

EASTERN CENTER FOR ARTS AND TECHNOLOGY
FINANCIAL STATEMENTS
Year Ended June 30, 2019

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MEMBER:
American Institute of Certified Public Accountants
Pennsylvania Institute of Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

To the Members of the Joint Operating Committee
Eastern Center for Arts and Technology
Willow Grove, Pennsylvania

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Eastern Center for Arts and Technology as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the Eastern Center for Arts and Technology's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Eastern Center for Arts and Technology as of June 30, 2019, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited Eastern Center for Arts and Technology's financial statements for the year ended June 30, 2018, and we expressed an unmodified audit opinion on those audited financial statements in our report dated October 11, 2018. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2018, is consistent, in all material respects, with the audited financial statements from which it has been derived.

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 16 and the supplemental pension and other post-employment benefits schedules on pages 49 through 52 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.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Eastern Center for Arts and Technology's basic financial statements. The other supplementary information on pages 53 through 56 is presented for purposes of additional analysis and is not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

The other supplementary information and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of 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 other supplementary information and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 14, 2019, on our consideration of Eastern Center for Arts and Technology'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 Eastern Center for Arts and Technology's internal control over financial reporting and compliance.

Dreslin and Company, Inc.

East Norriton, Pennsylvania
November 14, 2019

**EASTERN CENTER FOR ARTS AND TECHNOLOGY
WILLOW GROVE, PENNSYLVANIA**

**MANAGEMENT'S DISCUSSION AND ANALYSIS - UNAUDITED
June 30, 2019**

The administration of the Eastern Center for Arts and Technology ("EASTERN") is pleased to present the following discussion and analysis of the financial activities for the fiscal year ended June 30, 2019. The purpose of this discussion is to provide a narrative summary of the financial position and activities of EASTERN in order to enhance the reader's understanding of the School's basic financial statements.

OVERVIEW OF THE SCHOOL

The Eastern Center for Arts and Technology was founded in 1965 as an Area Vocational Technical School under the administration of the Montgomery County Intermediate Unit. The School was capitalized and sponsored by nine public school districts. In the mid-1970s, the governance of the School was fully assumed by the Boards of School Directors of the nine districts organized under an agreement entitled "Articles of Jointure for the Operation of the Eastern Center for Arts and Technology."

Fourteen secondary programs are offered to high school students from the nine participating school districts, which include eight public high schools, two archdiocesan high schools and a number of private schools. Continuing education adult offerings are provided to serve individuals, businesses and industries in an area extending beyond the nine districts, to also encompass adjacent parts of Bucks and Montgomery counties as well as portions of Philadelphia. Thus, the School serves two communities: secondary students from constituent districts and a wider community of adults, businesses and industries. Middle States Association of Schools and Colleges accredits the School and the current accreditation now extends through December 21, 2027.

EASTERN receives funding primarily from contributions from its member districts and from state and federal government sources. Its Joint Operating Committee, consisting of nine elected or appointed members representing each of the nine member districts, governs the School.

EASTERN CENTER FOR ARTS AND TECHNOLOGY
Management's Discussion and Analysis - Unaudited (cont'd)
June 30, 2019

OVERVIEW OF FINANCIAL STATEMENT STRUCTURE AND CONTENTS

The following table summarizes the major features of EASTERN's financial statements.

	Entity-wide Statements	Governmental Funds	Fiduciary Funds
Scope	Entire School except fiduciary funds	All School activities other than fiduciary or proprietary, such as general operating and capital projects	Activities the School operates on behalf of another such as student activities funds
Required financial statements	Statement of net position, Statement of activities	Balance sheet, Statement of revenues, expenditures and changes in fund balances	Statement of fiduciary net position
Accounting basis and measurement of focus	Accrual accounting and economic resource focus	Modified accrual accounting and current financial resource focus	Accrual accounting and economic resource focus
Type of asset / liability information	All assets, deferred outflows of resources, liabilities, and deferred inflows of resources, both financial and capital, long-term and short-term	Generally, assets expected to be used up and liabilities that come due during the year or soon thereafter; excluding capital assets and long-term liabilities	All assets and liabilities, both financial and capital, long-term and short-term
Type of inflow / outflow information	All revenues and expenses during the 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 the related liability is due and payable	All additions and deductions during the year, regardless of when cash is received or paid

EASTERN CENTER FOR ARTS AND TECHNOLOGY
Management's Discussion and Analysis - Unaudited (cont'd)
June 30, 2019

OVERVIEW OF FINANCIAL STATEMENTS

This annual report consists of three components – Management's Discussion and Analysis (this section), the basic financial statements and the supplementary information.

The basic financial statements include two types of statements that present the financial information of EASTERN in different ways:

- The first two statements of the basic financial statements are *entity-wide financial statements*. These statements consist of the Statement of Net Position and the Statement of Activities. The entity-wide financial statements provide both short-term and long-term information about EASTERN's overall financial status.
- The remaining basic financial statements consist of *fund financial statements*. These statements focus on individual components, or funds, of EASTERN and provide a more detailed presentation of EASTERN's operations. The *governmental funds* statements present how general EASTERN services are financed in the short term as well as what remains for future spending.

The basic financial statements also include *notes* that provide a more detailed explanation of some of the information in the financial statements.

Reporting the School as a Whole

Statement of Net Position and the Statement of Activities

The entity-wide statements report financial information about EASTERN using accounting methods similar to the accounting used by private-sector companies. The *Statement of Net Position* includes all of EASTERN's assets, deferred outflows of resources, liabilities, and deferred inflows of resources by utilizing the full accrual basis of accounting. Over time this statement measures the financial health of EASTERN by measuring whether the net position is increasing or decreasing.

The *Statement of Activities* accounts for all of EASTERN's revenues and expenses, regardless of when cash is received or paid.

These two statements report EASTERN's net position and changes in net position. EASTERN's net position represents the difference between the School's assets and deferred outflows of resources, and liabilities and deferred inflows of resources. Net position is one way to measure financial position, or financial health, over time. Increases or decreases in the net position are one indicator of whether its financial health is improving or deteriorating, respectively. In assessing EASTERN's overall financial health, other nonfinancial factors must be considered, such as the financial health of the member districts, facility conditions and the performance of the students.

The entity-wide financial statements of EASTERN highlight:

- *Governmental Activities* – EASTERN's basic services are reported here, such as instruction, administration, support services, operation of plant, pupil transportation and student activities. Contributions from the member school districts and state and federal government subsidies and grants are the primary funding sources for these activities.

EASTERN CENTER FOR ARTS AND TECHNOLOGY
Management's Discussion and Analysis - Unaudited (cont'd)
June 30, 2019

Reporting the School's Most Significant Funds

Fund Financial Statements

The fund financial statements provide detailed information about the most significant funds, or major funds, of EASTERN – not EASTERN as a whole. Some funds are required to be reported as major funds by state law and by other requirements. EASTERN's two types of funds that use different accounting approaches:

- ***Governmental funds*** – Most of EASTERN's basic services are reported here and focus on changes in financial resources rather than upon net income determination. These funds are reported using the modified accrual basis of accounting, which measures cash and all other financial assets that can readily be converted to cash. These funds provide a detailed short-term view of EASTERN's operations and the basic services it provides. The information reported in the governmental funds helps the reader determine whether there are more or fewer financial resources that can be spent in the near future to finance EASTERN's operations. The relationship (or differences) between the governmental activities (reported in the Statement of Net Position and the Statement of Activities) and the governmental funds is described in a reconciliation included in the financial statements.

The governmental funds that are considered to be major funds of EASTERN are the General Fund (required by GASB Statement No. 34 to be reported as a major fund), and the Capital Reserve Fund.

- ***Fiduciary funds*** – These funds account for activities for which EASTERN acts as a trustee to manage assets belonging to others. The Student Activities Fund is reported on a separate statement of fiduciary net position because these funds may not be used to finance EASTERN operations.

FINANCIAL ANALYSIS OF THE SCHOOL AS A WHOLE

Net Position

EASTERN's total net position was a deficit of (\$164,446) as of June 30, 2019. This is an increase in net position of \$496,180 from the net position for the previous year. Changes in the reporting of pension obligations with the enactment of GASB Statement #68 were effective beginning for the year ended June 30, 2015. In 2018 and 2019, EASTERN was required to recognize \$14,570,000 and \$14,305,000, respectively, in pension obligations (on a pro-rata basis from PSERS) on the statement of Net Position. This requirement is affecting all governmental entities across the United States, and will continue to be updated annually.

EASTERN CENTER FOR ARTS AND TECHNOLOGY
Management's Discussion and Analysis - Unaudited (cont'd)
June 30, 2019

Table A-1
June 30, 2019
Net Position

	Governmental Activities		Business-Type Activities		Totals	
	2019	2018	2019	2018	2019	2018
Current and Other Assets	\$ 8,584,684	7,869,247	\$ -	\$ -	\$ 8,584,684	\$ 7,869,247
Capital Assets	5,243,312	5,125,197	-	-	5,243,312	5,125,197
Funds Held by Southeastern PA Schools Trust	800,096	639,112	-	-	800,096	639,112
Deferred Outflows of Resources	2,065,523	2,423,519	-	-	2,065,523	2,423,519
Total Assets and Deferred Outflows of Resources	<u>\$ 16,693,615</u>	<u>\$ 16,057,075</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 16,693,615</u>	<u>\$ 16,057,075</u>
Current and Other Liabilities	\$ 1,134,222	763,470	-	-	\$ 1,134,222	\$ 763,470
Long-Term Liabilities	15,236,839	15,433,231	-	-	15,236,839	15,433,231
Total Liabilities	<u>\$ 16,371,061</u>	<u>\$ 16,196,701</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 16,371,061</u>	<u>\$ 16,196,701</u>
Deferred Inflows of Resources	<u>\$ 487,000</u>	<u>\$ 521,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 487,000</u>	<u>\$ 521,000</u>
Net Position						
Invested in Cap. Assets, Net of Debt	\$ 5,243,312	\$ 5,125,197	\$ -	\$ -	\$ 5,243,312	\$ 5,125,197
Restricted	3,935,213	3,710,229	-	-	3,935,213	3,710,229
Unrestricted	(9,342,971)	(9,496,052)	-	-	(9,342,971)	(9,496,052)
Total Net Position (Deficit)	<u>\$ (164,446)</u>	<u>\$ (660,626)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (164,446)</u>	<u>\$ (660,626)</u>

Thirty-one percent of the School's assets and deferred outflows of resources: \$5,243,312, are invested in capital assets (buildings, machinery and equipment) net of related debt. This amount represents the book value of capital assets (less depreciation) less the related debt outstanding to finance the acquisition of such. The remaining balances of net position consist of unrestricted net position of (\$9,342,971) and restricted net position of \$3,935,213. In years prior to the adoption of GASB #68, this number was positive, but the change requires inclusion of \$14,305,000 in PSERS pension obligation as of June 30, 2019. Restricted net position is restricted for future capital needs of the school and healthcare claims. EASTERN has no outstanding debt.

Changes in Entity-wide Net Position

The results of this year's operations are presented in EASTERN's Statement of Activities. Expenses are reported in the first column of the statement. Specific charges for services and operating grants and contributions that directly relate to specific categories of expenses are applied against the expenses to determine the amount of EASTERN's activities that are supported by other general revenues. The following table takes the information reported on that statement, modifying the format slightly for discussion purposes, in order to present the total revenues and expenses for the year.

EASTERN CENTER FOR ARTS AND TECHNOLOGY
Management's Discussion and Analysis - Unaudited (cont'd)
June 30, 2019

Table A-2
Fiscal Year Ended June 30, 2019
Changes in Net Position

	Governmental Activities		Business-Type Activities		Total	
	2019	2018	2019	2018	2019	2018
REVENUES						
Program Revenues:						
Charges for services	\$ 227,951	\$ 327,649	\$ -	\$ -	\$ 227,951	\$ 327,649
Operating grants and contributions	2,028,478	1,977,567	-	-	2,028,478	1,977,567
General Revenues:						
Member districts	6,935,500	6,801,511	-	-	6,935,500	6,801,511
Unrestricted grants, subsidies & contribs	498,027	473,241	-	-	498,027	473,241
Investment earnings	162,208	81,054	-	-	162,208	81,054
Miscellaneous	74,597	77,125	-	-	74,597	77,125
TOTAL REVENUES	9,926,761	9,738,147	-	-	9,926,761	9,738,147
EXPENSES						
Instruction	4,121,786	4,231,132	-	-	4,121,786	4,231,132
Instructional student support	602,926	616,662	-	-	602,926	616,662
Administrative and financial support	3,402,387	3,115,998	-	-	3,402,387	3,115,998
Operation and maint of plan services	1,296,255	1,549,199	-	-	1,296,255	1,549,199
Non-instructional services	7,226	(45,743)	-	-	7,226	(45,743)
TOTAL EXPENSES	9,430,580	9,467,248	-	-	9,430,580	9,467,248
Increase in Net Position	496,181	270,899	-	-	496,181	270,899
Net Position (Deficit) - Beginning of Year	(660,626)	(931,525)	-	-	(660,626)	(931,525)
Net Position (Deficit) - Beginning of Year	\$ (164,445)	\$ (660,626)	\$ -	\$ -	\$ (164,445)	\$ (660,626)

The largest source of program revenues of EASTERN consists of fees from member districts. The fees are assessed to each participating district based upon secondary enrollments as specified in the Articles of Jointure. This amount accounts for approximately 70% of total revenues and demonstrates the reliance that EASTERN places on the contributions from member districts.

The largest source of grants and subsidies represents the funds received as Pennsylvania Vocational Subsidy in the amount of \$498,026. Additionally, federal funding from the Carl D. Perkins Vocational and Technical Education grant consists of \$259,394. EASTERN also receives state subsidies for employer-assessed retirement and social security expenses totaling \$807,597.

EASTERN CENTER FOR ARTS AND TECHNOLOGY
Management's Discussion and Analysis - Unaudited (cont'd)
June 30, 2019

Net Cost and Funding of Governmental Activities

The following table represents EASTERN's expense functions of the governmental activities as well as each function's net costs (total cost less revenues directly generated by the activities). This Table A-3 also shows the net costs offset by other unrestricted grants and subsidies to show the remaining financial needs supported by contributions from member districts and other miscellaneous revenues.

Table A-3
Fiscal Year Ended June 30, 2019
Governmental Activities

Functions/Programs	Total Cost of Services		Net (Expense) - Services	
	2019	2018	2019	2018
Instruction	\$ 4,121,786	\$ 4,231,132	\$ (2,253,821)	\$ (2,295,257)
Instructional Student Support	602,926	616,662	(542,654)	(559,111)
Admin. And Finc'l Support Servcs.	3,402,387	3,115,998	(3,088,619)	(2,816,742)
Operation and Maint. Of Plant Servcs.	1,296,255	1,549,199	(1,295,698)	(1,548,233)
Non-instructional Services	7,226	(45,743)	6,641	57,311
Total Governmental Activities	\$ 9,430,580	\$ 9,467,248	(7,174,151)	(7,162,032)
Less:				
Unrestricted grants and subsidies			498,027	473,241
			Total needs from member districts' contributions and other revenues	
			\$ (6,676,124)	\$ (6,688,791)

EASTERN CENTER FOR ARTS AND TECHNOLOGY
Management's Discussion and Analysis - Unaudited (cont'd)
June 30, 2019

FINANCIAL ANALYSIS OF THE SCHOOL'S FUNDS

Analysis of Fund Balances

As of June 30, 2019, the School's governmental funds reported a combined fund balance of \$7,444,950. Of this amount, a balance of \$3,135,117 is restricted for the use of capital projects. The following amounts are assigned: \$500,000 for next year appropriations, \$918,198 to the Practical Nursing Program, \$47,776 to the Continuing Education Program and \$825,000 for future capital improvements. In addition \$600,000 is committed for self-funded medical and PSERS pension benefit contingency.

General Fund Budgetary Highlights

The 2018-2019 budgeted revenues and other financing sources were \$10,824,766 and included an assignment of \$500,000 of fund balance. However, utilization of fund balance was unnecessary due to correspondingly reduced expenditures below budgeted levels. Additionally, General Fund revenues were \$493,693 lower than budgeted amounts primarily due to reduced tuition and state grants earned by Practical Nursing from lower enrollment and related to their academic calendar which resulted in increased revenue deferral until 2019-2020. Additionally, Secondary federal grants made available to the school for the year were lower than grants anticipated. In subsequent budgets, this funding is discounted from anticipated revenues.

The 2018-2019, budgeted expenditures were \$10,824,766. Actual expenditures for the General Fund were \$9,576,078 or \$1,248,688 lower than budgeted amounts. There were several factors:

- Practical Nursing expenditures were lower by \$288,811, correlating to the reduction in revenue described above.
- For Secondary programs, instruction costs, including Special Programs and Vocational Education were lower by \$641,126 primarily due to a lower than anticipated employee headcount. Going forward all budgeted positions are anticipated to be filled.
- The school had recent favorable experience within our self-insured medical plan, allowing premiums to be reduced below what was conservatively budgeted well in advance of this year.
- Support Services were lower than expected by \$468,639, primarily due to lower than anticipated building repairs and maintenance. This reduction is expected to reverse in future years as the building requires extensive repairs and upgrades. Consequently, a transfer to Capital Reserve of \$275,000 was made and is considered to be the effective offset to this reduction.
- The aforementioned federal funds that did not materialize contributed to the overall reduction in Secondary expenditures which were expected to be funded by the grant.

The budget increase for the upcoming 2019 - 2020 school year will be 1.16 percent. For our secondary program, the overall change is 2.06%, or \$187,613. On June 27, 2006, the Governor signed Act 1 of 2006, which significantly changed the timelines, process, procedures and guidelines for the development of school budgets in Pennsylvania. Act 1 presents an index which, if exceeded, requires school districts to place their budgets for public referendum. For the 2019 - 2020 budget, the index is 2.30 percent. Furthermore, the maximum budget cap, based upon Joint Operating Committee policy is 2.79%. Therefore, in an effort to minimize budget impacts to our sending districts, the secondary fee increase of 2.3 percent has been set, consistent with the Index.

Agreements with EASTERN staff are based upon the experiences of comparable groups of employees at our participating districts. It is our seventh year with the Montgomery County SEPaST trust (which includes medical and prescription insurance) which is expected to reduce the rate of medical inflation. In the years just prior to 2019-2020, there were several retirements resulting in new hires that were at the low end of the salary scale. This was a favorable effect to the budget but was offset slightly by an increase in the PSER rate to 34.29%. Aggregated, these factors resulted in a reduction in personnel costs by \$69,294 as compared to the budgeted personnel costs for the 2018-2019 year.

EASTERN CENTER FOR ARTS AND TECHNOLOGY
Management's Discussion and Analysis - Unaudited (cont'd)
June 30, 2019

PSERS (Pennsylvania School Employees Retirement System) remains a major concern for school entities state-wide due to the impact that PSERS will have on the budget, both next year and in the years ahead. Specific to that concern is the continued increase in the mandated employer contribution rate which is forecasted to continue increasing over the coming years.

The General Fund has assigned \$825,000 for Capital Improvements.

A surplus in the Secondary Operations resulted in a transfer of \$275,000 to the Capital Reserve Fund.

CAPITAL ASSETS

As of June 30, 2019, the School had \$5,243,312, net of depreciation invested in capital assets representing a net increase of \$118,115 over the balance at 6/30/2018. This increase is primarily the result of the completion of a large facility repair during the year (Chiller project – see below), net of depreciation on all assets.

Table A-4
Fiscal Years Ended June 30, 2019 and 2018
Capital Assets - Net of Depreciation

	Total Assets June 30, 2018	Change	Total Assets June 30, 2019	Total Assets June 30, 2017	Change	Total Assets June 30, 2018
Governmental Activities:						
Land and land improvements	\$ 242,391	\$ 5,613	\$ 248,004	\$ 254,180	\$ (11,789)	\$ 242,391
Buildings and improvements	3,640,712	16,612	3,657,324	3,935,325	(294,613)	3,640,712
Machinery and equipment	1,242,094	95,890	1,337,984	1,161,243	80,851	1,242,094
Total Governmental Activities	\$5,125,197	\$ 118,115	\$5,243,312	\$5,350,748	\$ (225,551)	\$5,125,197

During 2018-2019, Eastern purchased a chiller and made improvements to its HVAC system in a certain area of the building. Aside from this project no major building improvements were made. Capital additions did include upgrades to technology infrastructure and program equipment.

A 10-year capital improvement plan was presented to the Joint Operating Committee along with a funding plan on a pay-as-you-go model. Funding according to the approved plan is expected to commence with the 2020-2021 budget.

EASTERN has no debt related to capital assets.

LONG-TERM LIABILITIES

As of June 30, 2019, Eastern Center for Arts and Technology had long-term liabilities of \$14,721,290 net, of which \$105,451 is recognized as due within one year.

EASTERN CENTER FOR ARTS AND TECHNOLOGY
Management's Discussion and Analysis - Unaudited (cont'd)
June 30, 2019

Table A-5
Fiscal Year Ended June 30, 2019
Long-Term Liabilities

	Total Debt		Total Debt		Total Debt		Total Debt	
	June 30, 2018	Change	June 30, 2019	June 30, 2017	Change	June 30, 2018	Change	June 30, 2018
Governmental Activities								
General Obligation Debt	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Other Liabilities								
Vacation pay	88,888	(16,131)	72,757	\$91,844	(2,956)	88,888		
Sick pay	151,705	(16,035)	135,670	\$159,954	(8,249)	151,705		
Other Post-Employ. Bene.	707,514	121,349	828,863	\$763,947	(56,433)	707,514		
Net Pension Liability	14,570,000	(265,000)	14,305,000	\$14,371,000	199,000	14,570,000		
Total Governmental Activities	\$15,518,107	\$ (175,817)	\$15,342,290	\$15,386,745	\$ 131,362	\$15,518,107		

Under various personnel contracts between separate employee groups and the Joint Operating Committee, personnel may accumulate unused sick and vacation days from year to year based upon their employment classification. Upon retirement, these employees are eligible for remuneration for that accrued time.

ECONOMIC FACTORS AND THE 2019 - 2020 BUDGET

EASTERN has an approved General Fund budget for the next school year, or the fiscal year ending June 30, 2020. The total 2019 - 2020 budget of \$10,950,316 represents an overall increase of \$125,550 from the total 2018 - 2019 budget of \$10,824,766. The 2019 - 2020 budget highlights include the following:

The budget provides for 14 secondary vocational programs which are regularly reviewed for market trends.

- Within the budget proposal, EASTERN defines Instructional Support as being comprised of instructional equipment, instructional supplies, learning resources, tuition fees, transportation fees and staff development. This portion of the budget directly supports the operation of vocational programs, technical programs offered for both secondary and post-secondary school credit, and enrichment courses (mini-courses).
- The secondary budget attempts to closely reflect the values and practices of our participating districts. In fact, in addition to the budget cap mechanism, there are a number of structures in place to ensure that major sections of the secondary budget approximate the average or norm of the nine supporting districts, including:
 - Our agreement with the Educators Association specifies that EASTERN's maximum salary in our professional salary guide be derived from the maximum salary of the professional guide at our eight participating districts.
 - Additional resources for Special Education has been planned, as the percentage of such students requires this funding. Retirements have provided the funds to do so without a huge impact to our sending schools.
 - Administrator salaries are indexed as a ratio of the participating districts' principal salaries and classified salaries are capped on the guide by the Act 1 index or three and a half percent.

EASTERN CENTER FOR ARTS AND TECHNOLOGY
Management's Discussion and Analysis - Unaudited (cont'd)
June 30, 2019

- Maintenance/custodial services are contracted through Aramark Industries, which also provides those same services for one of our member districts. Our three-year contract with Aramark Industries continues to link increases to the Act I Index. The contract was renewed for a three year period and will now expire on June 30, 2020.
- Agreements with EASTERN's classified staff are based upon the experiences for comparable groups of employees at our participating districts.
- The Post-Secondary Programs at EASTERN are managed under Board Policy G102 which specifies that it *"shall contain sources of revenue other than the participating school districts to support their programs and services."* These programs are completely supported by student tuition and state and federal subsidies. The Joint Committee provides the governance structure and approves the tuition rates and salaries paid to the faculty of these programs. It is the responsibility of the administration to ensure that each program within the post-secondary budget is appropriately supported by an external revenue source.

CONTACTING THE DISTRICT FINANCIAL MANAGEMENT

Our financial report is designed to provide citizens, parents, constituents and taxpayers with a general overview of EASTERN's financial operations and the accountability for the money it receives. If you have questions about this report or need greater financial information, contact the School's Business Office at 3075 Terwood Road, Willow Grove, PA 19090.

EASTERN CENTER FOR ARTS AND TECHNOLOGY
Statements of Net Position
June 30, 2019 and 2018

	<u>2019</u>	<u>2018</u>
ASSETS		
Current Assets:		
Cash and Cash Equivalents	\$ 1,629,533	\$ 2,587,757
Investments	6,459,000	4,864,000
Due from Other Funds	1,895	25
Due from Other Governments	278,203	274,243
Loans Receivable	29,050	37,484
Other Receivables	85,442	35,682
Inventories	11,323	1,033
Prepaid Expenses	90,238	69,023
Total Current Assets	<u>8,584,684</u>	<u>7,869,247</u>
Capital Assets:		
Land and Site Improvements (Net)	248,004	242,391
Buildings and Building Improvements (Net)	3,657,324	3,640,712
Furniture and Equipment (Net)	1,337,984	1,242,094
Total Capital Assets (Net)	<u>5,243,312</u>	<u>5,125,197</u>
Funds Held by Southeastern Pennsylvania Schools Trust	<u>800,096</u>	<u>639,112</u>
Total Assets	<u>14,628,092</u>	<u>13,633,556</u>
DEFERRED OUTFLOWS OF RESOURCES		
Pension	2,004,290	2,380,377
Other Post-Employment Benefits	61,233	43,142
Total Deferred Outflows of Resources	<u>2,065,523</u>	<u>2,423,519</u>
Total Assets and Deferred Outflows of Resources	<u>\$ 16,693,615</u>	<u>\$ 16,057,075</u>
LIABILITIES		
Current Liabilities:		
Accounts Payable	\$ 123,478	\$ 88,274
Due to Other Governments	424,425	386,054
Accrued Salaries and Benefits	13,108	3,631
Payroll Withholding and Related Liabilities	146,954	12,440
Current Portion of Compensated Absences	61,848	63,698
Current Portion of Net Other Post-Employment Benefits Obligation	43,603	21,178
Unearned Revenues	313,002	188,195
Other Current Liabilities	7,804	-
Total Current Liabilities	<u>1,134,222</u>	<u>763,470</u>
Long-term Liabilities:		
Compensated Absences	146,579	176,895
Net Pension Liability	14,305,000	14,570,000
Net Other Post-Employment Benefits Obligation	785,260	686,336
Total Long-Term Liabilities	<u>15,236,839</u>	<u>15,433,231</u>
Total Liabilities	<u>16,371,061</u>	<u>16,196,701</u>
DEFERRED INFLOWS OF RESOURCES		
Pension	463,000	493,000
Other Post-Employment Benefits	24,000	28,000
Total Deferred Inflows of Resources	<u>487,000</u>	<u>521,000</u>
NET POSITION		
Invested in Capital Assets	5,243,312	5,125,197
Restricted for Capital Projects	3,135,117	3,071,117
Restricted for Healthcare Claims	800,096	639,112
Unrestricted (Deficit)	(9,342,971)	(9,496,052)
Total Net Position (Deficit)	<u>(164,446)</u>	<u>(660,626)</u>
Total Liabilities, Deferred Inflows of Resources, and Net Position (Deficit)	<u>\$ 16,693,615</u>	<u>\$ 16,057,075</u>

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

EASTERN CENTER FOR ARTS AND TECHNOLOGY
Statement of Activities
For the Year Ended June 30, 2019
(With Summarized Comparative Data for the Year Ended June 30, 2018)

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expense) Revenue and Changes in Net Position - Governmental Activities</u>	
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>2019</u>	<u>2018</u>
GOVERNMENTAL ACTIVITIES						
Instruction	\$ 4,121,786	\$ 214,150	\$ 1,653,815	\$ -	\$ (2,253,821)	\$ (2,295,257)
Instructional Student Support	602,926	-	60,272	-	(542,654)	(559,111)
Administrative and Financial Support Services	3,402,387	-	313,768	-	(3,088,619)	(2,816,742)
Operation and Maintenance of Plant Services	1,296,255	-	557	-	(1,295,698)	(1,548,233)
Operation of Noninstructional Services	<u>7,226</u>	<u>13,801</u>	<u>66</u>	<u>-</u>	<u>6,641</u>	<u>57,311</u>
Total Governmental Activities	<u>\$ 9,430,580</u>	<u>\$ 227,951</u>	<u>\$ 2,028,478</u>	<u>\$ -</u>	<u>(7,174,151)</u>	<u>(7,162,032)</u>
 GENERAL REVENUES:						
Receipts from Member Districts					6,935,500	6,801,511
Unrestricted Grants, Subsidies, and Contributions					498,027	473,241
Unrestricted Investment Earnings					162,208	81,054
Other Revenues					<u>74,596</u>	<u>77,125</u>
Total General Revenues					<u>7,670,331</u>	<u>7,432,931</u>
Change in Net Position					496,180	270,899
NET POSITION (DEFICIT) - BEGINNING OF YEAR (AS RESTATED)					<u>(660,626)</u>	<u>(931,525)</u>
NET POSITION (DEFICIT) - END OF YEAR					<u>\$ (164,446)</u>	<u>\$ (660,626)</u>

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

EASTERN CENTER FOR ARTS AND TECHNOLOGY
Balance Sheet - Governmental Funds
June 30, 2019
(With Summarized Comparative Data for June 30, 2018)

	Major Funds		Totals	
	General Fund	Capital Reserve Fund	2019	2018
ASSETS				
Cash and Cash Equivalents	\$ 1,438,520	\$ 191,013	\$ 1,629,533	\$ 2,587,757
Investments	3,529,000	2,930,000	6,459,000	4,864,000
Due from Other Funds	1,895	-	1,895	25
Due from Other Governments	278,203	-	278,203	274,243
Loans Receivable	29,050	-	29,050	37,484
Other Receivables	9,943	26,384	36,327	35,682
Inventories	11,323	-	11,323	1,033
Prepaid Expenses	88,578	1,660	90,238	69,023
	<u>\$ 5,386,512</u>	<u>\$ 3,149,057</u>	<u>\$ 8,535,569</u>	<u>\$ 7,869,247</u>
Total Assets				
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Accounts Payable	\$ 109,538	\$ 13,940	\$ 123,478	\$ 88,274
Due to Other Governments	424,425	-	424,425	386,054
Accrued Salaries and Benefits	13,108	-	13,108	3,631
Payroll Withholding and Related Liabilities	146,954	-	146,954	12,440
Compensated Absences	61,848	-	61,848	63,698
Unearned Revenues	313,002	-	313,002	188,195
Other Current Liabilities	7,804	-	7,804	-
	<u>1,076,679</u>	<u>13,940</u>	<u>1,090,619</u>	<u>742,292</u>
Total Liabilities				
FUND BALANCES				
Non-spendable	99,901	-	99,901	68,396
Restricted	-	3,135,117	3,135,117	3,071,117
Committed	600,000	-	600,000	600,000
Assigned	2,290,974	-	2,290,974	2,254,061
Unassigned	1,318,958	-	1,318,958	1,133,381
	<u>4,309,833</u>	<u>3,135,117</u>	<u>7,444,950</u>	<u>7,126,955</u>
Total Fund Balances				
Total Liabilities and Fund Balances	<u>\$ 5,386,512</u>	<u>\$ 3,149,057</u>	<u>\$ 8,535,569</u>	<u>\$ 7,869,247</u>

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

EASTERN CENTER FOR ARTS AND TECHNOLOGY
Reconciliation of Balance Sheet - Governmental Funds to
Statement of Net Position
June 30, 2019

TOTAL GOVERNMENTAL FUND BALANCES \$ 7,444,950

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. These assets consist of:

Land and Site Improvements (Net)	\$ 248,004	
Buildings and Building Improvements (Net)	3,657,324	
Furniture and Equipment (Net)	<u>1,337,984</u>	
		5,243,312

Funds Held by Southeastern Pennsylvania Schools Trust is not a current financial resource and, therefore, is not reported in the funds 800,096

Some of the Center's revenues will be collected after year end but are not available soon enough to pay liabilities of the current period and, therefore, are unavailable in the funds:

Investment Earnings		49,115
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The following liabilities are not due and payable in the current period and, therefore, are not reported in the funds. Those liabilities consist of:

Accumulated Compensated Absences		(146,579)
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The net pension and OPEB liabilities are not due and payable in the current period and, therefore, are not reported in the funds. In addition, the deferred outflows and inflows of resources related to pensions and OPEB do not represent current financial resources and, therefore, are not reported in the funds. Those items consist of:

Net Pension Liability	(14,305,000)	
Deferred Inflows of Resources - Pensions	(463,000)	
Deferred Outflows of Resources - Pensions	2,004,290	
Net OPEB Liability	(828,863)	
Deferred Inflows of Resources - OPEB	(24,000)	
Deferred Outflows of Resources - OPEB	<u>61,233</u>	
		<u>(13,555,340)</u>

NET POSITION (DEFICIT) OF GOVERNMENTAL ACTIVITIES **\$ (164,446)**

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

EASTERN CENTER FOR ARTS AND TECHNOLOGY
Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds
For the Year Ended June 30, 2019
(With Summarized Comparative Data for the Year Ended June 30, 2018)

	Major Funds		Totals	
	General Fund	Capital Reserve Fund	2019	2018
REVENUES AND OTHER FINANCING SOURCES				
Local Sources	\$ 7,299,943	\$ 52,289	\$ 7,352,232	\$ 7,292,777
State Sources	1,326,259	-	1,326,259	1,292,204
Federal Sources	1,200,246	-	1,200,246	1,152,671
Transfers from Other Funds	-	275,000	275,000	700,000
Proceeds from Sale of Fixed Assets	3,625	-	3,625	495
Total Revenues and Other Financing Sources	9,830,073	327,289	10,157,362	10,438,147
EXPENDITURES AND OTHER FINANCING USES				
Instruction	4,166,760	-	4,166,760	4,283,537
Support Services	5,080,079	-	5,080,079	4,827,124
Operation of Noninstructional Services	23,314	-	23,314	17,053
Architecture and Engineering Services	8,383	-	8,383	1,236
Building Improvement Services	22,542	263,289	285,831	66,935
Transfers to Other Funds	275,000	-	275,000	700,000
Total Expenditures and Other Financing Uses	9,576,078	263,289	9,839,367	9,895,885
Net Change in Fund Balances	253,995	64,000	317,995	542,262
FUND BALANCES - BEGINNING OF YEAR	4,055,838	3,071,117	7,126,955	6,584,693
FUND BALANCES - END OF YEAR	\$ 4,309,833	\$ 3,135,117	\$ 7,444,950	\$ 7,126,955

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

EASTERN CENTER FOR ARTS AND TECHNOLOGY
Reconciliation of Statement of Revenues, Expenditures, and Changes in
Fund Balances - Governmental Funds to Statement of Activities
For the Year Ended June 30, 2019

NET CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS	\$ 317,995
Capital outlays are reported in governmental funds as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the period.	122,832
The net effect of the sale of capital assets is to decrease net position.	(4,717)
The change in Funds Held by Southeastern Pennsylvania Schools Trust is a component of expenses in the government-wide financial statements, but is not a component of expenditures in the fund financial statements	160,984
In the Statement of Activities, certain operating expenses - compensated absences (vacations and sick leave) - are measured by the amounts incurred during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts actually paid).	30,316
The net change in the net pension liability, as well as the change in the related deferred inflows and outflows, is reported in the statement of activities, but is not reported in the fund financial statements.	(81,087)
The net change in the net OPEB liability, as well as the change in the related deferred inflows and outflows, is reported in the statement of activities, but is not reported in the fund financial statements.	(99,258)
Because some revenues will not be collected within sixty days of the Center's fiscal year, those revenues are not considered as "available" revenues in the governmental funds.	<u>49,115</u>
CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES	<u><u>\$ 496,180</u></u>

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

EASTERN CENTER FOR ARTS AND TECHNOLOGY
Budgetary Comparison Statement - General Fund
For the Year Ended June 30, 2019

	Budgeted Amounts		Actual Amounts (GAAP Basis)	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
BUDGETARY FUND BALANCE - JULY 1, 2018	\$ 4,000,000	\$ 4,000,000	\$ 4,055,838	\$ 55,838
RESOURCES (INFLOWS):				
Local Sources	7,434,532	7,434,532	7,299,943	(134,589)
State Sources	1,487,308	1,487,308	1,326,259	(161,049)
Federal Sources	1,402,926	1,402,926	1,200,246	(202,680)
Proceeds from Sale of Fixed Assets	-	-	3,625	3,625
	<u>14,324,766</u>	<u>14,324,766</u>	<u>13,885,911</u>	<u>(438,855)</u>
Amounts Available for Appropriation				
CHARGES TO APPROPRIATIONS (OUTFLOWS):				
Instruction:				
Special Programs	585,071	585,071	472,761	112,310
Vocational Education	4,416,734	4,419,734	3,600,240	819,494
Summer Programs	52,398	52,398	62,434	(10,036)
Adult Education Programs	56,753	56,753	31,325	25,428
	<u>5,110,956</u>	<u>5,113,956</u>	<u>4,166,760</u>	<u>947,196</u>
Total Instruction				
Support Services:				
Pupil Personnel Services	582,439	562,439	535,295	27,144
Instructional Staff Services	113,408	142,408	86,191	56,217
Administrative Services	1,821,762	1,804,037	1,793,525	10,512
Pupil Health	38,188	38,188	37,769	419
Business Services	665,810	665,710	608,423	57,287
Operation and Maintenance of Plant Services	1,274,554	1,281,679	1,031,133	250,546
Central Services	941,968	1,073,868	987,743	86,125
	<u>5,438,129</u>	<u>5,568,329</u>	<u>5,080,079</u>	<u>488,250</u>
Total Support Services				
Operation of Non-Instructional Services:				
Student Activities	37,031	37,031	23,314	13,717
	<u>37,031</u>	<u>37,031</u>	<u>23,314</u>	<u>13,717</u>
Total Operation of Non-Instructional Services				
Architecture and Engineering Services	78,650	48,650	8,383	40,267
Building Improvement Services	60,000	60,000	22,542	37,458
Transfers to Other Funds	-	-	275,000	(275,000)
Budgetary Reserve	100,000	(3,200)	-	(3,200)
	<u>10,824,766</u>	<u>10,824,766</u>	<u>9,576,078</u>	<u>1,248,688</u>
Total Charges to Appropriations				
BUDGETARY FUND BALANCE - JUNE 30, 2019	<u>\$ 3,500,000</u>	<u>\$ 3,500,000</u>	<u>\$ 4,309,833</u>	<u>\$ 809,833</u>

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

EASTERN CENTER FOR ARTS AND TECHNOLOGY
Statement of Fiduciary Net Position
June 30, 2019

	<u>Agency Fund</u>
ASSETS	
Cash	<u>\$ 26,678</u>
Total Assets	<u><u>\$ 26,678</u></u>
LIABILITIES	
Due to Student Clubs	\$ 24,783
Due to Other Funds	<u>1,895</u>
Total Liabilities	<u><u>\$ 26,678</u></u>

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

EASTERN CENTER FOR ARTS AND TECHNOLOGY
Notes to the Basic Financial Statements

1. DESCRIPTION OF THE CENTER AND REPORTING ENTITY

Vocational Technical School

Eastern Center for Arts and Technology (the “Center”) is located in Willow Grove, Pennsylvania. The Center operates under Articles of Jointure dated January 1, 1976 and amended on July 1, 1991 by the following participating districts: Abington, Bryn Athyn, Cheltenham, Hatboro-Horsham, Jenkintown, Lower Moreland Township, Springfield Township, Upper Dublin and Upper Moreland.

The Center is a municipal corporation operated by a Joint Operating Committee comprised of school directors elected by the participating school districts. The Joint Operating Committee is given the power and authority and has the duty to operate, administer and manage the Center; and shall conduct the affairs of the Center within the limits of the budget adopted by the Joint Operating Committee and approved by two-thirds of the participating school districts and a majority vote of all the school directors of all participating school districts.

Administration

The Joint Operating Committee appoints a Commissioned Chief School Officer from one of its participating school districts to serve as the Superintendent of Record for a term of two years. The Superintendent of Record serves as Chief Administrative Officer in matters requiring official action of the Commissioned School Official, serves as an ex-officio nonvoting member of the Joint Operating Committee, represents the Administrative Advisory Committee, and advises and assists the Director in the administration of the Center.

The Business Administrator, recommended by the Director and appointed by the Joint Operating Committee, shall supervise and coordinate all business aspects of the Center. In this capacity, the Business Administrator shall be responsible for ensuring that all work accomplished by him/her, or by persons under his/her supervision, is in the best interests of the Center. The Business Administrator is directly responsible to the Director.

Reporting Entity

A reporting entity is comprised of the primary government and its component units. The primary government consists of all funds, departments, boards, and agencies that are not legally separate from the Center. For Eastern Center for Arts and Technology, this includes general operations and student-related activities of the Center.

Eastern Center for Arts and Technology is a joint venture governed by a joint operating committee appointed by the participating districts. As required by generally accepted accounting principles, these financial statements are to present Eastern Center for Arts and Technology (the primary government) and its component units. A component unit is a legal entity that is either a separate government organization that is not a primary government, a not-for-profit corporation, or a for-profit corporation, that meets any one of the following four conditions:

- a. The primary government appoints a voting majority of the entity's governing body; and the primary government can impose its will on the entity, and/or a financial benefit/burden relationship exists between the primary government and the entity;
- b. The entity is fiscally dependent on the primary government and has a financial benefit/burden relationship with the primary government;
- c. The primary government holds a majority equity interest in the entity for the purpose of facilitating government services; or
- d. The primary government's financial statements would be misleading if the entity was excluded.

Based on these conditions, Eastern Center for Arts and Technology has no component units.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Basis of Presentation

The Center's basic financial statements consist of entity-wide statements (including a statement of net position and a statement of activities), and fund financial statements that provide a more detailed level of financial information.

Entity-Wide Financial Statements

The statement of net position and the statement of activities display information about the Center as a whole. These statements include the financial activities of the primary government, except for fiduciary funds.

The statement of net position presents the financial condition of the governmental activities of the Center at year-end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the Center's governmental activities. Direct expenses are those that are specifically associated with a service, program or department and, therefore, are clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program, grants, and contributions that are restricted to meeting the operational or capital requirements of a particular program, and interest earned on grants that is required to be used to support a particular program. Revenues that are not classified as program revenues are presented as general revenues of the Center, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the Center.

Fund Financial Statements

During the year, the Center segregates transactions related to certain Center functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the Center at this more detailed level. The focus of governmental fund financial statements is on major funds. Each major fund is presented in a separate column. The fiduciary funds are reported by type.

Fund Accounting

The Center uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The Center maintains two categories of funds: governmental and fiduciary.

Governmental Funds

Governmental funds are those through which most governmental functions typically are financed. Governmental fund reporting focuses on the sources, uses, and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance. The following are the Center's major governmental funds:

- General Fund – The General Fund is the general operating fund of the Center. It is used to account for all financial resources, except those required to be accounted for in another fund.
- Capital Reserve Fund – This fund is used to provide funds for future capital requirements.

Fiduciary Funds

Fiduciary funds focus on the reporting of funds held for others. The Center has one fiduciary fund, which is reported as an agency fund. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The agency fund holds funds for the use and benefit of student activities.

Measurement Focus

Entity-Wide Financial Statements

The entity-wide financial statements are prepared using the economic resources measurement focus. All assets and all liabilities associated with the operation of the Center are included on the statement of net position.

Fund Financial Statements

All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. The statement of revenues, expenditures, and changes in fund balances reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach differs from the

manner in which the governmental activities of the entity-wide financial statements are prepared. Governmental fund financial statements, therefore, include reconciliations with brief explanations to better identify the relationship between the entity-wide statements and the statements for governmental funds.

Like the entity-wide statements, all fiduciary funds are accounted for on a flow of economic resources measurement focus.

Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Entity-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Fiduciary funds also use the accrual basis of accounting.

Revenues - Exchange and Non-Exchange Transactions

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. "Available" means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. The Center considers revenues from exchange transactions to be available if collected within sixty days of the end of the fiscal year.

Non-exchange transactions are those for which the Center receives value without directly giving equal value in return, which includes grants, entitlements, and donations. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted; matching requirements, in which the Center must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the Center on a reimbursement basis. On a modified accrual basis, revenue from non-exchange transactions also must be available before it can be recognized.

Budgetary Process

An operating budget is adopted prior to the beginning of each year for the General Fund on the modified accrual basis of accounting. The General Fund is the only fund for which a budget is legally required. The Pennsylvania School Code dictates specific procedures relative to adoption of the Center's budget and reporting of its financial statements. Legal budgetary control is maintained at the sub-function/major object level. The Pennsylvania School Code allows the Joint Operating Committee ("JOC") to make budgetary transfers between major function and major object codes only within the last nine months of the fiscal year, unless there is a two-thirds majority of the JOC approving the transfer. Appropriations lapse at the end of the fiscal period. Budgetary information reflected in the financial statements is presented at or below the level of budgetary control and includes the effect of approved budget amendments.

Encumbrances

Any encumbrances outstanding at year end do not represent GAAP expenditures or liabilities but represent budgetary accounting controls. The General Fund budget is maintained on the modified accrual basis of accounting, except that budgetary-basis expenditures include any encumbrances issued for goods or services not received at year end and not terminated.

The actual results of operations are presented in accordance with GAAP, and the Center's accounting policies do not recognize encumbrances as expenditures until the period in which the goods or services are actually received and a liability is incurred. Any encumbrances are presented as a committed or assigned fund balance on the balance sheet of the General Fund.

Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position

Investments

In accordance with GAAP, investments are stated at fair value, except when:

- a. Nonparticipating interest-earning investment contracts are recorded at amortized cost;
- b. Money market investments and participating interest-earning investment contracts that mature within one year of acquisition are recorded at amortized cost; and
- c. Investments held in 2a7-like (mutual funds) pools (Pennsylvania Local Government Investment Trust and Pennsylvania School District Liquid Asset Fund) are recorded at the pool's share price.

Receivables and Payables

Activities between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "due to/from other funds."

Prepaid Expenses

In both the entity-wide and fund financial statements, prepaid expenses are recorded as assets in the specific governmental fund from which future benefits will be derived.

Capital Assets

Capital assets are reported in the governmental activities column of the entity-wide statement of net position but are not reported in the fund financial statements.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market value as of the date received. The Center maintains a capitalization threshold of \$1,000. The Center does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized.

All reported capital assets except land, certain land improvements, and construction-in-progress are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following estimated useful lives:

Buildings and improvements	15-40 years
Site improvements	20-50 years
Furniture and equipment	5-20 years

Deferred Outflows of Resources

In addition to assets, the financial statements will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents the use of net position that applies to future period(s) and, therefore, will not be recognized as an outflow of resources (expense or expenditure) until that time.

Compensated Absences

Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the Center will compensate the employees for the benefits through paid time off or some other means.

Sick leave benefits are accrued as a liability using the termination method. An accrual for earned sick leave is made to the extent that it is probable that benefits will result in termination payments. The liability is an estimate based on the Center's past experience of making termination payments.

The entire compensated absence liability is reported on the entity-wide financial statements. For governmental funds, the current portion of unpaid compensated absences is the amount that is normally expected to be paid using expendable available financial resources.

Long-term Obligations

In the entity-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities.

Pension

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

Other Post-Employment Benefits

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

Deferred Inflows of Resources

In addition to liabilities, the financial statements will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to future period(s) and, therefore, will not be recognized as an inflow of resources (revenue) until that time.

Net Position

Net position represents the difference between assets and deferred outflows of resources, and liabilities and deferred inflows of resources. Net position invested in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction, or improvement of those assets. Net position is reported as restricted when there are limitations imposed on its use either through the enabling legislation adopted by the Center or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments.

The Center applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

Fund Balances

As of June 30, 2019, fund balances of the governmental funds are classified, if applicable, as follows:

Non-spendable – Amounts that would be associated with inventory, prepaid expenses, long-term receivables, and property held for sale and the corpus of a permanent fund. In essence, non-spendable is the fund balance term to indicate that the respective resources are not available to be spent in any way due to their very nature and/or their lack of availability.

Restricted – Carries the same definition as set forth relative to net position. This would include any fund balance that is restricted in its use by: a) external parties; b) constitutional provisions; or, c) enabling legislation (i.e. Debt Service Funds).

Committed – Amounts for which the governing members of the Joint Operating Committee impose constraints on how funds may or may not be used. In such a case, the only way a constraint can be removed or changed is by the same type of action of the Joint Operating Committee.

Assigned – Amounts intended to be used for specific purposes with the intent being expressed by the Joint Operating Committee or the Business Manager and Director as authorized by the Joint Operating Committee. With the exception of the General Fund, amounts in all other governmental funds that are not non-spendable, restricted, or committed will be assigned.

Unassigned – All other spendable amounts.

As of June 30, 2019, fund balances are comprised of the following:

	General Fund	Capital Reserve Fund	Total Governmental Funds
Non-Spendable - Inventories and Prepaid Expenses	\$ 99,901	\$ -	\$ 99,901
Restricted:			
Capital Reserve	-	3,135,117	3,135,117
Committed:			
PSERS / Self-funded Medical Benefits	600,000	-	600,000
Assigned:			
Continuing Education Program	47,776	-	47,776
Practical Nursing Program	918,198	-	918,198
2019-20 Budget	500,000	-	500,000
Future Capital Improvements	825,000	-	825,000
Unassigned	<u>1,318,958</u>	<u>-</u>	<u>1,318,958</u>
Total Fund Balances	<u>\$ 4,309,833</u>	<u>\$ 3,135,117</u>	<u>\$ 7,444,950</u>

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balances are available, the Center considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the Center considers amounts to have been spent first out of committed funds, then assigned funds and, finally, unassigned funds, as needed, unless the Joint Operating Committee has provided otherwise in its commitment or assignment actions.

Comparative Data

Comparative totals for the prior year have been presented in the accompanying financial statements in order to provide an understanding of changes in the Center's financial position and operations. However, presentations of prior-year totals by fund and activity type have not been presented in each of the statements since their inclusion would make the statements unduly complex and difficult to read. Summarized comparative information should be read in conjunction with the Center's financial statements for the year ended June 30, 2018, from which the summarized information was derived.

Use of Estimates in the Preparation of Financial Statements

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

3. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Compliance with Finance-Related Legal and Contractual Provisions

The Center has no material violations of finance-related legal and contractual provisions.

Deficit Fund Balance of Individual Funds

No individual fund contains a deficit fund balance as of June 30, 2019.

Budgetary Compliance

The Center's only legally adopted budget is for the General Fund. All budgetary transfers were made within the last nine months of the fiscal year. The Center cancels all purchase orders open at year-end; therefore, it did not have any outstanding encumbrances as of June 30, 2019.

4. CASH AND INVESTMENTS

Deposit and Investment Policies

The Center is required by statute to deposit funds in depositories that are either banks, banking institutions, or trust companies located in the Commonwealth of Pennsylvania. To the extent that such deposits exceed federal insurance, the depositories must pledge as collateral obligations of the United States, the Commonwealth of Pennsylvania or any political subdivision of the Commonwealth. Under Act 72 of 1971, as amended, the depositories may meet this collateralization requirement by pooling appropriate securities to cover all public funds on deposit.

Cash

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. The Center does not have a policy for custodial credit risk on deposits. As of June 30, 2019, the carrying amount of the Center's deposits was \$1,656,211 and the bank balance was \$1,890,440. Of the bank balance, \$250,000 was covered by federal depository insurance and \$1,522,893 was exposed to custodial credit risk because it was uninsured, and the collateral held by the depository's agent was not in the Center's name. The remaining cash deposits totaling \$117,547 were held in the Pennsylvania Local Government Investment Trust ("PLGIT"). Although not registered with the Securities and Exchange Commission and not subject to regulatory oversight, PLGIT acts like a money market mutual fund in that its objective is to maintain a stable net asset value of \$1 per share, is rated by a nationally recognized rating organization, and is subject to an independent annual audit.

Investments

Investments totaling \$6,459,000 as of June 30, 2019 include certificates of deposit held in the Pennsylvania Local Government Investment Trust. Maturities range from July 22, 2019 through June 26, 2020.

Custodial Credit Risk – Investments

The Center’s investments in certificates of deposit held in the Pennsylvania Local Government Investment Trust were covered by federal depository insurance.

5. RECEIVABLES AND UNEARNED REVENUE

Receivables

Amounts due from other governments totaled \$278,203 as of June 30, 2019, as follows:

State Subsidies Receivable	\$ 256,654
Federal Subsidies Receivable	<u>21,549</u>
Total	<u><u>\$ 278,203</u></u>

Loans receivable totaling \$29,050 represents tuition due from students.

Unearned Revenue

Entity-wide and governmental funds defer revenue recognition in connection with resources that have been received but not yet earned. At the end of the current fiscal year, the various components of unearned revenue were as follows:

Tuition - Practical Nursing Program	\$ 275,577
Tuition - Other	<u>37,425</u>
Total	<u><u>\$ 313,002</u></u>

6. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2019 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital Assets Not Being Depreciated:				
Land	\$ 175,653	\$ -	\$ -	\$ 175,653
Capital Assets Being Depreciated:				
Site Improvements	471,164	-	-	471,164
Building and Building Improvements	9,431,186	337,054	-	9,768,240
Furniture and Equipment	<u>3,354,082</u>	<u>362,418</u>	<u>(40,580)</u>	<u>3,675,920</u>
Total Capital Assets Being Depreciated	<u>13,256,432</u>	<u>699,472</u>	<u>(40,580)</u>	<u>13,915,324</u>
Less: Accumulated Depreciation:				
Site Improvements	(385,968)	(12,845)	-	(398,813)
Building and Building Improvements	(5,808,932)	(301,984)	-	(6,110,916)
Furniture and Equipment	<u>(2,111,988)</u>	<u>(261,811)</u>	<u>35,863</u>	<u>(2,337,936)</u>
Total Accumulated Depreciation	<u>(8,306,888)</u>	<u>(576,640)</u>	<u>35,863</u>	<u>(8,847,665)</u>
Total Capital Assets Being Depreciated - Net	<u>4,949,544</u>	<u>122,832</u>	<u>(4,717)</u>	<u>5,067,659</u>
Governmental Activities Capital Assets - Net	<u>\$ 5,125,197</u>	<u>\$ 122,832</u>	<u>\$ (4,717)</u>	<u>\$ 5,243,312</u>

For the entity-wide statements, depreciation expense was charged to governmental functions as follows:

Governmental Activities:	
Instruction	\$ 155,415
Instructional Student Support	3,937
Administrative and Financial Support Services	95,817
Operation and Maintenance of Plant Services	18,513
Building Improvement Services	<u>302,958</u>
Total Depreciation Expense - Governmental Activities	<u>\$ 576,640</u>

7. LONG-TERM LIABILITIES

Compensated Absences

Under the Center's contract with the teachers' union and administrators, personnel accumulate unused sick days from year to year based on their classification. These accumulated sick days are non-vesting during the employee's tenure. Upon retirement, these employees are eligible for remuneration for unused sick days as follows:

- A professional member of the Education Association who retires and enters into or vests his/her benefits in the Pennsylvania School Employees Retirement System while an employee of the School shall be paid for accumulated unused sick leave up to 150 days at the rate of \$40 per day.
- Eligible classified staff who retire in accordance with the Retirement Code are entitled to be paid up to a maximum of 150 days at \$30 per day for each accumulated unused sick day.
- Administrators who retire in accordance with the administrative plan will receive compensation for up to one year of unused sick leave (225 days for 12-month administrators) calculated at the daily substitute teacher rate at the time of retirement.

Unused vacation leave is paid upon an employee's termination. Sick leave not taken during the employee's tenure is paid only to terminating employees who meet eligibility requirements of retirement. The Center has ascertained and recorded the liability that exists on those employees meeting the eligibility requirements. Vested employee benefits will be liquidated by the general fund.

Net Pension Liability

The Center participates in the Public School Employees' Retirement System (PSERS), which is a governmental cost-sharing multi-employer defined benefit pension plan that provides retirement benefits to public school employees of the Commonwealth of Pennsylvania. At June 30, 2019, the Center reported a liability of \$14,305,000 for its proportionate share of the net pension liability. The plan is more fully described in Note 8.

Post-Employment Benefits Obligation

In addition to providing retirement benefits to public school employees, PSERS provides health insurance premium assistance for all eligible retirees who qualify and elect to participate. At June 30, 2019, the Center reported a liability of \$621,000 for its proportionate share of the net OPEB liability. The plan is more fully described in Note 9.

In addition, the Center provides post-employment healthcare insurance to certain former employees. The obligation for the healthcare insurance premiums has not been funded, but instead is financed on a pay-as-you-go basis, paid from the Center's General Fund. As permitted by GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, as a sole employer in a plan with fewer than one hundred total plan members, the net Other Post-Employment Benefits (OPEB) obligation has been calculated by applying a simplified alternative measurement method instead of obtaining and using actuarial valuations. This plan is more fully described in Note 9.

Summary

Long-term liability balances and activity for the year ended June 30, 2019 were as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Amounts Due Within One Year</u>
Vested Employee Benefits:					
Vacation Pay	\$ 88,888	\$ -	\$ 16,131	\$ 72,757	\$ 21,590
Sick Pay	<u>151,705</u>	<u>-</u>	<u>16,035</u>	<u>135,670</u>	<u>40,258</u>
Total	240,593	-	32,166	208,427	61,848
Net Pension Liability	14,570,000	-	265,000	14,305,000	-
Post-Employment Benefits Obligation:					
PSERS	601,000	20,000	-	621,000	-
Other	<u>106,514</u>	<u>135,421</u>	<u>34,072</u>	<u>207,863</u>	<u>43,603</u>
Total	<u>\$ 15,518,107</u>	<u>\$ 155,421</u>	<u>\$ 331,238</u>	<u>\$ 15,342,290</u>	<u>\$ 105,451</u>

8. DEFINED BENEFIT PENSION PLAN

General Information about the Pension Plan

Plan Description

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

Benefits Provided

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

vested and early retirement benefits may be elected. For Class T-E and Class T-F members, the right to benefits is vested after ten years of service.

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

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

Contributions

Member Contributions:

Active members who joined the System prior to July 22, 1983 contribute at 5.25% (Membership Class T-C) or at 6.50% (Membership Class T-D) of the member's qualifying compensation.

Members who joined the System on or after July 22, 1983 and who were active or inactive as of July 1, 2001 contribute at 6.25% (Membership Class T-C) or at 7.50% (Membership Class T-D) of the member's qualifying compensation.

Members who joined the System after June 30, 2001 and before July 1, 2011 contribute at 7.50% (automatic Membership Class T-D). For all new hires and for members who elected Class T-D membership, the higher contribution rates began with service rendered on or after January 1, 2002.

Members who joined the System after June 30, 2011 automatically contribute at the Membership Class T-E rate of 7.5% (base rate) of the member's qualifying compensation. All new hires after June 30, 2011 who elect Class T-F membership contribute at 10.3% (base rate) of the member's qualifying compensation. Membership Class T-E and Class T-F are affected by a "shared risk" provision in Act 120 of 2010 that in future fiscal years could cause the Membership Class T-E contribution rate to fluctuate between 7.5% and 9.5% and Membership Class T-F contribution rate to fluctuate between 10.3% and 12.3%.

Employer Contributions:

The Center's contractually-required contribution rate for the fiscal year ended June 30, 2019 was 32.60% of covered payroll, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the Center were \$1,305,290 for the year ended June 30, 2019.

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

At June 30, 2019, the Center reported a liability of \$14,305,000 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by rolling forward the System's total pension liability as of June 30, 2017 to June 30, 2018. The Center's proportion of the net pension liability was calculated utilizing the employer's one-year reported covered payroll as it relates to the total one-year reported covered payroll. At June 30, 2019, the Center's proportion was 0.0298 percent, which was an increase of 0.0003 percent from its proportion measured as of June 30, 2018.

For the year ended June 30, 2019, the Center recognized pension expense of \$1,386,377. At June 30, 2019, the Center reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between Expected and Actual Experience	\$ 115,000	\$ 221,000
Change in Assumptions	267,000	-
Net Difference between Projected and Actual Investment Earnings	70,000	-
Changes in Proportions	247,000	242,000
Contributions Subsequent to the Measurement Date	<u>1,305,290</u>	<u>-</u>
Totals	<u>\$ 2,004,290</u>	<u>\$ 463,000</u>

An amount of \$1,305,290 reported as deferred outflows of resources related to pensions resulting from Center contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ended June 30</u>	<u>Amount</u>
2020	\$ 214,000
2021	154,000
2022	(77,000)
2023	<u>(55,000)</u>
	<u>\$ 236,000</u>

Actuarial assumptions

The total pension liability as of June 30, 2018 was determined by rolling forward the System's total pension liability as of the June 30, 2017 actuarial valuation to June 30, 2018 using the following actuarial assumptions, applied to all periods included in the measurement.

- Actuarial cost method – Entry Age Normal – level % of pay
- Investment return – 7.25%, includes inflation at 2.75%.
- Salary growth – Effective average of 5.00%, which was comprised of inflation of 2.75% and 2.25% for real wage growth and for merit or seniority increases.
- Mortality rates were based on the RP-2014 Mortality Tables for Males and Females, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2015 Mortality Improvement Scale.

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study that was performed for the five-year period ended June 30, 2015.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

The pension plan's policy in regard to the allocation of invested plan assets is established and may be amended by the Board. Plan assets are managed with a long-term objective of achieving and maintaining a fully funded status for the benefits provided through the pension.

The following was the Board's adopted asset allocation policy and best estimates of geometric real rates of return for each major asset class as of June 30, 2018.

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-term Expected Real Rate of Return</u>
Global Public Equity	20.0%	5.2%
Fixed Income	36.0%	2.2%
Commodities	8.0%	3.2%
Absolute Return	10.0%	3.5%
Risk Parity	10.0%	3.9%
Infrastructure/MLPs	8.0%	5.2%
Real Estate	10.0%	4.2%
Alternative Investments	15.0%	6.7%
Cash	3.0%	0.4%
Financing (LIBOR)	<u>-20.0%</u>	0.9%
Total	<u>100.0%</u>	

Discount rate

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

Sensitivity of the Center's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

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

	1% Decrease <u>6.25%</u>	Current Discount Rate <u>7.25%</u>	1% Increase <u>8.25%</u>
Center's Proportionate Share of the Net Pension Liability	\$ 17,733,000	\$ 14,305,000	\$ 11,408,000

Pension Plan Fiduciary Net Position

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

9. OTHER POST-EMPLOYMENT BENEFITS (OPEB)

GASB Statement No. 75, *Accounting and Financial Reporting by Employers for Post-Employment Benefits Other Than Pensions*, requires governments to account for other post-employment benefits (OPEB) on an accrual basis, rather than on a pay-as-you-go basis. The effect is the recognition of an actuarially-determined expense on the statement of activities when a future retiree earns their post-employment benefits, rather than when they use their post-employment benefits. The post-employment benefit liability is recognized on the statement of net position over time.

Health Insurance Premium Assistance Program

General Information about the Health Insurance Premium Assistance Program

The administrative staff of the Pennsylvania Public School Employees' Retirement System (PSERS or the System) administers the Health Insurance Premium Assistance Program. The System provides Premium Assistance which, is a governmental cost sharing, multiple-employer other postemployment benefit plan (OPEB) for all eligible retirees who qualify and elect to participate. Employer contribution rates for Premium Assistance are established to provide reserves in the

Health Insurance Account that are sufficient for the payment of Premium Assistance benefits for each succeeding year. Effective January 1, 2002 under the provisions of Act 9 of 2001, participating eligible retirees are entitled to receive premium assistance payments equal to the lesser of \$100 per month or their out-of-pocket monthly health insurance premium. To receive premium assistance, eligible retirees must obtain their health insurance through either their school employer or the PSERS' Health Options Program. As of June 30, 2018, there were no assumed future benefit increases to participating eligible retirees.

Premium Assistance Eligibility Criteria

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

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

Pension Plan Description

PSERS is a governmental cost-sharing multiple-employer defined benefit pension plan that provides retirement benefits to public school employees of the Commonwealth of Pennsylvania. The members eligible to participate in the System include all full-time public school employees, part-time hourly public school employees who render at least 500 hours of service in the school year, and part-time per diem public school employees who render at least 80 days of service in the school year in any of the reporting entities in Pennsylvania. PSERS issues a publicly available financial report that can be obtained at www.psers.pa.gov.

Benefits Provided

Participating eligible retirees are entitled to receive premium assistance payments equal to the lesser of \$100 per month or their out-of-pocket monthly health insurance premium. To receive premium assistance, eligible retirees must obtain their health insurance through either their school employer or the PSERS' Health Options Program. As of June 30, 2018, there were no assumed future benefit increases to participating eligible retirees.

Employer Contributions

The Center's contractually required contribution rate for the fiscal year ended June 30, 2019 was 0.83% of covered payroll, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the OPEB plan from the Center were \$33,233 for the year ended June 30, 2019.

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

At June 30, 2019, the Center reported a liability of \$621,000 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2018, and the total OPEB liability used to calculate the net OPEB liability was determined by rolling forward the System's

total OPEB liability as of June 30, 2017 to June 30, 2018. The Center's proportion of the net OPEB liability was calculated utilizing the employer's one-year reported covered payroll as it relates to the total one-year reported covered payroll. At June 30, 2019, the Center's proportion was 0.0298%, which was an increase of 0.003% from its proportion measured as of June 30, 2018.

For the year ended June 30, 2019, the Center recognized OPEB expense of \$31,142. At June 30, 2019, the Center reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows <u>of Resources</u>	Deferred Inflows <u>of Resources</u>
Difference between Expected and Actual Experience	\$ 4,000	\$ -
Change in Assumptions	10,000	24,000
Difference between Projected and Actual Investment Earnings	1,000	-
Changes in Proportions	13,000	-
Contributions Subsequent to the Measurement Date	<u>33,233</u>	<u>-</u>
Totals	<u>\$ 61,233</u>	<u>\$ 24,000</u>

An amount of \$33,233 reported as deferred outflows of resources related to OPEB resulting from the Center's contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ended <u>June 30</u>	<u>Amount</u>
2020	\$ -
2021	-
2022	-
2023	-
2024	-
Thereafter	<u>4,000</u>
	<u>\$ 4,000</u>

Actuarial Assumptions

The Total OPEB Liability as of June 30, 2018, was determined by rolling forward the System's Total OPEB Liability as of June 30, 2017 to June 30, 2018 using the following actuarial assumptions, applied to all periods included in the measurement:

- Actuarial cost method – Entry Age Normal – level % of pay.
- Investment return – 2.98% - S&P 20 Year Municipal Bond Rate.
- Salary growth - Effective average of 5.00%, comprised of inflation of 2.75% and 2.25% for real wage growth and for merit or seniority increases.
- Premium Assistance reimbursement is capped at \$1,200 per year.
- Assumed Healthcare cost trends were applied to retirees with less than \$1,200 in Premium Assistance per year.
- Mortality rates were based on the RP-2014 Mortality Tables for Males and Females, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2015 Mortality Improvement Scale.
- Participation rate:
 - Eligible retirees will elect to participate Pre-age 65 at 50%
 - Eligible retirees will elect to participate Post-age 65 at 70%

The following assumptions were used to determine the contribution rate:

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

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

The OPEB plan's policy in regard to the allocation of invested plan assets is established and may be amended by the Board. Under the program, as defined in the retirement code employer contribution rates for Premium Assistance are established to provide reserves in the Health Insurance Account that are sufficient for the payment of Premium Assistance benefits for each succeeding year.

The following was the Board’s adopted asset allocation policy and best estimates of geometric real rates of return for each major asset class as of June 30, 2018.

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-term Expected Real Rate of Return</u>
Cash	5.9%	0.03%
US Core Fixed Income	92.8%	1.50%
Non-US Developed Fixed	<u>1.3%</u>	0.04%
Total	<u>100.0%</u>	

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

Sensitivity of the System Net OPEB Liability to Change in Healthcare Cost Trend Rates

Healthcare cost trends were applied to retirees receiving less than \$1,200 in annual Premium Assistance. As of June 30, 2018, retirees’ Premium Assistance benefits are not subject to future healthcare cost increases. The annual Premium Assistance reimbursement for qualifying retirees is capped at a maximum of \$1,200. As of June 30, 2017, 93,380 retirees were receiving the maximum amount allowed of \$1,200 per year. As of June 30, 2017, 1,077 members were receiving less than the maximum amount allowed of \$1,200 per year. The actual number of retirees receiving less than the \$1,200 per year cap is a small percentage of the total population and has a minimal impact on Healthcare Cost Trends as depicted below.

The following presents the System net OPEB liability for June 30, 2018, calculated using current Healthcare cost trends as well as what the System net OPEB liability would be if health cost trends were 1-percentage point lower or 1-percentage point higher than the current rate:

	<u>1% Decrease</u>	<u>Current Trend Rate</u>	<u>1% Increase</u>
Total OPEB liability	\$ 621,000	\$ 621,000	\$ 621,000

Sensitivity of the Center's proportionate share of the net OPEB liability to changes in the discount rate

The following presents the net OPEB liability, calculated using the discount rate of 2.98%, as well as what the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage point lower (1.98%) or 1-percentage-point higher (3.98%) than the current rate:

	1% Decrease <u>1.98%</u>	Current Discount Rate <u>2.98%</u>	1% Increase <u>3.98%</u>
Total OPEB liability	\$ 707,000	\$ 621,000	\$ 551,000

OPEB plan fiduciary net position

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

Other Post-Employment Benefits

The Center provides post-employment healthcare insurance to certain former employees. The obligation for the healthcare insurance premiums has not been funded, but instead is financed on a pay-as-you-go basis, paid from the Center's General Fund. As permitted by GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, as a sole employer in a plan with fewer than one hundred total plan members, the net Other Post-Employment Benefits (OPEB) obligation has been calculated by applying a simplified alternative measurement method instead of obtaining and using actuarial valuations. The Center's liability for post-employment benefits under this plan was \$207,863 as of June 30, 2019.

The calculation of the net OPEB obligation involves estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about mortality and the healthcare cost trend. Amounts determined regarding 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 calculation of the net OPEB obligation incorporates an annual healthcare cost trend rate of 4%. Future employer contributions to satisfy the net OPEB obligation are estimated as follows:

Year Ending <u>June 30</u>	<u>Amount</u>
2020	\$ 43,603
2021	39,784
2022	37,949
2023	39,466
2024	41,045
2025	6,016
Total	<u>\$ 207,863</u>

10. INTERFUND TRANSFERS

Interfund transfers for the year ended June 30, 2019 consisted of \$275,000 transferred from the General Fund to the Capital Reserve Fund to provide resources for future capital projects.

11. RISK MANAGEMENT

The Center is subject to risk of loss from employee risks, property damage, personal injury, auto accidents, etc. The Center lowers these risks through the purchase of commercial insurance. The Center's workers' compensation policy is a retrospectively rated policy. The final premium is based on actual payroll for the policy year and is determined by the insurance company. Any settlements received by the Center or its employees did not exceed insurance charges in the last three years.

The Center is a member of Southeastern Pennsylvania Schools Trust (SEPaST), which was formed for the purpose of providing health care benefits to its members. The Center pays insurance premiums to SEPaST, which in turn pays health care claims of the Center. As a result, the Center is in effect self-funded for medical, dental, and prescription insurance for employees and their dependents. As of June 30, 2019, the Center's SEPaST member account was \$800,096 and is reported on the government-wide Statement of Net Position as "Funds Held by Southeastern Pennsylvania Schools Trust". Since these funds do not represent available financial resources, they are not reported as an asset in the governmental fund financial statements. Members' accounts are available to be utilized to fund future claims.

12. CONTINGENCIES

Grants

The Center received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and a condition specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the Center as of June 30, 2019.

Litigation

The Center is subject to certain loss contingencies, such as litigation, arising from the normal conduct of its educational activities. Management is of the opinion that the ultimate disposition of claims will not have a material effect, if any, on the financial condition of the Center.

13. SUBSEQUENT EVENTS

The Center has evaluated all subsequent events through November 14, 2019, the date the financial statements were available to be issued.

14. RESTATEMENT OF NET POSITION

Total net position of governmental activities as of June 30, 2018 has been restated to include funds held by Southeastern Pennsylvania Schools Trust (SEPaST), as follows:

Total Net Position as of June 30, 2018, as Previously Reported	\$ (1,299,738)
Funds Held By SEPaST as of June 30, 2018	<u>639,112</u>
Total Net Position as of June 30, 2018, as Restated	<u><u>\$ (660,626)</u></u>

EASTERN CENTER FOR ARTS AND TECHNOLOGY
Schedule of the Center's Proportionate Share of the Net Pension Liability
Last Six Fiscal Years

	<u>6/30/2019</u>	<u>6/30/2018</u>	<u>6/30/2017</u>	<u>6/30/2016</u>	<u>6/30/2015</u>	<u>6/30/2014</u>
Center's Proportion of the Net Pension Liability	0.0298%	0.0295%	0.0290%	0.0299%	0.0309%	0.0304%
Center's Proportionate Share of the Net Pension Liability	\$ 14,305,000	\$ 14,570,000	\$ 14,371,000	\$ 12,951,000	\$ 12,230,000	\$ 12,444,000
Center's Covered-employee Payroll	\$ 4,008,448	\$ 3,930,548	\$ 3,751,960	\$ 3,841,505	\$ 3,941,859	\$ 3,898,855
Center's Proportionate Share of the Net Pension Liability as a Percentage of its Covered-employee Payroll	356.87%	370.69%	383.03%	337.13%	310.26%	319.17%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	54.00%	51.84%	50.14%	54.36%	57.24%	54.49%

The amounts presented for each fiscal year were determined as of the end of the previous fiscal year.

EASTERN CENTER FOR ARTS AND TECHNOLOGY
Schedule of the Center's Pension Contributions
Last Six Fiscal Years

	<u>6/30/2019</u>	<u>6/30/2018</u>	<u>6/30/2017</u>	<u>6/30/2016</u>	<u>6/30/2015</u>	<u>6/30/2014</u>
Contractually Required Contribution	\$ 1,305,290	\$ 1,272,281	\$ 1,147,720	\$ 937,990	\$ 787,509	\$ 630,697
Contributions in Relation to the Contractually-Required Contribution	<u>(1,305,290)</u>	<u>(1,272,281)</u>	<u>(1,147,720)</u>	<u>(937,990)</u>	<u>(787,509)</u>	<u>(630,697)</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Center's Covered-employee Payroll	\$ 4,003,957	\$ 4,008,448	\$ 3,930,548	\$ 3,751,960	\$ 3,841,505	\$ 3,941,859
Contributions as a Percentage of Covered-employee Payroll	32.60%	31.74%	29.20%	25.00%	20.50%	16.00%

The amounts presented for each fiscal year were determined as of the end of the current fiscal year.

EASTERN CENTER FOR ARTS AND TECHNOLOGY
Schedule of the Center's Proportionate Share of the Net OPEB Liability
Health Insurance Premium Assistance Plan
Last Three Fiscal Years

	<u>6/30/2019</u>	<u>6/30/2018</u>	<u>6/30/2017</u>
Center's Proportion of the Net OPEB Liability	0.0298%	0.0295%	0.0290%
Center's Proportionate Share of the Net OPEB Liability	\$ 621,000	\$ 601,000	\$ 625,000
Center's Covered-employee Payroll	\$ 4,008,448	\$ 3,930,548	\$ 3,751,960
Center's Proportionate Share of the Net OPEB Liability as a Percentage of its Covered-employee Payroll	15.49%	15.29%	16.66%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	5.56%	5.73%	5.47%

The amounts presented for each fiscal year were determined as of the end of the previous fiscal year.

EASTERN CENTER FOR ARTS AND TECHNOLOGY
Schedule of the Center's OPEB Contributions
Health Insurance Premium Assistance Plan
Last Three Fiscal Years

	<u>6/30/2019</u>	<u>6/30/2018</u>	<u>6/30/2017</u>
Contractually Required Contribution	\$ 33,233	\$ 33,270	\$ 32,624
Contributions in Relation to the Contractually-Required Contribution	<u>(33,233)</u>	<u>(33,270)</u>	<u>(32,624)</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Center's Covered-employee Payroll	\$ 4,003,957	\$ 4,008,448	\$ 3,930,548
Contributions as a Percentage of Covered-employee Payroll	0.83%	0.83%	0.83%

The amounts presented for each fiscal year were determined as of the end of the current fiscal year.

EASTERN CENTER FOR ARTS AND TECHNOLOGY
Budgetary Comparison Schedule - General Fund
Secondary Operations
For the Year Ended June 30, 2019

	Budgeted Amounts		Actual Amounts (GAAP Basis)	Variance with Final Budget Favorable (Unfavorable)
	<u>Original</u>	<u>Final</u>		
BUDGETARY FUND BALANCE - JULY 1, 2018	\$ 4,000,000	\$ 4,000,000	\$ 3,126,777	\$ (873,223)
RESOURCES (INFLOWS):				
Local Sources:				
Receipts from Member Districts	6,935,503	6,935,503	6,935,500	(3)
Other	115,400	115,400	161,319	45,919
State Sources	1,064,363	1,064,363	1,016,503	(47,860)
Federal Sources	467,000	467,000	259,394	(207,606)
Proceeds from Sale of Fixed Assets	-	-	3,625	3,625
	<u>12,582,266</u>	<u>12,582,266</u>	<u>11,503,118</u>	<u>(1,079,148)</u>
Amounts Available for Appropriation				
CHARGES TO APPROPRIATIONS (OUTFLOWS):				
Instruction:				
Special Programs	585,071	585,071	472,761	112,310
Vocational Education	3,472,026	3,480,526	2,941,674	538,852
Summer Programs	52,398	52,398	62,434	(10,036)
	<u>4,109,495</u>	<u>4,117,995</u>	<u>3,476,869</u>	<u>641,126</u>
Total Instruction				
Support Services:				
Pupil Personnel Services	582,439	562,439	535,295	27,144
Instructional Staff Services	113,408	142,408	86,191	56,217
Administrative Services	1,231,798	1,230,598	1,209,539	21,059
Pupil Health	38,188	38,188	37,302	886
Business Services	621,815	621,715	577,870	43,845
Operation and Maintenance of				
Plant Services	1,214,054	1,199,054	971,133	227,921
Central Services	895,388	1,027,388	935,821	91,567
	<u>4,697,090</u>	<u>4,821,790</u>	<u>4,353,151</u>	<u>468,639</u>
Total Support Services				
Operation of Non-instructional Services:				
Student Activities	37,031	37,031	23,314	13,717
	<u>37,031</u>	<u>37,031</u>	<u>23,314</u>	<u>13,717</u>
Total Operation of Non-instructional Services				
Architecture and Engineering Services	78,650	48,650	8,383	40,267
Building Improvement Services	60,000	60,000	22,542	37,458
Transfers to Other Funds	-	-	275,000	(275,000)
Budgetary Reserve	100,000	(3,200)	-	(3,200)
	<u>9,082,266</u>	<u>9,082,266</u>	<u>8,159,259</u>	<u>923,007</u>
Total Charges to Appropriations				
BUDGETARY FUND BALANCE - JUNE 30, 2019	<u>\$ 3,500,000</u>	<u>\$ 3,500,000</u>	<u>\$ 3,343,859</u>	<u>\$ (156,141)</u>

EASTERN CENTER FOR ARTS AND TECHNOLOGY
Budgetary Comparison Schedule - General Fund
Continuing Education
For the Year Ended June 30, 2019

	<u>Budgeted Amounts</u>		Actual Amounts (GAAP Basis)	Variance with Final Budget Favorable (Unfavorable)
	<u>Original</u>	<u>Final</u>		
BUDGETARY FUND BALANCE - JULY 1, 2018	\$ -	\$ -	\$ 23,736	\$ 23,736
RESOURCES (INFLOWS):				
Local Sources	107,629	107,629	101,453	(6,176)
State Sources	<u>18,267</u>	<u>18,267</u>	<u>11,613</u>	<u>(6,654)</u>
Amounts Available for Appropriation	<u>125,896</u>	<u>125,896</u>	<u>136,802</u>	<u>10,906</u>
CHARGES TO APPROPRIATIONS (OUTFLOWS):				
Post-Secondary Education	56,753	56,753	31,325	25,428
Office of Assistant Director	<u>69,143</u>	<u>69,143</u>	<u>57,701</u>	<u>11,442</u>
Total Charges to Appropriations	<u>125,896</u>	<u>125,896</u>	<u>89,026</u>	<u>36,870</u>
BUDGETARY FUND BALANCE - JUNE 30, 2019	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 47,776</u>	<u>\$ 47,776</u>

EASTERN CENTER FOR ARTS AND TECHNOLOGY
Budgetary Comparison Schedule - General Fund
Practical Nursing
For the Year Ended June 30, 2019

	<u>Budgeted Amounts</u>		Actual Amounts (GAAP Basis)	Variance with Final Budget Favorable (Unfavorable)
	<u>Original</u>	<u>Final</u>		
BUDGETARY FUND BALANCE - JULY 1, 2018	\$ -	\$ -	\$ 905,325	\$ 905,325
RESOURCES (INFLOWS):				
Local Sources	276,000	276,000	101,671	(174,329)
State Sources	404,678	404,678	298,143	(106,535)
Federal Sources	935,926	935,926	940,852	4,926
	<u>1,616,604</u>	<u>1,616,604</u>	<u>2,245,991</u>	<u>629,387</u>
CHARGES TO APPROPRIATIONS (OUTFLOWS):				
Practical Nursing Instructional	944,708	939,208	658,566	280,642
Office of Assistant Director - PN	520,821	504,296	526,285	(21,989)
Pupil Health	-	-	467	(467)
Business Services	43,995	43,995	30,553	13,442
Operation of Building Services	60,500	82,625	60,000	22,625
Information Services - PN	46,580	46,480	51,922	(5,442)
	<u>1,616,604</u>	<u>1,616,604</u>	<u>1,327,793</u>	<u>288,811</u>
BUDGETARY FUND BALANCE - JUNE 30, 2019	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 918,198</u>	<u>\$ 918,198</u>

EASTERN CENTER FOR ARTS AND TECHNOLOGY
Schedule of Changes in Fund Balances - General Fund
For the Year Ended June 30, 2019

	<u>Secondary Operations</u>	<u>Continuing Education</u>	<u>Practical Nursing</u>	<u>Totals</u>
FUND BALANCES - BEGINNING OF YEAR	\$ 3,126,777	\$ 23,736	\$ 905,325	\$ 4,055,838
Excess of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	<u>217,082</u>	<u>24,040</u>	<u>12,873</u>	<u>253,995</u>
FUND BALANCES - END OF YEAR	<u><u>\$ 3,343,859</u></u>	<u><u>\$ 47,776</u></u>	<u><u>\$ 918,198</u></u>	<u><u>\$ 4,309,833</u></u>

MEMBER:
American Institute of Certified Public Accountants
Pennsylvania Institute of Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Members of the Joint Operating Committee
Eastern Center for Arts and Technology
Willow Grove, 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, each major fund, and the aggregate remaining fund information of Eastern Center for Arts and Technology, as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise Eastern Center for Arts and Technology's basic financial statements, and have issued our report thereon dated November 14, 2019.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Eastern Center for Arts and Technology'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 Eastern Center for Arts and Technology's internal control. Accordingly, we do not express an opinion on the effectiveness of Eastern Center for Arts and Technology's internal control.

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Eastern Center for Arts and Technology'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*.

Purpose of this Report

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

Dreslin and Company, Inc.

East Norriton, Pennsylvania
November 14, 2019

MEMBER:
American Institute of Certified Public Accountants
Pennsylvania Institute of Certified Public Accountants

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR
EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE
REQUIRED BY THE UNIFORM GUIDANCE**

To the Members of the Joint Operating Committee
Eastern Center for Arts and Technology
Willow Grove, Pennsylvania

Report on Compliance for Each Major Federal Program

We have audited Eastern Center for Arts and Technology's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Eastern Center for Arts and Technology's major federal programs for the year ended June 30, 2019. Eastern Center for Arts and Technology's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Eastern Center for Arts and Technology's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Eastern Center for Arts and Technology's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Eastern Center for Arts and Technology's compliance.

Opinion on Each Major Federal Program

In our opinion, Eastern Center for Arts and Technology complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2019.

Report on Internal Control Over Compliance

Management of Eastern Center for Arts and Technology is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Eastern Center for Arts and Technology's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Eastern Center for Arts and Technology's internal control over compliance.

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

Our consideration of internal control over compliance 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 compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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

Dreslin and Company, Inc.

East Norriton, Pennsylvania
November 14, 2019

EASTERN CENTER FOR ARTS AND TECHNOLOGY
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2019

Section I – Summary of Auditor’s Results

Financial Statements:

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? No
- Significant deficiency(ies) identified? None reported

Noncompliance material to financial statements noted? No

Federal Awards:

Type of auditor’s report issued on compliance for major programs: Unmodified

Internal control over major federal programs:

- Material weakness(es) identified? No
- Significant deficiency(ies) identified? None reported

Any audit findings disclosed that are required to be reported in accordance with 2 CFR section 200.516(a)? No

Identification of Major Federal Programs:

<u>Federal Grantor / Program Title</u>	<u>Federal CFDA Number</u>	<u>Expenditures of Federal Awards</u>
U.S. DEPARTMENT OF EDUCATION		
Federal Pell Grant Program	84.063	\$ 325,811
Federal Direct Student Loans	84.268	615,041
Total		<u>\$ 940,852</u>

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

Auditee qualified as low risk auditee? Yes

EASTERN CENTER FOR ARTS AND TECHNOLOGY
Schedule of Findings and Questioned Costs (Continued)
For the Year Ended June 30, 2019

Section II – Financial Statement Findings

Status of prior-year findings:

None

Current-year findings and questioned costs:

None

Section III – Federal Award Findings and Questioned Costs

Status of prior-year findings:

None

Current-year findings and questioned costs:

None

EASTERN CENTER FOR ARTS AND TECHNOLOGY
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2019

Federal Grantor/Pass-through Grantor/ Program Title / Name of Grant	Source Code	Federal CFDA Number	Pass-through Grantor's Identifying Number	Grant Period	Total Received	Accrued Revenue 6/30/18	Accrued Revenue 6/30/19	Revenue Recognized	Expenditures	Paid to Sub- Recipients
U.S. DEPARTMENT OF EDUCATION										
Federal Pell Grant Program	D	84.063	N/A	7/1/18 - 6/30/19	\$ 325,811	\$ -	\$ -	\$ 325,811	325,811	-
Totals - CFDA # 84.063					325,811	-	-	325,811	325,811	-
Federal Direct Student Loans	D	84.268	N/A	7/1/18 - 6/30/19	615,041	-	-	615,041	615,041	-
Totals - CFDA # 84.268					615,041	-	-	615,041	615,041	-
Totals - Student Financial Assistance Program Cluster					940,852	-	-	940,852	940,852	-
PASSED THROUGH PA DEPARTMENT OF EDUCATION										
Career and Technical Education - Basic Grants to States / Perkins Grant Consortium	I	84.048	380-089090	7/1/17 - 6/30/18	20,307	20,307	-	-	-	-
Career and Technical Education - Basic Grants to States / Perkins Grant Consortium	I	84.048	380-089090	7/1/18 - 6/30/19	237,845	-	21,549	259,394	259,394	-
Totals - CFDA # 84.048					258,152	20,307	21,549	259,394	259,394	-
TOTAL U.S. DEPARTMENT OF EDUCATION					\$ 1,199,004	\$ 20,307	\$ 21,549	\$ 1,200,246	\$ 1,200,246	\$ -

SOURCE CODES:
D = Direct Funding
I = Indirect Funding

EASTERN CENTER FOR ARTS AND TECHNOLOGY
Notes to Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2019

1. BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal award activity of Eastern Center for Arts and Technology under programs of the federal government for the year ended June 30, 2019. The information on this Schedule is prepared in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of Eastern Center for Arts and Technology, it is not intended to and does not present the financial position, changes in net position, or cash flows of Eastern Center for Arts and Technology.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures may or may not be allowable or may be limited as to reimbursement.

Eastern Center for Arts and Technology did not elect to use the 10% *de minimis* indirect cost rate.

3. PROGRAM DISCLOSURES

The Federal Pell Grant Program (CFDA Number 84.063) and the Federal Direct Student Loans program (CFDA Number 84.268) are part of the student financial assistance program cluster, as outlined in the OMB Compliance Supplement.

The Perkins Grant is passed through from the Pennsylvania Department of Education to Eastern Center for Arts and Technology as a member of the consortium that also includes the sending districts.