

ERIE COUNTY TECHNICAL SCHOOL

AUDITED FINANCIAL STATEMENTS

JUNE 30, 2014

**ERIE COUNTY TECHNICAL SCHOOL
AUDITED FINANCIAL STATEMENTS
TABLE OF CONTENTS
FOR THE YEAR ENDED JUNE 30, 2014**

| | Page |
|---|-------|
| Independent Auditors' Report | 3-5 |
| Management's Discussion and Analysis | 6-19 |
| Basic Financial Statements | |
| Government-Wide Financial Statements | |
| Statement of Net Position | 21 |
| Statement of Activities | 22-23 |
| Fund Financial Statements | |
| Balance Sheet - Governmental Funds | 24 |
| Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position | 25 |
| Statement of Revenues, Expenditures and Changes in Fund Balance - Governmental Funds | 26 |
| Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balance of Governmental Funds to the Statement of Activities | 27 |
| Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual - General Fund | 28 |
| Statement of Net Position - Proprietary Fund | 29 |
| Statement of Revenues, Expenses and Changes in Net Position - Proprietary Fund | 30 |
| Statement of Cash Flows - Proprietary Fund | 31 |
| Statement of Fiduciary Net Position - Fiduciary Funds | 32 |
| Statement of Changes in Fiduciary Net Position - Fiduciary Funds | 33 |
| Notes to Financial Statements | 34-51 |
| Required Supplementary Information | |
| Schedule of Funding Progress | 53 |
| Other Supplementary Information | |
| Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual - General Fund | 55 |
| Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards | 56-57 |



FELIX & GLOEKLER, P. C.

CERTIFIED PUBLIC ACCOUNTANTS

2306 Peninsula Drive • Erie, Pennsylvania 16506

Independent Auditors' Report

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Erie County Technical School as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the School's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

Independent Auditors' Report
(Continued)

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Erie County Technical School as of June 30, 2014, and the respective changes in financial position and where applicable, cash flows, thereof, and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 6 through 19 and the schedule of funding progress on page 53 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary and Other Information

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

The schedule of revenue, expenditures, and changes in fund balance – budget and actual is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements.

Independent Auditors' Report
(Continued)

Such 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 schedule of revenue, expenditures, and changes in fund balance-budget and actual is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated August 20, 2014 on our consideration of the Erie County Technical School's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance.

That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Erie County Technical School's internal control over financial reporting and compliance.

Felix and Gloekler, P.C.

Felix and Gloekler, P.C.

August 20, 2014
Erie, Pennsylvania

ERIE COUNTY TECHNICAL SCHOOL
Management Discussion and Analysis (MD&A)
June 30, 2014

The discussion and analysis of Erie County Technical School's (ECTS) financial performance provides an overall review of the financial activities for the fiscal year ended June 30, 2014. The intent of this discussion and analysis is to look at financial performance of ECTS as a whole; readers should also review the transmittal letter, notes to the basic financial statements and financial statements to enhance their understanding of Erie County Technical 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.

Joint Venture

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

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

FINANCIAL HIGHLIGHTS

District contributions:

The largest source of revenue comes from the participating school districts to support the secondary education program and is based on a funding formula agreed upon by all the districts as part of the Articles of Agreement.

Total district contributions for the secondary program:

- \$3,643,946 for 2013-14
- \$3,643,946 for 2012-13
- \$3,815,770 for 2011-12

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

- \$504,432 for 2013-14
- \$587,293 for 2012-13
- \$498,485 for 2011-12

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

- \$ 3,591 for 2013-14
- \$14,366 for 2012-13
- \$10,774 for 2011-12

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

- \$179,270 for 2013-14
- \$159,173 for 2012-13
- \$151,554 for 2011-12

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

- 71% for 2013-14
- 73% for 2012-13
- 74% for 2011-12

Adult Training:

During 2013-14, the adult training programs continued as part-time, certificate classes.

Skill Center Building:

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

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

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

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

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

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

Northwestern Region Employee Benefit Trust (NOREBT):

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

- \$682,135 at June 30, 2014
- \$521,499 at June 30, 2013
- \$547,128 at June 30, 2012

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

FINANCIAL STATEMENTS

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

The first two statements are government-wide financial statements - the Statement of Net 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 ECTS 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 ECTS operates like a business. For ECTS, this is our Food Service Fund. Fiduciary fund statements provide information about financial relationships where ECTS acts solely as a trustee or agent for the benefit of others, to whom the reported resources belong.

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

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

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

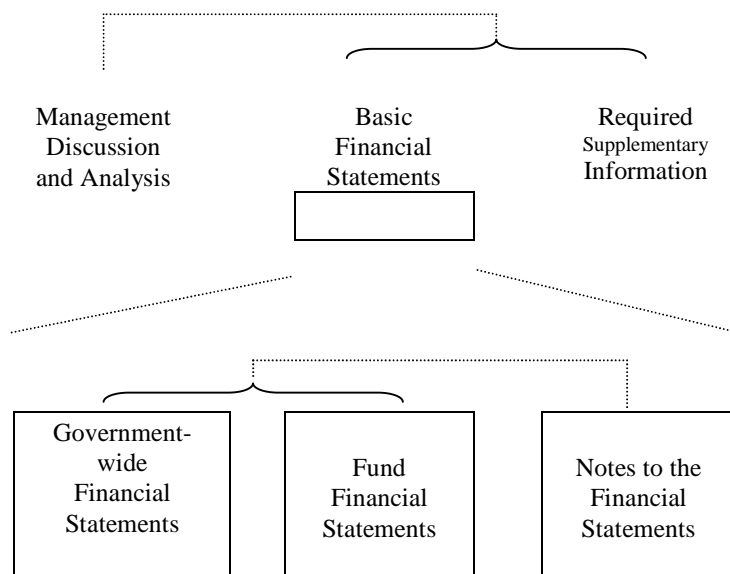


Figure A-2 summarizes the major features of Erie County Technical School’s financial statements, including the portion of activities they cover and the types of information they contain. The remainder of this overview section of management discussion and analysis explains the structure and contents of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

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

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

OVERVIEW OF FINANCIAL STATEMENTS

Government-wide Statements

The government-wide statements report information about ECTS 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 position and how they have changed. Net position, the difference between ECTS's assets and liabilities, are one way to measure 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 Erie County Technical School, you need to consider additional non-financial factors, such as changes in the school districts' property tax base and the performance of the students.

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

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

Fund Financial Statements

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

Governmental funds - Most of ECTS'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 ECTS programs. The relationship (or differences) between governmental

activities (reported in the statement of net position and the statement of activities) and governmental funds is reconciled in the financial statements.

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

Fiduciary funds – Erie County Technical School is the trustee, or fiduciary, for certain funds. All of ECTS's fiduciary activities are reported in separate statements of fiduciary net position. We exclude these activities from Erie County Technical School's financial statements because ECTS cannot use these assets to finance its operations.

FINANCIAL ANALYSIS OF ERIE COUNTY TECHNICAL SCHOOL AS A WHOLE

The total net position is:

\$6,499,332 at June 30, 2014
 \$6,344,144 at June 30, 2013
 \$6,375,600 at June 30, 2012

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

Table A-1
Fiscal Year Ended June 30, 2014
Net Position

| | Governmental Activities | Business Activities | Total | Prior Year Total 6/30/2013 |
|------------------------------------|------------------------------------|--------------------------------|---------------------|---|
| Current and other assets | \$ 3,102,523 | \$ 7,722 | \$ 3,110,245 | \$ 2,677,899 |
| Non-current assets | 4,169,497 | 29,800 | 4,199,297 | 4,434,845 |
| Deferred outflows | 488 | - | 488 | 12,147 |
| Total assets | <u>\$ 7,272,508</u> | <u>\$ 37,522</u> | <u>\$ 7,310,030</u> | <u>\$ 7,124,891</u> |
| Current and other liabilities | \$ 556,918 | \$ 2,759 | \$ 559,677 | \$ 533,657 |
| Non-current liabilities | 251,021 | - | 251,021 | 247,090 |
| Total liabilities | <u>\$ 807,939</u> | <u>\$ 2,759</u> | <u>\$ 810,698</u> | <u>\$ 780,747</u> |
| Net position | | | | |
| Net investment in capital assets | \$ 4,169,497 | \$ 29,800 | \$ 4,199,297 | \$ 4,434,842 |
| Restricted-capital projects | 334,429 | - | 334,429 | 326,886 |
| Unrestricted | 1,960,643 | 4,963 | 1,965,606 | 1,582,416 |
| Total net position | <u>\$ 6,464,569</u> | <u>\$ 34,763</u> | <u>\$ 6,499,332</u> | <u>\$ 6,344,144</u> |
| Total liabilities and net position | <u>\$ 7,272,508</u> | <u>\$ 37,522</u> | <u>\$ 7,310,030</u> | <u>\$ 7,124,891</u> |

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

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

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

Table A-2
Fiscal Year Ended June 30, 2014
Changes in Net Position

| | <u>Governmental Activities</u> | <u>Business Activities</u> | <u>Total</u> | <u>Prior Year Total 6/30/2013</u> |
|--------------------------------------|------------------------------------|--------------------------------|---------------------|---------------------------------------|
| Revenues | | | | |
| Program revenues | | | | |
| Charges for services | \$ 365,380 | \$ 122,903 | \$ 488,283 | \$ 434,582 |
| Operating grants and contributions | 1,312,931 | 64,136 | 1,377,067 | 1,330,159 |
| Capital grants and contributions | 28,500 | - | 28,500 | - |
| General revenues | 4,399,032 | 1,950 | 4,400,982 | 4,463,678 |
| Total Revenues | <u>\$ 6,105,843</u> | <u>\$ 188,989</u> | <u>\$ 6,294,832</u> | <u>\$ 6,228,419</u> |
| Expenses | | | | |
| Instruction | \$ 3,501,715 | \$ - | \$ 3,501,715 | \$ 3,712,750 |
| Pupil Personnel | 387,827 | - | 387,827 | 376,407 |
| Instructional staff support | 256,517 | - | 256,517 | 239,127 |
| Administrative and financial support | 715,011 | - | 715,011 | 703,492 |
| Operation and maintenance of plant | 716,028 | - | 716,028 | 761,497 |
| Central services | 369,002 | - | 369,002 | 274,588 |
| Student activities | 3,135 | - | 3,135 | 2,700 |
| Interest on long-term debt | - | - | - | - |
| Food services | - | 190,409 | 190,409 | 189,314 |
| Total Expenses | <u>\$ 5,949,235</u> | <u>\$ 190,409</u> | <u>\$ 6,139,644</u> | <u>\$ 6,259,875</u> |
| Increase (Decrease) in Net Position | <u>\$ 156,608</u> | <u>\$ (1,420)</u> | <u>\$ 155,188</u> | <u>\$ (31,456)</u> |

The tables below present the expenses of both the Governmental Activities and the Business-type Activities of Erie County Technical School.

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

Table A-3
Fiscal Year Ended June 30, 2014
Governmental Activities

| <u>Functions/Programs</u> | <u>Total Cost of Services</u> | <u>Net Cost of Services</u> | <u>Prior Year 6/30/13 Net Cost</u> |
|---|-------------------------------|-----------------------------|------------------------------------|
| Instruction | \$ 3,501,715 | \$ 1,943,257 | \$ 2,261,600 |
| Pupil Personnel | 387,827 | 356,801 | 353,445 |
| Instructional staff support | 256,517 | 243,691 | 224,776 |
| Administrative | 715,011 | 662,231 | 648,957 |
| Operation and maintenance | 716,028 | 670,167 | 713,608 |
| Central services | 369,002 | 369,002 | 274,588 |
| Student activities | 3,135 | (2,725) | 2,700 |
| Interest on long-term debt | - | - | - |
| | - | - | - |
| Total Governmental Activities | <u>\$ 5,949,235</u> | <u>\$ 4,242,424</u> | <u>\$ 4,479,674</u> |
| Less: | | | |
| Unrestricted grants, subsidies | - | - | - |
| Total Needs from Local and Other Revenues | <u>\$ 5,949,235</u> | <u>\$ 4,242,424</u> | <u>\$ 4,479,674</u> |

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

Table A-4
Fiscal Year Ended June 30, 2014
Business-Type Activities

| <u>Functions/Programs</u> | <u>Total Cost of Services</u> | <u>Net Cost of Services</u> | <u>Prior Year 6/30/13 Net Cost</u> |
|---------------------------------------|-------------------------------|-----------------------------|------------------------------------|
| Food services | \$ 190,409 | \$ (3,370) | \$ (15,460) |
| Less: | | | |
| Investment earnings and transfers | - | - | 39 |
| Inter fund transfer from General Fund | <u>1,950</u> | <u>1,950</u> | <u>2,500</u> |
| Total Business-type Activities | <u>\$ 192,359</u> | <u>\$ (1,420)</u> | <u>\$ (12,921)</u> |

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

Fund Balances:

The governmental funds reported a combined fund balance of:

- \$2,561,650 at June 30, 2014
- \$2,155,863 at June 30, 2013
- \$1,975,236 at June 30, 2012

General Fund:

The General Fund's fund balance of \$2,227,221 at June 30, 2014 includes:

- \$124,095 non-spendable for inventories
- \$696,521 non-spendable for self insurance benefit trust
- \$153,055 assigned for RCTC adult training
- \$282,975 assigned for future PSERS employer rate increases
- \$250,000 assigned for new program
- \$720,575 unassigned

The unassigned balance of \$720,575 is available for future years' budgeting. This is used to balance the amount required in future years from school districts to fund the secondary program. The unassigned fund balance is 12.75% of total 2013-14 General Fund expenditures.

Capital Projects Fund:

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

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

- 2013-14: Transfer for future needs: \$33,900
- 2012-13: Transfer for future needs: \$33,900
- 2011-12: Transfer for future needs: \$66,800

Recent Expenditures from the Capital Projects Fund included:

- 2013-14: Site improvements and repairs of \$14,434, technology purchases of \$5,920, and maintenance equipment purchases of \$ 6,037
- 2012-13: Exterior Painting Project of \$68,453, architect fees of \$13,936, technology purchases of \$11,316

The 6/30/14 fund balance of \$334,429 is assigned to be used for capital building, equipment and program improvements in future years. A portion of that fund balance of \$4,065 is to complete purchases for the Transition Center kitchen supplies and equipment.

General Fund Budget:

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

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

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

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2014, the school had \$4,199,297 invested in a broad range of capital assets, including land, buildings and machinery and equipment. This amount represents a net decrease (including additions, deletions and depreciation) of \$235,546 from June 30, 2013.

Table A-5
Capital Assets - Net of Depreciation

| | <u>2014</u> | <u>2013</u> |
|-----------------------|---------------------|---------------------|
| Land | \$ 272,111 | \$ 272,111 |
| Buildings | 3,044,486 | 3,242,923 |
| Machinery & equipment | 874,383 | 908,167 |
| Vehicles | 8,317 | 11,642 |
| Total Capital Assets | <u>\$ 4,199,297</u> | <u>\$ 4,434,843</u> |

Debt Administration

Bond Obligations - At June 30, 2014 the school had no outstanding bond obligations.

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

NEXT YEAR'S GENERAL FUND BUDGET – 2014-2015

| Code | Account | General | Secondary | RCTC |
|--|--|------------------|------------------|----------------|
| | Estimated Unassigned Fund Balance July 1, 2014 | 626,076 | 480,000 | 146,076 |
| | Estimated Assigned to New Program July 1, 2014 | 250,000 | 250,000 | |
| | Estimated Assigned PSERS Fund Balance July 1, 2014 | 282,975 | 282,975 | |
| Total Estimated Fund Balances - Actual July 1, 2014 | | 1,159,051 | 1,012,975 | 146,076 |
| Revenue | | | | |
| 6000 | Miscellaneous Local Sources | 318,295 | 111,295 | 207,000 |
| 6946 | Districts-Alternative Education | 609,120 | 609,120 | |
| 6946 | Districts-Other Programs | 213,134 | 213,134 | |
| 6946 | Districts-Secondary Operating Contributions | 3,720,979 | 3,720,979 | |
| 7000 | State Sources | 1,134,000 | 1,092,318 | 41,681 |
| 8000 | Federal Sources | 310,089 | 310,089 | |
| 9000 | Other Financing Sources | 5,000 | 5,000 | |
| Total Revenue | | 6,310,617 | 6,061,936 | 248,681 |
| Total Revenue & Beginning Fund Balance | | 7,469,668 | 7,074,911 | 394,757 |
| Expenditures | | | | |
| 1300 | Vocational Education | 2,670,160 | 2,670,160 | |
| 2600 | Operation and Maintenance | 750,390 | 750,390 | |
| 1400 | Alternative Education | 611,120 | 611,120 | |
| 2300 | Administration | 517,731 | 431,081 | 86,649 |
| 2100 | Pupil Personnel | 411,877 | 411,877 | |
| 2800 | Technology | 356,019 | 356,019 | |
| 2200 | Instructional Staff | 282,513 | 282,513 | |
| 2500 | Business | 187,460 | 187,460 | |
| 1200 | Special Education | 183,287 | 183,287 | |
| 1600 | Adult Education | 142,033 | | 142,033 |
| 5200 | Transfers to Other Funds | 33,900 | 33,900 | |
| 4200 | Site Improvements/Repairs | 15,000 | 15,000 | |
| 4600 | Building Improvement Services | 8,000 | 8,000 | |
| 3200 | Student Activities | 3,246 | 3,246 | |
| 2400 | Pupil Health | 1,500 | 1,500 | |
| Subtotal Expenditures | | 6,174,236 | 5,945,554 | 228,682 |
| 5900 | Budgetary Reserve | 136,382 | 116,382 | 20,000 |
| Total Expenditures & Budgetary Reserve | | 6,310,618 | 6,061,936 | 248,682 |
| Fund Balance | | | | |
| | 2014-15 Change in Fund Balance-Unassigned | 0 | 0 | 0 |
| | 2014-15 Change in Fund Balance-Assigned PSERS | 0 | 0 | 0 |
| | 2014-15 Change in Fund Balance-New Program | 0 | 0 | 0 |
| Total Change in Fund Balance | | 0 | 0 | 0 |
| | Unassigned Fund Balance | 626,076 | 480,000 | 146,076 |
| | Transfer to Assigned Fund Balance-New Program | 0 | 0 | |
| | Unassigned Fund Balance- June 30, 2015 | 626,076 | 480,000 | 146,076 |
| | Assigned Fund Balance-PSERS Rate Increases | 282,975 | 282,975 | 0 |
| | Transfer from Unassigned Fund Balance | 0 | 0 | |
| | Assigned Fund Balance-PSERS Rate Increases-June 30, 2015 | 282,975 | 282,975 | 0 |
| | Assigned Fund Balance-New Program | 250,000 | 250,000 | 0 |
| | Transfer from Unassigned Fund Balance | 0 | 0 | |
| | Assigned Fund Balance-PSERS Rate Increases-June 30, 2015 | 250,000 | 250,000 | 0 |
| Total End of Year Fund Balance - June 30, 2015 | | 1,159,051 | 1,012,975 | 146,076 |

CONTACTING ERIE COUNTY TECHNICAL SCHOOL FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, parents, students, investors and creditors with a general overview of Erie County Technical School'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 Business Manager, 8500 Oliver Road, Erie, PA 16509; telephone: 814-464-8600.

This Page Intentionally Left Blank

ERIE COUNTY TECHNICAL SCHOOL

Statement of Net Position

June 30, 2014

| | Governmental Activities | Business - Type Activities | Total |
|------------------------------------|----------------------------|----------------------------------|---------------------|
| ASSETS | | | |
| Current Assets | | | |
| Cash and cash equivalents | \$ 2,054,732 | \$ 4,418 | \$ 2,059,150 |
| Receivables, net | 227,175 | - | 227,175 |
| Inventories | 124,095 | 3,304 | 127,399 |
| Prepaid expenses | 696,521 | - | 696,521 |
| Total Current Assets | <u>3,102,523</u> | <u>7,722</u> | <u>3,110,245</u> |
| Noncurrent Assets | | | |
| Land | 272,111 | - | 272,111 |
| Capital assets, net | 3,897,386 | 29,800 | 3,927,186 |
| Total Noncurrent Assets | <u>4,169,497</u> | <u>29,800</u> | <u>4,199,297</u> |
| Total Assets | <u>7,272,020</u> | <u>37,522</u> | <u>7,309,542</u> |
| Deferred Outflows | | | |
| OPEB Contributions | 488 | - | 488 |
| Total Assets and Deferred Outflows | <u>\$ 7,272,508</u> | <u>\$ 37,522</u> | <u>\$ 7,310,030</u> |
| LIABILITIES | | | |
| Current Liabilities | | | |
| Accounts payable | \$ 145,706 | \$ 244 | \$ 145,950 |
| Interfund payable | (2,515) | 2,515 | - |
| Accrued salaries and benefits | 397,682 | - | 397,682 |
| Compensated absences | 16,045 | - | 16,045 |
| Total Current Liabilities | <u>556,918</u> | <u>2,759</u> | <u>559,677</u> |
| Noncurrent Liabilities | | | |
| Compensated absences | 251,021 | - | 251,021 |
| Total Noncurrent Liabilities | <u>251,021</u> | <u>-</u> | <u>251,021</u> |
| Total Liabilities | <u>807,939</u> | <u>2,759</u> | <u>810,698</u> |
| Net Position | | | |
| Net investment in capital assets | 4,169,497 | 29,800 | 4,199,297 |
| Restricted for capital projects | 334,429 | - | 334,429 |
| Unrestricted | 1,960,643 | 4,963 | 1,965,606 |
| Total Net Position | <u>6,464,569</u> | <u>34,763</u> | <u>6,499,332</u> |
| Total Liabilities and Net Position | <u>\$ 7,272,508</u> | <u>\$ 37,522</u> | <u>\$ 7,310,030</u> |

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

ERIE COUNTY TECHNICAL SCHOOL

Statement of Activities For the Year Ended June 30, 2014

| Functions/Programs | Expenses | Program Revenues | | |
|--|---------------------|----------------------------|--|--|
| | | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions |
| Governmental Activities | | | | |
| Instruction | \$ 3,501,715 | \$ 313,659 | \$ 1,216,299 | \$ 28,500 |
| Pupil personnel | 387,827 | - | 31,026 | - |
| Instructional staff | 256,517 | - | 12,826 | - |
| Administrative and financial support | 715,011 | - | 52,780 | - |
| Operation and maintenance of plant services | 716,028 | 45,861 | - | - |
| Central services | 369,002 | - | - | - |
| Student activities | 3,135 | 5,860 | - | - |
| Total Governmental Activities | 5,949,235 | 365,380 | 1,312,931 | 28,500 |
| Business-Type Activities | | | | |
| Food service | 190,409 | 122,903 | 64,136 | - |
| Total Primary Government | <u>\$ 6,139,644</u> | <u>\$ 488,283</u> | <u>\$ 1,377,067</u> | <u>\$ 28,500</u> |
| General Revenues | | | | |
| Support-local districts | | | | |
| Interest earnings | | | | |
| Miscellaneous income | | | | |
| Sale of fixed assets | | | | |
| Transfers in (out) | | | | |
| Total General Revenues | | | | |
| Change in Net Position | | | | |
| Net Position, July 1, 2013 | | | | |
| Net Position, June 30, 2014 | | | | |

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

| <u>Net (Expense)/Revenue and Changes in Net Position</u> | | |
|--|--|---------------------|
| <u>Governmental Activities</u> | <u>Business- Type Activities</u> | <u>Total</u> |
| \$ (1,943,257) | \$ - | \$ (1,943,257) |
| (356,801) | - | (356,801) |
| (243,691) | - | (243,691) |
| (662,231) | - | (662,231) |
| (670,167) | - | (670,167) |
| (369,002) | - | (369,002) |
| 2,725 | - | 2,725 |
| <u>(4,242,424)</u> | <u>-</u> | <u>(4,242,424)</u> |
| <u>-</u> | <u>(3,370)</u> | <u>(3,370)</u> |
| <u>(4,242,424)</u> | <u>(3,370)</u> | <u>(4,245,794)</u> |
| 4,331,239 | - | 4,331,239 |
| 1,110 | - | 1,110 |
| 65,251 | - | 65,251 |
| 3,382 | - | 3,382 |
| (1,950) | 1,950 | - |
| <u>4,399,032</u> | <u>1,950</u> | <u>4,400,982</u> |
| 156,608 | (1,420) | 155,188 |
| <u>6,307,961</u> | <u>36,183</u> | <u>6,344,144</u> |
| <u>\$ 6,464,569</u> | <u>\$ 34,763</u> | <u>\$ 6,499,332</u> |

ERIE COUNTY TECHNICAL SCHOOL

Balance Sheet-Governmental Funds

June 30, 2014

| | General Fund | Capital Projects Fund | Total Governmental Funds |
|--------------------------------------|---------------------|-----------------------------|--------------------------------|
| ASSETS | | | |
| Cash and cash equivalents | \$ 1,720,303 | \$ 334,429 | \$ 2,054,732 |
| Receivables (net) | 227,175 | - | 227,175 |
| Interfund receivable | 2,515 | - | 2,515 |
| Inventories | 124,095 | - | 124,095 |
| Prepaid items | 696,521 | - | 696,521 |
| Total Assets | <u>\$ 2,770,609</u> | <u>\$ 334,429</u> | <u>\$ 3,105,038</u> |
| LIABILITIES AND FUND BALANCE | | | |
| Liabilities | | | |
| Accounts payable | \$ 145,706 | \$ - | \$ 145,706 |
| Accrued salaries and benefits | 397,682 | - | 397,682 |
| Total Liabilities | <u>543,388</u> | <u>-</u> | <u>543,388</u> |
| Fund Balance | | | |
| Nonspendable | | | |
| Inventory | 124,095 | - | 124,095 |
| Prepaid items | 696,521 | - | 696,521 |
| Assigned | | | |
| Future PSERS rate increases | 282,975 | - | 282,975 |
| New Program | 250,000 | - | 250,000 |
| Regional Career and Technical Center | 153,055 | - | 153,055 |
| Capital projects | - | 334,429 | 334,429 |
| Unassigned | 720,575 | - | 720,575 |
| Total Fund Balance | <u>2,227,221</u> | <u>334,429</u> | <u>2,561,650</u> |
| Total Liabilities and Fund Balance | <u>\$ 2,770,609</u> | <u>\$ 334,429</u> | <u>\$ 3,105,038</u> |

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

ERIE COUNTY TECHNICAL SCHOOL
Reconciliation of the Balance Sheet of Governmental Funds
to the Statement of Net Position
June 30, 2014

Differences in amounts reported for governmental activities in the statement of Net Position:

| | | |
|--|--------------|--------------|
| Fund balances - governmental fund | \$ 2,561,650 | |
| Capital assets used in governmental activities are not financial resources and are, therefore, not reported in the governmental funds | 4,169,497 | |
| Other post-employment benefits are reflected on the statement of Net Position, but are not considered a current expenditure for the financial statements | 488 | |
| Certain liabilities are not due and payable in the current period and, therefore, are not reported in the funds | | |
| Compensated absences | \$ (267,066) | (267,066) |
| Net Position of governmental activities | | \$ 6,464,569 |

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

ERIE COUNTY TECHNICAL SCHOOL
Statement of Revenues, Expenditures and Changes
in Fund Balance - Governmental Funds
For the Year Ended June 30, 2014

| | General | Capital Projects | Total Governmental Funds |
|--|--------------|---------------------|--------------------------------|
| REVENUES | | | |
| Local sources | \$ 431,707 | \$ 34 | \$ 431,741 |
| State sources | 1,033,331 | - | 1,033,331 |
| Federal sources | 308,100 | - | 308,100 |
| Support-local districts | 4,331,239 | - | 4,331,239 |
| Total Revenues | 6,104,377 | 34 | 6,104,411 |
| EXPENDITURES | | | |
| Instruction | 3,280,076 | - | 3,280,076 |
| Support services | 2,335,718 | 6,037 | 2,341,755 |
| Noninstructional services | 3,135 | - | 3,135 |
| Facilities acquisition, construction and improvement services | 32,763 | 20,354 | 53,117 |
| Total Expenditures | 5,651,692 | 26,391 | 5,678,083 |
| Excess of Revenues Over (Under) Expenditures | 452,685 | (26,357) | 426,328 |
| Other Financing Sources (Uses) | | | |
| Interfund transfers | (35,850) | 33,900 | (1,950) |
| Change in inventory | (24,332) | - | (24,332) |
| Sale of fixed assets | 5,741 | - | 5,741 |
| Total Other Financing Sources (Uses) | (54,441) | 33,900 | (20,541) |
| Net Change in Fund Balance | 398,244 | 7,543 | 405,787 |
| Fund Balance - July 1, 2013 | 1,828,977 | 326,886 | 2,155,863 |
| Fund Balance - June 30, 2014 | \$ 2,227,221 | \$ 334,429 | \$ 2,561,650 |

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

ERIE COUNTY TECHNICAL SCHOOL
Reconciliation of the Statement of Revenues, Expenditures and
Changes in Fund Balance of Governmental Funds to the
Statement of Activities
For the Year Ended June 30, 2014

| | | |
|--|---------|------------|
| Net change in fund balance - governmental fund | | \$ 405,787 |
| Capital outlay, reported as expenditures in the governmental funds, are shown as capital assets in the statement of Net Position | | 91,018 |
| Depreciation expense on governmental capital assets included in the governmental activities in the statement of activities | | (321,975) |
| The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins or donations) is to increase Net Position | | (2,359) |
| Other post-employment benefits are reflected on the statement of net assets, but are not considered a current expenditure for the financial statements | | (11,659) |
| Repayment of long-term debt is reported as expenditures in governmental funds, but as a reduction of long-term liabilities in the statement of Net Position. In current year, these amounts are: | | |
| Change in compensated absences | (4,204) | (4,204) |
| Change in net assets of governmental activities | | \$ 156,608 |

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

ERIE COUNTY TECHNICAL SCHOOL
Statement of Revenues, Expenditures and Changes
in Fund Balance - Budget and Actual - General Fund
For the Year Ended June 30, 2014

| | Original Budget | Final Budget | Actual | Variance with Final Budget Positive (Negative) |
|--|----------------------------|----------------------------|----------------------------|---|
| REVENUES | | | | |
| Local sources | \$ 272,100 | \$ 272,100 | \$ 431,707 | \$ 159,607 |
| State sources | 983,857 | 1,057,657 | 1,033,331 | (24,326) |
| Federal sources | 331,462 | 308,100 | 308,100 | - |
| Support-local districts | 4,459,670 | 4,459,670 | 4,331,239 | (128,431) |
| Total Revenues | <u>6,047,089</u> | <u>6,097,527</u> | <u>6,104,377</u> | <u>6,850</u> |
| EXPENDITURES | | | | |
| Instruction | 3,615,498 | 3,569,366 | 3,280,076 | 289,290 |
| Support services | 2,287,563 | 2,359,133 | 2,335,718 | 23,415 |
| Noninstructional services | 3,135 | 3,135 | 3,135 | - |
| Facilities acquisition, construction and improvement services | 19,500 | 44,500 | 32,763 | 11,737 |
| Total Expenditures | <u>5,925,696</u> | <u>5,976,134</u> | <u>5,651,692</u> | <u>324,442</u> |
| Excess of Revenues Over (Under) Expenditures | <u>121,393</u> | <u>121,393</u> | <u>452,685</u> | <u>331,292</u> |
| Other Financing Sources (Uses) | | | | |
| Interfund transfers | (33,900) | (33,900) | (35,850) | (1,950) |
| Sale of fixed assets | 5,000 | 5,000 | 5,741 | 741 |
| Change in inventory | - | - | (24,332) | (24,332) |
| Total Other Financing Sources (Uses) | <u>(28,900)</u> | <u>(28,900)</u> | <u>(54,441)</u> | <u>(25,541)</u> |
| Net Change in Fund Balance | 92,493 | 92,493 | 398,244 | 305,751 |
| Fund Balance - July 1, 2013 | <u>1,828,977</u> | <u>1,828,977</u> | <u>1,828,977</u> | <u>-</u> |
| Fund Balance - June 30, 2014 | <u><u>\$ 1,921,470</u></u> | <u><u>\$ 1,921,470</u></u> | <u><u>\$ 2,227,221</u></u> | <u><u>\$ 305,751</u></u> |

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

ERIE COUNTY TECHNICAL SCHOOL

Statement of Net Position - Proprietary Fund

June 30, 2014

| | <u>Food Service</u> |
|---|-------------------------|
| ASSETS | |
| Current Assets | |
| Cash and cash equivalents | \$ 4,418 |
| Inventories | <u>3,304</u> |
| Total Current Assets | <u>7,722</u> |
| Noncurrent Assets | |
| Machinery and equipment (net of accumulated depreciation) | <u>29,800</u> |
| Total Assets | <u><u>\$ 37,522</u></u> |
| LIABILITIES | |
| Current Liabilities | |
| Accounts payable | \$ 244 |
| Interfund payable | <u>2,515</u> |
| Total Current Liabilities | <u>2,759</u> |
| NET POSITION | |
| Net investment in capital assets | 29,800 |
| Unrestricted | <u>4,963</u> |
| Total Net Position | <u>34,763</u> |
| Total Liabilities and Net Position | <u><u>\$ 37,522</u></u> |

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

ERIE COUNTY TECHNICAL SCHOOL
Statement of Revenues, Expenses and Changes
in Net Position - Proprietary Fund
For the Year Ended June 30, 2014

| | <u>Food Service</u> |
|--|---------------------|
| Operating Revenues | |
| Food service revenue | \$ 122,903 |
| Total Operating Revenues | 122,903 |
| Operating Expenses | |
| Personnel services - salaries | 33,561 |
| Personnel services - employee benefits | 8,688 |
| Supplies and food | 120,752 |
| Depreciation | 4,182 |
| Other | 23,226 |
| Total Operating Expenses | 190,409 |
| Operating Income (Loss) | (67,506) |
| Nonoperating Revenues | |
| State sources | 8,266 |
| Federal sources | 55,870 |
| Total Nonoperating Revenues | 64,136 |
| Other Financing Sources | |
| Interfund transfers | 1,950 |
| Total Other Financing Sources | 1,950 |
| Change in Net Position | (1,420) |
| Net Position, July 1, 2013 | 36,183 |
| Net Position, June 30, 2014 | \$ 34,763 |

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

ERIE COUNTY TECHNICAL SCHOOL
Statement of Cash Flows - Proprietary Fund
For the Year Ended June 30, 2014

| | <u>Food Service</u> |
|---|---------------------|
| Cash Flows from Operating Activities: | |
| Cash received from customers | \$ 122,903 |
| Cash payments to employees for services | (42,781) |
| Cash payments to suppliers for goods and services | (118,576) |
| Cash payments for operating expenses | (23,226) |
| Net Cash Used for Operating Activities | (61,680) |
| Cash Flows from Noncapital Financing Activities: | |
| Interfund transfers | 1,950 |
| State sources | 8,266 |
| Federal sources | 55,870 |
| Net Cash Provided by Noncapital Financing Activities | 66,086 |
| Cash Flows from Capital and Related Financing Activities: | |
| Purchase of capital assets | (1,950) |
| Net Cash (Used by) Capital and Related Financing Activities | (1,950) |
| Net Increase in Cash | 2,456 |
| Cash at Beginning of Year | 1,962 |
| Cash at End of Year | \$ 4,418 |
| Reconciliation of Operating Income to Net Cash (Used for) | |
| Operating Activities: | |
| Operating income (loss) | \$ (67,506) |
| Adjustment to reconcile operating income (loss) to | |
| net cash (used for) operating activities: | |
| Depreciation | 4,182 |
| (Increase) decrease in inventories | 1,997 |
| Increase (decrease) in accrued expenses | 179 |
| Increase (decrease) in interfund payables | (532) |
| Net Cash (Used for) Operating Activities | \$ (61,680) |

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

ERIE COUNTY TECHNICAL SCHOOL
Statement of Fiduciary Net Position -
Fiduciary Funds
June 30, 2014

| | <u>Private Purpose Trust</u> | <u>Student Activities</u> |
|--|--------------------------------------|-------------------------------|
| Assets | | |
| Cash and cash equivalents | \$ 136,038 | \$ 2,793 |
| Deposit - Erie Community Foundation | 228,244 | - |
| Accounts receivable | <u>6,000</u> | <u>-</u> |
| Total Assets | <u><u>\$ 370,282</u></u> | <u><u>\$ 2,793</u></u> |
| Liabilities | | |
| Accounts payable | \$ 13,441 | \$ - |
| Unearned grant revenue | 54,407 | - |
| Due to student groups | <u>-</u> | <u>2,793</u> |
| Total Liabilities | <u>67,848</u> | <u>2,793</u> |
| Net Position | | |
| Held in trust for scholarships and other educational projects | <u>302,434</u> | <u>-</u> |
| Total Liabilities and Net Position | <u><u>\$ 370,282</u></u> | <u><u>\$ 2,793</u></u> |

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

ERIE COUNTY TECHNICAL SCHOOL
Statement of Changes in Fiduciary Net Position -
Fiduciary Funds
For the Year Ended June 30, 2014

| | <u>Private Purpose Trust</u> |
|------------------------------|----------------------------------|
| Additions: | |
| Grant revenue | \$ 99,093 |
| Membership dues | 42,000 |
| Contributions | 2,854 |
| Investment income (loss) | 32,156 |
| Other revenue | <u>481</u> |
| Total Additions | <u>176,584</u> |
| Deductions: | |
| Awards and scholarships | 6,275 |
| Marketing and communications | 21,424 |
| School functions | 8,716 |
| Contracted services | <u>44,853</u> |
| Total Deductions | <u>81,268</u> |
| Change in Net Position | 95,316 |
| Net Position, July 1, 2013 | <u>207,118</u> |
| Net Position, June 30, 2014 | <u><u>\$ 302,434</u></u> |

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

ERIE COUNTY TECHNICAL SCHOOL
Notes to Financial Statements
June 30, 2014

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 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.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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*.

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

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

E. Measurement Focus and Basis of Accounting

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

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 Local Government Investment Trust (PLGIT), investments, and short-term investments with original maturities of three months or less.

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

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

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

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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, 2014.

A physical inventory of the Food Service Fund food and supplies was taken as of June 30, 2014. The inventory consisted of government donated commodities, which were valued at estimated fair market value, and purchased commodities and supplies, both valued at cost using the first-in, first-out (FIFO) method.

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.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

4. Deferred Outflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The government only has one item that qualifies for reporting on this category. It is the other post-employment benefit. The deferred outflow resulted from contributions exceeding the calculated actuarial required contribution.

5. Net Position Flow Assumption

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

6. Fund Balance Flow Assumptions

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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, 2014, fund balances have been assigned/committed by Board resolution as follows:

Assigned:

General Fund

| | |
|--------------------------------------|---------------------|
| Future PSERS rate increases | \$ 282,975 |
| Regional career and technical center | 153,055 |
| New program | 250,000 |
| Capital projects | <u>334,429</u> |
| | <u>\$ 1,020,459</u> |

H. Revenues and Expenditures/Expense

1. Program Revenues

Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment, and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Other items not included among program revenues are reported instead as *general revenues*.

2. Encumbrances

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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:

| | <u>Sick Pay Rate/Day</u> | <u>Maximum Benefit</u> |
|------------------------|------------------------------|----------------------------|
| Administrators | \$ 100 | \$ 25,000 |
| Professional educators | 55 | 12,000 |
| Support personnel | 55 | 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. Proprietary Funds Operating and Nonoperating Revenues and Expenses

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the proprietary fund's principal ongoing operations. The principal operating revenues of the food service fund are charged to customers for goods and services. Operating expenses for the food service fund include cost of sales, admin fees, and depreciation on capital assets. All revenues or expenses not meeting this definition are reported as nonoperating revenues and expenses.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

I. Future Pronouncements

The school will adopt GASB 68, *Accounting and Financial Reporting for Pensions* – an amendment of GASB Statement No. 27. The objective of the statement is to improve accounting and financial reporting by state and local governments for pensions. The implementation of GASB 68 will result in the recognition of the Net Pension Obligation of the Technical School.

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, 2014, \$0 of the School's bank balance of \$41,105 was exposed to custodial credit risk.

Reconciliation to Financial Statements

| | | |
|-------------------------------------|----|------------------|
| Insured amount | \$ | 41,105 |
| Uninsured amount | | - |
| Add: deposits in transit | | - |
| Less: outstanding checks | | (1,851) |
| Carrying amount of bank balances | | <u>39,254</u> |
| Plus: petty cash | | 150 |
| pooled cash equivalents | | <u>2,019,746</u> |
| Total cash per financial statements | \$ | <u>2,059,150</u> |

Investments

As of June 30, 2014, the School had the following investments:

| | | |
|---|----|------------------|
| PA Local Government Investment Trust-Plus | \$ | 105,451 |
| PA School District Liquid Asset Fund | | 511,519 |
| PA School District Liquid Asset Fund-PSDMAX | | <u>1,402,776</u> |
| | \$ | <u>2,019,746</u> |

Interest Rate Risk

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

Credit Risk

The School follows the Pennsylvania School Code's investment policy that would limit its investment choices to certain credit ratings. As of June 30, 2014, the School's investments were rated as:

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

NOTE 2 - CASH AND CASH EQUIVALENTS (CONTINUED)

Concentration of Risk

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

Custodial Credit Risk

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

Reconciliation to Financial Statements

| | |
|--|--------------------|
| Total investments above | \$ 2,019,746 |
| Less: deposits in investment pool considered cash equivalents | <u>(2,019,746)</u> |
| Total investments per financial statements | <u>\$ -</u> |

For purposes of the Proprietary Fund cash flow statement, cash and cash equivalents are described as cash on hand, demand deposits, and investments with original maturities of three months or less from the date of acquisition.

NOTE 3 - RECEIVABLES

Receivables as of June 30, 2014 for the government's individual major funds and business-type activities in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

| <u>Receivables</u> | <u>General</u> | <u>Total</u> |
|---------------------------------------|-------------------|-------------------|
| Federal and state grants | \$ 42,907 | \$ 42,907 |
| Other | <u>184,268</u> | <u>184,268</u> |
| Gross receivables | 227,175 | 227,175 |
| Less: Allowance for uncollectibles | <u>-</u> | <u>-</u> |
| | <u>\$ 227,175</u> | <u>\$ 227,175</u> |

NOTE 4 - CAPITAL ASSETS

Capital asset activity for the year was as follows:

| | June 30, 2013 | Additions | Deletions/ Adjustments | June 30, 2014 |
|--|------------------|--------------|---------------------------|------------------|
| Governmental Activities | | | | |
| Capital assets not depreciated: | | | | |
| Land | \$ 272,111 | \$ - | \$ - | \$ 272,111 |
| Capital assets depreciated: | | | | |
| Buildings and improvements | \$ 10,728,989 | \$ - | \$ - | \$ 10,728,989 |
| Machinery and equipment | 2,384,044 | 91,018 | (20,065) | 2,454,997 |
| Vehicles | 61,610 | - | - | 61,610 |
| Total Assets Depreciated | 13,174,643 | 91,018 | (20,065) | 13,245,596 |
| Less accumulated depreciation | | | | |
| Buildings and improvements | (7,486,065) | (198,438) | - | (7,684,503) |
| Machinery and equipment | (1,507,909) | (120,211) | 17,706 | (1,610,414) |
| Vehicles | (49,967) | (3,326) | - | (53,293) |
| Total Accumulated Depreciation | (9,043,941) | (321,975) | 17,706 | (9,348,210) |
| Total Capital Assets, Being Depreciated, Net | \$ 4,130,702 | \$ (230,957) | \$ (2,359) | \$ 3,897,386 |
| Business-Type Activities | | | | |
| Capital assets being depreciated: | | | | |
| Equipment | \$ 126,695 | \$ 1,950 | \$ - | \$ 128,645 |
| Total Assets Depreciated | 126,695 | 1,950 | - | 128,645 |
| Less accumulated depreciation | | | | |
| Equipment | (94,663) | (4,182) | - | (98,845) |
| Total Accumulated Depreciation | (94,663) | (4,182) | - | (98,845) |
| Total Capital Assets Being Depreciated, Net | \$ 32,032 | \$ (2,232) | \$ - | \$ 29,800 |

NOTE 4 - CAPITAL ASSETS (CONTINUED)

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

| | |
|---------------------------|-------------------|
| Governmental Activities: | |
| Instruction: | |
| Vocational | \$ 257,579 |
| Support Services: | |
| Administration | 32,198 |
| Operation and maintenance | <u>32,198</u> |
| | <u>\$ 321,975</u> |
| Business-Type Activities: | |
| Food service | <u>\$ 4,182</u> |

NOTE 5 - LONG-TERM DEBT

Long-term liability activity for the year ended June 30, 2014 was as follows:

| Governmental Activities | Beginning Balance | Additions | Reductions | Ending Balance | Due Within One Year |
|----------------------------|----------------------|------------------|--------------------|-------------------|------------------------|
| Compensated absences | <u>\$ 262,862</u> | <u>\$ 45,752</u> | <u>\$ (41,548)</u> | <u>\$ 267,066</u> | <u>\$ 16,045</u> |
| | <u>\$ 262,862</u> | <u>\$ 45,752</u> | <u>\$ (41,548)</u> | <u>\$ 267,066</u> | <u>\$ 16,045</u> |

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

NOTE 6 - RETIREMENT PLAN

A. Plan Description

The Erie County Technical School contributes to the Public School Employees' Retirement System (the System), a governmental cost-sharing multiple-employer defined benefit pension plan. The System provides retirement and disability, legislative mandated ad hoc cost-of-living adjustments, and healthcare insurance premium assistance to qualifying annuitants. The Public School Employees' Retirement Code (Act No. 96 as of October 2, 1975, as amended) (24 PA. C. S. 8101-8535) holds the authority to establish and amend benefit provisions.

The System issues a comprehensive annual financial report that includes financial statements and required supplementary information for the plan. A copy of the report may be obtained by writing to Public School Employees' Retirement System, P.O. Box 125, Harrisburg, PA 17108-0125.

NOTE 6 - RETIREMENT PLAN (CONTINUED)

Funding Policy

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

- A Class T-C member who enrolled before July 22, 1983 has a contribution rate of 5.25 percent. A Class T-D member who enrolled before July 22, 1983 has a contribution rate of 6.50 percent.
- A Class T-C member enrolled on July 22, 1983 through and including June 30, 2011 will have a contribution rate of 6.50 percent. A Class T-D member who enrolled on July 22, 1983 through and including June 30, 2011 will have a contribution rate of 7.50 percent.

Those who become members for the first time on or after July 1, 2011 may choose between two classes of membership in the System.

- A Class T-E member's base employee contribution rate with "shared risk" contribution levels may fluctuate between 7.50 and 9.50 percent.
- A Class T-F member's base employee contribution rate with "shared risk" contribution levels may fluctuate between 10.30 and 12.30 percent.

For fiscal year ended June 30, 2013, the rate of employee contribution was 16.93 percent of covered payroll.

The Technical School's contributions to the system for the years ending June 30, 2014, 2013, and 2012 were \$459,807, \$340,528, and \$242,873, respectively, equal to the required contributions for each year.

Shared Risk

With a "shared risk" program, Class T-E and Class T-F members benefit when investments of the fund are doing well and share some of the risk when investments under perform. With a Class T-E or Class T-F, your contribution rate will stay within the specified range, but may increase or decrease by 0.50 percent within the specified range every three years, starting on July 1, 2015. The member contribution rate will never go below the base rate or above the highest percentage rate.

NOTE 7 - SELF INSURANCE

A. Health Insurance

The School's self-insurance program pays accident and health insurance coverage for School employees on a cost-reimbursement basis. Retired employees are also covered by the program provided they pay a

NOTE 7 - SELF INSURANCE (CONTINUED)

monthly premium to the School. Under the program, the School is obligated for claim payments.

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

During the year ended June 30, 2014, total claims expense and stop-loss insurance expense were approximately \$521,000. Claims expense, recorded as a General Fund expenditure, represents claims processed as of June 30, 2014 and includes \$85,500 estimated unprocessed claims payable.

The claims asset of \$682,135 is based on the requirements of Governmental Accounting Standards Board (GASB) Statement No. 10, which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicated that it is probable that a liability had been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. Changes in the claims asset is as follows:

| | |
|-----------------------------------|-------------------|
| Claims asset, July 1, 2012 | \$ 547,128 |
| Current year premiums | 734,576 |
| Claim payments and administration | <u>(760,205)</u> |
| Claims asset, June 30, 2013 | 521,499 |
| Current year premiums | 682,509 |
| Claim payments and administration | <u>(521,873)</u> |
| Claims asset, June 30, 2014 | <u>\$ 682,135</u> |

Future liability that may arise as a result of self-insurance is not readily determinable and cannot be reasonably estimated. Thus, the financial statements do not reflect a contingent liability for any unasserted claims. To fund future claims, the School maintains a prepaid deposit of \$682,135, which included in the prepaid expense balance on the general fund.

B. Unemployment Compensation

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

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

NOTE 8 - 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, 2014 and the two previous fiscal years, no settlements exceeded insurance coverage.

NOTE 9 - 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, 2014, revenue from member districts was \$4,331,239, which was 71% of the School's total General Fund revenue.

NOTE 10 - POST-EMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS

In addition to the pension benefits described in note 6, the School provides post-employment health insurance benefits through a single-employer defined benefit plan. The benefits are established in accordance with the requirements set forth by the bargaining unit contracts. The Plan is not allocated for as a trust fund, an irrevocable trust has not been established, the Plan does not issue a separate report and activity of the Plan is reported in the School's General Fund.

Hospitalization coverage as a retiree will be equivalent (single or dependent coverage) to that held by the individual at the time of retirement. As of June 30, 2014, 7 retired employees are covered by health insurance. The School's expenses for health insurance benefits were \$15,187 (\$65,861 net of retiree contributions of \$50,674) in 2013/14.

Funding Policy

The benefits are expensed when incurred and are financed on a pay-as-you-go basis. Retirees currently pay a portion of the monthly premium. The 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 annual OPEB cost is calculated based on the annual required contribution of the employees (ARC), an amount actually determined in accordance with the parameters of GASB Statement No 45. The ARC is the normal cost plus the portion of the unfunded actuarial accrued liability to be amortized in the current period. The ARC is an amount that is actually determined in accordance with the requirements so that if paid on an ongoing basis, it would be expected to provide sufficient resources to fund both normal cost for each year and the amortized unfunded liability.

**NOTE 10 - POST-EMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS
(CONTINUED)**

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

| | |
|---|-----------------|
| Annual Required Contribution | \$ 27,535 |
| Interest on Net OPEB Asset | 1,891 |
| Adjustment to Annual Required Contributions | <u>(2,580)</u> |
| Annual OPEB Cost | 26,846 |
| Contribution Made - Estimated | <u>(15,187)</u> |
| Decrease in Net OPEB Asset | 11,659 |
| Net OPEB Asset - Beginning of Year | <u>(12,147)</u> |
| Net OPEB Asset - End of Year | <u>\$ (488)</u> |

The School's annual OPEB cost, the percentage of annual OPEB cost contributed and the net OPEB obligation/(asset) were as follows:

| <u>Fiscal Year Ending</u> | <u>Annual OPEB Cost (AOC)</u> | <u>Percentage of AOC Contributed</u> | <u>Net OPEB Obligation (Asset)</u> |
|---------------------------|---------------------------------------|--|--|
| June 30, 2012 | \$ 21,798 | 220% | \$ 277 |
| June 30, 2013 | 27,136 | 146% | (12,147) |
| June 30, 2014 | 26,846 | 57% | (488) |

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

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

**NOTE 10 - POST-EMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS
(CONTINUED)**

The ARC for the current year was computed as of June 30, 2014 using the following actuarial assumptions: (1) actuarial cost method - entry age normal; (2) amortization method level dollar; (3) amortization period 30 years; (4) discount rate of 4.5% compounded annually; (5) 1983 Group Annuity Mortality Tables for men and women, and (6) health care cost trend rates of 7.5%, grading to 5.3% per year.

NOTE 11 - INTERFUND RECEIVABLES, PAYABLES, ADVANCES AND TRANSFERS

The composition of interfund balances as of June 30, 2014 is as follows:

| <u>Receivable Fund</u> | <u>Payable Fund</u> | <u>Amount</u> |
|------------------------|---------------------|-----------------|
| General Fund | Food Service | <u>\$ 2,515</u> |
| | | <u>\$ 2,515</u> |

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

| <u>Transfer In Fund</u> | <u>Transfer Out Fund</u> | <u>Total</u> |
|-------------------------|--------------------------|------------------|
| Food Service Fund | General Fund | \$ 1,950 |
| Capital Projects Fund | General Fund | <u>33,900</u> |
| | | <u>\$ 35,850</u> |

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

Required Supplementary Information

ERIE COUNTY TECHNICAL SCHOOL
POSTEMPLOYMENT BENEFITS
OTHER THAN PENSION BENEFITS
Schedule of Funding Progress

| Actuarial Valuation Date | Actuarial Value of Assets (a) | Actuarial Accrued Liability (AAL)-PUC (b) | Unfunded Actuarial Accrued Liability (UAAL) (b)-(a) | Funded Ratio (a)/(b) | Covered Payroll (c) | UAAL as a Percentage of Covered Payroll [(b)-(a)]/(c) |
|-----------------------------|-------------------------------------|---|--|----------------------------|---------------------------|---|
| October 1, 2010 | - | \$ 213,542 | \$ 213,542 | 0% | \$ 2,599,128 | 8.22% |
| October 1, 2007 | - | \$ 173,345 | \$ 173,345 | 0% | \$ 2,320,441 | 7.5% |

Other Supplementary Information

ERIE COUNTY TECHNICAL SCHOOL
Schedule of Revenues, Expenditures and Changes
in Fund Balance - Budget and Actual - General Fund
For the Year Ended June 30, 2014

| | Original Budget | Final Budget | Actual | Variance with Final Budget Positive (Negative) |
|--|---------------------|---------------------|---------------------|--|
| Revenues | | | | |
| Local sources | \$ 272,100 | \$ 272,100 | \$ 431,707 | \$ 159,607 |
| State sources | 983,857 | 1,057,657 | 1,033,331 | (24,326) |
| Federal sources | 331,462 | 308,100 | 308,100 | - |
| Support-local districts | 4,459,670 | 4,459,670 | 4,331,239 | (128,431) |
| Total Revenues | 6,047,089 | 6,097,527 | 6,104,377 | 6,850 |
| Expenditures and Other Financing Uses | | | | |
| Instruction | | | | |
| Special education programs | 176,757 | 176,757 | 172,798 | 3,959 |
| Vocational education programs | 2,698,467 | 2,652,335 | 2,399,853 | 252,482 |
| Other instructional programs | 609,329 | 609,329 | 502,840 | 106,489 |
| Adult education programs | 130,945 | 130,945 | 204,585 | (73,640) |
| Total Instruction | 3,615,498 | 3,569,366 | 3,280,076 | 289,290 |
| Support Services | | | | |
| Pupil personnel | 405,491 | 400,491 | 387,827 | 12,664 |
| Instructional staff | 258,346 | 284,916 | 256,517 | 28,399 |
| Administrative | 453,914 | 453,916 | 500,280 | (46,364) |
| Pupil health | 1,500 | 1,500 | - | 1,500 |
| Business | 188,173 | 188,173 | 182,533 | 5,640 |
| Operation and maintenance of plant services | 691,880 | 666,880 | 639,559 | 27,321 |
| Central | 288,259 | 363,257 | 369,002 | (5,745) |
| Total Support Services | 2,287,563 | 2,359,133 | 2,335,718 | 23,415 |
| Operation of Noninstructional Services | | | | |
| Student activities | 3,135 | 3,135 | 3,135 | - |
| Total Noninstructional Services | 3,135 | 3,135 | 3,135 | - |
| Facilities acquisition, construction and improvement services | | | | |
| | 19,500 | 44,500 | 32,763 | 11,737 |
| Total Expenditures | 5,925,696 | 5,976,134 | 5,651,692 | 324,442 |
| Excess of Revenues Over/(Under) Expenditures | | | | |
| | 121,393 | 121,393 | 452,685 | 331,292 |
| Other Financing Sources (Uses) | | | | |
| Interfund transfers | (33,900) | (33,900) | (35,850) | (1,950) |
| Change in inventory | - | - | (24,332) | (24,332) |
| Sale of fixed assets | 5,000 | 5,000 | 5,741 | 741 |
| Total Other Financing Sources (Uses) | (28,900) | (28,900) | (54,441) | (25,541) |
| Net Change in Fund Balance | 92,493 | 92,493 | 398,244 | 305,751 |
| Fund Balance - July 1, 2013 | 1,828,977 | 1,828,977 | 1,828,977 | - |
| Fund Balance - June 30, 2014 | \$ 1,921,470 | \$ 1,921,470 | \$ 2,227,221 | \$ 305,751 |



FELIX & GLOEKLER, P. C.

CERTIFIED PUBLIC ACCOUNTANTS

2306 Peninsula Drive • Erie, Pennsylvania 16506

Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With Government Auditing Standards

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

We have audited, 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, the business-type activities, each major fund, and the aggregate remaining fund information of the Erie County Technical School as of and for the year ended June 30, 2014, 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 August 20, 2014.

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) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of 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.

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

**Independent Auditors' Report on Internal Control Over Financial Reporting and on
Compliance and Other Matters Based on an Audit of Financial Statements
Performed in Accordance With Government Auditing Standards
(Continued)**

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses, or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

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

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.

Felix and Gloekler, P.C.

Felix and Gloekler, P.C.

August 20, 2014
Erie, Pennsylvania