- Assumed Healthcare cost trends were applied to retirees with less than $1,200 in premium assistance per year.
- Mortality rates were based on the RP-2014 Mortality Tables for Males and
- Females adjusted to reflect PSERS' experience and projected using a modified
- version of the RP-2015 Mortality Improvement Scale.
- Participation rate:
    - Eligible retirees will elect to participate pre age 65 at 50%.
    - Eligible retirees will elect to participate post age 65 at 70%.

The following assumptions were used to determine the contribution rate:

- The results of the actuarial valuation as of June 30, 2016 determined the employer contribution rate for fiscal year 2018.
- Cost Method: Amount necessary to assure solvency of Premium Assistance through the third fiscal year after the valuation date.
- Asset valuation method: Market Value.
- Participation rate: 63% of eligible retirees are assumed to elect premium assistance.
- Mortality rates and retirement ages were based on the RP-2000 Combined Healthy Annuitant Tables with age set back 3 years for both males and females for healthy annuitants and for dependent beneficiaries. For disabled annuitants, the RP-2000 Combined Disabled Tables with age set back 7 years for males and 3 years for females for disabled annuitants. (A unisex table based on the RP-2000 Combined Healthy Annuitant Tables with age set back 3 years for both genders assuming the population consists of 25% males and 75% females is used to determine actuarial equivalent benefits).

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

The OPEB plan's policy in regard to the allocation of invested plan assets is established and may be amended by the Board. Under the Program, as defined in the retirement code employer contribution rates for Premium Assistance are established to provide reserves in the Health Insurance Account that are sufficient for the payment of Premium Assistance benefits for each succeeding year. The Board's adopted asset allocation policy and best estimates of geometric real rates of return for each major asset class as of June 30, 2018 were:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Cash	5.90%	0.03%
US Core Fixed Income	92.80%	1.20%
Non-US Developed Fixed	1.30%	0.04%
Total	100.00%	

The above was the Board's adopted asset allocation policy and best estimates of geometric real rates of return for each major asset class as of June 30, 2019.

Discount Rate

The discount rate used to measure the total OPEB liability was 2.98%. Under the plan's funding policy, contributions are structured for short term funding of Premium Assistance. The funding policy sets contribution rates necessary to assure solvency of Premium Assistance through the third fiscal year after the actuarial valuation date. The Premium Assistance account is funded to establish reserves that are sufficient for the payment of Premium Assistance benefits for each succeeding year. Due to the short-term funding policy, the OPEB plan's fiduciary net position was not projected to be sufficient to meet projected future benefit payments, therefore the plan is considered a "pay-as-you-go" plan. A discount rate of 2.98% which represents the S&P 20-year Municipal Bond Rate at June 30, 2018, was applied to all projected benefit payments to measure the total OPEB liability.

Sensitivity of the District's Proportionate Share of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rates

Healthcare cost trends were applied to retirees receiving less than $1,200 in annual Premium Assistance. As of June 30, 2017, retirees Premium Assistance benefits are not subject to future healthcare cost increases. The annual Premium Assistance reimbursement for qualifying retirees is capped at a maximum of $1,200. As of June 30, 2016, 93,380 retirees were receiving the maximum amount allowed of $1,200 per year. As of June 30, 2016, 1,077 members were receiving less than the maximum amount allowed of $1200 per year. The actual number of retirees receiving less than the $1,200 per year cap is a small percentage of the total population and has a minimal impact on Healthcare Cost Trends as depicted below.

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

	1% Decrease	Healthcare Cost Trend Rate	1% Increase
District's proportionate share of the net OPEB liability	$ 438,000	$ 438,000	$ 438,000

Sensitivity of the District's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate

The following presents the District's Proportionate Share of the net OPEB liability as well as what the District's Proportionate Share of the net OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (1.98 percent) or higher (3.98 percent) than the current discount rate.

	1% Decease (1.98%)	Discount Rate (2.98%)	1% Increase (3.98%)
District's proportionate share of the net OPEB liability	$ 498,000	$ 438,000	$ 388,000

OPEB Plan Fiduciary Net Position

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

NOTE 9 – HEALTH INSURANCE CONSORTIUM

The Erie County Technical School provides medical benefits to its qualified employees through its membership in the Northwestern Region Employee Benefit Trust. The Trust is a public entity risk pool and membership is open to any Pennsylvania school district, Pennsylvania public school employer, or any other unit established by the laws of the Commonwealth of Pennsylvania in the administration of school laws. The School pays premiums to the Trust based upon rates established by the Trustees of the Trust.

The Trust is not intended to function as an insurance company for the members. Rather it is a means of combining the administration of claims, of obtaining lower insurance rates, and of developing a comprehensive loss control program. Although contributions billed to the members are determined on an actuarial basis, ultimate liability for claims remains with the respective members and, accordingly, the insurance risks are not transferred to the Trust.

The Trust agreement provides that the Trust will be self-sustaining and will reinsure for catastrophic risks through the purchase of commercial stop-loss insurance at varying levels based on the individual participant's discretion. The School's stop-loss insurance contract covers individual claims in excess of $40,000.

Employers joining the Trust must remain members for a minimum of five years; a member may withdraw from the Trust after that time by giving ninety days written notice. At June 30, 2018, the date of the most recent annual financial statements, the Trust's net assets were $20,834,948 but these net assets remain subject to claims.

NOTE 10 - 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, 2019 and the two previous fiscal years, no settlements exceeded insurance coverage.

NOTE 11 - 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, 2019, revenue from member districts was $4,887,481, which was 67% of the School's total General Fund revenue.

NOTE 12 - RESTATEMENTS

Beginning net position for the general fund was restated to reflect the write off of a receivable from the food service fund. The food service fund has been dissolved. Additional restatements were made to the governmental net position in order to include the fixed assets and pension liability components in the beginning balances for the year ended June 30, 2019.

	General Fund Net Position	Government-Wide Net Position
Beginning of year, as previously reported		
Net Position	$ 1,238,339	$ (3,457,615)
Food Service Accounts Receivable	(71,211)	(71,211)
Food Service Fixed Assets	-	11,694
Food Service Pension	-	(179,761)
Beginning of year, as restated Net Position	$ 1,167,128	$ (3,696,893)

NOTE 13 – SUBSEQUENT EVENTS

There were no subsequent events that needed to be disclosed in the financial statements. These financial statements considered subsequent events through August 15, 2019, the date the financial statements were available to be issued.

SUPPLEMENTARY INFORMATION

ERIE COUNTY TECHNICAL SCHOOL
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2019

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
Revenues				
Local Sources	$ 574,021	$ 574,021	$ 654,447	$ 80,426
State Sources	1,390,783	1,390,783	1,401,952	11,169
Federal Sources	313,277	313,277	313,277	-
Support - Local Districts	4,726,975	4,726,975	4,887,481	160,506
Total Revenues	7,005,056	7,005,056	7,257,157	252,101
Expenditures and Other Financing Uses				
Instruction				
Special Education Programs	236,949	204,149	203,359	790
Vocational Education Programs	2,914,052	2,744,327	2,798,687	(54,360)
Other Instructional Programs	376,574	376,574	534,617	(158,043)
Adult Education Programs	529,429	529,429	517,104	12,325
Total Instruction	4,057,004	3,854,479	4,053,767	(199,288)
Support Services				
Pupil Personnel	457,383	476,707	481,615	(4,908)
Instructional Staff	319,941	319,740	309,389	10,351
Administrative	503,597	495,897	506,747	(10,850)
Pupil health	43,162	43,463	43,349	114
Business	209,578	216,778	213,936	2,842
Operation and Maintenance of Plant Services	850,627	839,627	849,853	(10,226)
Technology	431,384	410,784	429,467	(18,683)
Total Support Services	2,815,672	2,802,996	2,834,356	(31,360)
Operation of Noninstructional Services				
Community Services	500	3,700	3,684	16
Student Activities	4,261	4,261	4,233	28
Total Noninstructional Services	4,761	7,961	7,917	44
Facilities Acquisition, Construction and Improvement Services	58,800	53,800	60,802	(7,002)
Total Expenditures	6,936,237	6,719,236	6,956,842	(237,606)
Excess of Revenues Over/(Under) Expenditures	68,819	285,820	300,315	14,495
Other Financing Sources (Uses)				
Interfund Transfers	(55,900)	(405,900)	(405,900)	-
Change in Inventory	-	-	(12,421)	(12,421)
Sale of Fixed Assets	7,500	7,500	1,375	(6,125)
Total Other Financing Sources (Uses)	(48,400)	(398,400)	(416,946)	(18,546)
Net Change in Fund Balance	20,419	(112,580)	(116,631)	(4,051)
Fund Balance - July 1, 2018	1,290,891	1,290,891	1,167,128	-
Fund Balance - June 30, 2019	$ 1,311,310	$ 1,178,311	$ 1,050,497	$ (4,051)

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

ERIE COUNTY TECHNICAL SCHOOL
SCHEDULE OF THE SCHOOL'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
JUNE 30, 2019

	2019	2018	2017	2016	2015	2014
School's proportion of the net pension liability	0.0210%	0.0199%	0.2130%	0.2250%	0.1139%	0.1102%
School's proportionate share of the net pension liability	$10,081,000	$ 9,828,000	$ 10,556,000	$ 9,746,000	$ 8,272,000	$ 8,802,000
School's covered payroll	$ 2,824,549	$ 2,647,831	$ 2,758,327	$ 2,899,165	$ 2,670,277	$ 2,757,171
School's proportionate share of the net pension liability as a percentage of its covered employee payroll	356.9065%	371.1717%	382.6957%	336.1658%	309.7806%	319.2403%
Plan fiduciary net position as a percentage of the total pension liability	21.00%	19.83%	21.30%	18.89%	15.61%	17.96%

The accompanying notes are an integral part of this statement.

ERIE COUNTY TECHNICAL SCHOOL
SCHOOL CONTRIBUTIONS
SCHOOL PENSION PLAN
JUNE 30, 2019

	2019	2018	2017	2016	2015	2014
Contractually required contribution	$ 926,495	$ 897,547	$ 766,563	$ 672,937	$ 546,287	$ 424,346
Contributions in relation to the contractually required contribution	926,495	897,547	766,563	672,937	546,287	424,346
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -
School's covered payroll	$ 2,824,549	$ 2,647,831	$ 2,758,327	$ 2,899,165	$ 2,670,277	$ 2,757,171
Contributions as a percentage of covered employee payroll	32.80%	33.90%	27.79%	23.21%	20.46%	15.39%

The accompanying notes are an integral part of this statement.

ERIE COUNTY TECHNICAL SCHOOL
SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY AND RELATED RATIOS - RETIREES HEALTH PLAN
JUNE 30, 2019

	2019	2018
Total OPEB Liability		
Service Cost	$ 8,304	$ 7,836
Interest	4,513	3,207
Change in benefit terms	-	230
Change in assumptions or other inputs	588	13,236
Differences between expected and actual experience	-	-
Benefit payments	(10,292)	(8,718)
Net Change in total OPEB Liability	3,113	15,791
Total OPEB Liability - beginning	141,458	125,667
Total OPEB Liability - ending	$ 144,571	$ 141,458
Covered-employee payroll	2,305,661	2,305,661
Total OPEB liability as a percentage of Covered-Employee Payroll	6.27%	6.14%

Notes to Schedule:

Changes of assumptions -The discount rate changed from 3.13% to 2.98%. The trend assumption was updated.

ERIE COUNTY TECHNICAL SCHOOL
SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY AND RELATED RATIOS - PSERS
JUNE 30, 2019

	2019	2018
District's proportion of the net OPEB liability	0.0210%	2.130%
District's proportionate share of the net OPEB liability	438,000	459,000
District's covered payroll	2,824,549	2,758,327
District's proportionate share of the net OPEB liability as a percentage of its covered payroll	16%	17%
Plan fiduciary net position as a percentage of the total OPEB liability	6%	6%

The accompanying notes are an integral part of this statement.

ERIE COUNTY TECHNICAL SCHOOL
SCHEDULE OF SCHOOL'S OPEB CONTRIBUTIONS - PSERS PLAN
JUNE 30, 2019

	2019	2018
Contractually required contribution	$ 23,195	$ 22,650
Contributions in relation to the contractually required contribution	23,195	22,650
Contribution deficiency (excess)	$ -	$ -
School's covered payroll	$ 2,824,549	$ 2,758,327
Contriubtions as a percentage of covered employee payroll	0.82%	0.82%

The accompanying notes are an integral part of this statement.

Buseck · Barger · Bleil & Co. Inc.

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AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS
PA INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS

Independent Auditor's 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 Joint Operating Committee
Erie County Technical School
Edinboro, PA

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Erie County Technical School as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise Erie County Technical School's basic financial statements, and have issued our report there on dated August 15, 2019.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Erie County Technical School's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Erie County Technical School's internal control. Accordingly, we do not express an opinion on the effectiveness of Erie County Technical School's internal control.

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

Our consideration of internal control 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 material weakness or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

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 that are required to be reported under *Government Auditing Standards.*

Purpose of this Report

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

Buseck, Barger, Bleil & Co. Inc.

Certified Public Accountants
Erie, Pennsylvania

August 15, 2019