# ERIE COUNTY TECHNICAL SCHOOL
# FINANCIAL STATEMENTS
# FOR THE YEAR ENDED JUNE 30, 2022

**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 Audit of the Financial Statements

### Opinions

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Erie County Technical School, as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise Erie County Technical School's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Erie County Technical School, as of June 30, 2022, 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.

### Basis for Opinions

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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Erie County Technical School and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### Responsibilities of Management for the Financial Statements

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

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

**Auditor's Responsibilities for the Audit of the Financial Statements**

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

In performing an audit in accordance with generally accepted auditing standards and Government Auditing Standards, we:

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

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

**Required Supplementary Information**

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 4-11 and 41 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

**Supplementary 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 accompanying fiduciary fund statements and schedule of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the 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 combining and individual nonmajor fund financial statements and the schedule of expenditures of federal awards are 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 January 25, 2023, 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Erie County Technical School's 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

January 25, 2023

**ERIE COUNTY TECHNICAL SCHOOL**
**ERIE, PENNSYLVANIA**

**MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)**
**Required Supplementary Information (RSI)**
**June 30, 2022**

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, 2022 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

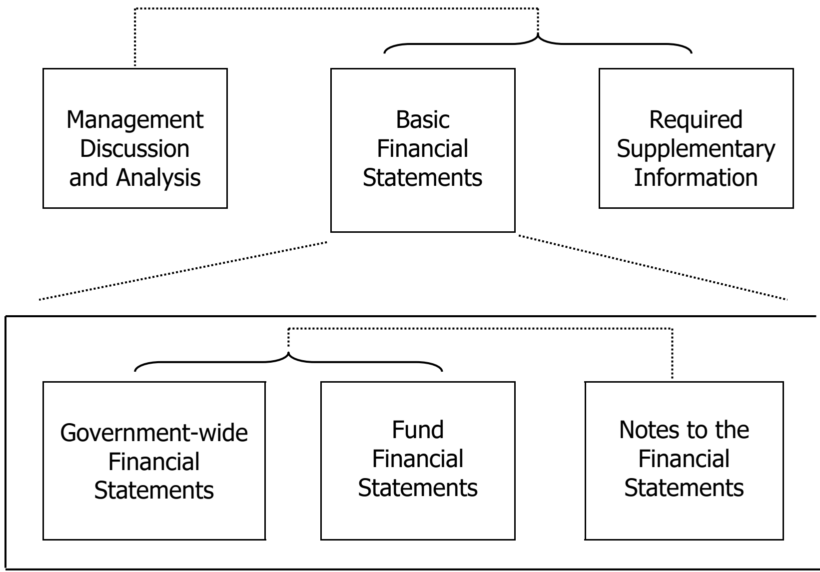
The first two statements are government-wide financial statements – the Statement of Net Position and the Statement of Activities. These provide both long-term and short-term information about the School's overall financial status.

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 12, 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.

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 reported in the Combining Statement of Fiduciary Net Position on page 47 and the Combining Statement of Changes in Fiduciary Net Position on page 48. 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 were $21,198,809 at June 30, 2022. The table below shows the School's June 30, 2022 Assets, Liabilities, and Net Position in comparison with the June 30, 2021 balances.

**Table A-1**

Fiscal Year ended June 30, 2022

With Comparative Totals for June 30, 2021

Assets, Liabilities, and Net Position – Governmental Activities

| | **June 30, 2022 Total** | **June 30,2021 Total** |
|---|---|---|
| Current and other assets | $ 16,647,484 | $3,301,149 |
| Capital assets | 14,011,739 | 4,455,449 |
| Deferred Outflows | 1,443,385 | 1,522,612 |
| **Total Assets and Deferred Outflows** | 32,102,608 | 9,279,210 |
| Current and other liabilities | 549,395 | 526,146 |
| Long-term Liabilities | 8,383,266 | 10,008,334 |
| Deferred Inflows | 1,971,138 | 1,187,686 |
| **Total Liabilities** | 10,903,799 | 11,722,166 |
| Net Position | | |
| Invested in capital assets | 14,011,739 | 4,455,449 |
| Restricted | 13,359,762 | 698,676 |
| Unrestricted | (6,172,692) | (7,597,081) |
| **Total Net Position** | $21,198,809 | $(2,442,956) |

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 13. 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 $23,012,955 increase in revenues and a $194,102 increase in expenditures over the prior year.

**Table A-2**
Fiscal Year ended June 30, 2022
With Comparative Totals for the Year ended June 30, 2021
Changes in Net Assets – Governmental Activities

| | Year Ending June 30, 2022 Total | Year Ending June 30, 2021 Total |
|---|---|---|
| **Revenues** | | |
| Charges for services | $ 926,226 | $ 538,029 |
| Operating grants and contributions | 2,412,208 | 2,090,786 |
| Capital grants and contributions | - | 59,645 |
| Receipts from member districts | 27,300,737 | 4,932,152 |
| Other revenues | 34,766 | 40,370 |
| **Total revenues** | $30,673,937 | $7,660,982 |
| **Expenses** | | |
| Instruction | $3,716,680 | $3,634,711 |
| Pupil personnel | 353,053 | 447,704 |
| Instructional student support | 307,725 | 295,839 |
| Administrative and financial support | 614,047 | 784,914 |
| Operation and maintenance of plant | 1,162,101 | 867,014 |
| Technology | 481,757 | 409,999 |
| Student Activities | 2,891 | 4,271 |
| **Total expenses** | $6,638,254 | $6,444,152 |
| **Increase (decrease) in net position** | **$ 24,035,683** | **$ 1,216,530** |

The following table, Table A-3, shows the School's 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, 2022
Governmental Activities

| Functions/Programs | Total Cost of Services | Net Cost of Services |
|---|---|---|
| Instruction | $3,716,680 | $704,582 |
| Pupil Personnel | 353,053 | 296,320 |
| Instructional student support | 307,725 | 282,510 |
| Administrative and financial support | 614,047 | 513,189 |
| Operation and Maintenance of plant | 1,162,101 | 1,018,571 |
| Technology | 481,757 | 481,757 |
| Student Activities | 2,891 | 2,891 |
| **Total governmental activities** | **$6,638,254** | **$3,299,820** |
| Less: | | |
| Unrestricted grants, subsidies | | -- |
| **Total needs from local sources and other revenues** | | **$3,299,820** |

## THE SCHOOL'S FUNDS

At June 30, 2022, the School's governmental funds reported a combined fund balance of $15,679,451. Net changes from current year activities showed an increase in net assets of $12,887,357.

GENERAL FUND BUDGET

For the 2022-2023 fiscal year the Joint Operating Committee budgeted for an increase of 3.18% in contributions from the participating member school districts. Anticipated additional retirement costs, health benefits increase, personnel contract changes and decreasing revenue from other contracts necessitated this increase.

General fund instructional expenses exceeded budgeted amounts by $636,000 (18.5%). The variance was due, mainly, to expanded enrollment in the adult education program. Revenues from local districts exceeded budgeted by $22,632,304. The large variance is due to contributions from member districts for the renovation project. Transfers to capital projects exceeded budgeted by $22,445,593 because of the project as well.

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, 2022
General Fund Budget Summary

| | Budget | Actual | Variance |
|---|---|---|---|
| **Revenues** | | | |
| Local sources | $ 310,650 | $ 930,192 | $ 619,542 |
| State sources | 1,539,940 | 1,545,490 | 5,550 |
| Federal sources | 329,766 | 466,300 | 136,534 |
| Other Financing Sources | 1,500 | 27,223 | 25,723 |
| Support – local districts | 4,668,433 | 27,300,737 | 22,632,304 |
| **Total Revenues** | **6,850,289** | **30,269,942** | **23,419,653** |
| **Expenditures** | | | |
| Instruction | 3,444,964 | 4,081,624 | (636,660) |
| Support services | 3,197,519 | 3,365,199 | (167,680) |
| Noninstructional services | 5,806 | 3,975 | 1,831 |
| Facilities | 57,000 | 72,280 | (15,280) |
| Interfund transfers | 75,000 | 22,520,593 | 22,445,593 |
| Budgetary reserve | 70,000 | - | 70,000 |
| **Total Expenditures** | **6,780,289** | **30,043,671** | **(23,193,382)** |
| **Fund Balance Change** | **$ -** | **$ 226,271** | **$ 226,271** |

## CAPITAL ASSET AND LONG-TERM LIABILITIES

CAPITAL ASSETS

At June 30, 2022, the District had $14,011,739 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 $9,950,208 or 244.99% from last year.

Table A-5
Governmental and Business Type Activities
Capital assets - net of depreciation

| | 2022 | 2021 |
|---|---|---|
| Land | $ 272,111 | $ 272,111 |
| WIP | 10,897,641 | 1,105,600 |
| Buildings & Improvements | 2,288,982 | 2,082,100 |
| Machinery & Equipment | 553,005 | 601,720 |

LONG-TERM LIABILITIES

As of June 30, 2022, the School's long-term obligations were accrued 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

2022-2023 BUDGET OVERVIEW

For the 2022-2023 school year Erie County Technical School adopted a general fund budget that projects a deficit of $24,440 for its secondary and adult educational programs in anticipation of revenues of approximately $6.97 million. This budget includes costs to educate high school students from the member school districts, as well as adult vocational training programs. Additional healthcare and personnel changes continue to necessitate the increases in budgeted expenditures.

The gross average cost per pupil in the coming year's budget is $7,962, with the net average per pupil cost being budgeted at $6,805. For 2021-22, the gross and net per pupil costs were budgeted at $7,432 and $6,359, 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 2021-2022 the School's share of retirement costs was 34.94% and this percentage is projected to increase to 35.26% during 2022-2023. 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. The JOC Board has initiated a plan for renovation of the facilities. 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 breakdown or system failure. The renovation project will continue well into 2023 and completion is anticipated by the end of the year.

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

- $29,736 in Affordable Care Act costs for two participants less contributions
- $89,706 in salary and benefits for a new instructor for the Sports Therapy & Exercise Science Program
- $46,400 in SRO services
- PSERS employer share cost will increase from 34.94% to 35.26%
- $60,000 for projected 403(b) payments for projected staff retirements
- $75,000 of budget 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 $4,436,779 in 2021-2022 and $4,287,511 in 2020-2021.

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 2021-2022 were $176,497 and $182,252 in 2020-2021.

During 2021-2022, the eleven participating school districts contributed $22,687,461 towards the architectural fees for the proposed renovations. This planned renovation of 35 MM is 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 90% in 2021-2022 and 65% in 2020-2021.

Expenditures

Instructional costs during 2021-2022 utilized 54% of total general fund expenditures. Support services and Facilities utilized 45% and 1% of total general fund expenditures, 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 the Business Office 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, 2022**

| | Governmental Activities |
|---|---|
| **Assets** | |
| **Current Assets** | |
| Cash and Cash Equivalents | $ 15,261,595 |
| Investments | 545,602 |
| Receivable, Net | 794,572 |
| Inventories | 45,715 |
| **Total Current Assets** | 16,647,484 |
| **Capital Assets** | |
| Land | 272,111 |
| Capital Assets - Net | 13,739,628 |
| **Total Capital Assets** | 14,011,739 |
| **Deferred Outflows of Resources** | |
| Deferred Outflows Related to Pensions | 1,274,000 |
| Deferred Outflows Related to OPEB - Retirees Health Plan | 84,385 |
| Deferred Outflows Related to OPEB - PSERS | 85,000 |
| **Total Deferred Outflows of Resources** | 1,443,385 |
| **Total Assets and Deferred Outflows** | $ 32,102,608 |
| **Liabilities** | |
| **Current Liabilities** | |
| Accounts Payable | $ 50,906 |
| Accrued Salaries and Benefits | 477,607 |
| Current Portion of Compensated Absences | 20,882 |
| **Total Current Liabilities** | 549,395 |
| **Noncurrent Liabilities** | |
| Other Post Employment Benefits | 600,325 |
| Long-Term Portion of Compensated Absences | 187,941 |
| Net Pension Liability | 7,595,000 |
| **Total Noncurrent Liabilities** | 8,383,266 |
| **Total Liabilities** | 8,932,661 |
| **Deferred Inflow of Resources** | |
| Deferred Inflows related to Leases Receivable | 39,101 |
| Deferred Inflows related to Pensions | 1,870,000 |
| Deferred Inflows related to OPEB - Retirees Health Plan | 14,037 |
| Deferred Inflows related to OPEB - PSERS | 48,000 |
| **Total Deferred Inflows of Resources** | 1,971,138 |
| **Net Position** | |
| Net Investment in Capital Assets | 14,011,739 |
| Restricted | 13,359,762 |
| Unrestricted | (6,172,692) |
| **Total Net Position** | 21,198,809 |
| **Total Liabilities, Deferred Inflows and Net Position** | $ 32,102,608 |

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

**ERIE COUNTY TECHNICAL SCHOOL**
**STATEMENT OF ACTIVITIES**
**FOR THE YEAR ENDED JUNE 30, 2022**

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| | | Program Revenues | |
|---|---|---|---|
| **Functions/Programs** | **Expenses** | **Charges for Services** | **Operating Grants and Contributions** |
| **Governmental Activities:** | | | |
| Instruction | $ 3,716,680 | $ 866,865 | $ 2,145,233 |
| Pupil Personnel | 353,053 | - | 56,733 |
| Instructional Staff | 307,725 | - | 25,215 |
| Admin & Financial Support Services | 614,047 | - | 100,858 |
| Op & Maintenance of Plant Services | 1,162,101 | 59,361 | 84,169 |
| Technology | 481,757 | - | - |
| Student Activities & Community Services | 2,891 | - | - |
| **Total Governmental Activities** | 6,638,254 | 926,226 | 2,412,208 |
| **Total Primary Government** | $ 6,638,254 | $ 926,226 | $ 2,412,208 |

**General Revenues:**

Receipts from Member Districts
Investment Earnings
Miscellaneous Revenue
Gain on Sale of Fixed Assets
Total General Revenues

Change in Net Position
Net Position - Beginning, as Restated

Net Position - Ending

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

**ERIE COUNTY TECHNICAL SCHOOL**
**STATEMENT OF ACTIVITIES**
**FOR THE YEAR ENDED JUNE 30, 2022**

| Capital Grants and Contributions | Net (Expense) Revenue and Changes in Net Assets: Governmental Activities | Business-Type Activities | Total |
|---|---|---|---|
| $ - | $ (704,582) | $ - | $ (704,582) |
| - | (296,320) | - | (296,320) |
| - | (282,510) | - | (282,510) |
| - | (513,189) | - | (513,189) |
| - | (1,018,571) | - | (1,018,571) |
| - | (481,757) | - | (481,757) |
| - | (2,891) | - | (2,891) |
| - | (3,299,820) | - | (3,299,820) |
| $ - | (3,299,820) | - | (3,299,820) |
| | 27,300,737 | - | 27,300,737 |
| | 4,331 | - | 4,331 |
| | 3,212 | - | 3,212 |
| | 27,223 | - | 27,223 |
| | 27,335,503 | - | 27,335,503 |
| | 24,035,683 | - | 24,035,683 |
| | (2,836,874) | - | (2,836,874) |
| | $ 21,198,809 | $ - | $ 21,198,809 |

**ERIE COUNTY TECHNICAL SCHOOL**
**BALANCE SHEET**
**GOVERNMENTAL FUNDS**
**JUNE 30, 2022**

| | General | Capital Projects | Total Governmental Funds |
|---|---|---|---|
| **Assets** | | | |
| Cash & Cash Equivalents | $ 1,901,833 | $ 13,359,762 | $ 15,261,595 |
| Investments | 545,602 | - | 545,602 |
| Intergovernmental Receivables | 745,807 | - | 745,807 |
| Other Receivables | 48,765 | - | 48,765 |
| Inventories | 45,715 | - | 45,715 |
| **Total Assets** | $ 3,287,722 | $ 13,359,762 | $ 16,647,484 |
| **Liabilities, Deferred Inflows, and Fund Balances** | | | |
| **Liabilities** | | | |
| Accounts Payable | $ 50,906 | $ - | $ 50,906 |
| Accrued Salaries, Benefits, and Payroll Withholding | 477,607 | - | 477,607 |
| **Total Liabilities** | 528,513 | - | 528,513 |
| **Deferred Inflows of Resources** | | | |
| Leases | 39,101 | - | 39,101 |
| Deferred Revenue | 400,419 | - | 400,419 |
| **Total Deferred Inflows of Resources** | 439,520 | - | 439,520 |
| **Fund Balances** | | | |
| Nonspendable - Inventory | 45,715 | - | 45,715 |
| Restricted - Capital Projects | - | 13,359,762 | 13,359,762 |
| Assigned: | | | |
| Future PSERS Rate Increases | 318,800 | - | 318,800 |
| New Programs | 250,000 | - | 250,000 |
| Regional Career and Technical Center | 226,737 | - | 226,737 |
| Unassigned | 1,478,437 | - | 1,478,437 |
| **Total Fund Balances** | 2,319,689 | 13,359,762 | 15,679,451 |
| **Total Liabilities, Deferred Inflows and Fund Balances** | $ 3,287,722 | $ 13,359,762 | $ 16,647,484 |

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

**ERIE COUNTY TECHNICAL SCHOOL**
**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET**
**TO THE STATEMENT OF NET POSITION**
**JUNE 30, 2022**

| | | |
|---|---|---|
| **Total Fund Balances - Governmental Funds** | | $ 15,679,451 |
| Amounts reported for governmental activities in the statement of net position are different because: | | |
| Revenues related to reimbursement grants received oustide the availability period are deferred in governmental funds. | | 400,419 |
| 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 $26,195,029 and the accumulated depreciation is $12,183,290. | | 14,011,739 |
| 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 | $ 1,443,385 | |
| Deferred Inflows of Resources Related to Pensions and OPEB | (1,932,037) | (488,652) |
| 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 | (7,595,000) | |
| Post Employment Benefits | (600,325) | |
| Compensated Absences (Sick Pay and Vacations) | (208,823) | (8,404,148) |
| **Total Net Position - Governmental Activities** | | $ 21,198,809 |

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

**ERIE COUNTY TECHNICAL SCHOOL**
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**
**GOVERNMENTAL FUNDS**
**FOR THE YEAR ENDED JUNE 30, 2022**

| | General | Capital Projects | Total Governmental Funds |
|---|---|---|---|
| **Revenues** | | | |
| Local Sources | $ 930,192 | $ 3,576 | $ 933,768 |
| State Sources | 1,545,490 | - | 1,545,490 |
| Federal Sources | 466,300 | - | 466,300 |
| Local Districts - Transition Center | 176,497 | - | 176,497 |
| Local Districts - Renovations | 22,687,461 | - | 22,687,461 |
| Local Districts - Operating | 4,436,779 | - | 4,436,779 |
| **Total Revenues** | 30,242,719 | 3,576 | 30,246,295 |
| **Expenditures** | | | |
| Instruction | 4,081,624 | - | 4,081,624 |
| Support Services | 3,365,199 | - | 3,365,199 |
| Noninstructional Services | 3,975 | - | 3,975 |
| Facilities Acquisition and Construction | 72,280 | 9,863,083 | 9,935,363 |
| **Total Expenditures** | 7,523,078 | 9,863,083 | 17,386,161 |
| **Excess (Deficiency) of Revenues Over (Under) Expenditures** | 22,719,641 | (9,859,507) | 12,860,134 |
| **Other Financing Sources (Uses)** | | | |
| Interfund Transfers | (22,520,593) | 22,520,593 | - |
| Sale of Fixed Assets | 27,223 | - | 27,223 |
| **Total Other Financing Sources (Uses)** | (22,493,370) | 22,520,593 | 27,223 |
| **Net Change in Fund Balances** | 226,271 | 12,661,086 | 12,887,357 |
| **Fund Balance - July 1, 2021** | 2,093,418 | 698,676 | 2,792,094 |
| **Fund Balance - June 30, 2022** | $ 2,319,689 | $ 13,359,762 | $ 15,679,451 |

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

**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, 2022**

| | | |
|---|---|---|
| **Net Change in Fund Balance - Governmental Funds** | | $ 12,887,357 |
| Amounts reported for governmental activities in the statement of net position are different because: | | |
| Revenues related to reimbursement grants are recognized when earned regardless of availability in the statement of activities. | | 400,419 |
| 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 | $ (343,853) | |
| Capital Outlays | 10,294,061 | 9,950,208 |
| 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. | | 76,028 |
| Other post-employment benefits are reflected on the statement of net assets, but are not considered a current expenditure for the financial statements. | | 30,785 |
| 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 | $ 924,928 | |
| Cost of Benefits Earned Net of Employee Contributions | (234,042) | 690,886 |
| **Change in Net Position of Governmental Activities** | | $ 24,035,683 |

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

## NOTE 1- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

### A. Reporting Entity

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.

Fiduciary fund reporting focuses on net position and changes in net position. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private purpose trust funds, and custodial funds. Trust funds are used to account for assets held by the School under a trust agreement, or equivalent arrangement that has certain characteristics, for individuals, private organizations, or other governments and are not available to support the School's own programs. Custodial funds are used to report fiduciary activities that are not required to be reported in a trust fund. The Erie County Technical School Foundation and Student Activities fund are both classified as custodial funds.

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 (I) 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 arc 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, 2022.

## 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:

| | Life – Years |
|---|---|
| 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 School 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 School 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 fond 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, 2022, fund balances have been assigned/committed by Board resolution as follows:

| | |
|---|---|
| **Assigned:** | |
| General Fund | |
| Future PSERS Rate Increases | $ 318,800 |
| Inventory | 45,715 |
| Regional Career and Technical Center | 226,737 |
| New Programs | 250,000 |
| Capital Projects Fund | 13,359,762 |
| | $ 14,201,014 |

## 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.

8. **Leases**

For the year ended June 30, 2022, the School implemented GASB 87 – Leases. This new pronouncement establishes standards of accounting and financial reporting for leases by lessees and lessors. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. The School has not considered the effects of prior accounting periods that are not presented in the financial statements, as it has been deemed impractical to do so.

## 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, 2022, $14,758,557 of the School's bank balance of $15,508,557 was exposed to custodial credit risk.

Reconcilation of Financial Statements

| | |
|---|---|
| Total Cash | $ 15,508,557 |
| Add: Deposits in transit | 222,076 |
| Less: Outstanding checks | (469,188) |
| Carrying amount of bank balances | 15,261,445 |
| Plus: Petty Cash | 150 |
| Total cash per financial statements | $ 15,261,595 |

| | |
|---|---|
| Uninsured and uncollateralized | $ - |
| Collaterilzed 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 | 14,758,557 |
| **TOTAL** | $ 14,758,557 |

Investments

As of June 30, 2022, the School had the following investments:

| | |
|---|---|
| Erie Bank - CD's (all with investment maturity 1-5 years) | $ 545,602 |
| | $ 545,602 |

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, 2022, the School's investments were rated as:

| | |
|---|---|
| Erie Bank – CD's | Various |

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, 2022, for the government's individual major funds and business-type activities in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

| Receivables | General |
|---|---|
| Federal and state grants | $ 468,364 |
| Member districts | 277,443 |
| Other | 48,765 |
| Gross receivables | $ 794,572 |

At June 30, 2022, 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**

| | Transfer to Other Funds | Transfer from Other Funds |
|---|---|---|
| General Fund | $ 22,520,593 | $ - |
| Capital projects Fund | - | 22,520,593 |
| | $ 22,520,593 | $ 22,520,593 |

Transfers were substantially higher in the current year compared to year's past due to the ongoing renovation project at the School. Member districts have contributed based on a capital funding formula agreed upon by the member districts.

## NOTE 5 - CAPITAL ASSETS

Capital asset activity for the year was as follows:

| | June 30, 2021 | Additions | Deletions/ Additions | June 30, 2022 |
|---|---|---|---|---|
| **Governmental Activities** | | | | |
| Non-depreciable capital assets: | | | | |
| Land | $ 272,111 | $ - | $ - | $ 272,111 |
| Depreciable Capital Assets: | | | | |
| Work in Progress & Not in Service Equipment | $ 1,105,600 | $ 9,863,083 | $ (71,042) | $ 10,897,641 |
| Building and improvements | 11,301,662 | 383,405 | - | 11,685,067 |
| Machinery and equipment | 3,143,592 | 120,115 | (1,500) | 3,262,207 |
| Vehicles | 78,003 | - | - | 78,003 |
| Total Assets Depreciated | 15,628,857 | 10,366,603 | (72,542) | 25,922,918 |
| Less accumulated depreciation | | | | |
| Building and improvements | (9,219,562) | (176,523) | - | (9,396,085) |
| Machinery and equipment | (2,541,872) | (167,330) | - | (2,709,202) |
| Vehicles | (78,003) | - | - | (78,003) |
| Total Accumulated Depreciation | (11,839,437) | (343,853) | - | (12,183,290) |
| Total Depreciable Capital Assets | $ 3,789,420 | $ 10,022,750 | $ (72,542) | $ 13,739,628 |

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

| | |
|---|---|
| **Governmental Activities:** | |
| Instruction: | |
| Vocation | $ 275,082 |
| Support Services: | |
| Administration | 34,385 |
| Operation and Maintenance | 34,386 |
| | $ 343,853 |

## NOTE 6 - LONG-TERM DEBT

Long-term liability activity for the year ended June 30, 2022 was as follows:

| Governmental Activities | Beginning Balance | Additions | Reductions | Ending Balance | Due Within One Year |
|---|---|---|---|---|---|
| Net Pension Liability | $ 9,208,000 | $ - | $ 1,613,000 | $ 7,595,000 | $ - |
| OPEB | 532,574 | - | (67,751) | 600,325 | - |
| Compensated Absences | 284,851 | - | - | 187,941 | 20,882 |
| | $ 10,025,425 | $ - | $ 1,545,249 | $ 8,383,266 | $ 20,882 |

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

## NOTE 7 – DEFINED BENEFIT PENSION PLAN

Significant Accounting Policies

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' 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.

Plan Description

Erie County Technical School contributes to the Public School Employees' Retirement System (PSERS), a governmental cost-sharing multiple-employer defined benefit pension plan that provides retirement benefits to public school employees of the Commonwealth of Pennsylvania. 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 (Act 120) 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 (Class T-E) and Membership Class T-F (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 in 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

The contribution rates based on qualified member compensation for virtually all members are presented below:

| Member Contribution Rates | | | | |
|---|---|---|---|---|
| **Membership Class** | **Continuous Employment Since** | **Defined Benefit (DB) Contribution Rate** | **DC Contribution Rate** | **Total Contribution Rate** |
| **T-C** | Prior to July 22, 1983 | 5.25% | N/A | 5.25% |
| | | | | 6.25% |
| **T-C** | On or after July 22, 1983 | 6.25% | N/A | 6.25% |
| **T-D** | Prior to July 22, 1983 | 6.50% | N/A | 6.50% |
| **T-D** | On or after July 22, 1983 | 7.50% | N/A | 7.50% |
| **T-E** | On or after July 1, 2011 | 7.50% base rate with shared risk provision | N/A | 7.50% |
| **T-F** | On or after July 1, 2011 | 10.30% base rate with shared risk provision | N/A | 10.30% |
| **T-G** | On or after July 1, 2019 | 5.50% base rate with shared risk provision | 2.75% | 8.25% |
| **T-H** | On or after July 1, 2019 | 4.50% base rate with shared risk provision | 3.00% | 7.50% |
| **DC** | On or after July 1, 2019 | N/A | 7.50% | 7.50% |

| Shared Risk Program Summary | | | | |
|---|---|---|---|---|
| **Membership Class** | **Defined Benefit (DB) Base Rate** | **Shared Risk Increment** | **Minimum** | **Maximum** |
| **T-E** | 7.50% | +/- 0.50% | 5.50% | 9.50% |
| **T-F** | 10.30% | +/-0.50% | 8.30% | 12.30% |
| **T-G** | 5.50% | +/-0.75% | 2.50% | 8.50% |
| **T-H** | 4.50% | +/-0.75% | 1.50% | 7.50% |

Employer Contributions

The School's contractually required contribution rate for the fiscal year ended June 30, 2022 was 33.99% 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 pension plan from the School were $5,479,892 for the year ended June 30, 2022.

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

At June 30, 2022, the School reported a liability of $7,595,000 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2021, 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, 2020 to June 30, 2021. The School's proportion of the net pension liability was calculated utilizing the employer's one-year reported contributions as it relates to the total one-year reported contributions. At June 30, 2022, the School's proportion was 0.0185%, which was an decrease of 0.0002% from its proportion measured as of June 30, 2021.

For the year ended June 30, 2022, the School recognized pension expense of $210,000. At June 30, 2022, 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 | $ 368,000 | $ - |
| Net difference between projected and actual investment earnings | - | 1,209,000 |
| Difference between expected and actual experience | 6,000 | 100,000 |
| Changes in proportion | - | 561,000 |
| Contributions subsequent to the measurement date | 900,000 | - |
| | $ 1,274,000 | $ 1,870,000 |

$900,000 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, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

| Year Ended June 30: | |
|---|---|
| 2023 | $ (548,000) |
| 2024 | (386,000) |
| 2025 | (171,000) |
| 2026 | (391,000) |
| Total | $ (1,496,000) |

Changes in Actuarial Assumptions

The Total Pension Liability as of June 30, 2021 was determined by rolling forward the System's Total Pension Liability as of June 30, 2020 to June 30, 2021 using the following actuarial assumptions, applied to all periods included in the measurement:

- Valuation Date – June 30, 2020
- Actuarial cost method - Entry Age Normal - level % of pay.
- Investment return - 7.00%, includes inflation at 2.50%.
- Salary growth - Effective average of 4.50%, comprised of inflation of 2.50% and 2.00% for real wage growth and for merit or seniority increases.
- Mortality rates were based on a blend of 50% PubT-2010 and 50% PubG-2010 Retiree Tables for Males and Females, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2020 Improvement Scale.
- The discount rate used to measure the Total Pension Liability decreased from 7.25% as of June 30, 2020 to 7.00% as of June 30, 2021.
- Demographic and economic assumptions approved by the Board for use effective with the June 30, 2021 actuarial valuation:
    - Salary growth rate - decreased from 5.00% to 4.50%.
    - Real wage growth and merit or seniority increases (components for salary growth) - decreased from 2.75% and 2.25% to 2.50% and 2.00%, respectively.

o Mortality rates - Previously 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. Effective with the June 30, 2021 actuarial valuation, mortality rates are based on a blend of 50% PubT-2010 and 50% PubG-2010 Retiree Tables for Males and Females, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2020 Improvement Scale.

The actuarial assumptions used in the June 30, 2021 valuation were based on the results of an actuarial experience study that was performed for the five year the period ending June 30, 2020. 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 Board. Plan assets are managed with a long-term objective of achieving and maintaining a fully funded status for the benefits provided through the pension.

| Asset Class | Target Allocation | Long Term Expected Real Rate of Return |
|---|---|---|
| Global public equity | 27.0% | 5.2% |
| Private equity | 12.0% | 7.3% |
| Fixed income | 35.0% | 1.8% |
| Commodities | 10.0% | 2.0% |
| Absolute return | 8.0% | 3.1% |
| Infrastructure/MLPs | 8.0% | 5.1% |
| Real estate | 10.0% | 4.7% |
| Cash | 3.0% | 0.1% |
| Leverage | (13.0%) | 0.1% |
| | 100.0% | |

The above chart was the Board's adopted asset allocation policy and best estimates of geometric real rates of return for each major asset class as of June 30, 2021.

Discount Rate

The discount rate used to measure the total pension liability was 7.00%. 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%, 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%) or 1-percentage point higher (8%) than the current rate:

| | 1% Decrease 6% | Current Discount Rate 7% | 1% Increase 8% |
|---|---|---|---|
| School's proportionate share of the net pension liability | $ 9,969,000 | $ 7,595,000 | $ 5,593,000 |

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 – OPEB – SCHOOL PROGRAM

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, 2022, Plan membership consisted of the following:

| | |
|---|---|
| Active employees | 59 |
| Inactive employees currently receiving benefits | 15 |
| | 74 |

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 estimated to be $23,790 for June 30, 2022.

Total OPEB Liability
At June 30, 2022, the School reported a liability of $158,325 for its share of the OPEB liability. The net OPEB liability was measured as of July 1, 2021 and the total OPEB liability was determined by a roll-forward to June 30, 2022.

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:

- Discount Rate: 2.28% Based on S&P Municipal Bond 20 Year High Grade Rate Index at 7/1/2021
- Salary: An assumption for salary increases is used only for spreading contributions over future pay under the entry age normal cost method. For this purpose, salary increases are composed of a 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%.
- Withdrawal: Rates of withdrawal vary by age, gender and years of service. Rates for new employees start at 22.9% for both men and women and decrease with age and service.
- Mortality: Separate rates are assumed preretirement and postretirement using the rates assumed in the PSERS defined benefit pension plan actuarial valuation. Incorporated into the table are rates projected generationally by the Buck Modified 2016 projection scale to reflect mortality improvement.
- Disability: No disability was assumed.
- Retirement: Assumed retirement rates are based on PSERS plan experience and vary by age, service and gender.
- Percent of Eligible Retirees Electing Coverage in Plan: 65% of full-time employees are assumed to elect coverage.
- Percent Married at Retirement: 75% of employees are assumed to be married and have a spouse covered by the plan at retirement. Non-spouse dependents are deemed to be immaterial. Wives are assumed to be two years younger than their husbands.
- Per Capita Claims Cost: The per capita claims cost for medical and prescription drug is based on the expected portion of the group's overall cost attributed to individuals in the specified age and gender brackets. Dental and vision costs are assumed to not vary with age or gender.
- Retiree Contributions: Retiree contributions are assumed to increase at the same rate as the Health Care Cost Trend Rate.
- Health Care Cost Trend Rate: 5.5% in 2021 through 2023. Rates gradually decrease from 5.4% in 2024 to 4.0% in 2075 and later based on the Society of Actuaries Long-Run Medical Cost Trend Model.
- Actuarial Value of Assets: Equal to the Market Value of Assets.
- Actuarial Cost Method - Entry Age Normal – Level % of Pay
- Participant Data: Based on census information as of February 2022. Due to the timing of school district turnover, the data is believed to be representative of the population for the 2021-2022 school year.

The School's change in its total OPEB liability for the year ended June 30, 2022 was as follows:

| | Governmental Activities |
|---|---|
| Service cost | $ 8,345 |
| Interest | 2,233 |
| Changes of benefit terms | 23,573 |
| Differences between expected and actual experience | 25,709 |
| Changes of assumptions or other input | (2,355) |
| Benefit payments | (23,790) |
| Net change in total OPEB liability | 33,715 |
| Total OPEB liability - June 30, 2021 | 124,610 |
| Total OPEB liability - June 30, 2022 | $ 158,325 |

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

For the year ended June 30, 2022, the School recognized OPEB expense of $36,815. At June 30, 2022, the School reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

| | | |
|---|---|---|
| Changes of assumptions | $ | 11,160 |
| Differences between expected and actual experience | | 23,138 |
| Payments subsequent to the Measurement date | | 50,087 |
| Total Deferred Outflows | $ | 84,385 |
| | | |
| Difference between expected and actual experience | $ | 10,717 |
| Changes of Assumptions | | 3,320 |
| Total Deferred Inflows | $ | 14,037 |

$50,087 reported as deferred outflows of resources related to OPEB resulting from School contributions subsequent to the measurement date will be recognized as a reduction of the total OPEB liability in the year ended June 30, 2023.

The amount reported as deferred outflows of resources related to OPEB will be recognized in OPEB expense as follows:

| **Year ended June 30:** | | |
|---|---|---|
| 2023 | $ | 2,664 |
| 2024 | | 2,664 |
| 2025 | | 2,660 |
| 2026 | | 1,005 |
| 2027 | | 937 |
| Thereafer | | 10,331 |
| | $ | 19,606 |

Discount Rate

The discount rate used to measure the OPEB liability was 2.28%. 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 3.28% | Discount Rate 2.28% | 1% Decrease 1.28% |
|---|---|---|---|
| Net OPEB Liability | $ 152,918 | $ 158,325 | $ 164,010 |

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 6.5% | Current Rate 5.5% | 1% Decrease 4.5% |
|---|---|---|---|
| Net OPEB Liability | $ 166,546 | $ 158,325 | $ 151,239 |

## NOTE 9 – OPEB – PSERS HEALTH INSURANCE PREMIUM ASSISTANCE PROGRAM

Significant Accounting Policies
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' 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.

Health Insurance Premium Assistance Program
The System provides Premium Assistance which, is a governmental cost sharing, multiple-employer other postemployment benefit plan (OPEB) for all eligible retirees who qualify and elect to participate. 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. Effective January 1, 2002 under the provisions of Act 9 of 2001, 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 Options Program. As of June 30, 2020 there were no assumed future benefit increases to participating eligible retirees.

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, 2021, there were no assumed future benefit increases to participating eligible retirees.

Employer Contributions
The school's contractually required contribution rate for the fiscal year ended June 30, 2020 was 0.80% 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 School were $21,770 for the year ended June 30, 2021.

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

At June 30, 2022, the School reported a liability of $442,000 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2021, 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, 2020 to June 30, 2021. The School'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, 2022, the School's proportion was 0..0187%, which was an decrease of 0.0001% from its proportion measured as of June 30, 2021. For the year ended June 30, 2021, the School recognized OPEB expense of $19,000. At June 30, 2021, the School 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 | $ 4,000 | $ - |
| Changes of assumptions | 47,000 | 6,000 |
| Net Difference between projected and actual investment earning | 1,000 | - |
| Changes in proportion | 10,000 | 42,000 |
| District contributions subsequent to the measurement date | 23,000 | - |
| Total | $ 85,000 | $ 48,000 |

$23,000 reported as deferred outflows of resources related to OPEB resulting from School contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2021. 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:** | |
|---|---|
| 2022 | $ (1,000) |
| 2023 | (1,000) |
| 2024 | 7,000 |
| 2025 | 2,000 |
| 2026 | 2,000 |
| Thereafter | 6,000 |
| | $ 15,000 |

Actuarial Assumptions

The Total OPEB Liability as of June 30, 2020, was determined by rolling forward the System's Total OPEB Liability as of June 30, 2019 to June 30, 2020 using the following actuarial assumptions, applied to all periods included in the measurement:

- Actuarial cost method – Entry Age Normal – level % of pay.
- Investment return – 2.18% - S&P 20 Year Municipal Bond Rate.
- Salary growth – Effective average of 5.00%, comprised of inflation of 2.5% and 2.0% for real wage growth and for merit or 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 a blend of 50% PubT-2010 and 50% PubG-2010 Retiree Tables for Males and Females, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2020 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 actuarial assumptions used in the June 30, 2020 valuation were based on the results of an actuarial experience study that was performed for the five year the period ending June 30, 2015.

The following assumptions were used to determine the contribution rate:

- The results of the actuarial valuation as of June 30, 2019 determined the employer contribution rate for fiscal year 2021.
- 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 Tables for Males and Females, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2015 Mortality Improvement Scale.

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.

| Asset Class | Target Allocation | Long-Term Expected Real Rate of Return |
|---|---|---|
| Cash | 79.8% | 0.1% |
| US Core Fixed Income | 17.5% | 0.1% |
| Non-US Developed Fixed | 2.7% | -0.3% |
| Total | 100.00% | |

The above was the Board's adopted asset allocation policy and best estimates of geometric real rates of return for each major asset class as of June 30, 2021.

<u>Discount Rate</u>

The discount rate used to measure the Total OPEB Liability was 2.18%. 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 2.18%, which represents the S&P 20-year Municipal Bond Rate at June 30, 2021, was applied to all projected benefit payments to measure the total OPEB liability.

Sensitivity of the School'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, 2021, 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, 2021, 93,392 retirees were receiving the maximum amount allowed of $1,200 per year. As of June 30, 2020, 611 members were receiving less than the maximum amount allowed of $1,200 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 System net OPEB liability for June 30, 2021, calculated using current Healthcare cost trends as well as what the System net OPEB liability would be if the health cost trends were 1-percentage point lower or 1-percentage point higher than the current rate:

| | 1% Decrease | Trend Rate | 1% Increase |
|---|---|---|---|
| District's proportionate share of the net OPEB liability | $ 442,000 | $ 442,000 | $ 442,000 |

Sensitivity of the School's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate
The following presents the net OPEB liability, calculated using the discount rate of 2.18%, as well as what the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage point lower (1.18%) or 1-percentage-point higher (3.18%) than the current rate:

| | 1% Decease (1.18%) | Discount Rate (2.18%) | 1% Increase (3.18%) |
|---|---|---|---|
| District's proportionate share of net OPEB liability | $ 507,000 | $ 442,000 | $ 388,000 |

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

## NOTE 10 – 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 discrestion. 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, 2020, the date of the most recent annual financial statements, the Trust's net assets were $19,382,504, but these net assets remain subject to claims.

## NOTE 11 - 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, 2022 and the two previous fiscal years, no settlements exceeded insurance coverage.

## NOTE 12 - 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, 2022, revenue from member districts was $27,300,737, which was 90.3% of the School's total General Fund revenue.

## NOTE 13 – RESTATEMENT OF BEGINNING NET POSITION

The School restated its beginning net position to reflect adjustments made to capital assets as of July 1, 2021. Th restatement was made to fix depreciation, accumulated depreciation, and capitalize additional expenditures. The restatement is detailed below:

| | | |
|---|---|---|
| Beginning Net Position Governmental Activities, as previously reported | $ | (2,442,956) |
| Prior Period Adjustment – Fixed Assets | | (393,918) |
| Beginning Net Position Governmental Activities, as restated | $ | (2,836,874) |

## NOTE 14 – LEASES

The School leases several small assets, including postage meters and other office items. Management has evaluated its total population of leases where they are the lessee and found the amount to be highly immaterial to the financial statements. Following the guidance of GASB 87 – Leases, these items have not been accounted for under the new guidance due to their immateriality.

The District also has several leases, where they are the lessor, that fall under the guidance of GASB 87. The leases are generally for classroom space and other use of facilities. Total leases receivable were $36,656 as of June 30, 2022. Total deferred inflows related to leases were $39,101 as of June 30, 2022. Total lease revenue was $35,726 and total interest revenue was $356 for the period ended June 30, 2022.

**NOTE 15 – SUBSEQUENT EVENTS**

There were no subsequent events that needed to be disclosed in the financial statements. These financial statements considered subsequent events through January 25, 2023, the date the financial statements were available to be issued.

## ERIE COUNTY TECHNICAL SCHOOL
## SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND
## FOR THE YEAR ENDED JUNE 30, 2022

| | Original Budget | Final Budget | Actual | Variance Positive (Negative) |
|---|---|---|---|---|
| **Revenues** | | | | |
| Local Sources | $ 310,650 | $ 310,650 | $ 930,192 | $ 619,542 |
| State Sources | 1,539,940 | 1,539,940 | 1,545,490 | 5,550 |
| Federal Sources | 329,766 | 329,766 | 466,300 | 136,534 |
| Local Districts - Transition Center | 231,654 | 231,654 | 176,497 | (55,157) |
| Local Districts - Renovations | - | - | 22,687,461 | 22,687,461 |
| Local Districts - Operating | 4,436,779 | 4,436,779 | 4,436,779 | - |
| **Total Revenues** | 6,848,789 | 6,848,789 | 30,242,719 | 23,393,930 |
| **Expenditures and Other Financing Uses** | | | | |
| Special Education Programs | 210,654 | 210,654 | 179,798 | 30,856 |
| Vocational Education Programs | 2,967,831 | 2,967,831 | 3,209,608 | (241,777) |
| Adult Education Programs | 266,479 | 266,479 | 692,218 | (425,739) |
| Total Instruction | 3,444,964 | 3,444,964 | 4,081,624 | (636,660) |
| Pupil Personnel | 445,562 | 445,562 | 400,174 | 45,388 |
| Instructional Staff | 329,839 | 329,839 | 307,725 | 22,114 |
| Administrative | 730,077 | 730,077 | 668,866 | 61,211 |
| Pupil health | 46,904 | 46,904 | 60,192 | (13,288) |
| Business | 245,921 | 245,921 | 224,812 | 21,109 |
| Operation and Maintenance of Plant Services | 949,406 | 949,406 | 1,234,986 | (285,580) |
| Technology | 449,810 | 449,810 | 468,444 | (18,634) |
| Total Support Services | 3,197,519 | 3,197,519 | 3,365,199 | (167,680) |
| Community Services | 1,500 | 1,500 | 24 | 1,476 |
| Student Activities | 4,306 | 4,306 | 3,951 | 355 |
| Total Noninstructional Services | 5,806 | 5,806 | 3,975 | 1,831 |
| Facilities Acquisition, Construction and Improvement Services | 57,000 | 57,000 | 72,280 | (15,280) |
| **Total Expenditures** | 6,705,289 | 6,705,289 | 7,523,078 | (817,789) |
| Excess of Revenues Over/(Under) Expenditures | 143,500 | 143,500 | 22,719,641 | 22,576,141 |
| **Other Financing Sources (Uses)** | | | | |
| Interfund Transfers | (75,000) | (75,000) | (22,520,593) | (22,445,593) |
| Budgetary Reserve | (70,000) | (70,000) | - | 70,000 |
| Sale of Fixed Assets | 1,500 | 1,500 | 27,223 | 25,723 |
| Total Other Financing Sources (Uses) | (143,500) | (143,500) | (22,493,370) | (22,349,870) |
| **Net Change in Fund Balance** | - | - | 226,271 | 226,271 |
| **Fund Balance - July 1, 2021** | 2,093,418 | 2,093,418 | 2,093,418 | - |
| **Fund Balance - June 30, 2022** | $ 2,093,418 | $ 2,093,418 | $ 2,319,689 | $ 226,271 |

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

**ERIE COUNTY TECHNICAL SCHOOL**
**SCHEDULE OF THE SCHOOL'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY**
**JUNE 30, 2022**

| | 2022 | 2021 | 2020 |
|---|---|---|---|
| School's proportion of the net pension liability | 0.0185% | 0.0187% | 0.0205% |
| School's proportionate share of the net pension liability | $ 7,595,000 | $ 9,208,000 | $ 9,590,000 |
| School's covered payroll | $ 2,624,144 | $ 2,632,013 | $ 2,609,310 |
| School's proportionate share of the net pension liability as a percentage of its covered employee payroll | 289.43% | 349.85% | 367.53% |
| Plan fiduciary net position as a percentage of the total pension liability | 63.67% | 54.32% | 55.66% |

**ERIE COUNTY TECHNICAL SCHOOL**
**SCHEDULE OF THE SCHOOL'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY**
**JUNE 30, 2022**

| 2019 | 2018 | 2017 | 2016 | 2015 | 2014 |
|---|---|---|---|---|---|
| 0.0210% | 0.0199% | 0.2130% | 0.2250% | 0.1139% | 0.1102% |
| $ 10,081,000 | $ 9,828,000 | $ 10,556,000 | $ 9,746,000 | $ 8,272,000 | $ 8,802,000 |
| $ 2,647,831 | $ 2,758,327 | $ 2,899,165 | $ 2,670,277 | $ 2,757,171 | $ 2,646,884 |
| 380.73% | 356.30% | 364.10% | 364.98% | 300.02% | 332.54% |
| 54.00% | 51.84% | 50.14% | 54.36% | 57.24% | 54.50% |

The accompanying notes are an integral part of this statement.

**ERIE COUNTY TECHNICAL SCHOOL**
**SCHOOL CONTRIBUTIONS**
**SCHOOL PENSION PLAN**
**JUNE 30, 2022**

| | 2022 | 2021 | 2020 |
|---|---|---|---|
| Contractually required contribution | $ 924,948 | $ 880,138 | $ 874,881 |
| Contributions in relation to the contractually required contribution | 924,948 | 880,138 | 874,881 |
| Contribution deficiency (excess) | $ - | $ - | $ - |
| School's covered payroll | $ 2,721,237 | $ 2,624,144 | $ 2,632,013 |
| Contributions as a percentage of covered employee payroll | 33.99% | 33.54% | 33.24% |

The accompanying notes are an integral part of this statement.

**ERIE COUNTY TECHNICAL SCHOOL**
**SCHOOL CONTRIBUTIONS**
**SCHOOL PENSION PLAN**
**JUNE 30, 2022**

| 2019 | 2018 | 2017 | 2016 | 2015 | 2014 |
|---|---|---|---|---|---|
| $ 850,635 | $ 840,422 | $ 805,431 | $ 724,791 | $ 547,407 | $ 441,147 |
| 850,635 | 840,422 | 805,431 | 724,791 | 547,407 | 441,147 |
| $ - | $ - | $ - | $ - | $ - | $ - |
| $ 2,609,310 | $ 2,647,831 | $ 2,758,327 | $ 2,899,165 | $ 2,670,277 | $ 2,757,171 |
| 32.60% | 31.74% | 29.20% | 25.00% | 20.50% | 16.00% |

**ERIE COUNTY TECHNICAL SCHOOL**
**SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY AND RELATED RATIOS - RETIREES HEALTH PLAN**
**JUNE 30, 2022**

| | 2022 | 2021 | 2020 | 2019 | 2018 |
|---|---|---|---|---|---|
| **Total OPEB Liability** | | | | | |
| Service Cost | $ 8,345 | $ 6,278 | $ 9,073 | $ 8,304 | $ 7,836 |
| Interest | 2,233 | 4,096 | 4,379 | 4,513 | 3,207 |
| Change in benefit terms | 23,573 | - | - | - | 230 |
| Change in assumptions or other inputs | (2,355) | 7,875 | (1,924) | 588 | 13,236 |
| Difference - expected & actual experience | 25,709 | - | (17,146) | - | - |
| Benefit payments | (23,790) | (20,213) | (12,379) | (10,292) | (8,718) |
| **Net Change in total OPEB Liability** | 33,715 | (1,964) | (17,997) | 3,113 | 15,791 |
| **Total OPEB Liability - beginning** | 124,610 | 126,574 | 144,571 | 141,458 | 125,667 |
| **Total OPEB Liability - ending** | $ 158,325 | $ 124,610 | $ 126,574 | $ 144,571 | $ 141,458 |
| **Covered-employee payroll** | 2,550,237 | 2,273,293 | 2,273,293 | 2,305,661 | 2,305,661 |
| **Total OPEB liability as a percentage of Covered-Employee Payroll** | 6.21% | 5.48% | 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
## JUNE 30, 2022

| | 2022 | 2021 | 2020 | 2019 | 2018 |
|---|---|---|---|---|---|
| District's proportion of the net OPEB liability | 0.0187% | 0.0188% | 0.0205% | 0.0210% | 0.0213% |
| District's proportionate share of the net OPEB liability | 442,000 | 406,000 | 436,000 | 438,000 | 459,000 |
| District's covered payroll | 2,644,722 | 2,632,013 | 2,609,310 | 2,647,831 | 2,758,327 |
| District's proportionate share of the net OPEB liability as a percentage of its covered payroll | 16.71% | 15.43% | 16.71% | 16.54% | 16.64% |
| **Plan fiduciary net position as a percentage of the total OPEB liability** | 5.30% | 5.69% | 5.56% | 5.56% | 5.47% |

The accompanying notes are an integral part of this statement.

## ERIE COUNTY TECHNICAL SCHOOL
## SCHEDULE OF SCHOOL'S OPEB CONTRIBUTIONS - PSERS PLAN
## JUNE 30, 2022

| | 2022 | 2021 | 2020 | 2019 | 2018 |
|---|---|---|---|---|---|
| Contractually required contribution | $ 21,770 | $ 21,687 | $ 22,151 | $ 23,444 | $ 22,894 |
| Contributions in relation to the contractually required contribution | 21,770 | 21,687 | 22,151 | 23,444 | 22,894 |
| Contribution deficiency (excess) | $ - | $ - | $ - | $ - | $ - |
| School's covered payroll | $ 2,721,237 | $ 2,644,722 | $ 2,632,013 | $ 2,609,310 | $ 2,647,831 |
| Contriubtions as a percentage of covered employee payroll | 0.80% | 0.82% | 0.84% | 0.83% | 0.83% |

The accompanying notes are an integral part of this statement.

## ERIE COUNTY TECHNICAL SCHOOL
## COMBINING STATEMENT OF FIDUCIARY NET POSITION
## FIDUCIARY FUNDS
## FOR THE YEAR ENDED JUNE 30, 2022

| | Student Activities | ECTS Foundation | Total Custodial Funds |
|---|---|---|---|
| **Assets** | | | |
| Cash | $ 14,126 | $ 14,008 | $ 28,134 |
| Investments | - | 297,715 | 297,715 |
| **Total Assets** | $ 14,126 | $ 311,723 | $ 325,849 |
| **Liabilities** | | | |
| Accounts Payable | $ - | $ 990 | $ 990 |
| **Total Liabilities** | - | 990 | 990 |
| **Net Position** | | | |
| Restricted | 14,126 | 310,733 | 324,859 |
| **Total Net Position** | 14,126 | 310,733 | 324,859 |
| **Total Liabilities and Net Position** | $ 14,126 | $ 311,723 | $ 325,849 |

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

# ERIE COUNTY TECHNICAL SCHOOL
## COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
## FIDUCIARY FUNDS
## FOR THE YEAR ENDED JUNE 30, 2022

| | Student Activities | ECTS Foundation | Total Custodial Funds |
|---|---|---|---|
| **Additions** | | | |
| Local Collections | $ 31,010 | $ 1,658 | $ 32,668 |
| Investment Income | 12 | 70,941 | 70,953 |
| **Total Additions** | 31,022 | 72,599 | 103,621 |
| **Deductions** | | | |
| Collections Disbursed | 31,000 | - | 31,000 |
| Program Expenses | - | 5,500 | 5,500 |
| Administrative Expenses | - | 10,828 | 10,828 |
| **Total Deductions** | 31,000 | 16,328 | 47,328 |
| **Change in Net Position** | 22 | 56,271 | 56,293 |
| **Total Net Position July 1, 2021** | 14,104 | 254,462 | 268,566 |
| **Total Net Position June 30, 2022** | $ 14,126 | $ 310,733 | $ 324,859 |

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

**ERIE COUNTY TECHNICAL SCHOOL**
**SUPPLEMENTARY SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**
**FOR THE YEAR ENDED JUNE 30, 2022**

| Federal Grantor/ Project Title | Source Code | Assistance Listing Number | Pass Through Grantor Number |
|---|---|---|---|
| U.S. Department of Education | | | |
| Passed through the Pennsylvania Dept of Education | | | |
| Career and Technical Education-Basic Grants to States (Perkins V) | I | 84.048 | 380-220017 |
| COVID-19 Education Stabilization Fund (ESF) | I | 84.425U | 224-211207 |
| COVID-19 Education Stabilization Fund (ESF) | I | 84.425C | 355-220024 |
| Total Department of Education | | | |
| Total Federal Awards | | | |

Source Codes:
I-Indirect Funding

The accompanying notes are an integral part of this statement.

**ERIE COUNTY TECHNICAL SCHOOL**
**SUPPLEMENTARY SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**
**FOR THE YEAR ENDED JUNE 30, 2022**

| Grant Period Beginning/ Ending Date | Program or Award Amount | Total Received For the Year | Accrued or (Deferred) Revenue at 1-Jul-21 | Revenue Recognized | Expenditures | Accrued or (Deferred) Revenue at 30-Jun-22 |
|---|---|---|---|---|---|---|
| 07/01/21-06/30/22 | $ 350,011 | $ 320,843 | $ - | $ 337,620 | $ 337,620 | $ 16,777 |
| 03/01/21-06/30/22 | 562,436 | - | - | 271,401 | 271,401 | 271,401 |
| 03/13/20-09/30/24 | 258,591 | 145,457 | - | 257,698 | 257,698 | 112,241 |
| | | 466,300 | - | 866,719 | 866,719 | 400,419 |
| | | $ 466,300 | $ - | $ 866,719 | $ 866,719 | $ 400,419 |

| | | |
|---|---|---|
| Identification of major program rule: | | |
| Programs selected for testing: | | |
| Education Stabilization Fund | $ 529,099 | 61% |

**ERIE COUNTY TECHNICAL SCHOOL**
**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**
**FOR THE YEAR ENDED JUNE 30, 2022**

## NOTE 1 – BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal award activity of Erie County Technical School under programs of the federal government for the year ended June 30, 2022. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the schedule presents only a selected portion of the operations of Erie County Technical School, it is not intended to and does not present the financial position, changes in net assets or cash flows of Erie County Technical School.

## NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in Title 2 U.S. Code of *Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) where in certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. Pass-through entity identifying numbers are presented where available. For purposes of charging indirect costs to federal awards, the School has not elected to use the 10% de minimis cost rate.

## NOTE 3– SUBRECIPIENT FUNDS

There were no funds passed through subrecipients from any of the federal programs.

## NOTE 4–INDIRECT COST RATE

The Erie County Technical School did not elect to use the 10% de minimus cost rate.

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# 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 Joint Operating Committee
Erie County Technical School

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 the governmental activities, each major fund, and the aggregate remaining fund information of the Erie County Technical School, as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the Erie County Technical School's basic financial statements and have issued our report thereon dated January 25, 2023.

**Report on Internal Control over Financial Reporting**

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

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. We consider the deficiency described in the accompanying schedule of findings and questioned costs as item 2022-003 to be a material weakness.

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. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as items 2022-001 and 2022-002 to be significant deficiencies.

**Erie County Technical School's Response to Findings**

*Government Auditing Standards* requires the auditor to perform limited procedures on the Erie County Technical School's response to the findings identified in our audit and described in the accompanying schedule of findings and questioned costs. The Erie County Technical School's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

**Report on Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Erie County Technical School's financial statements are free from 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 financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards.*

**Purpose of This Report**

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

Buseck, Barger, Bleil & Co. Inc.

Certified Public Accountants
Erie, Pennsylvania

January 25, 2023

Buseck · Barger · Bleil & Co. Inc.

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Independent Auditor's Report on Compliance For
Each Major Program and on Internal Control Over Compliance
Required By the Uniform Guidance

To the Joint Operating Committee
Erie County Technical School

**Report on Compliance for Each Major Federal Program**

**Opinion on Each Major Federal Program**

We have audited Erie County Technical School's compliance with the types of compliance requirements described in the OMB Compliance Supplement that could have a direct and material effect on each of Erie County Technical School's major federal programs for the year ended June 30, 2022. Erie County Technical School's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, Erie County Technical School complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2022.

**Basis for Opinion on Each Major Federal Program**

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities section of our report.

We are required to be independent of Erie County Technical School and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of Erie County Technical School's compliance with the compliance requirements referred to above.

**Management's Responsibilities**

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to Erie County Technical School's federal programs.

**Auditor's Responsibilities**

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Erie County Technical School's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, Government Auditing Standards, and the Uniform Guidance will always detect material noncompliance when it exists.

The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about Erie County Technical School's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, Government Auditing Standards, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding Erie County Technical School's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.

- Obtain an understanding of Erie County Technical School's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of Erie County Technical School's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

**Report on Internal Control Over Compliance**

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we did identify certain deficiencies in internal control over compliance that we consider to be significant deficiencies.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We did not identify any material deficiencies in internal control over compliance.

A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2022-04 to be a significant deficiency.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

*Government Auditing Standards* requires the auditor to perform limited procedures on the Erie County Technical School's response to the internal control over compliance findings identified in our audit described in the accompanying schedule of findings and questioned costs. The Erie County Technical School's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Buseck, Barger, Bleil & Co. Inc.

Certified Public Accountants
Erie, Pennsylvania

January 25, 2023

**ERIE COUNTY TECHNICAL SCHOOL**
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**
**FOR THE YEAR ENDED JUNE 30, 2022**

**Summary of Auditor's Results**

**Financial Statements**

Type of auditor's report issued: unmodified

Internal control over financial reporting:

| | | | | |
|---|---|---|---|---|
| • Material weakness(es) identified? | X | Yes | | No |
| • Significant deficiency(ies) identified? | X | Yes | | None reported |
| Noncompliance material to financial statements noted? | | Yes | X | No |

**Federal Awards**

Internal control over major programs:

| | | | | |
|---|---|---|---|---|
| • Material weakness(es) identified? | | Yes | X | No |
| • Significant deficiency(ies) identified? | X | Yes | | None reported |

Type of auditor's report issued on compliance for major programs: unmodified

| | | | | |
|---|---|---|---|---|
| Any findings disclosed that are required to be reported in accordance with the Uniform Guidance? | X | Yes | | No |

Identification of major programs:

| Assistance Listing | Name of Federal Program or Cluster |
|---|---|
| 84.425U & 84.425C | Education Stabilization Fund |

Dollar threshold used to distinguish between type A and B programs: $ 750,000

| | | | | |
|---|---|---|---|---|
| Auditee qualified as low-risk auditee? | | Yes | X | No |
| Were there prior year audit findings? | | Yes | X | No |

**Findings Related to the Financial Statements**
2022-01 Bank Reconciliation Procedures
2022-02 Capital Asset Procedures
2022-03 Audit Adjustments
**Findings and Questioned Costs for Major Federal Award Programs Audit**
2022-04 ESSER - Reporting

**ERIE COUNTY TECHNICAL SCHOOL**
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**
**FOR THE YEAR ENDED JUNE 30, 2022**

**FINDING 2022-001: BANK RECONCILIATION PROCEDURES**

**FINDING TYPE:** Financial Statements – Significant Deficiency

**CRITERIA:** Bank reconciliations should be prepared in a timely manner and unreconciled items should be resolved promptly. The preparer should ensure that bank reconciliations agree to the general ledger and bank statement. The auditor cannot serve as an internal control for bank reconciliations.

**CONDITION:** It was noted, during the audit, that several bank reconciliations did not agree to the underlying records and, also, had not been fixed prior to year-end. The auditor proposed material adjusting entries to remedy the problem.

**CAUSE:** Several items, related to accounts receivable, were not recorded properly and led to discrepancies in the bank reconciliation. Turnover in the accounting position has also made it challenging to maintain proper internal controls in the area.

**EFFECT:** Accounting records could have been misstated during the year, and reporting related to the area could have been misstated.

**RECOMMENDATION:** The preparer should ensure that all bank reconciliations are prepared on a monthly basis and agree to the general ledger and bank statement. The preparer should ensure they have a sound understanding of the various reconciling items and how they should appear on the bank reconciliation.

**VIEWS OF RESPONSIBLE OFFICIALS:** Management agrees with the finding.

**FINDING 2022-002: CAPITAL ASSET PROCEDURES**

**FINDING TYPE:** Financial Statements – Significant Deficiency

**CRITERIA:** To ensure accurate accounting records, detailed records should be maintained for fixed assets and capital purchases. Depreciation schedules should be maintained and reviewed at year end to ensure new additions and disposals are recorded. The auditor cannot serve as an internal control for fixed assets or maintain fixed asset schedules for the School.

**CONDITION:** While testing fixed assets, the auditor noted that depreciation schedules had not been maintained or updated for the accounting period. The auditor recommended management perform a thorough review of all capital purchases and disposals and update their fixed asset records. Working with the auditor, management was, eventually, able to update the records so that they were suitable for audit. This, however, resulted in significant delays to the audit completion timeline. The beginning net position was restated to reflect changes from prior periods.

**CAUSE:** The new business manager was never shown how or where fixed assets records were being maintained and updated, and she had significant difficulty in locating prior records and required components. Management, thus, did not update fixed asset records or prepare depreciation schedules in time for the audit. Management was not initially aware of the severity of the problem, but they did help to remedy the issue while working with the auditor.

**EFFECT:** Year-end accounting records, without adjustment, would not have been suitable for audit and would have been materially misstated.

**RECOMMENDATION:** Management should maintain up to date records of fixed assets and perform a thorough review at year-end to ensure all purchases over the capitalization threshold are recorded and records are updated for disposals. Given the small size of the business office, complexity of maintaining schedules, and significant amount of new investment by member districts, the auditor recommends having fixed assets schedules maintained and kept by an outside company that specializes in the area. Although, this is not a requirement. This can be done in conjunction with insurance valuations.

**VIEWS OF RESPONSIBLE OFFICIALS:** Management agrees with the finding.

# ERIE COUNTY TECHNICAL SCHOOL
# SCHEDULE OF FINDINGS AND QUESTIONED COSTS
# FOR THE YEAR ENDED JUNE 30, 2022

**FINDING 2022-003: MATERIAL AUDIT ADJUSTMENTS**

**FINDING TYPE:** Financial Statements – Material Weakness

**CRITERIA:** Management must ensure internal controls and processes are in place to ensure that if material adjusting entries are required, they are prepared and entered in a timely fashion.

**CONDITION:** The auditor proposed several material adjusting entries to correct errors in account balances that would not otherwise have been detected by the School's internal controls in absence of audit. The auditor proposed material adjusting entries to adjust cash balances, record additional grant revenue, and adjust accounts receivable balances. The changes had a significant impact on the audit and the timeline for completion of the audit.

**CAUSE:** Management did not propose adjusting entries and was not aware of the misstatements.

**EFFECT:** Year-end accounting records, without adjustment, would lead to material misstatements.

**RECOMMENDATION:** Management should thoroughly review the adjusting entries from the current year proposed by the auditor and continue to learn about how they impact the financial statements. Management is ultimately responsible for the financial statements and should ensure that they have sufficient internal controls in place related to adjusting entries.

**VIEWS OF RESPONSIBLE OFFICIALS:** Management agrees with the finding.

**FINDING 2022-004: ESSER - REPORTING**

**FINDING TYPE:** Federal Awards – Significant Deficiency/Noncompliance

**CRITERIA:** Per Pennsylvania Department of Education guidance on ESSER grants, schools are required to file the reconciliation of cash on hand report for the quarter subsequent to when funds are first received. The Uniform Guidance states that nonfederal entities must follow state reporting guidelines.

**CONDITION:** The auditor, while testing compliance with reporting for ARP ESSER and GEER awards, noted several missing cash on hand reports. Upon further investigation, the auditor noted that several of the quarterly cash on hand reports had not been filed.

**CAUSE:** Turnover at the accounting position and higher than normal federal awards at the School led to confusion on reporting requirements.

**EFFECT:** The School was not in compliance with Pennsylvania Department of Education reporting requirements. Cash reimbursements for eligible expenses were likely significantly delayed in their receipt from the Pennsylvania Department of Education.

**QUESTIONED COST:** None

**RECOMMENDATION:** Management should maintain an up-to-date listing of all federal grants and thoroughly understand reporting requirements and conditions of each grant. Management should promptly request reimbursement for grant eligible expenses and review year-end accruals to ensure grant expenses are properly reported and revenues are recognized in the proper period. Management should also maintain a folder for each grant with contemporaneous documentation of required grant reporting and correspondence with grantors.

**VIEWS OF RESPONSIBLE OFFICIALS:** Management agrees with the finding.

**ERIE COUNTY TECHNICAL SCHOOL**
**CORRECTIVE ACTION PLAN**
**FOR THE YEAR ENDED JUNE 30, 2022**

**FINDING 2022-001: BANK RECONCILIATION PROCEDURES**

CONTACT PERSON: Jessica Garnica, Business Manager

CORRECTIVE ACTION: Management will ensure that bank reconciliations are prepared monthly and reviewed for accuracy. Management now has a better understanding of the issues that lead to the problems with the bank reconciliations that were reviewed during the audit.

PROPOSED COMPLETION DATE: Immediately

**FINDING 2022-002: CAPITAL ASSET PROCEDURES**

CONTACT PERSON: Jessica Garnica, Business Manager

CORRECTIVE ACTION: Management is working to assess different options related to capital asset recordkeeping and accounting.

PROPOSED COMPLETION DATE: Ongoing

**FINDING 2022-003: MATERIAL AUDIT ADJUSTMENTS**

CONTACT PERSON: Jessica Garnica, Business Manager

CORRECTIVE ACTION: Management is working to implement a review process that will ensure necessary material adjustments to the financial statements are made in a timely manner. This includes a review at year end of major financial statement classes.

PROPOSED COMPLETION DATE: June 30, 2023

**FINDING 2022-004: ESSER - REPORTING**

CONTACT PERSON: Jessica Garnica, Business Manager

CORRECTIVE ACTION: Management will ensure all necessary reports related to federal grants are filed in a timely manner and that PDE requirements are reviewed. Management has already filed the required cash on hand reports for ARP ESSER for the most recent fiscal quarter. Management is confident that the issue can be resolved immediately.

PROPOSED COMPLETION DATE: Immediately