,092	715,328
Operation and maintenance of plant	844,697	-	844,697	918,274
Central services	372,876	-	372,876	345,780
Student activities	562	-	562	2,822
Interest on long-term debt	382	-	382	2,240
Food services	-	177,702	177,702	181,871
Total Expenses	5,932,167	177,702	6,109,869	6,258,542
Increase (Decrease) in Net Assets	$ 55,107	$ (183)	$ 54,924	$ (288,517)

The tables below present the expenses of both the Governmental Activities and the Business-type Activities of the AVTS.

Table A-3 shows the AVTS largest functions - instructional programs, instructional student support, administrative, operation and maintenance of plant, pupil transportation, student activities, community services, as well as each program's net cost (total cost less revenues generated by the activities). This table also shows the net costs offset by the other unrestricted grants, subsidies and contributions to show the remaining financial needs supported by local revenue and other miscellaneous revenues.

Table A-3
Fiscal Year Ended June 30, 2010
Governmental Activities

Functions/Programs	Total Cost of Services	Net Cost of Services	Prior Year 6/30/09 Net Cost
Instruction	$ 3,296,823	$ 1,948,350	$ 1,884,840
Pupil Personnel	433,154	416,518	459,995
Instructional staff support	233,581	224,339	238,708
Administrative	750,092	720,517	688,251
Operation and maintenance	844,697	755,151	860,457
Central services	372,876	372,876	345,780
Student activities	562	562	2,822
Interest on long-term debt	382	382	2,240
Total Governmental Activities	5,932,167	4,438,695	4,483,093
Less:			
Unrestricted grants, subsidies	-	-	-
Total Needs from Local and Other Revenues	$ 5,932,167	$ 4,438,695	$ 4,483,093

Table A-4 reflects the activities of the Food Service program, the only Business-type Activity of the AVTS.

Table A-4
Fiscal Year Ended June 30, 2010
Business-Type Activities

Functions/Programs	Total Cost of Services	Net Cost of Services	Prior Year 6/30/09 Net Cost
Food services	$ 177,702	$ (204)	$ 5,340
Less:			
Investment earnings and transfers	21	21	28
Inter fund transfer from General Fund	-	-	-
Total Business-type Activities	$ 177,681	$ (183)	$ 5,312

The Statement of Revenues, Expenses and Changes in Fund Net Assets for this proprietary fund will further detail the actual results of operations.

Fund Balances:

The AVTS governmental funds reported a combined fund balance of:
$1,568,327 at June 30, 2010
$1,380,232 at June 30, 2009
$1,522,155 at June 30, 2008

General Fund:

The AVTS General Fund's fund balance at June 30, 2010 includes:

$230,928 for inventories
$525,305 for self insurance benefit trust
$ 3,567 for prepaid insurances and expenses
$144,750 for RCTC adult training
$ 43,750 for future PSERS employer rate increases
$279,511 unreserved

The unreserved balance of $279,511 is available for future years' budgeting. This is used to balance the amount required in future years from school districts to fund the secondary program. The unreserved fund balance is 4.8% of total 2009-10 General Fund expenditures.

Capital Reserve Fund:

The AVTS is preparing for future capital projects and for new and replacement equipment purchases. In order to fund these projects and equipment without the need for additional school district contributions or borrowing issues, the AVTS has established this fund and makes transfers from the General Fund into this fund.

Recent Transfers to the Capital Reserve Fund from the General fund included:

- 2009-10: District payments for Transition Center kitchen equipment -$45,000
- 2009-10: Transfer from General Fund for future purchases, vehicles and equipment-$15,020

Prior years:

- 2008-09: Sale of a ten acre parcel to Summit Township-$37,000
- 2007-08: District payments for a Transition Center for Special Education-$111,000.
- 2006-07: Sale of 20 acres of unused land to the County of Erie- $275,000

Recent Expenditures from the Capital Reserve Fund included:

- 2007-10: Construction of the Transition Center for Special Education-$110,734
- 2009-10: Transition Center kitchen equipment-$25,866

Capital project fund balance is reserved for the following projects:

Future building and program improvements	$107,167
Transition center kitchen	19,134
Lighting construction project	214,215
	$340,516

First Energy has pre-approved rebates totaling $78,618 to offset costs of the lighting project.

General Fund Budget:

During the fiscal year, the Joint Operating Committee (JOC) authorizes revisions to the original budget to accommodate differences from the original budget to the actual expenditures of the AVTS. A schedule showing the AVTS original and final budget amounts compared with amounts actually paid and received is provided.

The AVTS applies for federal, state, and local grants and these grants cannot always be anticipated in the budgeting process. Budgeted expenditures and other financing uses change to compensate for the additional approved grants. Transfers between specific categories of expenditures/financing uses also occur during the year. The most significant transfers may occur from the budget reserve category to specific expenditure areas.

The Budgetary Reserve includes amounts that may be transferred into expenditure accounts for planned expenditures, upon approval of the JOC. These amounts will only be appropriated into expenditure categories when the expenditure is necessary for the operation of the AVTS. Any budget reserve amount not appropriated during the year will become part of the unreserved fund balance and available for future years' budgeting.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2010, the AVTS had $ 5,191,773 invested in a broad range of capital assets, including land, buildings and machinery and equipment. This amount represents a net decrease (including additions, deletions and depreciation) of $151,758 from June 30, 2009.

Table A-5
Capital Assets - Net of Depreciation

	2010	2009
Land	$ 272,111	$ 272,111
Buildings	3,839,581	4,035,470
Machinery & equipment	1,058,460	1,015,081
Vehicles	21,621	20,869
Total Capital Assets	$5,191,773	$ 5,343,531

Debt Administration

Bond Obligations - At June 30, 2010 the AVTS had no outstanding bond obligations.

Capital Lease - On September 23, 1999 the AVTS entered into a 10 year capital lease to upgrade energy systems and other improvements at the Skill Center Building. Payments began March 2000 and concluded December 2009.

Other obligations include accrued vacation pay and sick leave for specific employees of the AVTS.

NEXT YEAR'S GENERAL FUND BUDGET – 2010-2011

General Fund—Budget Summary

Code	Account	General Fund	Secondary	RCTC
2009-2010	Unreserved Fund Balance - Actual July 1, 2009	368,390	225,121	143,269
2009-2010	Change in Fund Balance - Estimated	-161,280	-102,393	-58,886
2009-2010	Ending Fund Balance 6/30/2010	207,110	122,728	84,383
	Less: PSERS Designation 6/30/2010	-43,750	-43,750	0
2010-2011	**Beginning of Year Fund Balance - July 1, 2010**	**163,360**	**78,978**	**84,383**
	Revenue			
6000	Miscellaneous Local Sources	320,600	73,000	247,600
6946	Districts-Alternative Education	760,500	760,500	
6946	Districts-Other Programs	150,650	150,650	
6946	Districts-Secondary Operating Contributions	3,815,770	3,815,770	
7000	State Sources	804,952	690,147	114,805
8000	Federal Sources	354,734	354,734	
Total Revenue		**6,207,206**	**5,844,801**	**362,405**
Total Revenue & Beginning Fund Balance		**6,370,566**	**5,923,778**	**446,788**
	Expenditures			
1200	Special Education	105,803	105,803	
1300	Vocational Education	2,387,087	2,387,087	
1400	Alternative Education	746,434	746,434	
1600	Adult Education	161,670	0	161,670
2100	Support Services--Pupil Personnel	432,896	376,418	56,478
2200	Support Services--Instructional Staff	247,006	247,006	0
2300	Support Services--Administration	561,535	437,278	124,257
2400	Support Services--Pupil Health	1,000	1,000	
2500	Support Services--Business	156,090	156,090	
2600	Operation and Maintenance of Plant Services	822,017	822,017	
2800	Support Services--Central	398,045	398,045	
3200	Student Activities	2,914	2,914	
4200	Site Improvements and Repairs	10,000	10,000	
4600	Building Improvement Services	8,000	8,000	
5200	Transfers to Other Funds	10,400	10,400	
Subtotal Expenditures		**6,050,897**	**5,708,492**	**342,405**

5900	Budgetary Reserve	113,750	93,750	20,000
Total Expenditures & Budgetary Reserve		**6,164,647**	**5,802,242**	**362,405**
2010-2011	Change in Fund Balance	42,559	42,559	0
End of Year Fund Balance – June 30, 2011				
	Unreserved/Undesignated Fund Balance	163,419	79,036	84,383
	Designated Fund Balance--PSERS Rate Increase	86,250	86,250	0
2010-2011	**End of Year Fund Balance Total – June 30, 2011**	**249,669**	**165,286**	**84,383**

CONTACTING THE TECHNICAL SCHOOL FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, parents, students, investors and creditors with a general overview of the AVTS finances and to show the Joint Operating Committee's accountability for the money it receives. If you have questions about this report or wish to request additional financial information, please contact Paul D. Fritz, Business Manager and Secretary, 8500 Oliver Road, Erie, PA 16509; telephone: 814-464-8600, email: pfritz@ects.org.

ERIE COUNTY TECHNICAL SCHOOL
Statement of Net Assets
June 30, 2010

	Governmental Activities	Business Activities	Total
ASSETS			
Current Assets			
Cash and cash equivalents	$ 1,149,704	$ 20,632	$ 1,170,336
Receivables, net	142,213	1,452	143,665
Inventories	230,928	5,239	236,167
Prepaid expenses	528,872	-	528,872
Total Current Assets	2,051,717	27,323	2,079,040
Noncurrent Assets			
Land	272,111	-	272,111
Capital assets, net	4,880,669	38,993	4,919,662
Total Noncurrent Assets	5,152,780	38,993	5,191,773
Total Assets	$ 7,204,497	$ 66,316	$ 7,270,813
LIABILITIES			
Current Liabilities			
Accounts payable	$ 149,378	$ -	$ 149,378
Accrued salaries and benefits	334,012	5,648	339,660
Compensated absences	34,338	-	34,338
Total Current Liabilities	517,728	5,648	523,376
Noncurrent Liabilities			
Compensated absences	237,070	-	237,070
Total Noncurrent Liabilities	237,070	-	237,070
Total Liabilites	754,798	5,648	760,446
NET ASSETS			
Investment in capital assets, net of related debt	5,152,780	38,993	5,191,773
Restricted for capital projects	340,516	-	340,516
Unrestricted	956,403	21,675	978,078
Total Net Assets	6,449,699	60,668	6,510,367
Total Liabilities and Net Assets	$ 7,204,497	$ 66,316	$ 7,270,813

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

ERIE COUNTY TECHNICAL SCHOOL

Statement of Activities

For the Year Ended June 30, 2010

		Program Revenues		
Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental Activities				
Instruction	$ 3,296,823	$ 262,221	$ 989,983	$ 96,269
Pupil personnel	433,154	-	16,636	-
Instructional staff	233,581	-	9,242	-
Administrative and financial support	750,092	-	29,575	-
Operation and maintenance of plant services	844,697	89,546	-	-
Central services	372,876	-	-	-
Student activities	562	-	-	-
Interest on debt	382	-	-	-
Total Governmental Activities	5,932,167	351,767	1,045,436	96,269
Business-Type Activities				
Food service	177,702	114,026	63,472	-
Total Primary Government	$ 6,109,869	$ 465,793	$ 1,108,908	$ 96,269
General Revenues				
Support-local districts				
Interest earnings				
Miscellaneous income				
Sale of fixed assets				
Total General Revenues				
Change in Net Assets				
Net Assets, July 1, 2009				
Net Assets, June 30, 2010				

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

Net (Expense)/Revenue and Changes in Net Assets		
Governmental Activities	Business-Type Activities	Total
$ (1,948,350)	$ -	$ (1,948,350)
(416,518)	-	(416,518)
(224,339)	-	(224,339)
(720,517)	-	(720,517)
(755,151)	-	(755,151)
(372,876)	-	(372,876)
(562)	-	(562)
(382)	-	(382)
(4,438,695)	-	(4,438,695)
-	(204)	(204)
(4,438,695)	(204)	(4,438,899)
4,434,834	-	4,434,834
5,965	21	5,986
26,563	-	26,563
26,440	-	26,440
4,493,802	21	4,493,823
55,107	(183)	54,924
6,394,592	60,851	6,455,443
$ 6,449,699	$ 60,668	$ 6,510,367

ERIE COUNTY TECHNICAL SCHOOL
Balance Sheet-Governmental Funds
June 30, 2010

	General Fund	Capital Projects Fund	Total Governmental Funds
ASSETS			
Cash and cash equivalents	$ 795,743	$ 353,961	$ 1,149,704
Receivables (net)	142,213	-	142,213
Interfund Receivable	-	-	-
Inventories	230,928	-	230,928
Prepaid items	528,872	-	528,872
Total Assets	$ 1,697,756	$ 353,961	$ 2,051,717
LIABILITIES AND FUND BALANCE			
Liabilities			
Accounts payable	$ 135,933	$ 13,445	$ 149,378
Accrued salaries and benefits	334,012	-	334,012
Total Liabilities	469,945	13,445	483,390
Fund Balance			
Reserved for capital projects	-	340,516	340,516
Reserved for prepaid items	528,872	-	528,872
Reserved for inventories	230,928	-	230,928
Reserved for Regional Career and Technical Center	144,750	-	144,750
Reserved for retirement	43,750	-	43,750
Unreserved	279,511	-	279,511
Total Fund Balance	1,227,811	340,516	1,568,327
Total Liabilities and Fund Balance	$ 1,697,756	$ 353,961	$ 2,051,717

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

ERIE COUNTY TECHNICAL SCHOOL
Reconciliation of the Balance Sheet of Governmental Funds
to the Statement of Net Assets
June 30, 2010

Differences in amounts reported for governmental activities in the statement of net assets:

Fund balances - governmental fund		$ 1,568,327
Capital assets used in governmental activities are not financial resources and are, therefore, not reported in the governmental funds		5,152,780
Certain liabilities are not due and payable in the current period and, therefore, are not reported in the funds		
Compensated absences	$ (271,408)	(271,408)
Net assets of governmental activities		$ 6,449,699

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

ERIE COUNTY TECHNICAL SCHOOL

Statement of Revenues, Expenditures and Changes in Fund Balance - Governmental Funds

For the Year Ended June 30, 2010

	General	Capital Projects	Total Governmental Funds
REVENUES			
Local sources	$ 348,147	$ 36,147	$ 384,294
State sources	792,591	-	792,591
Federal sources	349,113	-	349,113
Support-local districts	4,434,834	-	4,434,834
Total Revenues	5,924,685	36,147	5,960,832
EXPENDITURES			
Instruction	3,241,564	-	3,241,564
Support services	2,508,210	-	2,508,210
Noninstructional services	562	-	562
Facilities acquisition, construction and improvement services	9,995	60,390	70,385
Debt service	17,949	-	17,949
Total Expenditures	5,778,280	60,390	5,838,670
Excess of Revenues Over (Under) Expenditures	146,405	(24,243)	122,162
Other Financing Sources (Uses)			
Interfund transfers	(60,020)	60,020	-
Refund of prior year's receipts	-	(24,873)	(24,873)
Sale of fixed assets	26,440	-	26,440
Change in inventory	64,366	-	64,366
Total Other Financing Sources (Uses)	30,786	35,147	65,933
Net Change in Fund Balance	177,191	10,904	188,095
Fund Balance - July 1, 2009	1,050,620	329,612	1,380,232
Fund Balance - June 30, 2010	$ 1,227,811	$ 340,516	$ 1,568,327

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

ERIE COUNTY TECHNICAL SCHOOL
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balance of Governmental Funds to the Statement of Activities
For the Year Ended June 30, 2010

Net change in fund balance - governmental fund		$ 188,095
Capital outlay, reported as expenditures in the governmental funds, are shown as capital assets in the statement of net assets		227,424
Depreciation expense on governmental capital assets included in the governmental activities in the statement of activities		(330,205)
The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins or donations) is to decrease net assets		(44,513)
Repayment of long-term debt is reported as expenditures in governmental funds, but a reduction of long-term liabilities in the statement of net assets. In current year, these amounts are:		
Capital lease payments	$ 17,568	
Change in compensated absences	(3,262)	14,306
Change in net assets of governmental activities		$ 55,107

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

ERIE COUNTY TECHNICAL SCHOOL

Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual - General Fund

For the Year Ended June 30, 2010

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
REVENUES				
Local sources	$ 438,215	$ 438,215	$ 348,147	$ (90,068)
State sources	848,141	710,142	792,591	82,449
Federal sources	334,145	354,735	349,113	(5,622)
Support-local districts	4,566,613	4,566,613	4,434,834	(131,779)
Total Revenues	6,187,114	6,069,705	5,924,685	(145,020)
EXPENDITURES				
Instruction	3,282,272	3,353,408	3,241,564	111,844
Support services	2,702,876	2,615,598	2,508,210	107,388
Noninstructional services	3,833	566	562	4
Facilities acquisition, construction and improvement services	18,000	10,000	9,995	5
Debt service	17,949	17,949	17,949	-
Total Expenditures	6,024,930	5,997,521	5,778,280	219,241
Excess of Revenues Over (Under) Expenditures	162,184	72,184	146,405	74,221
Other Financing Sources (Uses)				
Interfund transfers	(15,020)	(60,020)	(60,020)	-
Change in inventory	-	-	64,366	64,366
Sale of fixed assets	10,000	10,000	26,440	16,440
Total Other Financing Sources (Uses)	(5,020)	(50,020)	30,786	80,806
Net Change in Fund Balance	157,164	22,164	177,191	155,027
Fund Balance - July 1, 2009	1,050,620	1,050,620	1,050,620	-
Fund Balance - June 30, 2010	$ 1,207,784	$ 1,072,784	$ 1,227,811	$ 155,027

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

ERIE COUNTY TECHNICAL SCHOOL
Statement of Net Assets - Proprietary Fund
June 30, 2010

	Food Service
ASSETS	
Current Assets	
Cash and cash equivalents	$ 20,632
Intergovernmental receivables	1,452
Inventories	5,239
Total Current Assets	27,323
Non Current Assets	
Machinery and equipment	
(Net of accumulated depreciation)	38,993
Total Assets	$ 66,316
LIABILITIES	
Current Liabilities	
Accrued salaries and benefits	5,648
Total Current Liabilities	5,648
NET ASSETS	
Invested in capital assets net of related debt	38,993
Unrestricted	21,675
Total Net Assets	60,668
Total Liabilities and Net Assets	$ 66,316

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

ERIE COUNTY TECHNICAL SCHOOL
Statement of Revenues, Expenditures and Changes in Net Assets - Proprietary Fund
For the Year Ended June 30, 2010

	Food Service
Operating Revenues	
Food service revenue	$ 114,026
Total Operating Revenues	114,026
Operating Expenses	
Personnel services - salaries	39,403
Personnel services - employee benefits	18,371
Supplies and food	112,934
Depreciation	4,464
Other	2,530
Total Operating Expenses	177,702
Operating Income (Loss)	(63,676)
Nonoperating Revenues	
Earnings on investments	21
State sources	2,443
Federal sources	61,029
Total Nonoperating Revenues	63,493
Change in Net Assets	(183)
Net Assets, July 1, 2009	60,851
Net Assets, June 30, 2010	$ 60,668

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

ERIE COUNTY TECHNICAL SCHOOL
Statement of Cash Flows - Proprietary Fund
For the Year Ended June 30, 2010

	Food Service
Cash Flows from Operating Activities:	
Cash received from users	$ 113,919
Cash payments to employees for services	(58,129)
Cash payments to suppliers for goods and services	(113,417)
Cash payments for operating expenses	(2,530)
Net Cash (Used for) Operating Activities	(60,157)
Cash Flows from Noncapital Financing Activities:	
State sources	2,443
Federal sources	61,029
Net Cash Provided by Noncapital Financing Activities	63,472
Cash Flows from Investing Activities:	
Earnings on investments	21
Net Cash Provided by Investing Activities	21
Net Increase in Cash	3,336
Cash at Beginning of Year	17,296
Cash at End of Year	$ 20,632
Reconciliation of Operating Income to Net Cash (Used for) Operating Activities:	
Operating income (loss)	$ (63,676)
Adjustment to reconcile operating income (loss) to net cash (used for) operating activities:	
Depreciation	4,464
(Increase) decrease receivables (net)	(107)
(Increase) decrease in inventories	(483)
Increase (decrease) in interfund payables	(453)
Increase (decrease) in accrued expenses	98
Net Cash (Used for) Operating Activities	$ (60,157)

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

ERIE COUNTY TECHNICAL SCHOOL
Statement of Fiduciary Net Assets -
Fiduciary Funds
June 30, 2010

	Private Purpose Trust	Student Activities
Assets		
Cash and cash equivalents	$ 4,738	$ 3,852
Deposit - Erie Community Foundation	162,482	-
Total Assets	$ 167,220	$ 3,852
Liabilities		
Due to student groups	$ -	$ 3,852
Accounts payable	1,500	-
Total Liabilities	1,500	3,852
Net Assets		
Held in trust for scholarships	165,720	-
Total Liabilities and Net Assets	$ 167,220	$ 3,852

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

ERIE COUNTY TECHNICAL SCHOOL
Statement of Changes in Fiduciary Net Assets - Fiduciary Funds
For the Year Ended June 30, 2010

	Private Purpose Trust
Additions:	
Investment income (loss)	$ 19,302
Contributions	2,146
Total Additions	21,448
Deductions:	
Student functions	5,077
Scholarships	1,500
Total Deductions	6,577
Change in Net Assets	14,871
Net Assets, July 1, 2009	150,849
Net Assets, June 30, 2010	$ 165,720

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of Erie County Technical School 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 School's accounting policies are described below.

A. Reporting Entity

For financial reporting purposes, Erie County Technical School includes all funds that are controlled by or dependent on the School. Control by or dependence on the School was determined on the basis of budget adoption, taxing authority, outstanding debt secured by revenues or general obligation of the School, obligation of the School to finance any deficits that may occur or receipt of significant subsidies from the School. As required by generally accepted accounting principles, the financial statement of the reporting entity includes those of the primary government (Erie County Technical School) and its blended component unit, the Erie County Technical School Foundation.

B. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed 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 are offset by program revenues. *Direct Expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment, and 2) 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*.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Separate financial statements are provided for governmental funds, proprietary funds, and the fiduciary funds of the School. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. Nonmajor funds are aggregated and presented in a single column. Fiduciary funds are reported by fund type.

Proprietary funds distinguish operating revenues and expenses from nonoperating revenues and expenses. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the proprietary fund's principal ongoing operations. All revenues or expenses not meeting this definition are reported as nonoperating revenues and expenses.

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

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the fiduciary 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. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met.

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 revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Interest associated with the current fiscal period is all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The government reports the following major governmental funds:

The General Fund is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The Capital Projects Fund accounts for transfers from other funds and related investment earnings for capital outlays not accounted for in another fund.

Additionally, the School reports the following other fund types:

Proprietary Funds account for a government's activities that are operated like private businesses, charging customers a fee in return for goods or services. Proprietary funds employ the *economic resources measurement focus* and *accrual basis of accounting*.

Trust Funds account for the activities of the government that are fiduciary in nature, except those reported as agency funds. The government acts as a trustee for resources that belong to others. Trust funds employ the *economic resources measurement focus* and *accrual basis of accounting*.

Agency Funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. Agency funds are merely clearing accounts for assets held by a government as an agent for individuals, private organizations, or other governments.

D. Cash and Cash Equivalents

Cash and cash equivalents are cash on hand, as well as demand deposits, investments, and certificates of deposit included in pooled cash and non-pooled investments, with original maturities of three months or less.

E. Investments

Under Section 440.1 of the Public School Code of 1949, as amended, the School is permitted to invest its monies as follows:

Obligations of (1) 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, (2) the Commonwealth of Pennsylvania or any of its agencies or instrumentalities backed by the full faith credit of the Commonwealth, or (3) 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.

Deposits in savings accounts or time deposits or share accounts of institutions insured by the Federal Deposit Insurance Corporation to the extent that such accounts are so insured and, for any amounts above the insured maximum, provided that approved collateral as provided by law is pledged by the depository.

All investments are reported at fair value. Fair value is determined using selected basis as follows: securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates, and investments that do not have an established market are reported at estimated fair value.

F. Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either “due to/from other funds” (i.e., the current portion of interfund loans) or “advances to/from other funds” (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as “due to/from other funds.” Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as “internal balances.”

Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

All trade receivables are shown net of an allowance for uncollectibles.

G. Prepaid Items and Inventories

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

On government-wide financial statements, inventories are presented at the lower of cost or market on a first-in, first-out basis and are expensed when used.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Inventories in governmental funds are stated at cost by the first-in, first-out method. The purchase method is used to account for inventories. Under the purchase method, inventories are recorded as expenditures when purchased; however, an estimated value of inventories is reported as an asset in the General Fund. The inventories in the General Fund are equally offset by a fund balance reserve which indicates they do not constitute "available spendable resources" even though they are a component of net current assets. The General Fund is the only governmental fund that has an inventory balance as of June 30, 2010.

A physical inventory of the Food Service Fund food and supplies was taken as of June 30, 2010. The inventory consisted of government donated commodities, which were valued at estimated fair market value, and purchased commodities and supplies, both valued at cost using the first-in, first-out (FIFO) method.

H. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. The School does not have any infrastructure assets. The School maintains a $1,500 threshold for additions to equipment. Buildings and improvements are capitalized when the value is $25,000 or greater. Vehicles are capitalized if over $5,000. 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 cost of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset's life are not capitalized.

Depreciation has been provided using the straight-line method. The estimated useful lives of the various classes of depreciable capital assets are as follows:

	Life - Years
Buildings	30-40
Equipment	5-20
Autos, trucks, and vans	8
Improvements	20

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

I. Encumbrances

Encumbrance accounting, under which purchase orders and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriations, is employed as an extension of formal budgetary integration in the General Fund. All encumbrances lapse at year end.

J. Compensated Absences

The School does not permit the carryover of unused vacation days. Accordingly, the financial statements do not contain any provision for unused vacation time.

Employees are allowed unlimited accumulation of unused sick days and upon retirement can elect to receive compensation as follows:

	Sick Pay Rate/Day	Maximum Benefit
Administrators	$ 75	$ 18,750
Professional educators	55	12,000
Support personnel	55	12,000

K. Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognized 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. Premiums received on debt issuances are reported as other financing sources, while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

L. Estimates

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

M. Joint Venture

Erie County Area Vocational Technical School exists for the purpose of operating vocational and technical programs for high school students, out of school youths, and adults who are residents of participating districts. The School is a joint venture of eleven member school districts located in the County of Erie, Pennsylvania. Each district elects one member to the Operating Committee (Joint Board). Each district is responsible for a portion of the School's operating budget based on each district's share of student enrollment and market value of real estate.

N. Proprietary Fund FASB Usage

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989 generally are followed for proprietary activity financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds subject to this same limitation. The School has elected not to follow subsequent private-sector guidance.

O. Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

NOTE 2 - BUDGETARY INFORMATION

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.

NOTE 2 - BUDGETARY INFORMATION (CONTINUED)

The School follows these procedures in establishing the budgetary data reflected in the financial statements:

1. Prior to June 30, a proposed operating budget is submitted to the Operating Committee for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures and the means of financing them.

2. Prior to June 30, the budget is legally adopted through passage of an ordinance.

3. The Administration is authorized to transfer budgeted amounts within a specific budget object; any other transfers or revisions that alter the total expenditures of any fund must be approved by the Operating Committee.

4. Formal 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 Operating Committee or the expenditures are all fixed in nature.

NOTE 3 - CASH AND CASH EQUIVALENTS

Custodial Credit Risk - Deposits

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The School does not have a policy for custodial credit risk. As of June 30, 2010, $0 of the School's bank balance of $75,367 was exposed to custodial credit risk.

Reconciliation to Financial Statements

Insured amount	$ 75,367
Uninsured amount	-
Add: deposits in transit	-
Less: outstanding checks	(234)
Carrying amount of bank balances	75,133
Plus: petty cash	150
pooled cash equivalents	1,095,053
Total cash per financial statements	$ 1,170,336

NOTE 3 - CASH AND CASH EQUIVALENTS (CONTINUED)

Investments

As of June 30, 2010, the School had the following investments:

PA Local Government Investment Trust	$ 166
PA Local Government Investment Trust-Plus	105,063
PA School District Liquid Asset Fund	604,154
PA School District Liquid Asset Fund-PSDMAX	385,670
	$ 1,095,053

Interest Rate Risk

The School does have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk

The School follows the Pennsylvania School Code's investment policy that would limit its investment choices to certain credit ratings. As of June 30, 2010, the School's investments were rated as:

PA Local Government Investment Trust	AAA
PA School District Liquid Asset Fund	AAA

Concentration of Risk

The School places no limit on the amount the School may invest in any one issuer. All of the School's investments are in PA Local Government Investment Trust and PA School District Liquid Asset Fund.

Custodial Credit Risk

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

Reconciliation to Financial Statements

Total investments above	$ 1,095,053
Less: deposits in investment pool considered cash equivalents	1,095,053
Total investments per financial statements	$ -

NOTE 4 - RECEIVABLES

Receivables as of June 30, 2010 for the government's individual major funds and business-type activities in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

Receivables	General	Business-Type Activities	Total
Federal and state grants	$ 28,804	$ 1,452	$ 30,256
Other	113,409	-	113,409
Gross receivables	142,213	1,452	143,665
Less: Allowance for uncollectibles	-	-	-
	$ 142,213	$ 1,452	$ 143,665

NOTE 5 - CAPITAL ASSETS

Capital asset activity for the year was as follows:

	June 30, 2009	Additions	Deletions/ Adjustments	June 30, 2010
Governmental Activities				
Capital assets not depreciated:				
Land	$ 272,111	$ -	$ -	$ 272,111
Capital assets depreciated:				
Buildings and improvements	10,723,321	-	5,668	10,728,989
Machinery and equipment	2,162,294	227,424	(148,677)	2,241,041
Vehicles	81,610	-	(20,000)	61,610
Total Assets Depreciated	12,967,225	227,424	(163,009)	13,031,640
Less accumulated depreciation				
Buildings and improvements	(6,687,851)	(199,102)	(2,455)	(6,889,408)
Machinery and equipment	(1,190,670)	(127,777)	96,873	(1,221,574)
Vehicles	(60,741)	(3,326)	24,078	(39,989)
Total Accumulated Depreciation	(7,939,262)	(330,205)	118,496	(8,150,971)
Total Capital Assets, Being Depreciated, Net	$ 5,027,963	$ (102,781)	$ (44,513)	$ 4,880,669

NOTE 5 - CAPITAL ASSETS (CONTINUED)

	June 30, 2009	Additions	Deletions/ Adjustments	June 30, 2010
Business-Type Activities				
Capital assets being depreciated:				
Equipment	$ 125,723	$ -	$ -	$ 125,723
Total Assets Depreciated	125,723	-	-	125,723
Less accumulated depreciation				
Equipment	(82,266)	(4,464)	-	(86,730)
Total Accumulated Depreciation	(82,266)	(4,464)	-	(86,730)
Total Capital Assets Being Depreciated, Net	$ 43,457	$ (4,464)	$ -	$ 38,993

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

Governmental Activities:	
Instruction:	
Vocational	$ 272,580
Support Services:	
Administration	37,715
Operation and maintenance	19,910
	$ 330,205
Business-Type Activities:	
Food service	$ 4,464

NOTE 6 - LONG-TERM DEBT

On September 23, 1999, the School entered into a capital lease to upgrade the lighting system and other building improvements. The lease requires quarterly payments of $8,974 beginning March 15, 2000 to December 15, 2010. The assets acquired through capital leases are as follows:

Assets	Governmental Activities
Building improvements	$ 267,640
Less accumulated depreciation	(120,438)
	$ 147,202

NOTE 6 - LONG-TERM DEBT (CONTINUED)

There was no future minimum lease obligation as of June 30, 2010.

Long-term liability activity for the year ended June 30, 2010 was as follows:

Governmental Activities	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Capital lease	$ 17,568	$ -	$ (17,568)	$ -	$ -
Compensated absences	268,146	37,600	(34,338)	271,408	34,338
	$ 285,714	$ 37,600	$ (51,906)	$ 271,408	$ 34,338

The liability for compensated absences is normally liquidated by the General Fund.

NOTE 7 - RETIREMENT PLAN

A. Plan Description

The School contributes to a governmental cost-sharing multiple-employer defined benefit pension plan administered by the Public School Employee Retirement System (PSERS). Benefit provisions of the plan are established under the provisions of the PSERS Code (the Code) and may be amended by an act of the Pennsylvania State Legislature. The plan provides retirement, disability and death benefits, 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 contribution upon termination of a member's employment in the public school sector. PSERS issues a publicly available financial report that includes financial statements for the plan. That report may be obtained by writing to PSERS, P. O. Box 125, Harrisburg, Pennsylvania 17108-0125.

NOTE 7 - RETIREMENT PLAN (CONTINUED)

B. Funding Policy

The contribution policy is set by the Code and requires contribution by active employees and by participating employers. Plan members are required to contribute 5.25% of their compensation if they joined the plan before July 22, 1983, and 6.25% if they joined on or after that date. Under Act 2001-9, May 17, 2001, members may elect to increase their contribution rate by 1.25% as of January 1, 2002, thereby increasing their benefit. Employees hired after January 1, 2002 are required to contribute 7.5%. The contribution required of participating employers is based on an actuarial valuation and is expressed as a percentage of annual covered payroll during the period for which the amount is determined. For fiscal year ended June 30, 2010, the rate of employer contributions was 4.78% of covered payroll. Before July 1, 1995, Schools and the Commonwealth shared the employer contribution rate equally. Since July 1, 1995, Schools are required to pay the entire employer contributions rate and are reimbursed by the Commonwealth in an amount equal to the Commonwealth's share as determined by the income aid ratio (as defined in Act 29 of 1994), which is at least one-half of the total employer rate. The School's contributions to PSERS for years ending June 30, 2010, 2009, and 2008 were $133,373, $125,201, and $176,435, respectively. Those amounts are equal to the required contribution for each year.

NOTE 8 - SELF INSURANCE

A. Health Insurance

The School's self-insurance program pays accident and health insurance coverage for School employees on a cost-reimbursement basis. Retired employees are also covered by the program provided they pay a monthly premium to the School. Under the program, the School is obligated for claim payments.

A stop-loss insurance contract executed with an insurance carrier covers individual claims in excess of $45,000, up to $1,000,000 maximum.

During the year ended June 30, 2010, total claims expense and stop-loss insurance expense were approximately $688,000. Claims expense, recorded as a general fund expenditure, represents claims processed as of June 30, 2010 and includes $102,508 estimated unprocessed claims payable.

NOTE 8 - SELF INSURANCE (CONTINUED)

The claims asset of $525,305 is based on the requirements of Governmental Accounting Standards Board (GASB) Statement No. 10, which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicated that it is probable that a liability had been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. Changes in the claims asset is as follows:

Claims asset, July 1, 2008	$ 632,605
Current year premiums	709,104
Claim payments and administration	(826,041)
Claims asset, June 30, 2009	515,668
Current year premiums	697,690
Claim payments and administration	(688,053)
Claims asset, June 30, 2010	$ 525,305

Future liability that may arise as a result of self-insurance is not readily determinable and cannot be reasonably estimated. Thus, the financial statements do not reflect a contingent liability for any unasserted claims. To fund future claims, the School maintains a prepaid deposit of $525,305.

B. Unemployment Compensation

The School is self-insured for unemployment compensation purposes for all employees. Based on the history of lay-offs, the projections of future enrollment and the cost savings, the School has opted to self-insure.

Future liability that may arise as a result of self-insurance is not readily determinable and cannot be reasonably estimated. Accordingly, no provision has been made in the accompanying financial statements to reflect a contingent liability for future claims.

NOTE 9 - RISK MANAGEMENT

The School is exposed to various risks of loss related to theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. The School has purchased various insurance policies to safeguard its assets from risk of loss. Insurance coverage appears to be consistent with previous years. During the year ended June 30, 2010 and the two previous fiscal years, no settlements exceeded insurance coverage.

NOTE 10 - ECONOMIC DEPENDENCY

The Erie County Technical School is a joint venture of eleven member school districts. The School derives a substantial portion of its revenue from the member districts. For the year ended June 30, 2010, revenue from member districts was $4,434,834, which was 75% of the School's total General Fund revenue.

NOTE 11 - COMMITMENTS

The Erie County Technical School has awarded a contract for a lighting construction project to upgrade or replace all fixtures for energy conservation. The commitment is for $214,215. The School has rebates of $78,618 pre approved from First Energy to offset these costs.

ERIE COUNTY TECHNICAL SCHOOL
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual - General Fund
For the Year Ended June 30, 2010

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues				
Local sources	$ 438,215	$ 438,215	$ 348,147	$ (90,068)
State sources	848,141	710,142	792,591	82,449
Federal sources	334,145	354,735	349,113	(5,622)
Support-local districts	4,566,613	4,566,613	4,434,834	(131,779)
Total Revenues	6,187,114	6,069,705	5,924,685	(145,020)
Expenditures and Other Financing Uses				
Instruction				
Special education programs	-	141,114	140,327	787
Vocational education programs	2,311,336	2,408,821	2,304,916	103,905
Other instructional programs	787,069	647,378	641,447	5,931
Adult education programs	183,867	156,095	154,874	1,221
Total Instruction	3,282,272	3,353,408	3,241,564	111,844
Support Services				
Pupil personnel	508,564	441,264	433,154	8,110
Instructional staff	255,168	247,198	232,581	14,617
Administrative	562,213	591,749	561,232	30,517
Pupil health	1,000	1,000	1,000	-
Business	148,166	148,166	151,145	(2,979)
Operation and maintenance of plant services	787,234	801,102	756,222	44,880
Student transportation services	570	-	-	-
Central	439,961	385,119	372,876	12,243
Total Support Services	2,702,876	2,615,598	2,508,210	107,388
Operation of Noninstructional Services				
Student activities	2,833	566	562	4
Community services	1,000	-	-	-
Total Noninstructional Services	3,833	566	562	4
Facilities acquisition, construction and improvement services	18,000	10,000	9,995	5
Debt service	17,949	17,949	17,949	-
Total Expenditures	6,024,930	5,997,521	5,778,280	219,241
Excess of Revenues Over/(Under) Expenditures	162,184	72,184	146,405	74,221
Other Financing Sources (Uses)				
Interfund transfers	(15,020)	(60,020)	(60,020)	-
Change in inventory	-	-	64,366	64,366
Sale of fixed assets	10,000	10,000	26,440	16,440
Total Other Financing Sources (Uses)	(5,020)	(50,020)	30,786	80,806
Net Change in Fund Balance	157,164	22,164	177,191	155,027
Fund Balance - July 1, 2009	1,050,620	1,050,620	1,050,620	-
Fund Balance - June 30, 2010	$ 1,207,784	$ 1,072,784	$ 1,227,811	$ 155,027

Independent Auditors' 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*

To the Members of the Operating Committee
Erie County Technical School
Erie, Pennsylvania

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 Erie County Technical School as of and for the year ended June 30, 2010, which collectively comprise the Erie County Technical School's basic financial statements and have issued our report, thereon, dated August 20, 2010. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Erie County Technical School's internal control over financial reporting as a basis for designing our auditing procedures 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 Erie County Technical School's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Erie County Technical School's internal control over financial reporting.

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.

<u>Independent Auditors' 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* (Continued)</u>

Our consideration of internal control over financial reporting 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 deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

<u>Compliance and Other Matters</u>

As part of obtaining reasonable assurance about whether the Erie County Technical School's financial statements are free of 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*.

We noted certain matters that we reported to management of the Erie County Technical School in a separate letter dated August 20, 2010.

This report is intended solely for the information and use of the audit committee and management and is not intended to be, and should not be, used by anyone other than these specified parties.

Felix and Gloekler, P.C.

Felix and Gloekler, P.C.

August 20, 2010
Erie, Pennsylvania