

ERIE COUNTY TECHNICAL SCHOOL

Erie, Pennsylvania

Financial Statements

For the Year Ended June 30, 2020



**ERIE COUNTY TECHNICAL SCHOOL
ERIE, PENNSYLVANIA**

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INDEPENDENT AUDITOR'S REPORT

To the Members of the Joint Operating Committee
Erie County Technical School
Erie, PA

Report on the Financial Statements

We have audited the accompanying financial statements of the 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, 2020, and the related notes to the financial statements, which collectively comprise the school district's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Erie County Technical School, as of June 30, 2020, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 3-10 and 41 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statement, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Erie County Technical School's basic financial statements. The schedule of revenue, expenditures, and changes in fund balance – budget and actual is presented for purposes of additional analysis and are not a required part of the basic financial statements

The schedule of revenue, expenditures, and changes in fund balance – budget and actual is the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of revenue, expenditures, and changes in fund balance – budget and actual is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated August 21, 2020, 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Erie County Technical School's internal control over financial reporting and compliance.

Buseck, Barger, Bleil & Co. Inc.

Certified Public Accountants
Erie, Pennsylvania

**ERIE COUNTY TECHNICAL SCHOOL
ERIE, PENNSYLVANIA**

**MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
Required Supplementary Information (RSI)
June 30, 2020**

The discussion and analysis of Erie County Technical School's financial performance provides an overall review of the School's financial activities for the fiscal year ended June 30, 2020 with comparative information for the previous year. The intent of this discussion and analysis is to look at the School's financial performance as a whole; readers should also review the notes to the basic financial statements and financial statements to enhance their understanding of the School's 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.

Erie County Technical School is organized as 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 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 rolling-average formula. The participating school 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.

OVERVIEW OF FINANCIAL STATEMENTS

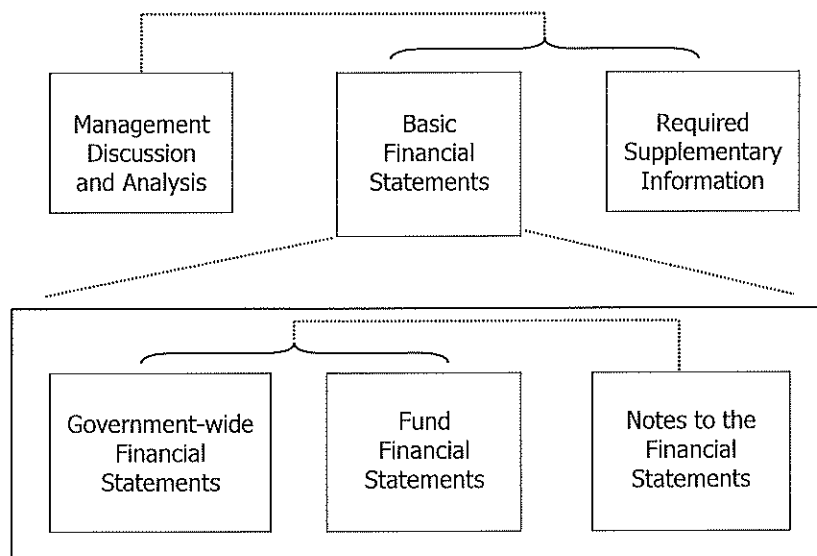
The first two statements are government-wide financial statements – the Statement of Net Position and the Statement of Activities. These provide both long-term and short-term information about the School's overall financial status.

The remaining statements are fund financial statements that focus on individual parts of the School's operations in more detail than the government-wide statements. The governmental funds statements tell how general School 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 School operates like a business. Fiduciary fund statements provide information about financial relationships where the School acts solely as a trustee or agent for the benefit of others, to whom the resources in question 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 below 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



Government-wide Statements

The government-wide statements report information about the School as a whole using accounting methods similar to those used by private-sector companies. The statement of net position 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 School's net assets and how they have changed. Net assets, the difference between the School's assets and liabilities, are one way to measure the School's financial health or position. Over time, increases or decreases in the School's net position are an indication of whether its financial health is improving or deteriorating, respectively. To assess the overall health of the School, additional non-financial factors must be considered, such as changes in the student demographics within the school districts which we serve throughout Erie County.

The government-wide financial statements of the District are reflective of only Governmental activities. As of June 30, 2018 the School ceased food service operations which comprised its only Business type activity within a Proprietary fund. The Governmental activities are described below:

- Governmental activities – All of the School's basic services are included here, such as instruction, administration and community services. State and federal subsidies and tuition payments from our member school districts and adult training programs most of these activities.

Fund Financial Statements

The School's fund financial statements, which begin on Page 13, provide detailed information about the most significant funds – not the School as a whole. Some funds are required by state law or other reporting requirements.

Governmental funds – Most of the School's 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 School's 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 School's programs. The relationship (or differences) between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds is reconciled in the financial statements.

Proprietary funds – These funds no longer exist within the School's activities due to the closure of the Food Service program which had been the School's only Proprietary fund operation. At June 30, 2018, the School ceased food service activities due to lack of participation by the sending districts.

Fiduciary funds - The School is the trustee, or fiduciary, for its related Foundation and student activity funds. All of the School's fiduciary activities are report in separate Statements of Fiduciary Net Position on Page 17. These activities were excluded from the School's other financial statement because the School cannot use these assets to finance its operations.

FINANCIAL ANALYSIS OF ERIE COUNTY TECHNICAL SCHOOL AS A WHOLE

The School's total net assets as a whole were \$(3,659,486) at June 30, 2020. During 2015, the School implemented the provisions of GASB No. 68 which required a restatement of the School's net position to record the net pension liability. In this year's audit, the School also implemented the provisions of GASB No. 75 which required a restatement of the School's beginning net position to record the net other postemployment benefits. The table below shows the School's June 30, 2020 Assets, Liabilities, and Net Position in comparison with the June 30, 2019 balances.

Table A-1
Fiscal Year ended June 30, 2020
With Comparative Totals for June 30, 2019
Assets, Liabilities, and Net Position – Governmental Activities

	June 30, 2020	June 30, 2019
	<u>Total</u>	<u>Total</u>
Current and other assets	\$3,022,343	\$2,548,184
Capital assets	3,921,015	3,562,069
Deferred Outflows	2,464,602	2,748,820
Total Assets and Deferred Outflows	9,407,960	8,859,073
Current and other liabilities	933,748	729,975
Long-term Liabilities	10,420,334	10,890,230
Deferred Inflows	1,713,364	1,485,855
Total Liabilities	13,067,446	13,106,060
Net Position		
Invested in capital assets	3,921,015	3,562,069
Restricted	738,387	782,179
Unrestricted	(8,318,888)	(8,591,235)
Total Net Position	<u>\$(3,659,486)</u>	<u>\$(4,246,987)</u>

Most of the School's net position is invested in capital assets (buildings, land, and equipment). The remaining net assets are either restricted for capital projects, special projects and programs, or unrestricted.

The results of this year's operations as a whole are reported in the Statement of Activities on Page 12. 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 School's activities that are supported by other general revenues. The two largest general revenues are the subsidies provided by the State of Pennsylvania, and the receipts from member districts.

Table A-2 takes the information from that Statement, rearranges it slightly, to present total revenues for the year. This table also shows a \$306,845 increase in revenues and a (\$751,134) decrease in expenditures over the prior year.

Table A-2
Fiscal Year ended June 30, 2020
With Comparative Totals for the Year ended June 30, 2019
Changes in Net Assets – Governmental Activities

	<u>Year Ending</u> <u>June 30, 2020</u>	<u>Year Ending</u> <u>June 30, 2019</u>
	<u>Total</u>	<u>Total</u>
Revenues		
Program revenues		
Charges for services	\$ 555,635	\$ 559,871
Operating grants and contributions	1,781,148	1,684,818
Capital grants and contributions	60,564	30,411
Grants, subsidies and contributions	<u>5,164,693</u>	<u>4,980,095</u>
Total revenues	\$7,562,040	\$7,255,195
Expenses		
Instruction	\$4,097,181	\$4,394,854
Pupil personnel	465,453	491,873
Instructional student support	297,811	357,298
Administrative and financial support	773,934	738,920
Operation and maintenance of plant	909,039	1,316,555
Technology	506,479	497,873
Student Activities	<u>4,258</u>	<u>7,916</u>
Total expenses	\$7,054,155	\$7,805,289
Increase (decrease) in net position	<u>\$ 507,885</u>	<u>\$ (550,094)</u>

The following table, Table A-3, shows the Schools total costs reflected by function as well as each function'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 sources and other miscellaneous revenues.

Table A-3
Fiscal Year ended June 30, 2020
Governmental Activities

<u>Functions/Programs</u>	<u>Total Cost of Services</u>	<u>Net Cost of Services</u>
Instruction	\$4,097,181	\$1,873,703
Pupil Personnel	465,453	416,620
Instructional student support	297,811	276,108
Administrative and financial support	773,934	687,119
Operation and Maintenance of plant	909,039	892,522
Technology	506,479	506,479
Student Activities	<u>4,258</u>	<u>4,258</u>
Total governmental activities	\$7,054,155	\$4,656,808
Less:		
Unrestricted grants, subsidies		=
Total needs from local sources and other revenues		<u>\$4,656,808</u>

THE SCHOOL'S FUNDS

At June 30, 2020, the School's governmental funds reported a combined fund balance of \$(3,659,486). Net changes from current year activities and restatement adjustments of fund balance showed an increase in net assets of \$507,885.

GENERAL FUND BUDGET

For the 2019-2020 fiscal year the Joint Operating Committee Board budgeted for an increase of 2.38% in contributions from the participating member school districts. Anticipated additional retirement costs, personnel contract changes and decreasing revenue from other contracts necessitated this increase.

Table A-4 summarizes the general fund revenues and expenditures comparing the original budget to actual results.

Table A-4
Fiscal Year ended June 30, 2020
General Fund Budget Summary

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>	<u>Percent</u>
<u>Revenues</u>				
Local sources	\$532,800	\$632,243	\$99,443	18.7%
State sources	1,397,352	1,502,976	105,624	7.6%
Federal sources	338,736	338,736	--	-%
Other Financing Sources	5,000	1,982	(3,018)	(81.7%)
Support – Local Districts	<u>4,854,447</u>	<u>5,104,080</u>	<u>249,632</u>	<u>5.1%</u>
Total Revenues	<u>7,128,335</u>	<u>7,580,016</u>	<u>451,681</u>	<u>6.3%</u>
<u>Expenditures</u>				
Salaries & Benefits	4,733,059	4,643,844	(89,215)	(1.9 %)
Professional & Technical Services	868,089	1,028,361	160,272	18.5%
Equipment & Supplies	582,541	677,271	94,730	16.3%
Utilities and Other Services	372,200	333,677	(42,523)	(11.3%)
Fund Transfers	165,900	390,900	225,000	135.6%
Other	<u>8,000</u>	<u>8,380</u>	<u>380</u>	<u>-%</u>
Total Expenditures	<u>6,733,789</u>	<u>7,082,434</u>	<u>348,644</u>	<u>5.2%</u>
Change in Textbook Inventory		<u>26,756</u>	<u>26,756</u>	
Fund Balance Change	<u>\$ 394,546</u>	<u>\$470,827</u>	<u>\$ 76,281</u>	

Table A-5 provides an explanation for major revenue and expenditure budget variances.

Table A-5
Fiscal Year ended June 30, 2020
Major Budgetary Variances

<u>Revenues</u>	
Greater than anticipated investment earnings	\$ 34,037
Greater than anticipated tuition from adult training	81,008
Less than anticipated rental and other fees	(22,983)
Greater than anticipated special program revenues	24,632
Greater than anticipated other local revenues	30,851
Less than anticipated retiree insurance reimbursements	(26,488)
Greater than anticipated subsidies and grants	187,000
Greater than anticipated district contributions for special project	225,000
Less than anticipated state benefit subsidies due to unfilled positions	<u>(81,376)</u>
	<u>\$ 451,681</u>
<u>Expenditures and Other Changes</u>	
Less than anticipated salaries and benefits due to staff changes	\$ (89,215)
Greater than anticipated contracted services and professional fees	160,272
Less than anticipated other contracted services costs and repairs	(42,523)
Greater than anticipated equipment costs	38,456
Greater than anticipated supplies costs	56,274
Greater than anticipated transfer to other funds	225,000
Greater than anticipated staff dues and memberships	<u>380</u>
	<u>\$ 348,644</u>
Change in Textbook Inventory Value	<u>26,756</u>
Total Major Budget Variances	<u>\$ 76,281</u>

CAPITAL ASSET AND LONG-TERM LIABILITIES

CAPITAL ASSETS

At June 30, 2019, the District had \$3,921,015 invested in a broad range of capital assets, including land, buildings and furniture and equipment. This amount represents a net increase (including additions, deletions and depreciation) of \$358,947 or 10.08% from last year.

Table A-6
Governmental and Business Type Activities
Capital assets - net of depreciation

	2020	2019
Land	\$ 272,111	\$ 272,111
Buildings & Improvements	2,832,814	2,631,585
Machinery & Equipment	810,649	648,269
Vehicles	5,441	10,104

LONG-TERM LIABILITIES

As of June 30, 2020, the School's long-term obligations were accrued vacation pay and sick leave for specific employees of the School, and recognition of net pension and other post-retirement employee benefit liabilities due to the adoption of GASB No. 68 and GASB No 75. More detailed information about these long-term liabilities is included in Note 6 to the financial statements.

FINANCIAL HIGHLIGHTS AND NEXT YEAR'S BUDGET

2020-2021 BUDGET OVERVIEW

For the 2020-2021 school year Erie County Technical School adopted a general fund budget that projects a balanced budget for its secondary and adult educational programs in anticipation of revenues and expenditures of approximately \$6.9 million. This budget includes costs to educate approximately 750 high school students from the member school districts, as well as adult vocational training programs. The budget includes a 2.33% increase in school district contributions from our partnering school districts, which amounts to \$97,448, over the previous year's funding. The 2020-2021 budget includes \$50,000 and \$20,000 in budgetary reserve for the secondary programs and adult education programs, respectively, to allow for salary increases and unanticipated or opportunity expenditures.

The gross average cost per pupil in the coming year's budget is \$6,868, with the net average per pupil cost being budgeted at \$5,905. For 2019-2020, the gross and net per pupil costs were budgeted at \$6,427 and \$5,606, respectively.

On the expenditure side, the School will continue to face challenges similar to those found in our partnering school districts with managing its employee benefit and pension costs, dealing with additional safety and security expenditures, as well as maintaining aging facilities. During 2019-2020 the School's share of retirement costs was 34.29% and this percentage is projected to increase to 34.51% during 2020-2021. These costs, along with other employee benefits, are driven by current economic conditions and are facing numerous schools, businesses and governmental entities across the nation.

As our instructional facilities continue to age, unanticipated maintenance and repair costs continue to be of utmost concern. With repair parts for the current systems becoming increasingly obsolete, additional planning and increased costs are often required to restore operational levels in the event of a break-down or system failure. Controlling these unexpected repair and maintenance costs will continue to remain a major challenge for the School in the coming year.

Notable expenditures included in next year's budget are for the following:

- 1) \$50,946 in Affordable Care Act costs for three participants
- 2) \$45,000 for projected 403(b) payments for anticipated retirements
- 3) \$ 9,100 toward an increased transfer to the Capital Reserve Fund

FINANCIAL HIGHLIGHTS

Major Sources of Revenue

The School's largest source of revenue comes from the participating school districts to support the secondary education program and is based on a prior three-year rolling average formula. Individual district contributions do change from year to year due to enrollment fluctuations at the technical school. Total district contributions for the secondary program were \$4,190,063 in 2019-2020 and \$4,092,605 in 2018-2019.

Additional revenue from school districts is received as tuition payments for students enrolled in the Career and Alternative Education Program for Disruptive Youth. Annual district tuition payments for this program were \$514,500 in 2019-2020 and \$598,584 in 2018-2019.

Nine participating districts also make operating and rental payments to the School under a lease agreement for Special Education Transition Center services. The operating costs and rental fees paid by the participating districts in 2019-2020 were \$174,517 and \$196,921 in 2018-2019.

During 2019-2020, the eleven participating school districts also contributed \$225,000 for a special capital project based on a district market value allocation formula.

Total contributions from participating school districts for all high school programs as a percentage of secondary operating revenue were approximately 69% in 2019-2020 and 67% in 2018-2019.

Expenditures

Instructional and pupil service costs during 2019-2020 utilized 55% of net costs of service. Administrative and financial support and Facilities, Operations and Technology utilized 15% and 30% of total net costs of service, respectively.

CONTACTING THE SCHOOL'S FINANCIAL MANAGEMENT

Our financial report is designed to provide our citizens, parents, students, member school districts, investors, and creditors with a general overview of the District's 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 Terri L. Birchard, CPA, Business Manager at Erie County Technical School, 8500 Oliver Road, Erie PA 16509 (814) 464-8600.

ERIE COUNTY TECHNICAL SCHOOL
STATEMENT OF NET POSITION
AS OF JUNE 30, 2020

	<u>Governmental Activities</u>
<u>Assets</u>	
Cash and Cash Equivalents	\$ 997,119
Investments	1,569,109
Receivable, Net	362,709
Inventories	93,406
Land	272,111
Capital assets - Net	3,648,904
<u>Total Assets</u>	<u>6,943,358</u>
<u>Deferred Outflows of Resources</u>	
Deferred Outflows related to Pensions	2,357,088
Deferred Outflows related to OPEB - Retirees Health Plan	28,924
Deferred Outflows related to OPEB - PSERS	78,590
<u>Total Deferred Outflows of Resources</u>	<u>2,464,602</u>
<u>Total Assets and Deferred Outflows</u>	<u>\$ 9,407,960</u>
<u>Liabilities</u>	
Accounts Payable	\$ 309,150
Accrued Salaries and Benefits	607,507
Current Portion of Compensated Absences	17,091
Noncurrent liabilities:	
Portion due or payable after one year:	
Post employment benefits	562,574
Long-Term Portion of Compensated Absences	267,760
Net pension liability	9,590,000
<u>Total Liabilities</u>	<u>11,354,082</u>
<u>Deferred Inflow of Resources</u>	
Deferred Inflows related to Pensions	1,653,400
Deferred Inflows related to OPEB - Retirees Health Plan	16,686
Deferred Inflows related to OPEB - PSERS	43,278
<u>Total Deferred Inflows of Resources</u>	<u>1,713,364</u>
<u>Net Position</u>	
Net investment in Capital Assets	3,921,015
Restricted	738,387
Unrestricted	(8,318,888)
<u>Total Net Position</u>	<u>(3,659,486)</u>
<u>Total Liabilities, Deferred Inflows and Net Position</u>	<u>\$ 9,407,960</u>

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

ERIE COUNTY TECHNICAL SCHOOL
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2020

Functions/Programs	Expenses	Program Revenues	
		Charges for Services	Operating Grants and Contributions
<u>Governmental Activities:</u>			
Instruction	\$ 4,097,181	\$ 539,118	\$ 1,623,797
Pupil personnel	465,453		48,833
Instructional Staff	297,811		21,703
Admin & Financial Support Services	773,934		86,815
Op & Maintenance of Plant Services	909,039	16,517	
Technology	506,479		
Student Activities & Community Services	4,258		
<u>Total Governmental Activities</u>	<u>7,054,155</u>	<u>555,635</u>	<u>1,781,148</u>
 <u>Total Primary Government</u>	 <u>\$ 7,054,155</u>	 <u>\$ 555,635</u>	 <u>\$ 1,781,148</u>

General Revenues:

Receipts from Member Districts
Investment Earnings
Miscellaneous Revenue
Inventory Change & Sale of Assets
Total general revenues, special items, extraordinary items and transfers

Change in Net Position
Net Position - Beginning , as restated

Net Position - Ending

ERIE COUNTY TECHNICAL SCHOOL
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2020

Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Assets		
	Governmental Activities	Business-Type Activities	Total
\$ 60,564	\$ (1,873,702)	\$ -	\$ (1,873,702)
	(416,620)		(416,620)
	(276,108)		(276,108)
	(687,119)		(687,119)
	(892,522)		(892,522)
	(506,479)		(506,479)
	(4,258)		(4,258)
60,564	(4,656,808)	-	(4,656,808)
<u>\$ 60,564</u>	<u>(4,656,808)</u>	<u>-</u>	<u>(4,656,808)</u>
	5,104,080		5,104,080
	46,316		46,316
	39,071		39,071
	(24,774)		(24,774)
	5,164,693	-	5,164,693
	507,885	-	507,885
	(4,167,371)	-	(4,167,371)
	<u>\$ (3,659,486)</u>	<u>\$ -</u>	<u>\$ (3,659,486)</u>

ERIE COUNTY TECHNICAL SCHOOL
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2020

	General	Capital Projects	Total Governmental Funds
<u>Assets</u>			
Cash & Cash Equivalents	\$ 821,512	\$ 175,607	\$ 997,119
Investments	1,006,329	562,780	1,569,109
Intergovernmental receivables	362,709	-	362,709
Inventories	93,406	-	93,406
<u>Total Assets</u>	<u>\$ 2,283,956</u>	<u>\$ 738,387</u>	<u>\$ 3,022,343</u>
 <u>Liabilities and Fund Balances</u>			
<u>Liabilities</u>			
Accounts payable	\$ 155,125	\$ 154,025	\$ 309,150
Accrued salaries and benefits	607,507	-	607,507
<u>Total Liabilities</u>	<u>762,632</u>	<u>154,025</u>	<u>916,657</u>
 <u>Fund Balances</u>			
Nonspendable - Inventory	93,406	-	93,406
Restricted - Capital Projects	-	584,362	584,362
Assigned:			
Future PSERS Rate Increases	318,800	-	318,800
New Program	250,000	-	250,000
COVID Activities	350,000		
Equipment Purchase	37,500		
Regional Career and Technical Center	226,737	-	226,737
Unassigned	244,881	-	244,881
<u>Total Fund Balances</u>	<u>1,521,324</u>	<u>584,362</u>	<u>2,105,686</u>
<u>Total Liabilities, Deferred Inflows and Fund Balances</u>	<u>\$ 2,283,956</u>	<u>\$ 738,387</u>	<u>\$ 3,022,343</u>

ERIE COUNTY TECHNICAL SCHOOL
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
JUNE 30, 2020

<u>Total Fund Balances - Governmental Funds</u>	\$ 2,105,686
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Amounts reported for governmental activities in the statement of net position are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds. The cost of the assets is \$15,110,017 and the accumulated depreciation is \$11,189,002.	3,921,015
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Deferred outflows and inflows of resources related to pensions and OPEB are applicable to future periods and, therefore, are not reported in the funds.

Deferred outflows of resources related to pensions and OPEB	\$ 2,464,602	
Deferred inflows of resources related to pensions and OPEB	(1,713,364)	751,238

Long-term liabilities, including post employment benefits, are not due and payable in the current period and therefore are not reported as liabilities in the funds. Long-term liabilities at year end consist of:

Net pension liability	(9,590,000)	
Post employment benefits	(562,574)	
Compensated absences (sick pay and vacations)	(284,851)	(10,437,425)

<u>Total Net Position - Governmental Activities</u>	\$ (3,659,486)
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ERIE COUNTY TECHNICAL SCHOOL
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2020

	General	Capital Projects	Total Governmental Funds
<u>Revenues</u>			
Local Sources	\$ 632,243	\$ 8,779	\$ 641,022
State Sources	1,502,976	-	1,502,976
Federal Sources	338,736	-	338,736
Support - local districts	5,104,080	-	5,104,080
<u>Total Revenues</u>	<u>7,578,035</u>	<u>8,779</u>	<u>7,586,814</u>
<u>Expenditures</u>			
Instruction	3,863,606	-	3,863,606
Support Services	2,787,661	216,652	3,004,313
Noninstructional services	4,258	-	4,258
Facilities Acquisition and Construction	36,008	380,845	416,853
<u>Total Expenditures</u>	<u>6,691,533</u>	<u>597,497</u>	<u>7,289,030</u>
<u>Excess (Deficiency) of Revenues Over (Under) Expenditures</u>	886,502	(588,718)	297,784
<u>Other Financing Sources (Uses)</u>			
Interfund Transfers	(390,901)	390,901	-
Sale of Fixed Assets	1,982	-	1,982
Change in inventory	(26,756)	-	(26,756)
<u>Total Other Financing Sources (Uses)</u>	<u>(415,675)</u>	<u>390,901</u>	<u>(24,774)</u>
<u>Net Change in Fund Balances</u>	470,827	(197,817)	273,010
<u>Fund Balance - July 1, 2019</u>	<u>1,050,497</u>	<u>782,179</u>	<u>1,832,676</u>
<u>Fund Balance - June 30, 2020</u>	<u>\$ 1,521,324</u>	<u>\$ 584,362</u>	<u>\$ 2,105,686</u>

ERIE COUNTY TECHNICAL SCHOOL
RECONCILIATION OF THE GOVERNMENTAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2020

Net Change in Fund Balance - Governmental Funds \$ 273,010

Amounts reported for governmental activities in the statement of net position are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation exceeded capital outlay in the current period.

Depreciation Expense	\$ (323,117)	
Capital Outlays	<u>602,447</u>	279,330

In the statement of activities, certain operating expenses-compensated absences are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used. This amount represented the difference between the amount earned versus the amount used. (43,725)

Other post-employment benefits are reflected on the statement of net assets, but are not considered a current expenditure for the financial statements. 30,562

Governmental funds report district pension contributions as expenditures. However in the Statement of Activities, the cost of pension benefits earned net of employee contributions is reported as pension expense.

District pension contributions	\$ 945,935	
Cost of benefits earned net of employee contributions	<u>(977,227)</u>	<u>(31,292)</u>

Change in Net Position of Governmental Activities \$ 507,885

ERIE COUNTY TECHNICAL SCHOOL
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2020

	<u>Student Activities</u>	<u>Foundation</u>
<u>Assets</u>		
Cash	\$ 11,395	\$ 14,167
Undivided interest in Foundation Assets	<u>-</u>	<u>240,295</u>
<u>Total Assets</u>	<u>\$ 11,395</u>	<u>\$ 254,462</u>
<u>Liabilities</u>		
Accounts Payable	<u>\$ 188</u>	<u>\$ -</u>
<u>Total Liabilities</u>	<u>188</u>	<u>-</u>
<u>Net Position</u>		
Held in Trust	<u>11,207</u>	<u>254,462</u>
Total Liabilities, Deferred Inflows and Net Position	<u>\$ 11,395</u>	<u>\$ 254,462</u>

ERIE COUNTY TECHNICAL SCHOOL
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2020

	<u>Foundation</u>
<u>Additions</u>	
Contributions	\$ 3,196
Investment income (loss)	2,397
Other revenue	<u>1,606</u>
<u>Total Additions</u>	<u>7,199</u>
<u>Deductions</u>	
Awards and scholarships	6,000
Program expenses	26,109
General and administrative	<u>7,034</u>
<u>Total Deductions</u>	<u>39,143</u>
<u>Change in Net Position</u>	(31,944)
<u>Total Net Position - July 1, 2019</u>	<u>286,406</u>
<u>Total Net Position - June 30, 2020</u>	<u><u>\$ 254,462</u></u>

ERIE COUNTY TECHNICAL SCHOOL
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2020

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

The Erie County Technical School is an area vocational - technical school comprised of eleven participating districts and is governed by an operating committee made up of representatives of the districts. The School is organized for the purpose of providing a program of vocational and technical education to secondary pupils, out-of-school youth, and adults who are residents of the participating districts.

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 component unit, the Erie County Vocational Technical School Foundation. Separately issued financial statements for the Foundation are available at the Erie County Technical School.

B. Description of Government-Wide Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the school. All fiduciary activities are reported only in the fund financial statements. *Governmental activities*, which normally are supported by intergovernmental revenues, and other nonexchange transactions, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the *primary government* is reported separately from certain legally separate *component units* for which the primary government is financially accountable.

C. Basis of Presentation - Government-Wide Financial Statements

While separate government-wide and fund financial statements are presented, they are interrelated. The governmental activities column incorporates data from governmental funds, while business-type activities incorporate data from the government's enterprise funds. Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

D. Basis of Presentation - Fund Financial Statements

The fund financial statements provide information about the government's funds, including its fiduciary funds and component units. Separate statements for each fund category - governmental, proprietary, and fiduciary - are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as nonmajor funds. Major individual governmental and enterprise funds are reported as separate columns in the fund financial statements.

The School reports the following major governmental funds:

The General Fund is the School'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. The School's food service fund ceased operations as of June 30, 2018 due to lack of participation by the sending districts.

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.

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first then unrestricted resources as they are needed.

During the course of operations, the government has activity between funds for various purposes. Any residual balances outstanding at year end are reported as due from/to other funds. While these balances are reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Balances between the funds included in governmental activities (i.e., the governmental funds) are eliminated so that only the net amount is included as internal balances in the governmental activities column. Similarly, balances between the funds included in business-type activities (i.e., the enterprise funds) are eliminated so that only the net amount is included as internal balances in the business-type activities column.

Further, certain activity occurs during the year involving transfers of resources between funds. In fund financial statements, these amounts are reported at gross amounts as transfers in/out. While reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Transfers between the funds included in governmental activities are eliminated so that only the net amount is included as transfers in the governmental activities column. Similarly, balances between the funds included in business-type activities are eliminated so that only the net amount is included as internal balances in the business-type activities column.

E. Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as current financial resources or economic resources. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

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.

The governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers 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. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources.

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. Entitlements are recorded as revenues when all eligibility requirements are met, including any time requirements, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year-end). Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements have been met, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year-end). All other revenue items are considered to be measurable and available only when cash is received by the government.

F. 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.

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.

G. Assets, Liabilities, Deferred Inflows, and Net Position/Fund Balance

1. Cash and cash equivalents and investments

Cash and cash equivalents are considered to be cash on hand, demand deposits, pooled for investment purposes in the Pennsylvania School District Liquid Assets Fund (PSDLAF), investments, and short-term investments with original maturities of three months or less.

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

Obligations of (1) the United States of America or any of its agencies or instrumentalities backed by the full faith and credit of the United States of America, (2) the Commonwealth of Pennsylvania or any of its agencies or instrumentalities backed by the full faith credit of the Commonwealth, or (3) any political subdivision of the Commonwealth of Pennsylvania or any of its agencies or instrumentalities backed by the full faith and credit of the political subdivision.

Deposits in savings accounts, 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.

2. 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. The cost of prepaid items is recorded as expenditures/expenses when consumed rather than when purchased.

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.

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, 2019.

3. 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.

Land and construction in progress are not depreciated. Depreciation has been provided using the straight-line method for all other property, plant, and equipment of the primary government. The estimated useful lives of the various classes of depreciable capital assets are as follows:

	<u>Life – Years</u>
Buildings	30-40
Equipment	5-20
Autos, trucks, vans	8
Improvements	20

4. Deferred Outflows of Resources

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

Deferred outflows of resources related to OPEB is described further in Note 8. Deferred outflows of resources should be recognized in OPEB expense, beginning in the current reporting period, using a systematic and rational method over a closed period equal to the average of the expected remaining services lives of all employees that are provided with OPEB through the OPEB plan (active employees and inactive employees) determined as of the beginning of the measurement period. The recognition period for the OPEB Plan's change in assumption is 11 years.

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

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

5. Net Position Flow Assumption

Sometimes the government will fund outlays for a particular purpose from both restricted (e.g., grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted - net position and unrestricted - net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the government's policy to consider restricted - net position to have been depleted before unrestricted -net position is applied.

6. Fund Balance Flow Assumptions

Sometimes the government will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements a flow consumption must be made about the order in which the resources are considered to be applied. It is the government's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

7. Fund Balance Policies

Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. The government itself can establish limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance). Amounts in the assigned fund balance classification are intended to be used by the government for specific purposes but do not meet the criteria to be classified as committed. The governing council (operating committee) has by resolution authorized the business manager to assign fund balance. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, an additional action is essential to either remove or revise a commitment. At June 30, 2020, fund balances have been assigned/committed by Board resolution as follows:

<u>Assigned:</u>		
<u>General Fund</u>		
Future PSERS Rate Increases	\$	318,800
Regional Career and Technical Center		226,737
Equipment Purchase		37,500
COVID Activities		350,000
New Program		250,000
 <u>Capital Projects Fund</u>		 584,362
	\$	<u>1,767,399</u>

H. Revenues and Expenditures/Expense

1. Program Revenues

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. Other items not included among program revenues are reported instead as general revenues.

2. 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.

3. 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	\$125	\$34,375
Professional educators	70	15,000
Support personnel	60	12,000

4. Use of Estimates

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

5. 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.

6. Pensions

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

7. Other Post-Employment Benefits

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

NOTE 2 - 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, 2020, \$432,174 of the School's bank balance of \$1,154,076 was exposed to custodial credit risk.

Reconciliation of Financial Statements

Total Cash	\$ 1,154,076
Add: Deposits in transit	51,287
Less: Outstanding checks	(208,394)
Carrying amount of bank balances	996,969
Plus: Petty Cash	150
Total cash per financial statements	<u>\$ 997,119</u>
Uninsured and uncollateralized	\$ -
Collateralized with securities held by the pledging financial institution	-
Uninsured and collateral held by the pledging bank's trust department not in the School's name	432,174
TOTAL	<u><u>\$ 432,174</u></u>

Investments

As of June 30, 2020, the School had the following investments:

Erie Bank - CD's (all with investment maturity 1-5 years)	\$ 556,980
PA School District Liquid Asset Fund-PSDMAX	1,012,129
	<u><u>\$ 1,569,109</u></u>

Interest Rate Risk

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

Credit Risk

The School follows the Pennsylvania School Code's investment policy that would limit its investment choices to certain credit ratings. As of June 30, 2020, the School's investments were rated as:

PA School District Liquid Asset Fund

AAAm

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 Erie Bank 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.

NOTE 3 – RECEIVABLES

Receivables as of June 30, 2020, for the government's individual major funds and business-type activities in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

<u>Receivables</u>	<u>General</u>
Federal and state grants	\$ 191,658
Other	171,051
Gross receivables	<u>\$ 362,709</u>

At June 30, 2020, management does not believe any of its receivables are non-collectable.

NOTE 4 - INTERFUND TRANSFERS

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

Interfund Transfers

	<u>Transfer to Other Funds</u>	<u>Transfer from Other Funds</u>
General Fund	\$ 390,901	\$ -
Capital projects Fund	-	390,901
	<u>\$ 390,901</u>	<u>\$ 390,901</u>

NOTE 5 - CAPITAL ASSETS

Capital asset activity for the year was as follows:

	June 30, 2019	Additions	Deletions/ Additions	June 30, 2020
Governmental Activities				
Capital assets not depreciated:				
Land	\$ 272,111	\$ -	\$ -	\$ 272,111
Capital assets depreciated:				
Building and improvements	\$ 11,298,789	\$ 380,845	\$ -	\$ 11,679,634
Machinery and equipment	2,878,353	221,602	-	3,099,955
Vehicles	58,318	-	-	58,318
<u>Total Assets Depreciated</u>	<u>14,155,844</u>	<u>602,447</u>	<u>-</u>	<u>14,837,907</u>
Less accumulated depreciation				
Building and improvements	(8,667,205)	(179,615)	-	(8,846,820)
Machinery and equipment	(2,150,467)	(138,838)	-	(2,289,305)
Vehicles	(48,214)	(4,664)	-	(52,878)
<u>Total Accumulated Depreciation</u>	<u>(10,865,886)</u>	<u>(323,117)</u>	<u>-</u>	<u>(11,189,003)</u>
<u>Total Capital Assets, Being</u>				
<u>Depreciated, Net</u>	<u>\$ 3,289,958</u>	<u>\$ 279,330</u>	<u>\$ -</u>	<u>\$ 3,648,904</u>

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

Governmental Activities:

Instruction:

Vocation \$ 258,495

Support Services:

Administration 32,311

Operation and maintenance 32,311

\$ 323,117

NOTE 6 - LONG-TERM DEBT

Long-term liability activity for the year ended June 30, 2020 was as follows:

Governmental Activities	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Net Pension Liability	\$ 10,081,000	\$ -	\$ 491,000	\$ 9,590,000	\$ -
Compensated absences	241,126	64,048	20,323	284,851	17,091
	<u>\$ 10,322,126</u>	<u>\$ 64,048</u>	<u>\$ 511,323</u>	<u>\$ 9,874,851</u>	<u>\$ 17,091</u>

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

NOTE 7 - RETIREMENT PLAN

A. Plan Description

The Erie County Technical School contributes to the Public School Employees' Retirement System (the System), a governmental cost-sharing multiple-employer defined benefit pension plan. The members eligible to participate in the System include all full-time public school employees, part-time hourly public school employees who render at least 500 hours of service in the school year, and part-time per diem public school employees who render at least 80 days of service in the school year in any of the reporting entities in Pennsylvania. PSERS issues a publicly available financial report that can be obtained at www.psers.pa.gov.

Benefits Provided

PSERS provides retirement, disability, and death benefits. Members are eligible for monthly retirement benefits upon reaching (a) age 62 with at least 1 year of credited service; (b) age 60 with 30 or more years of credited service; or (c) 35 or more years of service regardless of age. Act 120 of 2010 preserves the benefits of existing members and introduced benefit reductions for individuals who become new members on or after July 1, 2011. Act 120 created two new membership classes, Membership Class T-E and Membership Class T-F. To qualify for normal retirement, Class T-E and Class T-F members must work until age 65 with a minimum of 3 years of service or attain a total combination of age and service that is equal to or greater than 92 with a minimum of 35 years of service. Benefits are generally equal to 2% or 2.5%, depending upon membership class, of the member's final average salary (as defined in the Code) multiplied by the number of years of credited service. For members whose membership started prior to July 1, 2011, after completion of five years of service, a member's right to the defined benefits is vested and early retirement benefits may be elected. For Class T-E and Class T-F members, the right to benefits is vested after ten years of service.

Participants are eligible for disability retirement benefits, after completion of five years of credited service. Such benefits are generally equal to 2% or 2.5%, depending upon membership class, of the member's final average salary (as defined by the Code) multiplied by the number of years of credited service, but not less than one-third of such salary nor greater than the benefit the member would have had at normal retirement age. Members over normal retirement age may apply for disability benefits.

Death benefits are payable upon the death of an active member who has reached age 62 with at least one year of credited service (age 65 with at least three years of credited service for Class T-E and Class T-F members) or who has at least five years of credited service (ten years for Class T-E and Class T-F members). Such benefits are actuarially equivalent to the benefit that would have been effective if the member had retired on the day before death.

Member Contributions

Public School Employees' Retirement System has four membership classes: T-C, T-D, T-E and T-F. The rate of the contribution an employee pays toward his account is based on the date of hire and/or membership class selected as follows:

- Active members who joined the System prior to July 22, 1983, contribute at 5.25 percent. Membership Class T-C) or at 6.50% (Membership Class T-D) of the member's qualifying compensation.
- Members who joined the System on or after July 22, 1983, and who were active or inactive as of July 1, 2001, contribute at 6.250% (Membership Class T-C or at 7.50% (Membership Class T-D) of the member's qualifying compensation.

- Members who joined the System after June 30, 2001 and before July 1, 2011, contribute 7.50% (automatic membership Class T-D). For all new hires and for members who elected Class T-D membership, the higher contribution rates began with service rendered on or after January 1, 2002.
- Members who joined the System after June 30, 2011, automatically contribute at the Membership Class T-E rate of 7.50% (base rate) of the member's qualifying compensation. All new hires after June 30, 2011, who elect Class T-F membership, contribute at 10.3% (base rate) of the member's qualifying compensation. Membership Class T-E and Class T-F are affected by a "shared risk" provision in Act 120 of 2010 that in the future fiscal years could cause the Membership Class T-E contribution rate to fluctuate between 7.5% and 9.5% and membership Class T-F contribution rate to fluctuate between 10.3% and 12.3%.
- New classes T-G and T-H are effective July 1, 2019. These additional classes are not included in the current year's report since they were implemented after the valuation date of June 30, 2019.

Employer Contributions

The School's contractually required contribution rate for fiscal year ended June 30, 2020 was 33.43% of covered payroll, actuarially determined as an amount that, when combined with the employee contributions, is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the School were \$945,935 for the year ended June 30, 2020.

B. Pension Liabilities, Pension Expense, and Deferred Outflows of Resources Related to Pensions

At June 30, 2020, the School reported a liability of \$9,590,000 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by rolling forward the System's total pension liability as of June 30, 2018 to June 30, 2019. The District's proportion of the net pension liability was calculated utilizing the employer's one year reported covered payroll as it relates to the total one year reported covered payroll. At June 30, 2020, the School's proportion was .0205%, which was a decrease from their prior year proportion of .0210%, measured at June 30, 2019.

For the year ended June 30, 2020, the School recognized pension expense of \$912,296 in the general fund. At June 30, 2020, the School reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Change of assumptions	\$ 369,400	\$ -
Net difference between projected and actual investment earnings	120,600	115,200
Net difference between expected and actual earnings	270,400	295,600
Change in proportion	708,000	1,242,600
Contributions subsequent to the measurement date	888,688	-
	<u>\$ 2,357,088</u>	<u>\$ 1,653,400</u>

\$888,688 reported as deferred outflows of resources related to pension resulting from School contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year

ended June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ended June 30:</u>	
2021	\$ 46,000
2022	(167,000)
2023	(96,000)
2024	17,000
	<u>\$ (200,000)</u>

Actuarial Assumptions

The total pension liability as of June 30, 2019 was determined by rolling forward the PSERS' total pension liability as of June 30, 2018 actuarial valuation to June 30, 2019 using the following actuarial assumptions, applied to all periods included in the measurement:

- Actuarial cost method – Entry Age normal – level % of pay.
- Investment return - 7.25%, includes inflation of 2.75%.
- Salary growth - Effective average of 5.00%, comprised of inflation of 2.75% and 2.25% for real wage growth and for merit or seniority increases.
- 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 MP-2015 Mortality Improvement Scale.

The actuarial assumptions used in the June 30, 2019 valuation were based on the results of an actuarial experience study that was performed for the five-year period ending June 30, 2015. The long-term expected rate of return on pension plan investments was determined using a building block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The pension plan's policy in regard to the allocation of invested plan assets is established and may be amended by the PSERS Board. Plan assets are managed with a long-term objective of achieving and maintain a fully funded status for the benefits provided through the pension.

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Global public equity	20.0%	5.6%
Fixed income	36.0%	1.9%
Commodities	8.0%	2.7%
Absolute return	10.0%	3.4%
Risk parity	10.0%	4.1%
Infrastructure/MLPs	8.0%	5.5%
Real estate	10.0%	4.1%
Alternative investments	15.0%	7.4%
Cash	3.0%	0.3%
Financing (LIBOR)	-20.0%	0.7%
	<u>100%</u>	

The above was the PSERS 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 pension liability was 7.25%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from employers will be made at contractually required rates, actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the School's proportionate share of the net pension liability to changes in the discount rate

The following presents the net pension liability, calculated using the discount rate of 7.25%, as well as what the net pension liability would be if it were calculated using a discount rate that is -1 percentage point lower (6.25%) or 1- percentage point higher (8.25%) than the current rate:

	1% Decrease 6.25%	Current Discount Rate 7.25%	1% Increase 8.25%
School's proportionate share of the net pension liability	\$ 11,946,000	\$ 9,590,000	\$ 7,596,000

Pension plan fiduciary net position

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

NOTE 8 – OTHER POST-EMPLOYMENT BENEFITS

A. Plan Description

In addition to the pension benefits described in Note 7, the School provides other post-employment health, dental, vision, prescription and life insurance benefits to its retirees. The other post-employment benefits are through a single-employer defined benefit plan. The benefits are established in accordance with the requirements set forth by the bargaining unit contracts. The Benefit 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 School's General Fund.

Plan Membership

At June 30, 2020, Plan membership consisted of the following:

Active employees	40
Inactive employees currently receiving benefits	10
	50

Funding Policy

No assets are accumulated in a trust that meets the criteria in paragraph 4 of Statement No. 75. The benefits are expensed when incurred and are financed on a pay-as-you-go basis. Retirees currently pay a portion of the monthly premium. The School covers the balance of the premium not paid by the retiree. Retiree and dependent coverage, group plans, and costs to the retiree are subject to change. A spouse may be covered as a dependent until the death of the retiree; thereafter, they are eligible to continue coverage by paying 100% of the monthly insurance premium. The School's net contributions to the plan were \$12,379 for June 30, 2020.

Total OPEB Liability

At June 30, 2020, the School reported a liability of \$126,574 for its share of the OPEB liability. The net OPEB liability was measured as of July 1, 2019 and the total OPEB liability was determined by an actuarial valuation as of that date.

Actuarial Assumptions

The total OPEB liability was determined by an actuarial valuation as of July 1, 2019 using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Interest Rate:	3.36% Based on S&P Municipal Bond 20 Year High Grade Rate Index at 7/1/2019
Salary increases:	2.5% cost of living adjustment, 1% real wage growth, and for teachers and administrators a merit increase which varies by age from 2.75 to 0%
Retiree Contributions:	Assumed to increase at the same rate as the health Care Cost Trend Rate
Health Care Cost Trend Rate:	6.0% in 2018, and 5.5% in 2019 through 2021. Rates gradually decrease from 5.4% in 2022 to 3.8% in 2075 and later based on the Society of Actuaries Long-Run Medical Cost Trend Model

Mortality Rates were assumed using the rates assumed in the PSERS defined benefit pension plan actuarial valuation. Incorporated into the tables are rates projected generationally by the Buck Modified 2016 scale to reflect mortality improvement.

Changes in the total OPEB Liability

The District's total OPEB liability has been measured as of June 30, 2020. The total OPEB liability was determined by an actuarial valuation as of July 1, 2019, and by rolling forward the liabilities from the July 1, 2019 actuarial valuation through the measurement date. No significant events or changes in assumptions occurred between the valuation date and the fiscal year end. The net OPEB liability is \$126,574, all of which is unfunded. As of June 30, 2020, the total OPEB liability of \$126,574 is related to the governmental funds and is recorded in the governmental activities in the governmentwide statement of net position.

The District's change in its total OPEB liability for the year ended June 30, 2020 was as follows:

	<u>Governmental Activities</u>
Service cost	\$ 9,073
Interest	4,379
Changes of benefit terms	-
Differences between expected and actual experience	(17,146)
Changes of assumptions or other input	(1,924)
Benefit payments	(12,379)
Net change in total OPEB liability	(17,997)
Total OPEB liability - June 30, 2019	144,571
Total OPEB liability - June 30, 2020	<u>\$ 126,574</u>

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources - OPEB

For the year ended June 30, 2020, the District recognized OPEB expense of \$12,797. At June 30, 2020, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

Changes of assumptions	\$ 8,711
Payments subsequent to the Measurement date	20,213
Total Deferred Outflows	<u>\$ 28,924</u>
 Difference between expected and actual experience	 \$ 15,003
Changes of Assumptions	1,683
Total Deferred Inflows	<u>\$ 16,686</u>

\$20,213 reported as deferred outflows of resources related to OPEB resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the total OPEB liability in the year ended June 30, 2021. The amount reported as deferred outflows of resources related to OPEB will be recognized in OPEB expense as follows:

<u>Year ended June 30:</u>	
2021	\$ (655)
2022	(655)
2023	(655)
2024	(655)
2025	(659)
Thereafter	(4,696)
	<u>\$ (7,975)</u>

Discount Rate

The discount rate used to measure the OPEB liability was 3.36%. The following presents the net OPEB liability of the Plan, as well as what the Plan's net OPEB liability would be if it were calculated using a discount rate that is 1% point lower or 1% point higher than the current rate:

	1% Increase	Discount Rate	1% Decrease
	4.36%	3.36%	2.36%
Net OPEB Liability	\$ 121,686	\$ 144,571	\$ 131,716

Sensitivity of Net OPEB Liability to Changes in the Healthcare

The following presents the net OPEB liability of the Plan, as well as what the Plan's net OPEB liability would be if it were calculated using healthcare cost trend rates 1% lower or 1% point higher than the current healthcare cost trend rates:

	1% Increase	Current Rate	1% Decrease
	6.5%	5.5%	4.5%
Net OPEB Liability	\$ 153,065	\$ 144,571	\$ 137,151

Health Insurance Premium Assistance Program

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

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

Premium Assistance Eligibility Criteria

Retirees of the System can participate in the Premium Assistance program if they satisfy the following criteria:

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

Benefits Provided

Participating eligible retirees are entitled to receive premium assistance payments equal to the lesser of \$100 per month or their out of pocket monthly health insurance premium. To receive premium assistance, eligible retirees must obtain their health insurance through either their school employer or the PSERS' Health Option Program. As of June 30, 2019, there were no assumed future benefit increases to participating eligible retirees.

Employer Contributions

The school districts' contractually required contribution rate for the fiscal year ended June 30, 2019 was 0.83% of covered payroll, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the OPEB plan from the District were \$23,000 for the year ended June 30, 2020.

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

At June 30, 2020, the District reported a liability of \$436,000 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2019 and the total OPEB liability used to calculate the net OPEB liability was determined by rolling forward the System's total OPEB liability as of June 30, 2018 to June 30, 2019. The District's proportion of the net OPEB liability was calculated utilizing the employer's one-year reported covered payroll as it relates to the total one-year reported covered payroll. At June 30, 2020, the District's proportion was .0205% which was a decrease of .0005% from its proportion measured as of June 30, 2019.

For the year ended June 30, 2019, the District recognized OPEB expense of \$19,000. At June 30, 2020, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 4,273	\$ -
Changes in assumptions	18,455	25,728
Net difference between projected and actual investment earning	1,727	-
Changes in proportion	31,818	17,550
District contributions subsequent to the measurement date	22,317	-
Total	<u>\$ 78,590</u>	<u>\$ 43,278</u>

\$22,317 reported as deferred outflows of resources related to OPEB resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year ended June 30:

2021	\$ (2,000)
2022	(2,000)
2023	(3,000)
2024	5,000
2025	-
	<u>\$ (2,000)</u>

Actuarial Assumptions

The total OPEB liability as of June 30, 2019 was determined by rolling forward the System's total OPEB liability as of the June 30, 2018 actuarial valuation to June 30, 2019 measurement date using the following actuarial assumptions, applied to all periods included in the measurement:

- Actuarial cost method – Entry Age Normal – level % of pay.
- Investment return – 2.79% - S&P 20 Year Municipal Bond Rate.
- Salary growth – Effective average of 5.00%, comprised of inflation of 2.75% and 2.25% for real wage growth and for merit and seniority increases.
- Premium assistance reimbursement capped at \$1,200 per year.

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

The following assumptions were used to determine the contribution rate:

- The results of the actuarial valuation as of June 30, 2016 determined the employer contribution rate for fiscal year 2019.
- 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, 2019 were:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Cash	13.20%	0.20%
US Core Fixed Income	83.10%	1.00%
Non-US Developed Fixed	3.70%	0.00%
Total	<u>100.00%</u>	

Discount Rate

The discount rate used to measure the total OPEB liability was 2.79%. 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 2.79% which represents the S&P 20-year Municipal Bond Rate at June 30, 2019, was applied to all projected benefit payments to measure the total OPEB liability.

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

Healthcare cost trends were applied to retirees receiving less than \$1,200 in annual Premium Assistance. As of June 30, 2019, retirees Premium Assistance benefits are not subject to future healthcare cost increases. The annual Premium Assistance reimbursement for qualifying retirees is capped at a maximum of \$1,200. As of June 30, 2019, 93,339 retirees were receiving the maximum amount allowed of \$1,200 per year. As of June 30, 2019, 780 members were receiving less than the maximum amount allowed of \$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.

	<u>1% Decrease</u>	<u>Healthcare Cost Trend Rate</u>	<u>1% Increase</u>
District's proportionate share of the net OPEB liability	\$ 436,000	\$ 436,000	\$ 436,000

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 (2.79 percent) or higher (3.79 percent) than the current discount rate.

	<u>1% Decrease (1.98%)</u>	<u>Discount Rate (2.98%)</u>	<u>1% Increase (3.98%)</u>
District's proportionate share of the net OPEB liability	\$ 497,000	\$ 438,000	\$ 386,000

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, 2019, the date of the most recent annual financial statements, the Trust's net assets were \$17,066,375 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, 2020 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, 2020, revenue from member districts was \$4,879,079, which was 66% of the School's total General Fund revenue.

NOTE 12 - RESTATEMENTS

Beginning government-wide net position was restated to reflect the capitalization of several items that had been expensed in the prior year. The effect of the restatement is shown on the next page:

	Government-Wide Net Position
Beginning of year, as previously reported Net Position	\$ (4,246,987)
Capitalization of 2019 Expenses	79,616
Beginning of year, as restated Net Position	<u>\$ (4,167,371)</u>

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 21, 2020, 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, 2020

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
<u>Revenues</u>				
Local Sources	\$ 532,800	\$ 532,800	\$ 632,243	\$ 99,443
State Sources	1,397,352	1,397,352	1,502,976	105,624
Federal Sources	338,736	338,736	338,736	-
Support - Local Districts	4,854,447	4,854,447	5,104,080	249,633
<u>Total Revenues</u>	<u>7,123,335</u>	<u>7,123,335</u>	<u>7,578,035</u>	<u>454,700</u>
<u>Expenditures and Other Financing Uses</u>				
Instruction				
Special Education Programs	244,554	244,554	173,407	71,147
Vocational Education Programs	2,921,976	2,684,380	2,694,121	(9,741)
Other Instructional Programs	398,983	398,983	459,634	(60,651)
Adult Education Programs	456,000	476,000	536,444	(60,444)
Total Instruction	<u>4,021,513</u>	<u>3,803,917</u>	<u>3,863,606</u>	<u>(59,689)</u>
Support Services				
Pupil Personnel	473,751	418,701	426,084	(7,383)
Instructional Staff	314,478	301,478	295,379	6,099
Administrative	550,647	515,047	514,355	692
Pupil health	44,579	44,079	44,024	55
Business	215,043	222,343	221,318	1,025
Operation and Maintenance of				
Plant Services	864,539	776,339	814,808	(38,469)
Technology	444,596	422,196	471,693	(49,497)
Total Support Services	<u>2,907,633</u>	<u>2,700,183</u>	<u>2,787,661</u>	<u>(87,478)</u>
Operation of Noninstructional Services				
Community Services	1,000	-	-	-
Student Activities	4,289	4,289	4,258	31
Total Noninstructional Services	<u>5,289</u>	<u>4,289</u>	<u>4,258</u>	<u>31</u>
Facilities Acquisition, Construction and Improvement Services	<u>58,000</u>	<u>59,500</u>	<u>36,008</u>	<u>23,492</u>
<u>Total Expenditures</u>	<u>6,992,435</u>	<u>6,567,889</u>	<u>6,691,533</u>	<u>(123,644)</u>
Excess of Revenues				
Over/(Under) Expenditures	<u>130,900</u>	<u>555,446</u>	<u>886,502</u>	<u>331,056</u>
<u>Other Financing Sources (Uses)</u>				
Interfund Transfers	(65,900)	(165,900)	(390,901)	(225,001)
Change in Inventory	-	-	(26,756)	(26,756)
Sale of Fixed Assets	5,000	5,000	1,982	(3,018)
Total Other Financing Sources (Uses)	<u>(60,900)</u>	<u>(160,900)</u>	<u>(415,675)</u>	<u>(254,775)</u>
<u>Net Change in Fund Balance</u>	<u>70,000</u>	<u>394,546</u>	<u>470,827</u>	<u>76,281</u>
<u>Fund Balance - July 1, 2019</u>	<u>1,311,310</u>	<u>1,178,311</u>	<u>1,050,497</u>	<u>-</u>
<u>Fund Balance - June 30, 2020</u>	<u>\$ 1,381,310</u>	<u>\$ 1,572,857</u>	<u>\$ 1,521,324</u>	<u>\$ 76,281</u>

ERIE COUNTY TECHNICAL SCHOOL
SCHEDULE OF THE SCHOOL'S PROPORTIONATE SHARE OF THE
NET PENSION LIABILITY
JUNE 30, 2020

	2020	2019	2018	2017	2016	2015	2014
School's proportion of the net pension liability	0.0205%	0.0210%	0.0199%	0.2130%	0.2250%	0.1139%	0.1102%
School's proportionate share of the net pension liability	\$ 9,590,000	\$10,081,000	\$ 9,828,000	\$ 10,556,000	\$ 9,746,000	\$ 8,272,000	\$ 8,802,000
School's covered payroll	\$ 2,829,597	\$ 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	338.9175%	356.9065%	371.1717%	382.6957%	336.1658%	309.7806%	319.2403%
Plan fiduciary net position as a percentage of the total pension liability	16.33%	21.00%	18.49%	21.30%	18.89%	15.61%	17.96%

ERIE COUNTY TECHNICAL SCHOOL
SCHOOL CONTRIBUTIONS
SCHOOL PENSION PLAN
JUNE 30, 2020

	2020	2019	2018	2017	2016	2015	2014
Contractually required contribution	\$ 945,935	\$ 926,495	\$ 897,547	\$ 766,563	\$ 672,937	\$ 546,287	\$ 424,346
Contributions in relation to the contractually required contribution	<u>945,935</u>	<u>926,495</u>	<u>897,547</u>	<u>766,563</u>	<u>672,937</u>	<u>546,287</u>	<u>424,346</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
School's covered payroll	\$ 2,829,598	\$ 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	33.43%	32.80%	33.90%	27.79%	23.21%	20.46%	15.39%

ERIE COUNTY TECHNICAL SCHOOL
SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY AND RELATED RATIOS -
RETIREES HEALTH PLAN
JUNE 30, 2020

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Total OPEB Liability			
Service Cost	\$ 9,073	\$ 8,304	\$ 7,836
Interest	4,379	4,513	3,207
Change in benefit terms	-	-	230
Change in assumptions or other inputs	(1,924)	588	13,236
Differences between expected and actual experience	(17,146)	-	-
Benefit payments	<u>(12,379)</u>	<u>(10,292)</u>	<u>(8,718)</u>
Net Change in total OPEB Liability	(17,997)	3,113	15,791
Total OPEB Liability - beginning	<u>144,571</u>	<u>141,458</u>	<u>125,667</u>
Total OPEB Liability - ending	<u><u>\$ 126,574</u></u>	<u><u>\$ 144,571</u></u>	<u><u>\$ 141,458</u></u>
Covered-employee payroll	2,273,293	2,305,661	2,305,661
Total OPEB liability as a percentage of Covered-Employee Payroll	5.57%	6.27%	6.14%

Notes to Schedule:

Changes of assumptions -The discount rate changed from 2.98% to 3.36%. The trend assumption was updated.

ERIE COUNTY TECHNICAL SCHOOL
SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY AND RELATED RATIOS - PSERS PLAN
JUNE 30, 2020

	<u>2020</u>	<u>2019</u>	<u>2018</u>
District's proportion of the net OPEB liability	0.0205%	0.0210%	2.130%
District's proportionate share of the net OPEB liability	436,000	438,000	459,000
District's covered payroll	2,829,598	2,824,549	2,758,327
District's proportionate share of the net OPEB liability as a percentage of its covered payroll	15%	16%	17%
Plan fiduciary net position as a percentage of the total OPEB liability	6%	6%	6%

ERIE COUNTY TECHNICAL SCHOOL
SCHEDULE OF SCHOOL'S OPEB CONTRIBUTIONS - PSERS PLAN
JUNE 30, 2020

	2020	2019	2018
Contractually required contribution	\$ 23,000	\$ 23,195	\$ 22,650
Contributions in relation to the contractually required contribution	<u>23,000</u>	<u>23,195</u>	<u>22,650</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
School's covered payroll	\$ 2,829,598	\$ 2,824,549	\$ 2,758,327
Contributions as a percentage of covered employee payroll	0.81%	0.82%	0.82%

Buseck · Barger · Bleil & Co. Inc.

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MEMBERS
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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, 2020, 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 21, 2020.

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.

Busch, Banger, Bleil & Co. Inc.

Certified Public Accountants
Erie, Pennsylvania