ERIE COUNTY TECHNICAL SCHOOL

AUDITED FINANCIAL STATEMENTS

JUNE 30, 2012

ERIE COUNTY TECHNICAL SCHOOL
AUDITED FINANCIAL STATEMENTS
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FOR THE YEAR ENDED JUNE 30, 2012

FELIX & GLOEKLER, P.C.
CERTIFIED PUBLIC ACCOUNTANTS
2306 Peninsula Drive • Erie, Pennsylvania 16506

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, 2012, 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 the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, 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, 2012, 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 17, 2012 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 49 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Felix and Gloekler, P.C.

Felix and Gloekler, P.C.

August 17, 2012
Erie, Pennsylvania

ERIE COUNTY TECHNICAL SCHOOL
Management's Discussion and Analysis (MD&A)
June 30, 2012

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, 2012. The intent of this discussion and analysis is to look at the AVTS financial performance as a whole; readers should also review the transmittal letter, 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.

Joint Venture

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 known as the Regional Career and Technical Center (RCTC). The adult training program 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

District contributions:

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 secondary program:

- $3,815,784 for 2011-12
- $3,815,770 for 2010-11
- $3,597,010 for 2009-10

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

- $498,485 for 2011-12
- $726,960 for 2010-11
- $626,795 for 2009-10

The AVTS operates a satellite Diversified Occupations Program at Wattsburg Area School District. Annual total payments:

- $10,774 for 2011-12
- $ 8,080 for 2010-11
- $12,570 for 2009-10

Nine participating districts make operating and rental payments under a lease agreement for a Special Education Transition Center. The program began in 2009-10 with professional staff and instructional aides employed by ECTS to operate the program. Operating costs and rental fees paid by the participating districts:

- $151,554 for 2011-12
- $139,210 for 2010-11
- $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:

- 78% for 2011-12
- 79% for 2010-11
- 79% for 2009-10

Adult Training:

During 2010-11, 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 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 $2,439 funded through PA Department of Labor provided training and counseling for adults during 2011-12. PA Women Work funded a grant of $39,561 for training during 2011-12.

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.

The adult training program uses the welding lab to provide skill training for area employers.

The Special Education Transition Center operates within the Skill Center Building to provide training for special needs students from nine participating districts.

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:

- $547,128 at June 30, 2012
- $552,084 at June 30, 2011
- $525,305 at June 30, 2010

Several area school districts, area vocational 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

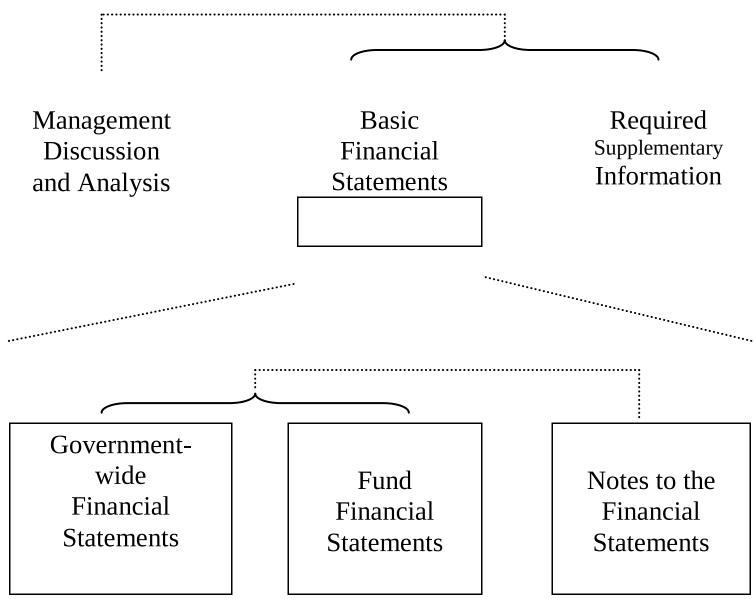

Figure A-2 summarizes the major features of the AVTS financial statements, including the portion of the AVTS they cover and the types of information they contain. The remainder of this overview section of management discussion and analysis explains the structure and contents of each of the statements.

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:
$6,375,600 at June 30, 2012
$6,420,892 at June 30, 2011
$6,510,367 at June 30, 2010

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, 2012
Net Assets

	Governmental Activities	Business Activities	Total	Prior Year Total 6/30/2011
Current and other assets	$ 2,440,183	$ 15,785	$ 2,455,968	$ 2,251,150
Non current assets	4,656,529	33,619	4,690,148	4,937,359
Total assets	$ 7,096,712	$ 49,404	$ 7,146,116	$ 7,188,509
Current and other liabilities	$ 483,653	$ 300	$ 483,953	$ 476,331
Non current liabilities	286,563	-	286,563	291,286
Total liabilities	$ 770,216	$ 300	$ 770,516	$ 767,617
Net assets				
Invested in capital assets, net of related debt	$ 4,656,529	$ 33,619	$ 4,690,148	$ 4,937,359
Restricted-capital projects	386,506	-	386,506	388,738
Unrestricted	1,283,461	15,485	1,298,946	1,094,795
Total net assets	$ 6,326,496	$ 49,104	$ 6,375,600	$ 6,420,892
Total liabilities and net assets	$ 7,096,712	$ 49,404	$ 7,146,116	$ 7,188,509

Most of the AVTS net assets are invested in capital assets (buildings, land, and equipment). The remaining unrestricted net assets are a combination of restricted and unrestricted amounts. The restricted 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, 2012
Changes in Net Assets

	Governmental Activities	Business Activities	Total	Prior Year Total 6/30/2011
Revenues				
Program revenues				
Charges for services	$ 420,203	$ 111,673	$ 531,876	$ 525,100
Operating grants and contributions	1,143,658	66,974	1,210,632	1,228,383
Capital grants and contributions	-	-	-	-
General revenues	4,507,599	17,689	4,525,288	4,704,683
Total Revenues	$ 6,071,460	$ 196,336	$ 6,267,796	$ 6,458,166
Expenses				
Instruction	$ 3,694,204	$ -	$ 3,694,204	$ 3,627,297
Pupil Personnel	405,061	-	405,061	478,638
Instructional staff support	261,205	-	261,205	241,805
Administrative and financial support	730,473	-	730,473	718,377
Operation and maintenance of plant	705,191	-	705,191	967,931
Central services	301,973	-	301,973	305,976
Student activities	6,849	-	6,849	5,260
Interest on long-term debt	-	-	-	-
Food services	-	208,132	208,132	193,357
Total Expenses	$ 6,104,956	$ 208,132	$ 6,313,088	$ 6,538,641
Increase (Decrease) in Net Assets	$ (33,496)	$ (11,796)	$ (45,292)	$ (80,475)

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, 2012
Governmental Activities

Functions/Programs		Total Cost of Services		Net Cost of Services		Prior Year 6/30/11 Net Cost
Instruction	$	3,694,204	$	2,247,976	$	2,274,925
Pupil Personnel		405,061		384,137		460,991
Instructional staff support		261,205		251,907		233,962
Administrative		730,473		693,276		687,004
Operation and maintenance		705,191		654,977		824,393
Central services		301,973		301,973		305,976
Student activities		6,849		6,849		5,260
Interest on long-term debt		-		-		-
		-				
Total Governmental Activities	$	6,104,956	$	4,541,095	$	4,792,511
Less:						
Unrestricted grants, subsidies		-		-		-
Total Needs from Local and Other Revenues	$	6,104,956	$	4,541,095	$	4,792,511

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, 2012
Business-Type Activities

Functions/Programs		Total Cost of Services		Net Cost of Services		Prior Year 6/30/10 Net Cost
Food services	$	208,132	$	(29,485)	$	(204)
Less:						
Investment earnings and transfers		24		24		21
Inter fund transfer from General Fund		17,665		17,665		0
Total Business-type Activities	$	225,821	$	11,796	$	(183)

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:

- $1,975,236 at June 30, 2012
- $1,770,631 at June 30, 2011
- $1,568,327 at June 30, 2010

General Fund:

The AVTS General Fund's fund balance of $1,588,730 at June 30, 2012 includes:

- $137,841 non-spendable for inventories
- $547,128 non-spendable for self insurance benefit trust
- $148,449 assigned for RCTC adult training
- $128,250 assigned for future PSERS employer rate increases
- $627,062 unassigned

The unassigned balance of $627,062 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 unassigned fund balance is 10.8% of total 2011-12 General Fund expenditures.

Capital Projects 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, the AVTS has established this fund and makes transfers from the General Fund into this fund.

Recent Transfers to the Capital Projects Fund from the General Fund included:

- 2011-12: Transfer for future needs: $98,519
- 2010-11: Transfer for future needs: $76,000

Other major transfers:

- 2008-09: Sale of a ten acre parcel to Summit Township-$37,000
- 2006-07: Sale of 20 acres of unused land to the County of Erie- $275,000

Recent Expenditures from the Capital Reserve Fund included:

- 2011-12: Instructional Program equipment: $32,087
- 2011-12: Support Services equipment: $27,920
- 2010-11: Purchase of maintenance grounds equipment: $25,667

The 6/30/12 fund balance of $386,506 is assigned to be used for capital building, equipment and program improvements in future years. A portion of that fund balance of $4,065 is to complete purchases for the Transition Center kitchen supplies and equipment. The Joint Operating Committee approved exterior painting of both buildings to be completed in summer 2012 at a contract cost of $67,620.

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, 2012, the AVTS had $4,656,529 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 $280,830 from June 30, 2011.

Table A-5
Capital Assets - Net of Depreciation

	2012	2011
Land	$ 272,111	$ 272,111
Buildings	3,441,743	3,640,662
Machinery & equipment	961,325	1,006,291
Vehicles	14,969	18,295
Total Capital Assets	$4,690,148	$4,937,359

Debt Administration

Bond Obligations - At June 30, 2012 the AVTS had no outstanding bond obligations.

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

NEXT YEAR'S GENERAL FUND BUDGET – 2012-2013

Code	Account	General	Secondary	RCTC
	Estimated Assigned Fund Balance July 1, 2012	**610,403**	**484,252**	**126,151**
	Estimated Assigned PSERS Fund Balance July 1, 2012	**128,250**	**128,250**	**0**
Total Estimated Assigned Fund Balances - Actual July 1, 2012		**738,653**	**612,502**	**126,151**
	Revenue			
6000	Miscellaneous Local Sources	**272,100**	**84,100**	**188,000**
6946	Districts-Alternative Education	**725,400**	**725,400**	
6946	Districts-Other Programs	**199,612**	**199,612**	
6946	Districts-Secondary Operating Contributions	**3,643,946**	**3,643,946**	
7000	State Sources	**923,330**	**885,974**	**37,356**
8000	Federal Sources	**321,861**	**321,861**	
9000	Other Financing Sources	**5,000**	**5,000**	
Total Revenue		**6,091,249**	**5,865,893**	**225,356**
Total Revenue & Beginning Fund Balance		**6,829,902**	**6,478,395**	**351,507**
	Expenditures			
1200	Special Education	**169,765**	**169,765**	
1300	Vocational Education	**2,623,708**	**2,623,708**	
1400	Alternative Education	**738,425**	**738,425**	
1600	Adult Education	**130,945**	**0**	**130,945**
2100	Support Services--Pupil Personnel	**471,220**	**414,263**	**56,957**
2200	Support Services--Instructional Staff	**256,806**	**256,806**	
2300	Support Services--Administration	**410,582**	**410,582**	**0**
2400	Support Services--Pupil Health	**1,500**	**1,500**	
2500	Support Services--Business	**213,335**	**213,335**	
2600	Operation and Maintenance of Plant Services	**728,376**	**728,376**	
2800	Support Services--Central	**273,689**	**273,689**	
3200	Student Activities	**3,020**	**3,020**	
4200	Site Improvements and Repairs	**11,500**	**11,500**	
4600	Building Improvement Services	**8,000**	**8,000**	
5200	Transfers to Other Funds	**33,900**	**33,900**	
Subtotal Expenditures		**6,074,771**	**5,886,869**	**187,902**
5900	Budgetary Reserve	**70,000**	**50,000**	**20,000**
Total Expenditures & Budgetary Reserve		**6,144,771**	**5,936,869**	**207,902**
	2012-13 Change in Fund Balance-Assigned	**-53,522**	**-70,976**	**17,454**
	2012-13 Change in Fund Balance-Assigned PSERS	**0**	**0**	**0**
Total Change in Fund Balance		**-53,522**	**-70,976**	**17,454**
	Assigned Fund Balances June 30, 2013	**556,881**	**413,276**	**143,605**
	Assigned Fund Balances- PSERS Increases June 30, 2013	**128,250**	**128,250**	**0**
Total End of Year Fund Balance - June 30, 2013		**685,131**	**541,526**	**143,605**

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 Business Manager, 8500 Oliver Road, Erie, PA 16509; telephone: 814-464-8600.

ERIE COUNTY TECHNICAL SCHOOL

Statement of Net Assets

June 30, 2012

	Governmental Activities	Business Activities	Total
ASSETS			
Current Assets			
Cash and cash equivalents	$ 1,616,880	$ 10,666	$ 1,627,546
Receivables, net	138,334	-	138,334
Inventories	137,841	5,119	142,960
Prepaid expenses	547,128	-	547,128
Total Current Assets	2,440,183	15,785	2,455,968
Noncurrent Assets			
Land	272,111	-	272,111
Capital assets, net	4,384,418	33,619	4,418,037
Total Noncurrent Assets	4,656,529	33,619	4,690,148
Total Assets	$ 7,096,712	$ 49,404	$ 7,146,116
LIABILITIES			
Current Liabilities			
Accounts payable	$ 158,193	$ 568	$ 158,761
Interfund payables	268	(268)	-
Accrued salaries and benefits	306,486	-	306,486
Compensated absences	18,706	-	18,706
Total Current Liabilities	483,653	300	483,953
Noncurrent Liabilities			
Compensated absences	286,286	-	286,286
Other post-employment benefits	277	-	277
Total Noncurrent Liabilities	286,563	-	286,563
Total Liabilites	770,216	300	770,516
NET ASSETS			
Investment in capital assets, net of related debt	4,656,529	33,619	4,690,148
Restricted for capital projects	386,506	-	386,506
Unrestricted	1,283,461	15,485	1,298,946
Total Net Assets	6,326,496	49,104	6,375,600
Total Liabilities and Net Assets	$ 7,096,712	$ 49,404	$ 7,146,116

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

ERIE COUNTY TECHNICAL SCHOOL

Statement of Activities

For the Year Ended June 30, 2012

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions
Governmental Activities				
Instruction	$ 3,694,204	$ 369,989	$ 1,076,239	$ -
Pupil personnel	405,061	-	20,924	-
Instructional staff	261,205	-	9,298	-
Administrative and financial support	730,473	-	37,197	-
Operation and maintenance of plant services	705,191	50,214	-	-
Central services	301,973	-	-	-
Student activities	6,849	-	-	-
Total Governmental Activities	6,104,956	420,203	1,143,658	-
Business-Type Activities				
Food service	208,132	111,673	66,974	-
Total Primary Government	$ 6,313,088	$ 531,876	$ 1,210,632	$ -
General Revenues				
Support-local districts				
Interest earnings				
Miscellaneous income				
Sale of fixed assets				
Transfers in (out)				
Total General Revenues				
Change in Net Assets				
Net Assets, July 1, 2011				
Net Assets, June 30, 2012				

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
$ (2,247,976)	$ -	$ (2,247,976)
(384,137)	-	(384,137)
(251,907)	-	(251,907)
(693,276)	-	(693,276)
(654,977)	-	(654,977)
(301,973)	-	(301,973)
(6,849)	-	(6,849)
(4,541,095)	-	(4,541,095)
-	(29,485)	(29,485)
(4,541,095)	(29,485)	(4,570,580)
4,476,597	-	4,476,597
2,962	24	2,986
44,655	-	44,655
1,050	-	1,050
(17,665)	17,665	-
4,507,599	17,689	4,525,288
(33,496)	(11,796)	(45,292)
6,359,992	60,900	6,420,892
$ 6,326,496	$ 49,104	$ 6,375,600

ERIE COUNTY TECHNICAL SCHOOL

Balance Sheet-Governmental Funds

June 30, 2012

	General Fund	Capital Projects Fund	Total Governmental Funds
ASSETS			
Cash and cash equivalents	$ 1,223,009	$ 393,871	$ 1,616,880
Receivables (net)	138,334	-	138,334
Interfund receivable	-	5,373	5,373
Inventories	137,841	-	137,841
Prepaid items	547,128	-	547,128
Total Assets	$ 2,046,312	$ 399,244	$ 2,445,556
LIABILITIES AND FUND BALANCE			
Liabilities			
Accounts payable	$ 145,455	$ 12,738	$ 158,193
Interfund payable	5,641	-	5,641
Accrued salaries and benefits	306,486	-	306,486
Total Liabilities	457,582	12,738	470,320
Fund Balance			
Nonspendable			
Inventory	137,841	-	137,841
Prepaid items	547,128	-	547,128
Assigned			
Future PSERS rate increases	128,250	-	128,250
Regional Career and Technical Center	148,449	-	148,449
Capital projects	-	386,506	386,506
Unassigned	627,062	-	627,062
Total Fund Balance	1,588,730	386,506	1,975,236
Total Liabilities and Fund Balance	$ 2,046,312	$ 399,244	$ 2,445,556

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, 2012

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

Fund balances - governmental fund		$ 1,975,236
Capital assets used in governmental activities are not financial resources and are, therefore, not reported in the governmental funds		4,656,529
Other post-employment benefits are reflected on the statement of net assets, but are not considered a current expenditure for the financial statements		(277)
Certain liabilities are not due and payable in the current period and, therefore, are not reported in the funds		
Compensated absences	$ (304,992)	(304,992)
Net assets of governmental activities		$ 6,326,496

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, 2012

	General	Capital Projects	Total Governmental Funds
REVENUES			
Local sources	$ 467,517	$ 303	$ 467,820
State sources	821,797	-	821,797
Federal sources	321,861	-	321,861
Support-local districts	4,476,597	-	4,476,597
Total Revenues	6,087,772	303	6,088,075
EXPENDITURES			
Instruction	3,381,990	32,087	3,414,077
Support services	2,294,994	27,920	2,322,914
Noninstructional services	6,849	-	6,849
Facilities acquisition, construction and improvement services	18,251	41,047	59,298
Total Expenditures	5,702,084	101,054	5,803,138
Excess of Revenues Over (Under) Expenditures	385,688	(100,751)	284,937
Other Financing Sources (Uses)			
Interfund transfers	(116,184)	98,519	(17,665)
Change in inventory	(64,167)	-	(64,167)
Sale of fixed assets	1,500	-	1,500
Total Other Financing Sources (Uses)	(178,851)	98,519	(80,332)
Net Change in Fund Balance	206,837	(2,232)	204,605
Fund Balance - July 1, 2011	1,381,893	388,738	1,770,631
Fund Balance - June 30, 2012	$ 1,588,730	$ 386,506	$ 1,975,236

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, 2012

Net change in fund balance - governmental fund		$	204,605
Capital outlay, reported as expenditures in the governmental funds, are shown as capital assets in the statement of net assets			87,092
Depreciation expense on governmental capital assets included in the governmental activities in the statement of activities			(329,836)
The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins or donations) is to increase net assets			(450)
Other post-employment benefits are reflected on the statement of net assets, but are not considered a current expenditure for the financial statements			26,202
Repayment of long-term debt is reported as expenditures in governmental funds, but as a reduction of long-term liabilities in the statement of net assets. In current year, these amounts are:			
Change in compensated absences	(21,109)		(21,109)
Change in net assets of governmental activities		$	(33,496)

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, 2012

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
REVENUES				
Local sources	$ 365,000	$ 365,000	$ 467,517	$ 102,517
State sources	884,397	831,097	821,797	(9,300)
Federal sources	336,676	321,861	321,861	-
Support-local districts	4,751,883	4,751,883	4,476,597	(275,286)
Total Revenues	6,337,956	6,269,841	6,087,772	(182,069)
EXPENDITURES				
Instruction	3,585,879	3,631,020	3,381,990	249,030
Support services	2,630,285	2,494,345	2,294,994	199,351
Noninstructional services	2,929	6,329	6,849	(520)
Facilities acquisition, construction and improvement services	18,000	18,000	18,251	(251)
Total Expenditures	6,237,093	6,149,694	5,702,084	447,610
Excess of Revenues Over (Under) Expenditures	100,863	120,147	385,688	265,541
Other Financing Sources (Uses)				
Interfund transfers	(66,800)	(86,084)	(116,184)	(30,100)
Sale of fixed assets	10,000	10,000	1,500	(8,500)
Change in inventory	-	-	(64,167)	(64,167)
Total Other Financing Sources (Uses)	(56,800)	(76,084)	(178,851)	(102,767)
Net Change in Fund Balance	44,063	44,063	206,837	162,774
Fund Balance - July 1, 2011	1,381,893	1,381,893	1,381,893	-
Fund Balance - June 30, 2012	$ 1,425,956	$ 1,425,956	$ 1,588,730	$ 162,774

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

ERIE COUNTY TECHNICAL SCHOOL
Statement of Net Assets - Proprietary Fund
June 30, 2012

	Food Service
ASSETS	
Current Assets	
Cash and cash equivalents	$ 10,666
Inventories	5,119
Interfund receivable	268
Total Current Assets	16,053
Noncurrent Assets	
Machinery and equipment (net of accumulated depreciation)	33,619
Total Assets	$ 49,672
LIABILITIES	
Current Liabilities	
Accounts payable	$ 568
Total Current Liabilities	568
NET ASSETS	
Invested in capital assets net of related debt	33,619
Unrestricted	15,485
Total Net Assets	49,104
Total Liabilities and Net Assets	$ 49,672

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, 2012

	Food Service
Operating Revenues	
Food service revenue	$ 111,673
Total Operating Revenues	111,673
Operating Expenses	
Personnel services - salaries	35,843
Personnel services - employee benefits	18,569
Supplies and food	127,024
Depreciation	4,017
Other	22,679
Total Operating Expenses	208,132
Operating Income (Loss)	(96,459)
Nonoperating Revenues	
Earnings on investments	24
State sources	3,053
Federal sources	63,921
Total Nonoperating Revenues	66,998
Other Financing Sources	
Interfund transfers	17,665
Total Other Financing Sources	17,665
Change in Net Assets	(11,796)
Net Assets, July 1, 2011	60,900
Net Assets, June 30, 2012	$ 49,104

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, 2012

	Food Service
Cash Flows from Operating Activities:	
Cash received from users	$ 111,673
Cash payments to employees for services	(60,139)
Cash payments to suppliers for goods and services	(126,670)
Cash payments for operating expenses	(22,679)
Net Cash Used for Operating Activities	(97,815)
Cash Flows from Noncapital Financing Activities:	
Interfund transfers	17,665
State sources	3,053
Federal sources	63,921
Net Cash Provided by Noncapital Financing Activities	84,639
Cash Flows from Investing Activities:	
Earnings on investments	24
Net Cash Provided by Investing Activities	24
Net Increase in Cash	(13,152)
Cash at Beginning of Year	23,818
Cash at End of Year	$ 10,666
Reconciliation of Operating Income to Net Cash (Used for) Operating Activities:	
Operating income (loss)	$ (96,459)
Adjustment to reconcile operating income (loss) to net cash (used for) operating activities:	
Depreciation	4,017
(Increase) decrease in inventories	354
(Increase) decrease in interfund receivables	(137)
Increase (decrease) in accrued expenses	(5,590)
Net Cash (Used for) Operating Activities	$ (97,815)

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

ERIE COUNTY TECHNICAL SCHOOL
Statement of Fiduciary Net Assets -
Fiduciary Funds
June 30, 2012

	Private Purpose Trust	Student Activities
Assets		
Cash and cash equivalents	$ 41,606	$ 300
Deposit - Erie Community Foundation	177,659	-
Total Assets	$ 219,265	$ 300
Liabilities		
Due to student groups	$ -	$ 300
Unearned revenue	35,500	-
Total Liabilities	35,500	300
Net Assets		
Held in trust for scholarships	183,765	-
Total Liabilities and Net Assets	$ 219,265	$ 300

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, 2012

	Private Purpose Trust
Additions:	
Investment income (loss)	$ (10,020)
Contributions	7,746
Total Additions	(2,274)
Deductions:	
Student functions	8,183
Scholarships	1,991
Total Deductions	10,174
Change in Net Assets	(12,448)
Net Assets, July 1, 2011	196,213
Net Assets, June 30, 2012	$ 183,765

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.

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.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Deposits in savings accounts, 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, 2012.

A physical inventory of the Food Service Fund food and supplies was taken as of June 30, 2012. 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	$ 100	$ 25,000
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.

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.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 Usage

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989 generally are followed in the proprietary fund statements to the extent that those standards do not conflict with or contradict guidance of the GASB. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds subject to this same limitation.

O. Net Assets/Fund Balance

GASB Statement No. 54 establishes accounting and financial standards for all governments that report governmental funds. It establishes criteria for classifying fund balances into specifically defined classifications and clarifies definitions as follow:

- Nonspendable. The nonspendable fund balance classification includes amounts that cannot be spent because they are either (1) not in spendable form, or (2) legally or contractually required to be maintained intact. The School's nonspendable fund balance consists of prepaid expenses and inventory.

- Assigned. Assets intended to be used by the government for specific purposes that are neither restricted nor committed. Intent can be expressed by the governing body or an official or body to which the governing body delegates authority. The School has assigned portions of fund balance to cover projected future increases in PSERS contributions to fund the Regional Career and Technical Center and to fund future capital projects.

- Unassigned. Unassigned fund balance is the residual classification for the General Fund.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The School does not currently have a minimum fund balance policy. The School's GASB 54 Fund Balance Policy is to apply expenditures against any non-spendable funds, restricted fund balance, committed fund balance, assigned fund balance, and then unassigned fund balance.

The government-wide financial statements utilize a net assets presentation. Net assets are categorized as invested capital assets (net of related debt), restricted and unrestricted.

- *Invested In Capital Assets, Net of Related Debt* – This category groups all capital assets, including infrastructure, into one component of net assets. Accumulated depreciation and the outstanding balances of debt that are attributable to the acquisition, construction or improvement of these assets reduce the balance in this category.

- *Restricted Net Assets* – This category presents external restrictions imposed by creditors, grantors, contributors or laws or regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation.

- *Unrestricted Net Assets* – This category represents net assets of the School not restricted for any project or other purpose.

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.

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.

NOTE 2 - BUDGETARY INFORMATION (CONTINUED)

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, 2012, $0 of the School's bank balance of $92,900 was exposed to custodial credit risk.

Reconciliation to Financial Statements

Insured amount	$ 92,900
Uninsured amount	-
Add: deposits in transit	-
Less: outstanding checks	(2,559)
Carrying amount of bank balances	90,341
Plus: petty cash	150
pooled cash equivalents	1,537,055
Total cash per financial statements	$ 1,627,546

Investments

As of June 30, 2012, the School had the following investments:

PA Local Government Investment Trust-Plus	$ 105,382
PA School District Liquid Asset Fund	1,060,198
PA School District Liquid Asset Fund-PSDMAX	371,475
	$ 1,537,055

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.

NOTE 3 - CASH AND CASH EQUIVALENTS (CONTINUED)

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, 2012, 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	$ 1,537,055
Less: deposits in investment pool considered cash equivalents	1,537,055
Total investments per financial statements	$ -

NOTE 4 - RECEIVABLES

Receivables as of June 30, 2012 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	Total
Federal and state grants	$ 21,936	$ 21,936
Other	116,398	116,398
Gross receivables	138,334	138,334
Less: Allowance for uncollectibles	-	-
	$ 138,334	$ 138,334

NOTE 5 - CAPITAL ASSETS

Capital asset activity for the year was as follows:

	June 30, 2011	Additions	Deletions/ Adjustments	June 30, 2012
Governmental Activities				
Capital assets not depreciated:				
Land	$ 272,111	$ -	$ -	$ 272,111
Capital assets depreciated:				
Buildings and improvements	10,728,989	-	-	10,728,989
Machinery and equipment	2,292,532	87,092	(36,919)	2,342,705
Vehicles	61,610	-	-	61,610
Total Assets Depreciated	13,083,131	87,092	(36,919)	13,133,304
Less accumulated depreciation				
Buildings and improvements	(7,088,327)	(198,919)	-	(7,287,246)
Machinery and equipment	(1,323,877)	(127,591)	36,469	(1,414,999)
Vehicles	(43,315)	(3,326)	-	(46,641)
Total Accumulated Depreciation	(8,455,519)	(329,836)	36,469	(8,748,886)
Total Capital Assets, Being Depreciated, Net	$ 4,627,612	$ (242,744)	$ (450)	$ 4,384,418
Business-Type Activities				
Capital assets being depreciated:				
Equipment	$ 129,336	$ -	$ -	$ 129,336
Total Assets Depreciated	129,336	-	-	129,336
Less accumulated depreciation				
Equipment	(91,700)	(4,017)	-	(95,717)
Total Accumulated Depreciation	(91,700)	(4,017)	-	(95,717)
Total Capital Assets Being Depreciated, Net	$ 37,636	$ (4,017)	$ -	$ 33,619

NOTE 5 - CAPITAL ASSETS (CONTINUED)

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

Governmental Activities:	
Instruction:	
Vocational	$ 272,750
Support Services:	
Administration	37,194
Operation and maintenance	19,892
	$ 329,836
Business-Type Activities:	
Food service	$ 4,017

NOTE 6 - LONG-TERM DEBT

Long-term liability activity for the year ended June 30, 2012 was as follows:

Governmental Activities	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Compensated absences	$ 283,883	$ 39,815	$ (18,706)	$ 304,992	$ 18,706
	$ 283,883	$ 39,815	$ (18,706)	$ 304,992	$ 18,706

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, 2012, the rate of employer contributions was 8.65% 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, 2012, 2011, and 2010 were $242,783, $160,876, and $133,373, 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, 2012, total claims expense and stop-loss insurance expense were approximately $777,000. Claims expense, recorded as a General Fund expenditure, represents claims processed as of June 30, 2012 and includes $124,369 estimated unprocessed claims payable.

NOTE 8 - SELF INSURANCE (CONTINUED)

The claims asset of $547,128 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, 2010	$ 525,305
Current year premiums	792,288
Claim payments and administration	(765,509)
Claims asset, June 30, 2011	552,084
Current year premiums	772,819
Claim payments and administration	(777,775)
Claims asset, June 30, 2012	$ 547,128

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 $547,128.

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, 2012 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, 2012, revenue from member districts was $4,476,597, which was 74% of the School's total General Fund revenue.

NOTE 11 - POST-EMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS

In addition to the pension benefits described in note 7, the District provides post-employment health insurance benefits through a single-employer defined benefit plan. The benefits are established in accordance with the requirements set forth by the bargaining unit contracts. The Plan is not allocated for as a trust fund, an irrevocable trust has not been established, the Plan does not issue a separate report and activity of the Plan is reported in the District's General Fund. The School District has implemented GASB Statement No. 45 prospectively for the year ended June 30, 2012.

Hospitalization coverage as a retiree will be equivalent (single or dependent coverage) to that held by the individual at the time of retirement. As of June 30, 2012, six retired employees are covered by health insurance. The District's expenses for health insurance benefits were $48,455 ($80,139 net of retiree contributions of $31,684) in 2011/12.

Funding Policy

The benefits are expensed when incurred and are financed on a pay-as-you-go basis. Retirees currently pay a portion of the monthly premium. The District covers the balance of the premium not paid by the retiree. Retiree and dependent coverage, group plans, and costs to the retiree are subject to change. A spouse may be covered as a dependent until the death of the retiree; thereafter, they are eligible to continue coverage by paying 100% of the monthly insurance premium.

The District's annual OPEB cost is calculated based on the annual required contribution of the employees (ARC), an amount actually determined in accordance with the parameters of GASB Statement No 45. The ARC is the normal cost plus the portion of the unfunded actuarial accrued liability to be amortized in the current period. The ARC is an amount that is actually determined in accordance with the requirements so that if paid on an ongoing basis, it would be expected to provide sufficient resources to fund both normal cost for each year and the amortized unfunded liability.

NOTE 11 - POST-EMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS (CONTINUED)

The following table shows the component of the District's annual OPEB cost for the year, the amount actually contributed, and changes in the District's net OPEB obligation:

Annual Required Contribution	$ 22,168
Interest on Net OPEB Obligation	1,018
Adjustment to Annual Required Contributions	(1,388)
Annual OPEB Cost	21,798
Contribution Made - Estimated	(48,000)
Increase in Net OPEB Obligation	(26,202)
Net OPEB Obligation - Beginning of Year	26,479
Net OPEB Obligation - End of Year	$ 277

The District's annual OPEB cost, the percentage of annual OPEB cost contributed and the net OPEB obligation were as follows:

Fiscal Year Ending	Annual OPEB Cost (AOC)	Percentage of AOC Contributed	Net OPEB Obligation (Asset)
June 30, 2011	$ 21,931	121%	$ 26,479
June 30, 2012	21,798	220%	277

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress presents multi-year trend information about whether the actuarial value of the plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

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

NOTE 11 - POST-EMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS (CONTINUED)

The ARC for the current year was computed as of June 30, 2012 using the following actuarial assumptions: (1) actuarial cost method - entry age normal; (2) amortization method level dollar; (3) amortization period 30 years; (4) discount rate of 4.5% compounded annually; (5) 1983 Group Annuity Mortality Tables for men and women, and (6) health care cost trend rates of 9%, grading to 5% per year.

The schedule of funding progress for the post-employment health insurance benefits is as follows:

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL)-PUC (b)	Unfunded Actuarial Accrued Liability (UAAL) (b)-(a)	Funded Ratio (a)/(b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll [(b)-(a)]/(c)
October 1, 2007	-	$ 173,345	$ 173,345	0%	$ 2,320,441	7.5%

NOTE 12 - INTERFUND RECEIVABLES, PAYABLES, ADVANCES AND TRANSFERS

The composition of interfund balances as of June 30, 2012 is as follows:

Receivable Fund	Payable Fund	Amount
Capital Projects	General Fund	$ 5,373
Food Service Fund	General Fund	268
		$ 5,641

Transfers are used to move fund revenues to finance various other programs and projects in other funds.

Transfer In Fund	Transfer Out Fund	Total
Food Service Fund	General Fund	$ 17,665
Capital Projects Fund	General Fund	98,519
		$ 116,184

The outstanding balances between funds result mainly from the time lag between the date that interfund goods and services are provided to reimbursable expenditures occur and payments between funds are made.

ERIE COUNTY TECHNICAL SCHOOL
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual - General Fund
For the Year Ended June 30, 2012

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues				
Local sources	$ 365,000	$ 365,000	$ 467,517	$ 102,517
State sources	884,397	831,097	821,797	(9,300)
Federal sources	336,676	321,861	321,861	-
Support-local districts	4,751,883	4,751,883	4,476,597	(275,286)
Total Revenues	6,337,956	6,269,841	6,087,772	(182,069)
Expenditures and Other Financing Uses				
Instruction				
Special education programs	142,196	146,846	145,112	1,734
Vocational education programs	2,520,660	2,561,229	2,515,501	45,728
Other instructional programs	750,185	750,185	525,145	225,040
Adult education programs	172,838	172,760	196,232	(23,472)
Total Instruction	3,585,879	3,631,020	3,381,990	249,030
Support Services				
Pupil personnel	531,875	423,269	405,061	18,208
Instructional staff	256,567	262,353	261,205	1,148
Administrative	573,379	580,680	530,857	49,823
Pupil health	1,500	1,500	-	1,500
Business	164,425	167,597	162,422	5,175
Operation and maintenance of plant services	769,733	724,393	633,476	90,917
Central	332,806	334,553	301,973	32,580
Total Support Services	2,630,285	2,494,345	2,294,994	199,351
Operation of Noninstructional Services				
Student activities	2,929	6,329	6,849	(520)
Total Noninstructional Services	2,929	6,329	6,849	(520)
Facilities acquisition, construction and improvement services	18,000	18,000	18,251	(251)
Total Expenditures	6,237,093	6,149,694	5,702,084	447,610
Excess of Revenues Over/(Under) Expenditures	100,863	120,147	385,688	265,541
Other Financing Sources (Uses)				
Interfund transfers	(66,800)	(86,084)	(116,184)	(30,100)
Change in inventory	-	-	(64,167)	(64,167)
Sale of fixed assets	10,000	10,000	1,500	(8,500)
Total Other Financing Sources (Uses)	(56,800)	(76,084)	(178,851)	(102,767)
Net Change in Fund Balance	44,063	44,063	206,837	162,774
Fund Balance - July 1, 2011	1,381,893	1,381,893	1,381,893	-
Fund Balance - June 30, 2012	$ 1,425,956	$ 1,425,956	$ 1,588,730	$ 162,774

F E L I X & G L O E K L E R , P . C .
CERTIFIED PUBLIC ACCOUNTANTS
2306 Peninsula Drive • Erie, Pennsylvania 16506

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, 2012, which collectively comprise the Erie County Technical School's basic financial statements and have issued our report, thereon, dated August 17, 2012. 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

Management of Erie County Technical School is responsible for establishing and maintaining effective 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*</u>
<u>(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 over financial reporting 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 17, 2012.

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 17, 2012
Erie, Pennsylvania