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LCTI
LEHIGH CAREER &
TECHNICAL INSTITUTE

LEHIGH CAREER & TECHNICAL INSTITUTE

FINANCIAL AND COMPLIANCE REPORT

Year Ended June 30, 2018

TABLE OF CONTENTS

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INDEPENDENT AUDITOR'S REPORT

To the Members of the Joint Operating Committee
Lehigh Career & Technical Institute
Schnecksville, Pennsylvania

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Lehigh Career & Technical Institute, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise Lehigh Career & Technical Institute's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Lehigh Career & Technical Institute, as of June 30, 2018, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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Change in Accounting Principle

As described in Note 14 to the financial statements, effective July 1, 2017, the Lehigh Career & Technical Institute adopted new accounting guidance, Governmental Accounting Standards Board Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. Our opinion is not modified with respect to this matter.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison schedule for the general fund, and pension and other postemployment benefit information on pages 83 through 87, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Lehigh Career & Technical Institute's basic financial statements. The combining and individual fund financial statements are presented for purposes of additional analysis and are 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* 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 combining and individual fund financial statements 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 combining and individual fund financial statements and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 19, 2018, on our consideration of Lehigh Career & Technical Institute's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Lehigh Career & Technical Institute's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Lehigh Career & Technical Institute's internal control over financial reporting and compliance.

Herbein + Company, Inc.

Reading, Pennsylvania
November 19, 2018

LEHIGH CAREER & TECHNICAL INSTITUTE
4500 EDUCATION PARK DRIVE
SCHNECKSVILLE, PENNSYLVANIA 18078

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)

June 30, 2018

The discussion and analysis of Lehigh Career & Technical Institute's financial performance provides an overall review of the School's financial activities for the fiscal year ended June 30, 2018. The intent of this discussion and analysis is to provide a narrative summary of the financial performance of the Lehigh Career & Technical Institute (LCTI) as a whole. Readers should also review the financial statements and notes to the financial statements to enhance their understanding of LCTI's financial performance.

The Management Discussion and Analysis (MD&A) is an element of the reporting model adopted by the Governmental Accounting Standards Board (GASB) in their Statement No. 34 Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments issued June 1999. Certain comparative information between the current year and the prior year is required to be presented in the MD&A.

OVERVIEW OF THE SCHOOL

Lehigh Career & Technical Institute is a joint venture of nine public school districts in Lehigh County, Pennsylvania organized under the Public School Code of Pennsylvania, and is Pennsylvania's largest career and technical school. Founded in 1971, LCTI prepares students with academic and technical knowledge needed to succeed in higher education and careers by providing more than 50 skills-based programs of study, as well as academic instruction. The school provides career and technical training programs for high school students who are residents of the participating school districts and out of school youths and adults. LCTI is located 10 miles north of Allentown and is governed by its Joint Operating Committee, consisting of twenty-one members, representing the nine member districts. The participating districts include, Allentown School District, Catasauqua Area School District, East Penn School District, Northern Lehigh School District, Northwestern Lehigh School District, Parkland School District, Salisbury Township School District, Southern Lehigh School District, and Whitehall-Coplay School District.

MISSION STATEMENT

Our mission at Lehigh Career & Technical Institute is to prepare all students for successful careers and lifelong learning.

We believe at LCTI that our purpose is to provide students with opportunities to pursue college and careers. We also believe it is important to serve our community; therefore, our course offerings are a reflection of the identified employment needs in the Lehigh Valley.

VISION STATEMENT

Lehigh Career & Technical Institute's vision is that every student will be provided with a high quality education in a safe and nurturing environment, become career and college ready, and enter the workforce equipped with the skills and knowledge to compete in a global economy.

QUALITY STATEMENT

Lehigh Career & Technical Institute is committed to fostering continuous improvement in curriculum, staff and student performance through a disciplined and structured quality system that solicits stakeholder input and drives strategic and operational planning.

FINANCIAL HIGHLIGHTS

District contributions:

The largest source of revenue comes from the participating school districts to support the secondary education programs and totaled $16,629,479 for 2017-2018, which is net of excess revenues to be credited to member districts in 2018-2019. This amount is based on a funding formula that is agreed upon by all districts as part of the Articles of Agreement for Establishment of the School. The formula reflects each participating district's proportionate share according to the percentage of each school's average daily membership of pupils for the previous five years to the total of the average daily membership for the same period. In addition, $302,527 was received from the participating school districts for Capital Costs apportioned among the participating districts based on market value of taxable real property as certified by the State Real Estate Tax Equalization Board according to the Articles of Agreement. The $302,527 was allocated to two Capital Projects funds, $100,000 to the Capital Projects Fund, and the remaining $202,527, to the Capital Projects Technology Fund.

Additional revenue of $2,962,611 was received from the participating school districts as consented in the Articles of Agreement for the Capital Improvements Project and Financing as payment for State Public School Building Authority issued bonds and Lehigh Career & Technical Institute Revenue Bonds. The Series A of 2017 Revenue Bonds issued March 1, 2017, in the original principal amount of $38,600,000 were used to refund the outstanding balance of the Revenue Bond Series of 2007, as well as to pay debt issuance costs. This refinancing of the 2007 Series projects a savings of $253,120 to the participating districts in 2018-2019. Additionally, the Series B of 2017 Revenue Bonds were issued March 1, 2017, in the original principal amount of $7,265,000, the proceeds used to fund certain capital improvement projects, as well as to pay debt issuance costs. The Debt Service payments are also apportioned among the participating districts based on market value of taxable real property as certified by the State Real Estate Tax Equalization Board according to the Articles of Agreement. These Debt Service payments were based on the amortization schedule from the School Lease Revenue Bonds Series A and B of 2017.

Capital Outlays:

The cornerstone of career and technical education is remaining relevant to the needs of business and industry so that students graduate from LCTI having an up-to-date experience in their chosen trade on equipment that is modern and likely to be found in business or industry. To accomplish this fundamental principle, equipment purchases continue to dominate the operating budget. In 2017-2018, Lehigh Career & Technical Institute had capital outlays of $2,798,613, with an increase in depreciation of $4,060,549. Total equipment spending was $1,756,411 and included the following nine largest dollar instructional equipment purchases:

1). Pneumatics Learning System	$136,118
2). New Holland Skid Loader (*33,590 grant funded)	$ 74,474
3). Konica-Minolta Accurio Printing Press	$ 49,849
4). Two Kingston High Speed Lathes	$ 43,000*
5). Fanuc LR Mate Robot	$ 39,900
6). Hunter CM Wheel Alignment Machine	$ 28,833*
7). Two Haas Mini Mill Machines	$ 28,822*
8). Xerox C60 Color Printer	$ 24,411
9). Three Wheel Counterbalanced Lift	$ 21,089

* Grant funded

An additional $602,880 was spent on instructional equipment purchases on individual items for instructional programs that are not itemized here. LCTI also spent $105,696 for instructional technology equipment and $601,339 for technology infrastructure equipment updates.

Academic Center:

The Academic Center completed its twelfth year of operation in 2017-2018 providing core academic courses for those students electing to attend LCTI all day. Revenue for this program came primarily from the participating school districts in the amount of $1,476,162, which is net of excess revenues to be credited to member districts in 2018-2019. This amount was determined by a funding formula reflecting each participating district's proportionate share according to the percentage of each school's average daily membership of pupils for the previous five years to the total of the average daily membership for the same period.

Adult Education:

The Adult and Continuing Education Fund experienced an overall net loss of $210,414 in 2018, which decreases the amount assigned for adult school operations within the General Fund to $994,709. This net loss was the result of a planned net reduction in fund balance, and is mostly attributed, to the $181,591 local equipment matching for the Tech Grant awarded in 2018. The Heavy Equipment Operation program, including their Customized Job Training program, had a combined net profit of $53,846, its third consecutive year of profitability. This can be attributed to slightly increased enrollment and limiting the number of hours for an additional instructor. The Alternative Energy program had a profit of $43,550, which was a marked improvement over the previous year's profit of $3,818. The Central Westmoreland Tractor Trailer program was terminated in December 2017, due to low enrollment and the increased costs of the Sage Corporation shared position.

LCTI continues to offer industry relevant training and credentials for adults working in the Lehigh Valley and beyond. We will also continue to seek any grant opportunities that may be offered, such as the recently completed Career FORCE 2018 Summer Jobs Program for Youth federally funded grant and the Out of School Youth Navigator grant which has been renewed for 2018-2019. This grant, also federally funded through the Workforce Board Lehigh Valley, provides career development opportunities for at risk youth. For the fourth consecutive year, the County of Lehigh Community Development Block Grant has been awarded to LCTI to provide tuition assistance for CDL and HEO training. The County of Lehigh BB&T Bank Foundation grant is in progress, providing tuition assistance for manufacturing and transportation programs. A new apprenticeship program for the Associated Builders and Contractors is currently under development for Heavy Equipment Operations training. LCTI will continue to monitor the control of program costs as much as possible and will work with public relations to optimize advertising initiatives, which will spend allotted advertising dollars more effectively resulting in reduced advertising expenses.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

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

- The remaining basic financial statements consist of fund financial statements. These statements focus on individual components, or funds, of LCTI and provide a more detailed presentation of LCTI's operations. The governmental funds statements present how LCTI's general services were financed in the short-term, as well as what remains for future spending.

  The proprietary fund statements present both short-term and long-term information about the activities that LCTI operates similar to a business. For LCTI, this is our Cafeteria and Production Funds. Fiduciary fund statements provide information about financial relationships where the LCTI acts solely as a trustee or agent for the benefit of others, to whom the resources in question belong.

The financial statements also include *notes* that provide a more detailed explanation of some of the information in the financial statements. Following the basic financial statements is the School's *required supplementary information* that provides data that are more detailed.

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

Figure A-1
Required components of
Lehigh Career & Technical Institute's
Financial Report

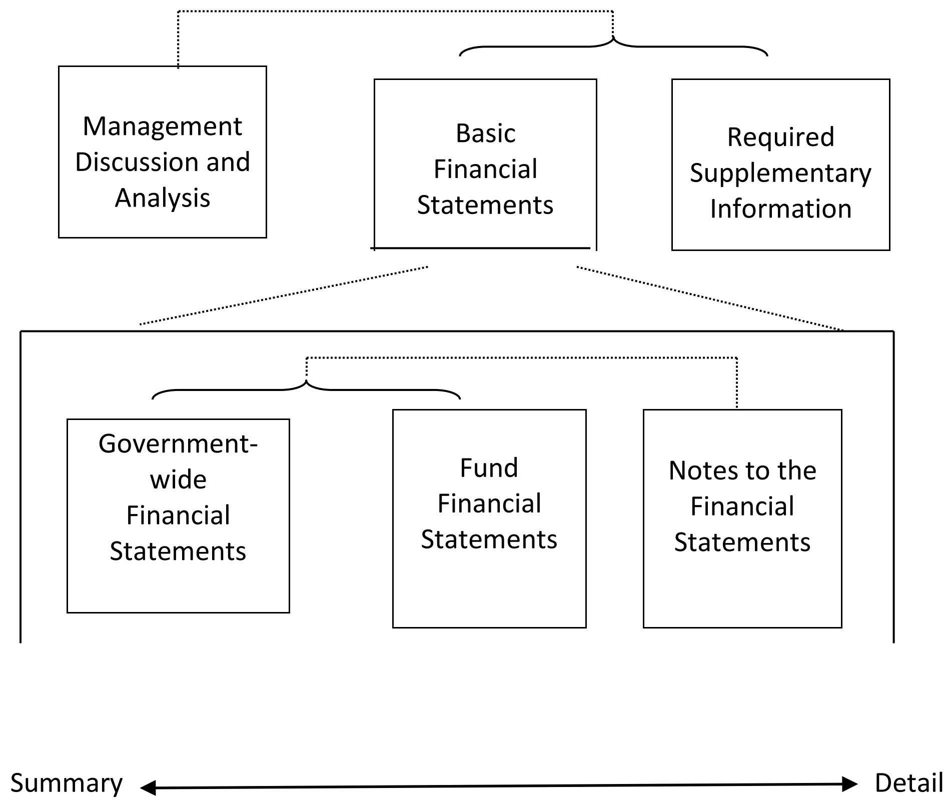

Figure A-2 summarizes the major features of the LCTI financial statements, including the portion of the LCTI they cover and the types of information they contain. The remainder of this overview section of management discussion and analysis explains the structure and contents of each of the statements.

Figure A-2
Major Features of Lehigh Career & Technical Institute's
Government-wide and Fund Financial Statements

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

Reporting the School as a Whole

Statement of Net Position and the Statement of Activities

The government-wide statements report financial information about the Lehigh Career & Technical Institute using accounting methods similar to the accounting used by private-sector companies. The *Statement of Net Position* includes all of LCTI's assets, liabilities, and deferred inflows/outflows of resources utilizing the full accrual basis of accounting. The *Statement of Activities* accounts for all of LCTI's revenues and expenses, regardless of when cash is received or paid.

These two statements report the Lehigh Career & Technical Institute's net position and changes in the net position. LCTI's net position represents the difference between its assets and deferred outflows of resources and its liabilities and deferred inflows of resources. LCTI's net position is one way to measure its financial position, or financial health, over time. An increase or decrease in LCTI's net position is one indicator of whether its financial health is improving or deteriorating, respectively. In assessing the LCTI's overall financial health, other non-financial factors must be considered, such as the financial health of the member districts, facility conditions, and the performance of the students.

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

- *Governmental Activities*— Most of the LCTI's basic services are reported here, such as instruction, administration, and support services. Contributions from the member school districts and state and federal government subsidies and grants are the primary funding sources for these activities.

- *Business-type Activities*— LCTI operates a Cafeteria Fund and charges fees to students and staff to help it cover all or most of the cost of the food services it provides. The Production Fund represents a combination of user charges to outside parties, and interfund sales and purchases, all of which is designed to further the career and technical education of the students.

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 the LCTI - not the LCTI as a whole. Some funds are required to be reported as major funds by state law and other requirements. The School's two types of funds that use different accounting approaches are:

- *Governmental funds*— Most of the School'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 LCTI'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 LCTI'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 major funds of the School are the General Fund (required by GASB Statement No. 34 to be reported as a major fund), the Capital Projects Fund, and the Debt Service Fund.

- *Proprietary funds* — these funds account for the LCTI's activities that are similar to private sector business operations, and focus on the determination of net income and financial position. When LCTI charges customers for services it provides – whether to outside customers or to other units in LCTI – these services are generally reported in proprietary funds. LCTI has the Cafeteria and Production Funds as proprietary funds, which are considered enterprise funds. The information reported for these enterprise funds is the same information we report for the business-type activities reported in the government-wide statement. However, the fund level statements provide more detailed information on the enterprise funds, such as cash flows.

  The Cafeteria Fund is required by the Commonwealth of Pennsylvania Labor, Education and Community Services (LECS) Comptroller's Office to be reported as a major fund.

Fiduciary funds - LCTI is the trustee, or fiduciary, for some scholarship funds and student activity funds. All of the LCTI fiduciary activities are reported in separate Statements of Fiduciary Net Position. We exclude these activities from LCTI's government-wide financial statement because LCTI cannot use these assets to finance its operations.

FINANCIAL ANALYSIS OF THE LCTI AS A WHOLE

Table A-1
A comparative analysis of fiscal year 2017 to 2018 for:
Net Position (amounts expressed in thousands)

	Governmental Activities		Business-Type Activities		Total	
	2017	**2018**	**2017**	**2018**	**2017**	**2018**
Current & other assets	$14,938	$14,011	$2,120	$2,185	$17,057	$16,196
Capital Assets	41,851	40,628	366	351	42,217	40,979
Total Assets	**$56,789**	**$54,639**	**$2,486**	**$2,536**	**$59,275**	**$57,175**
Total Deferred Outflows of Resources	**9,551**	**8,523**	**263**	**232**	**9,814**	**8,755**
Current and other liabilities	$ 5,493	$ 5,002	$88	$24	$ 5,581	$ 5,026
Long-term liabilities	94,791	95,821	1,577	1,620	96,368	97,441
Total Liabilities	**$100,284**	**$100,823**	**$1,665**	**$1,644**	**$101,949**	**$102,467**
Deferred Inflows of Resources	**586**	**1,713**	**50**	**60**	**636**	**1,773**
Net Position						
Net Investment in capital assets	2,264	1,763	366	352	2,630	2,115
Restricted for Capital Projects	1,192	1,319	0	0	1,192	1,319
Unrestricted	(37,986)	(42,456)	668	712	(37,318)	(41,744)
Total Net Position (Deficit)	**$(34,530)**	**$(39,374)**	**$1,034**	**$1,064**	**$(33,496)**	**$(38,310)**

Effective for fiscal year end June 30, 2018, LCTI implemented GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions. This statement addresses accounting and financial reporting for OPEB that is provided to the employees of state and local government employers. This statement establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expenditures.

Effective July 1, 2014, LCTI adopted the Governmental Accounting Standards Board (GASB) Statement No. 68, Accounting and Financial Reporting for Pensions, and Statement No. 71, Pension Transition for Contributions Made Subsequent to the Measurement Date. GASB 68 establishes standards for measuring and recognizing liabilities, deferred outflows of resources, deferred inflows of resources, and expenditures in order to improve accounting and financial reporting by governments for pensions. GASB 71 establishes standards for reporting contributions made to a defined benefit plan after the date of measurement of the government's beginning net pension liability.

The adoption of these GASB statements results in LCTI's net position having to include pension and other postemployment benefit liabilities of $50,055,890 for Governmental Activities for year end June 30, 2018, which is an increase of $2,260,673 from the June 30, 2017 Governmental Activities pension and other postemployment benefit liabilities of $47,795,217. Total Net Position for Governmental Activities year end June 30, 2018 of $(39,373,965), decreased $4,843,862 from June 30, 2017 $(34,530,103), in large part due to the implementation of GASB Statement No. 75, which recognizes liabilities for Other Postemployment Benefit Obligations of $5,038,428 in 2018, as opposed the 2017 liability of $1,004,981, an increased liability of $4,033,447. See Note 14 to the Financial Statements for more information on the implementation of GASB Statement No. 75.

Business Type Activities Total Net Position June 30, 2018 of $1,064,039 represents an increase of $30,185, from Total Net Position June 30, 2017 of $1,033,854. This is the result of the Production fund having an end of year net position for 2018 of $1,341,954, which is reduced by the Cafeteria Fund having an end of year net position for 2018 of ($277,915), for a combined Business Type Activities Total Net Position of $1,064,039.

The allocation of Debt to Investment in Capital Assets is as follows:

Balance before Related Debt	Balance Percentage	Debt Allocation	Balance Net Related Debt	
Net Fixed Assets	$40,627,714	100.00%	$38,864,863	$1,762,851

The remaining balance of Net Position consists of Restricted Net Position for Capital Projects of $1,319,047, an 11 percent increase of $127,010 from the previous year, and Unrestricted Net Position of $(42,455,863) is the result of the pension and other postemployment benefit liabilities associated with GASB Statements No. 68 and 71, and the newly implemented GASB Statement No. 75.

Changes in Entity-wide Net Position

The results of this year's operations are presented in LCTI'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 LCTI'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.

Table A-2

A comparative analysis of fiscal year 2017 to 2018 for:
Changes in Net Position (amounts expressed in thousands)

	Governmental Activities		Business-Type Activities		Total	
	2017	2018	2017	2018	2017	2018
Revenues						
Program revenues:						
Charges for services	$ 19,210	$ 19,588	$1,120	$1,079	$20,330	$20,667
Operating grants and contributions	4,349	4,678	603	562	4,952	5,240
Capital grants and contributions	1,276	1,794	0	0	1,276	1,794
General revenues:						
State grants and subsidies	4,605	3,746	0	0	4,605	3,746
Investment earnings	46	148	8	18	54	166
Miscellaneous	71	130	0	0	71	130
Operating transfers	0	0	0	0	0	0
Total revenues	29,557	30,084	1,731	1,659	31,288	31,743
Expenses						
Instruction	19,797	18,986	0	0	19,797	18,986
Support services	10,924	10,583	0	0	10,924	10,583
Operation of non-instructional services	1,979	1,869	0	0	1,979	1,869
Food / Production services	0	0	1,638	1,562	1,638	1,562
Total expenses	32,700	31,438	1,638	1,562	34,338	33,000
Increase (decrease) in net position	$(3,143)	$(1,354)	$ 93	$ 97	$(3,050)	$(1,257)
Net Position (deficit) Beginning	(31,387)	(38,020)	941	967	(30,446)	(37,053)
Restatement of Net Position for GASB statement No. 75	(3,490)	------	(67)	------	(3,557)	------
Net Position (deficit) Ending	$(38,020)	$(39,374)	$967	$1,064	$(37,053)	$(38,310)

The largest source of program revenues for Governmental Activities consists of contributions from member school districts of $18,105,641, which includes the $1,476,162 received for the Academic Center. This amount accounts for approximately 69 percent of total program revenues and 60 percent of total revenues. These percentages demonstrate the reliance LCTI places on the contributions received from its member districts. Additional program revenue in the charges for services line comes from Adult Education tuition totaling $1,392,621. The operating grants and contributions are another large source of program revenue, consisting primarily of federal funding from the Carl D. Perkins Career and Technical Education Grant, in the amount of, $756,927. State grants and subsidies revenue decreased $97,448 in 2018, mostly due to the reduction of $234,619 in Vocational Education Subsidy received. PSERS subsidy was $2,154,312 for 2018, which was an increase of $216,147 from 2017. This is the result of the increased retirement contributions, which were $4,085,957 in 2018, an increase of $382,462 from 2017.

Another large source of program revenues for LCTI is provided by LCTI's business-type activities from its Cafeteria and Production funds, which had a combined decrease in total revenues of $72,000 in 2018. The Cafeteria Fund had a $48,000 decrease in school lunch subsidy and a $30,000 decrease in daily sales, which was the result of serving about 100 less students in 2018, due to a decrease in enrollment. While the Cafeteria Fund experienced a net loss in 2018 of $14,074 after GASB Pension and OPEB expenses are applied, the loss was only $4,963 prior to those expenses. It was the first loss since the 2012-2013 school year, and was part of a planned fund balance reduction. The Production Fund had a net profit of $110,825 in 2018, including the activity related to GASB Statements No. 68 and 71, and GASB 75.

Net Cost and Funding of Governmental Activities

The following table presents LCTI's expense functions of the governmental activities as well as each function's net cost (total cost less revenues directly generated by the activities).

Table A-3
A comparative analysis of fiscal year 2017 to 2018 for:
Total and Net Costs of Services— Governmental Activities
(Amounts expressed in thousands)

	Total Cost of Services 2017	Total Cost of Services 2018	Net Cost of Services 2017	Net Cost of Services 2018
Functions/ Programs				
Instruction	$19,797	$18,986	$3,711	$2,796
Support services	10,924	10,582	3,516	2,559
Operation of non-instructional services	1,979	1,869	639	23
Total governmental activities	$32,700	$31,437	$7,866	$5,378

The above illustration shows LCTI's costs to fund the above instructional and support services exceeding the amount of program revenues allocated to these functions. The Net Instructional Cost of Services decreased $915,000 in 2018, which is mostly attributed to Vocational instruction, where the net cost of services of $2,698,000 was $978,000 less than in 2017. Support Service Net Cost of Services also incurred a large decrease of $957,000, the largest line items coming from Administrative costs, which had a decrease of $366,000 in Net Cost of Services, and Plant and Maintenance Services, which had a decrease of $305,000 in Net Cost of Services. Non-instructional Service Net Cost of Services decreased $616,000, since the Interest on Long-Term Debt was reduced to a more normal amount in 2018, after the bond refinancing in 2017.

Net Cost and Funding of Business-type Activities

The following table presents the expense function of LCTI's Cafeteria and Production Funds, the business-type activities of the School, as well as the net cost of these programs (total cost less revenues directly generated by the activities).

Table A-4
A comparative analysis of fiscal year 2017 to 2018 for:
Total and Net Costs of Services— Business-type Activities
(Amounts expressed in thousands)

	Total Cost of Services 2017	Total Cost of Services 2018	Net Cost of Services 2017	Net Cost of Services 2018
Functions/ Programs				
Cafeteria	$ 768	$ 737	$ 33	($19)
Production	870	825	52	98
Total business-type activities	$1,638	$1,562	$85	$79

This table shows the program revenues from charges for services in LCTI's Production Fund to be greater than the costs incurred for the program, however, the costs for the Cafeteria Fund exceed the program revenues. Operationally, the Cafeteria Fund had a net loss of $14,074 and the Production Fund had a net profit of $110,825, including the activity related to GASB Statements No. 68 and 71, and GASB 75. The combined net profit and loss of $96,751 is the Change in Net Position increase for 2018.

FINANCIAL ANALYSIS OF THE SCHOOL'S FUNDS

As of June 30, 2018, the LCTI's governmental funds reported a combined fund balance of $10,645,945, which represents a decrease of $424,666 from the prior year balance of $11,070,611 as of June 30, 2017. This decrease is due primarily to the Capital Outlay of $705,528 in Capital Projects Funds for various projects, exceeding the transfers in to Capital Projects of $302,527, by $403,001. The significant occurrences in the General and other funds are as follows:

- The LCTI General Fund balance of $3,398,362 includes Committed Fund Balance of $1,073,000 for Future Retirement Costs. The General Fund Balance also includes Assigned Fund Balance of $994,709 for Adult Education, which had a net loss of $210,414 in 2018, which was a planned fund reduction. Another Assigned Fund Balance, for Academic Center future member district payments, has a fund balance of $435,845, after $24,179 was retained from the Academic Center excess revenues over expenditures, which is in accordance with General Fund retainage policy. An Unassigned Fund Balance of $894,808 exists which is available for future years' budgeting, increased by the $87,836 in retainage of excess revenues for 2018, also in accordance with General Fund retainage policy. In addition, $77,000 was moved from the Committed Fund Balance for Future Retirement costs to the Unassigned Fund Balance. In addition, the Nonspendable Fund Balance for prepaid expenses decreased by $9,217 in 2018, which resulted in an increase of the same amount to the Unassigned Fund Balance. The Unassigned Fund Balance is used to balance the amount required in future years from school districts to fund the secondary program. The Unassigned Fund Balance that can be accumulated is limited to 5 percent of the total General Fund expenditures.

- A net decrease to LCTI's Capital Projects Funds of $327,065 resulted from the Capital Outlay for various projects of $705,528, exceeding transfers received from member districts of $302,527, plus the interest earnings of $75,936. For accounting purposes, there are now three separate Capital Projects funds, the traditional Capital Projects Fund, the Capital Projects Technology Fund, and the Capital Projects 2017B Proceeds Construction Fund. A schedule showing the allocation of these three funds is included in the supplementary information section of the report. The annual transfer amount from the General Fund was $100,000 for the traditional Capital Projects Fund and $202,527 for the Capital Projects Technology Fund.

- As of June 30, 2018, LCTI's Proprietary Fund reported total net position of $1,064,039, which is an increase of $96,751 for 2018. This increase is the result of the combined Cafeteria Fund net loss of $14,074 and the Production Fund net profit of $110,825 for 2018. As was previously mentioned, an effort was made to reduce Cafeteria Fund Balance due to the Excess Cash Resources LCTI has accumulated, per the School Nutrition Program Financial Report. To that end, LCTI purchased new updated equipment, hired additional staff, realigned staff, improved the food quality, and included a la carte items with each approved meal. The net profit/loss amounts are net of the activity related to GASB Statements No. 68 and 71, and GASB 75. The Beginning of Fiscal Year – Net Position balances for both the Cafeteria and Production funds, were Restated, due to the implementation of GASB No. 75 in relation to Other Postemployment Benefits.

General Fund Budgetary Highlights

During the fiscal year, the Joint Operating Committee approves revisions to the original budget to accommodate variances from original budget estimates to actual expenditures. A schedule of the LCTI's original and final budget amounts compared with actual revenues and expenditures is presented in the supplementary information section of the report.

Total final revenues are below budgeted numbers by $2,173,000, of which $1,318,000 can be attributed to Local Sources. Adult Education actual revenues were $1,207,000 less than budgeted as LCTI continues to seek alternate methods to help students with tuition costs and made a conscious effort to reducing costs by running larger class number programs. The Local Source – Other LEAs variance is largely attributable to the General Fund Excess Revenues for 2017-2018, as the traditional excess revenue being returned to the member districts in 2018-2019 for the General Fund amounts to $263,509. The Academic Center will return $72,538 to member districts in the 2018-2019 school year. State Source revenues were $426,000 below budget, due to actual State Vocational Education Subsidies received being $594,000 below budget. Federal Source revenues were $153,000 over the budgeted amount, largely due to recognizing Adult Education tuition payments from the U.S. Department of Labor under the Trade Adjustment Assistance Program in the amount of $136,180 for 2018, which were not budgeted.

Expenditure variances were all positive, as overall expenditures were $1,422,000 less than budget. Instructional expenses had a positive variance of $1,079,000, of which Adult Education had a positive variance of $770,000, which is in line with the revenue budget being $1,207,000 below budget as stated in the previous paragraph. Adult Education expenditures are under budget in keeping with the Adult Education plan to hold fewer classes with more students per class. Support Services had a positive variance of $323,000, the Central Support Services line item having the largest positive variance of $104,000, due to many smaller positive variances, the largest of which was repair & maintenance expenses for Central Support Services, being $27,000 below budget. The Budgetary Reserve Account balances of $185,000 for the General Fund and $14,000 for the Academic Center, were both not used for fiscal year 2017-2018.

CAPITAL ASSETS

As of June 30, 2018, LCTI had $40,979,401 invested in capital assets.

Table A-5
A comparative analysis of fiscal year 2017 to 2018 for:
Capital Assets— Net of Depreciation
(Amounts expressed in thousands)

	Total Assets 2017	**Accumulated Depreciation 2017**	**Balance Net of Depreciation 2017**	**Total Assets 2018**	**Accumulated Depreciation 2018**	**Balance Net of Depreciation 2018**
Governmental Activities						
Land	$ 95	$ 0	$ 95	$ 95	$ 0	$ 95
Construction in Progress	0	0	0	97	0	97
Buildings and Building Improvements	60,109	26,910	33,199	60,817	29,018	31,799
Fixtures and Equipment	27,088	19,293	7,795	28,360	20,467	7,893
Vehicles	1,798	1,130	668	1,816	1,168	648
Textbooks	567	473	94	614	518	96
Total Governmental Activities	$ 89,657	$ 47,806	$ 41,851	$ 91,799	$ 51,171	$ 40,628
Business-type Activities						
Buildings and Building Improvements	$ 344	$ 127	$ 217	$ 344	$ 133	$ 211
Fixtures and Equipment	547	398	149	538	398	140
Total Business-type Activities	$ 891	$ 525	$ 366	$ 882	$ 531	$ 351

The decrease in Governmental Activity net capital assets from the prior year of $1,223,000 is the result of annual depreciation for 2017-2018 of $4,061,000, which exceeds the amount of capital asset additions of $2,895,000, by $1,165,000. Business-Type Activities capital assets had a net decrease of $15,000, which is the amount by which annual depreciation expense of $43,000 exceeds capital asset additions of $28,000 for the Cafeteria and Production funds in 2018.

Long-Term Debt

Outstanding long-term debt totaling $45,935,369 as of June 30, 2018, consists of revenue bonds of $44,430,000 with varying maturity dates through the year 2040 and bond discounts and premiums totaling $1,505,369. Principal payments totaled $1,180,000 during the fiscal year, with interest payments of $1,782,611.

ECONOMIC FACTORS AND THE 2018-2019 BUDGET

1. The School has prepared a General Fund Budget for the next school year, or the fiscal year ending June 30, 2019. The total 2018-2019 Budget of $26,602,200 represents an increase of $343,100, or 1.31 percent, from the total 2017-2018 Budget of $26,259,100. The member districts' increase is $152,300, or .75 percent. Included in the receipts from member districts for 2018-2019, is the $2,961,220 debt service payment for the school's 2005 modernization and expansion, and new funds obtained in 2017 for various site improvements including a new welding lab. The 2018-2019 Facility Capital Projects contribution is $100,000 and the Technology Reserve Fund is $197,580. The Technology Reserve Fund is a new fund created during the 2017 refinancing process as a method to address the technology infrastructure needs of the site. As in previous years, the actual member district shares will be decreased by unexpended funds and excess revenue that is returned to the districts at the end of the year.

The 2018-2019 General Fund Budget represents a sincere effort of the Joint Operating Committee's Business and Finance Committee and the administrative staff to provide a quality program of career and technical education, and to demonstrate fiscal responsibility in an era of severely constrained resources. The administrative staff will develop proposals for competitive state and federal grants and will continue to seek industry donations to help offset operating expenses and lower the member districts' cost.

The 2018-2019 budget priorities include maintaining program quality, increasing student academic and technical skills achievement, and increased attainment of industry credentials and end of program tests.

The 2018-2019 budget highlights include the following:

- Staff salary and hourly rate increases were budgeted based on contractual agreements and compensation plans, resulting in salary increases, net of employee turnover, of $374,400 for 2018-2019.

- Instructional staff changes budgeted include the addition of two Special Education Facilitators and an Electromechanical Instructor for a new Level 1 lab to meet job market demand. A part-time Health Occupation Instructional Assistant position was added for a new Health Academy, which was revamped to meet training and job market needs. An Instructional Technology Specialist position was added to help promote technology needs in the classroom.

- Staff eliminations and reductions include the removal of one vacant teacher position (Auto Collision), the removal of a vacant IT Technician position, and thirteen staff replacements, ten of which were instructor positions that results in savings.

- LCTI closely and thoroughly, analyzes and identifies staff needs based on educational priorities to determine the most efficient and cost effective mix of full and part time staffing levels.

- Employee benefit increases of 2.80 percent for a total dollar value of $216,700 are projected. Employer Retirement payments which increase to 33.43% from 32.57%, projects to a total net increase of $220,500. Healthcare total expense projects a net decrease of $41,000, which consists of a $37,100 decrease due to employee selected plan changes and a $3,900 increase in employee premium share (which is a decrease in LCTI expense). An Opt-out incentive was selected by ten employees, of which seven were instructors and three administrators.

- A Vulnerability Survey will be conducted in 2018-2019, at a projected cost of $20,000, to continue to identify and address the proliferation of security concerns in education. Because of these concerns, LCTI added Cyber Security Insurance for the first time in 2018.

- Significant planned equipment expenditures include the purchase of new Welding Lab classroom furniture at a projected cost of $55,000, which will be used to plan and promote the new welding lab through the dedication of funds to reflect the modern workplace. Automated Custodial Equipment at a projected cost of $40,000 will recognize that automation can be utilized in the LCTI labor force.

- The judicious use of $101,000 of Committed Fund Balance for Future Retirement Costs is anticipated, in an effort to smooth the effect of rising employee pension costs and balance the 2018-2019 General Fund Budget.

- An Academic Center Budget was approved having total expenditures of $1,819,400, an increase of $73,100 or 4.2 percent, and the member districts increase will be $58,500, or 3.8 percent.

In order to comply with the Continuing Disclosure covenants of the State Public School Building Authority issued General Obligation Bond dated March 1, 2017, the following information is presented:

Market Values by Member School Districts

Member School District	2015	2016	2017	Percent of Change 2015 - 2017
Allentown	$ 4,257,813,000	$ 4,702,502,730	$ 4,564,251,308	7.20%
Catasauqua	847,727,100	896,859,345	889,251,650	4.90%
East Penn	4,733,941,529	4,885,960,033	5,059,847,061	6.88%
Northern Lehigh	682,059,204	677,632,631	678,266,002	-0.56%
Northwestern Lehigh	1,391,109,706	1,484,424,731	1,533,260,717	10.22%
Parkland	7,321,549,382	7,227,426,285	7,428,335,722	1.46%
Salisbury Township	1,178,658,485	1,184,583,678	1,184,618,873	0.51%
Southern Lehigh	2,450,391,092	2,504,344,096	2,542,956,237	3.78%
Whitehall- Coplay	2,059,507,715	2,143,504,805	2,149,156,314	4.35%
Total	$ 24,922,757,213	$ 25,707,238,334	$ 26,029,943,884	4.44%

Source: PA State Tax Equalization Board

Participating District Enrollment History
For Grades 9-12

Member School District	2013-14	2014-15	2015-16	2016-17	2017-18	% Change (6/30/17-6/30/18)
Allentown	4,452	4,484	4,679	5,233	5,143	-1.72%
Catasauqua	465	485	466	476	473	-0.63%
East Penn	2,575	2,645	2,626	2,654	2,754	3.77%
Northern Lehigh	548	537	554	516	516	0.00%
Northwestern Lehigh	739	733	750	749	745	-0.53%
Parkland	3,153	3,123	3,179	3,227	3,220	-0.22%
Salisbury Township	580	572	568	577	574	-0.52%
Southern Lehigh	1,051	1,045	1,078	1,074	1,080	0.56%
Whitehall- Coplay	1,396	1,408	1,399	1,437	1,428	-0.63%
Total	14,959	15,032	15,299	15,943	15,933	-0.06%
Percent Change per Year	N/A	0.49%	1.78%	4.21%	-0.06%	

Source: PDE K-12 School Statistics 2017-2018 Enrollment

CONTACTING THE LCTI FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, parents, students, customers, investors, creditors, and taxpayers of our member districts with a general overview of the LCTI financial operations and to show the Joint Operating Committee's accountability for the money it receives. If you have questions about this report or wish to request additional financial information, please contact Patricia T. Bader, Business Administrator, Lehigh Career & Technical Institute, 4500 Education Park Drive, Schnecksville PA 18078; Telephone: 610-799-1335, Fax: 610-799-1314 or E-mail: baderp@lcti.org.

LEHIGH CAREER & TECHNICAL INSTITUTE

STATEMENT OF NET POSITION

June 30, 2018

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and Investments	$ 12,164,823	$ 1,806,574	$ 13,971,397
Internal Balances	(20,381)	20,381	-
Intergovernmental Receivables	1,846,468	30,164	1,876,632
Other Receivables	20,314	40,663	60,977
Inventories	-	286,777	286,777
Capital Assets Not Being Depreciated	191,961	-	191,961
Capital Assets, Net of Accumulated Depreciation	40,435,753	351,687	40,787,440
TOTAL ASSETS	54,638,938	2,536,246	57,175,184
DEFERRED OUTFLOWS OF RESOURCES			
Deferred Charge on Bond Refunding	1,142,805	-	1,142,805
Deferred Outflows of Resources for Other Postemployment Benefits - Health Insurance Premium Assistance Program	101,627	3,678	105,305
Deferred Outflows of Resources for Other Postemployment Benefits - LCTI Plan	411,720	-	411,720
Deferred Outflows of Resources for Pension	6,866,535	228,088	7,094,623
TOTAL DEFERRED OUTFLOWS OF RESOURCES	8,522,687	231,766	8,754,453
LIABILITIES			
Intergovernmental Payables	1,623,064	-	1,623,064
Accounts Payable	571,650	10,549	582,199
Accrued Interest	441,555	-	441,555
Accrued Salaries and Benefits	1,104,200	-	1,104,200
Unearned Revenues	66,365	7,555	73,920
Other Current Liabilities	-	2,083	2,083
Noncurrent Liabilities - Due Within One Year	1,195,000	4,160	1,199,160
Noncurrent Liabilities:			
Bonds Payable, Net	44,740,369	-	44,740,369
Long-Term Portion of Compensated Absences	1,024,955	-	1,024,955
Net Other Postemployment Benefit Obligation - Health Insurance Premium Assistance Program	1,857,032	63,968	1,921,000
Total Other Postemployment Benefit Obligation - LCTI Plan	3,181,396	-	3,181,396
Net Pension Liability	45,017,462	1,555,538	46,573,000
TOTAL LIABILITIES	100,823,048	1,643,853	102,466,901
DEFERRED INFLOWS OF RESOURCES			
Deferred Inflows of Resources for Other Postemployment Benefits - Health Insurance Premium Assistance Program	145,005	4,995	150,000
Deferred Inflows of Resources for Pension	1,567,537	55,125	1,622,662
TOTAL DEFERRED INFLOWS OF RESOURCES	1,712,542	60,120	1,772,662
NET POSITION			
Net Investment in Capital Assets	1,762,851	351,687	2,114,538
Restricted for Capital Projects	1,319,047	-	1,319,047
Unrestricted (Deficit)	(42,455,863)	712,352	(41,743,511)
TOTAL NET POSITION (DEFICIT)	$ (39,373,965)	$ 1,064,039	$ (38,309,926)

See accompanying notes.

LEHIGH CAREER & TECHNICAL INSTITUTE

STATEMENT OF ACTIVITIES

For the Year Ended June 30, 2018

		Program Revenue			Net (Expense) Revenue and Changes in Net Position		
Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental Activities							
Instructional Services:							
Regular Programs - Elementary/Secondary	$ 2,226,856	$ 1,444,241	$ 244,315	$ -	$ (538,300)	$ -	$ (538,300)
Special Programs - Elementary/Secondary	1,118,776	257,003	765,982	-	(95,791)	-	(95,791)
Vocational Education	11,235,606	7,268,109	1,258,513	11,372	(2,697,612)	-	(2,697,612)
Other Instructional Programs - Elementary/Secondary	1,465,326	865,345	277,448	-	(322,533)	-	(322,533)
Adult Education Programs	2,939,688	2,826,697	971,100	-	858,109	-	858,109
Total Instructional Services	18,986,252	12,661,395	3,517,358	11,372	(2,796,127)	-	(2,796,127)
Support Services:							
Students	940,217	607,147	106,773	-	(226,297)	-	(226,297)
Instructional Staff	879,662	405,325	323,264	-	(151,073)	-	(151,073)
Administration	1,921,760	1,241,115	218,054	-	(462,591)	-	(462,591)
Pupil Health	156,059	99,618	19,311	-	(37,130)	-	(37,130)
Business	833,231	548,880	79,772	-	(204,579)	-	(204,579)
Operation and Maintenance of Plant Services	3,631,065	2,486,087	218,359	-	(926,619)	-	(926,619)
Student Transportation Services	6,984	5,088	-	-	(1,896)	-	(1,896)
Central	2,213,376	1,473,063	191,270	-	(549,043)	-	(549,043)
Total Support Services	10,582,354	6,866,323	1,156,803	-	(2,559,228)	-	(2,559,228)
Noninstructional Services:							
Student Activities	78,772	54,608	3,810	-	(20,354)	-	(20,354)
Community Services	7,409	5,342	78	-	(1,989)	-	(1,989)
Interest on Long-Term Debt	1,782,801	-	-	1,782,611	(190)	-	(190)
Total Noninstructional Services	1,868,982	59,950	3,888	1,782,611	(22,533)	-	(22,533)
Total Governmental Activities	31,437,588	19,587,668	4,678,049	1,793,983	(5,377,888)	-	(5,377,888)
Business-Type Activities:							
Food Services	736,894	188,925	528,975	-	-	(18,994)	(18,994)
Production Services	825,093	890,378	32,889	-	-	98,174	98,174
Total Business-Type Activities	1,561,987	1,079,303	561,864	-	-	79,180	79,180
Total Primary Government	$ 32,999,575	$ 20,666,971	$ 5,239,913	$ 1,793,983	(5,377,888)	79,180	(5,298,708)
General Revenues:							
Grants, Subsidies, and Contributions Not Restricted for Specific Programs					3,746,099	-	3,746,099
Investment Earnings					148,261	17,571	165,832
Miscellaneous Income					130,080	-	130,080
Total General Revenues					4,024,440	17,571	4,042,011
Change in Net Position					(1,353,448)	96,751	(1,256,697)
Net Position (Deficit) - Beginning of Year - Restated					(38,020,517)	967,288	(37,053,229)
Net Position (Deficit) - End of Year					$ (39,373,965)	$ 1,064,039	$ (38,309,926)

See accompanying notes.

LEHIGH CAREER & TECHNICAL INSTITUTE

BALANCE SHEET
GOVERNMENTAL FUNDS

June 30, 2018

	General	Capital Projects	Debt Service	Total Governmental Funds
ASSETS				
Cash and Investments	$ 4,917,240	$ 7,246,748	$ 835	$ 12,164,823
Interfund Receivables	74,230	-	-	74,230
Intergovernmental Receivables	1,846,468	-	-	1,846,468
Other Receivables	19,500	-	-	19,500
TOTAL ASSETS	$ 6,857,438	$ 7,246,748	$ 835	$ 14,105,021
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Interfund Payables	$ 93,797	$ -	$ -	$ 93,797
Intergovernmental Payables	1,623,064	-	-	1,623,064
Accounts Payable	571,650	-	-	571,650
Accrued Salaries and Benefits	1,104,200	-	-	1,104,200
Unearned Revenues	66,365	-	-	66,365
TOTAL LIABILITIES	3,459,076	-	-	3,459,076
FUND BALANCES				
Restricted for:				
Debt Service	-	-	835	835
Capital Projects	-	7,246,748	-	7,246,748
Committed for:				
Future Retirement Costs	1,073,000	-	-	1,073,000
Assigned for:				
Academic Center	435,845	-	-	435,845
Adult Education	994,709	-	-	994,709
Unassigned	894,808	-	-	894,808
TOTAL FUND BALANCES	3,398,362	7,246,748	835	10,645,945
TOTAL LIABILITIES AND FUND BALANCES	$ 6,857,438	$ 7,246,748	$ 835	$ 14,105,021

See accompanying notes.

LEHIGH CAREER & TECHNICAL INSTITUTE

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE GOVERNMENT-WIDE STATEMENT OF NET POSITION

June 30, 2018

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

TOTAL FUND BALANCES - GOVERNMENTAL FUNDS		$ 10,645,945
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds. The cost of the assets is $91,799,458 and the accumulated depreciation is $51,171,744.		40,627,714
The net pension liability and related deferred outflows and inflows of resources for pensions are not reflected on the fund financial statements.		(39,718,464)
The net other postemployment benefit obligations and related deferred outflows and inflows of resources for other postemployment benefits are not reflected on the fund financial statements.		(4,670,086)
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported as liabilities in the funds. Long-term liabilities at year end consist of:		
Bonds Payable	$ (44,430,000)	
Accrued Interest on Bonds	(441,555)	
Unamortized Bond Premium	(1,547,679)	
Unamortized Bond Discount	42,310	
Deferred Charge on Bond Refunding	1,142,805	
Long-Term Portion of Compensated Absences	(1,024,955)	(46,259,074)
TOTAL NET POSITION (DEFICIT) - GOVERNMENTAL ACTIVITIES		$ (39,373,965)

LEHIGH CAREER & TECHNICAL INSTITUTE

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS

For the Year Ended June 30, 2018

	General	Capital Projects	Debt Service	Total Governmental Funds
REVENUES				
Local Sources	$ 2,427,852	$ 75,936	$ 1,953	$ 2,505,741
Local Sources - Other LEAs	21,370,779	-	-	21,370,779
State Sources	5,239,667	-	-	5,239,667
Federal Sources	893,107	-	-	893,107
TOTAL REVENUES	29,931,405	75,936	1,953	30,009,294
EXPENDITURES				
Current:				
Instructional Services	17,181,581	-	-	17,181,581
Support Services	9,564,641	-	-	9,564,641
Operation of Noninstructional Services	83,073	-	-	83,073
Capital Outlay	-	705,528	-	705,528
Debt Service:				
Principal	-	-	1,180,000	1,180,000
Interest	-	-	1,782,611	1,782,611
TOTAL EXPENDITURES	26,829,295	705,528	2,962,611	30,497,434
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	3,102,110	(629,592)	(2,960,658)	(488,140)
OTHER FINANCING SOURCES (USES)				
Sale of Capital Assets	63,474	-	-	63,474
Transfers In	1,155	302,527	2,962,611	3,266,293
Transfers Out	(3,265,138)	-	(1,155)	(3,266,293)
TOTAL OTHER FINANCING SOURCES (USES)	(3,200,509)	302,527	2,961,456	63,474
NET CHANGE IN FUND BALANCES	(98,399)	(327,065)	798	(424,666)
FUND BALANCES - BEGINNING OF YEAR	3,496,761	7,573,813	37	11,070,611
FUND BALANCES - END OF YEAR	$ 3,398,362	$ 7,246,748	$ 835	$ 10,645,945

LEHIGH CAREER & TECHNICAL INSTITUTE

RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES

For the Year Ended June 30, 2018

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

NET CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS		$ (424,666)
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. In the current period, these amounts are:		
Capital Outlays	$ 2,895,272	
Less: Depreciation Expense	(4,060,549)	
Disposal of Assets	(57,649)	(1,222,926)
Issuance of long-term debt (e.g., bonds) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds.		
Repayment of Bond Principal	1,180,000	
Amortization of Bond Discount	(1,902)	
Amortization of Bond Premium	76,428	
Amortization of Deferred Charge on Bond Refunding	(78,814)	1,175,712
Interest expense incurred on long-term debt in the statement of activities differs from the amount reported in the governmental funds because interest is recognized as an expenditure in the funds when it is due and, thus, requires the use of current financial resources.		4,098
In the statement of activities, certain operating expenses - compensated absences (vacations and sick days) are measured by the amounts earned during the year.		(39,174)
The change in net pension liability and related deferred outflows and inflows of resources are reflected as an adjustment to expense on the statement of activities, but not included in the fund statements.		(671,801)
The change in other postemployment benefit obligations and related deferred outflows and inflows of resources are reflected as an adjustment to expense on the statement of activities, but not included in the fund statements.		(174,691)
CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES		$ (1,353,448)

LEHIGH CAREER & TECHNICAL INSTITUTE

STATEMENT OF NET POSITION
PROPRIETARY FUNDS

June 30, 2018

	Cafeteria Fund	Production Fund	Total
ASSETS			
CURRENT ASSETS			
Cash and Investments	$ 457,596	$ 1,348,978	$ 1,806,574
Interfund Receivables	29,541	66,076	95,617
Intergovernmental Receivables	15,001	15,163	30,164
Other Receivables, Net	-	40,663	40,663
Inventories	24,372	262,405	286,777
TOTAL CURRENT ASSETS	526,510	1,733,285	2,259,795
NONCURRENT ASSETS			
Buildings and Building Improvements	-	344,463	344,463
Equipment	422,757	115,450	538,207
Accumulated Depreciation	(289,158)	(241,825)	(530,983)
TOTAL NONCURRENT ASSETS	133,599	218,088	351,687
TOTAL ASSETS	660,109	1,951,373	2,611,482
DEFERRED OUTFLOWS OF RESOURCES			
Deferred Outflows of Resources for Other Postemployment Benefits - Health Insurance Premium Assistance Program	2,297	1,381	3,678
Deferred Outflows of Resources for Pension	141,611	86,477	228,088
TOTAL DEFERRED OUTFLOWS OF RESOURCES	143,908	87,858	231,766
LIABILITIES			
CURRENT LIABILITIES			
Interfund Payables	42,855	32,381	75,236
Accounts Payable	7,044	3,505	10,549
Unearned Revenues	7,555	-	7,555
Other Current Liabilities	-	2,083	2,083
Compensated Absences	4,160	-	4,160
TOTAL CURRENT LIABILITIES	61,614	37,969	99,583
NONCURRENT LIABILITIES			
Net Other Postemployment Benefit Obligation - Health Insurance Premium Program	38,996	24,972	63,968
Net Pension Liability	945,432	610,106	1,555,538
TOTAL LIABILITIES	1,046,042	673,047	1,719,089
DEFERRED INFLOWS OF RESOURCES			
Deferred Inflows of Resources for Other Postemployment Benefits - Health Insurance Premium Assistance Program	3,045	1,950	4,995
Deferred Inflows of Resources for Pension	32,845	22,280	55,125
TOTAL DEFERRED INFLOWS OF RESOURCES	35,890	24,230	60,120
NET POSITION			
Investment in Capital Assets	133,599	218,088	351,687
Unrestricted (Deficit)	(411,514)	1,123,866	712,352
TOTAL NET POSITION (DEFICIT)	$ (277,915)	$ 1,341,954	$ 1,064,039

See accompanying notes.

LEHIGH CAREER & TECHNICAL INSTITUTE

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
PROPRIETARY FUNDS

For the Year Ended June 30, 2018

	Cafeteria Fund	Production Fund	Total
OPERATING REVENUES			
Food Service Revenue	$ 188,925	$ -	$ 188,925
Production Service Revenue	-	890,378	890,378
TOTAL OPERATING REVENUES	188,925	890,378	1,079,303
OPERATING EXPENSES			
Salaries	272,629	165,229	437,858
Employee Benefits	140,992	74,669	215,661
GASB Pension and OPEB Expense	9,111	8,373	17,484
Purchased Professional Services	2,387	550	2,937
Other Purchased Services	862	4,833	5,695
Supplies	277,497	549,789	827,286
Depreciation	33,294	9,213	42,507
Other Expenses	122	12,437	12,559
TOTAL OPERATING EXPENSES	736,894	825,093	1,561,987
OPERATING INCOME (LOSS)	(547,969)	65,285	(482,684)
NONOPERATING REVENUES			
Earnings on Investments	4,920	12,651	17,571
State Sources	70,586	32,889	103,475
Federal Sources	458,389	-	458,389
TOTAL NONOPERATING REVENUES	533,895	45,540	579,435
CHANGE IN NET POSITION	(14,074)	110,825	96,751
NET POSITION (DEFICIT) - BEGINNING OF YEAR - RESTATED	(263,841)	1,231,129	967,288
NET POSITION (DEFICIT) - END OF YEAR	$ (277,915)	$ 1,341,954	$ 1,064,039

LEHIGH CAREER & TECHNICAL INSTITUTE

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS

For the Year Ended June 30, 2018

	Cafeteria Fund	Production Fund	Total
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash Received from Users	$ 185,332	$ -	$ 185,332
Cash Received from Other Operating Revenues	-	885,425	885,425
Cash Payments to Employees for Services	(416,079)	(239,144)	(655,223)
Cash Payments to Suppliers for Goods and Services	(234,713)	(564,139)	(798,852)
NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES	(465,460)	82,142	(383,318)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
State Sources	70,637	32,889	103,526
Federal Sources	404,137	-	404,137
NET CASH PROVIDED BY NONCAPITAL FINANCING ACTIVITIES	474,774	32,889	507,663
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Purchases of Equipment	(27,943)	-	(27,943)
CASH FLOWS FROM INVESTING ACTIVITIES			
Earnings on Investments	4,920	12,651	17,571
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(13,709)	127,682	113,973
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	471,305	1,221,296	1,692,601
CASH AND CASH EQUIVALENTS - END OF YEAR	$ 457,596	$ 1,348,978	$ 1,806,574

LEHIGH CAREER & TECHNICAL INSTITUTE

STATEMENT OF CASH FLOWS - CONTINUED
PROPRIETARY FUNDS

For the Year Ended June 30, 2018

	Cafeteria Fund	Production Fund	Total
Reconciliation of Operating (Income) Loss to Net Cash Provided by (Used for) Operating Activities:			
Operating Income (Loss)	$ (547,969)	$ 65,285	$ (482,684)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities:			
Depreciation	33,294	9,213	42,507
Donated Commodities Used	56,062	-	56,062
Changes in Assets, Deferred Outflows of Resources, Liabilities, and Deferred Inflows of Resources:			
Interfund Receivables	(7,932)	2,949	(4,983)
Intergovernmental and Other Receivables	(3,654)	(4,953)	(8,607)
Inventories	(7,423)	64,627	57,204
Deferred Outflows of Resources for Other Postemployment Benefits - Health Insurance Premium Assistance Program	(208)	(39)	(247)
Deferred Outflows of Resources for Pension	18,750	15,991	34,741
Interfund Payables	5,283	(2,195)	3,088
Accounts Payable	(2,484)	(60,783)	(63,267)
Unearned Revenues	61	-	61
Other Current Liabilities	-	(374)	(374)
Compensated Absences	191	-	191
Net Other Postemployment Benefit Obligation - Health Insurance Premium Assistance Program	(3,675)	(2,354)	(6,029)
Net Pension Liability	(7,398)	(13,828)	(21,226)
Deferred Inflows of Resources for Other Postemployment Benefits - Health Insurance Premium Assistance Program	3,045	1,950	4,995
Deferred Inflows of Resources for Pension	(1,403)	6,653	5,250
Total Adjustments	82,509	16,857	99,366
NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES	$ (465,460)	$ 82,142	$ (383,318)

NONCASH NONCAPITAL FINANCING ACTIVITIES

During the year, the District used $56,062 of commodities

LEHIGH CAREER & TECHNICAL INSTITUTE

STATEMENT OF NET POSITION
FIDUCIARY FUNDS

June 30, 2018

	Private Purpose Trust Funds	Agency Funds
ASSETS		
CURRENT ASSETS		
Cash and Investments	$ 90,909	$ 213,450
TOTAL ASSETS	90,909	$ 213,450
LIABILITIES AND NET POSITION		
CURRENT LIABILITIES		
Interfund Payables	-	$ 814
Payroll Taxes and Withholdings	-	138,130
Other Current Liabilities	-	74,506
TOTAL LIABILITIES	-	$ 213,450
NET POSITION HELD IN TRUST	$ 90,909	

See accompanying notes.

LEHIGH CAREER & TECHNICAL INSTITUTE

STATEMENT OF CHANGES IN NET POSITION
FIDUCIARY FUND

For the Year Ended June 30, 2018

		Private Purpose Trust Funds
ADDITIONS		
Contributions		$ 9,640
Earnings on Investments		1,026
	TOTAL ADDITIONS	10,666
DEDUCTIONS		
Scholarships		12,520
	CHANGE IN NET POSITION	(1,854)
NET POSITION - BEGINNING OF YEAR		92,763
	NET POSITION - END OF YEAR	$ 90,909

Lehigh Career & Technical Institute ("LCTI") is located in Eastern Pennsylvania in Lehigh County and is comprised of nine participating districts. These districts are: Allentown School District, Catasauqua Area School District, East Penn School District, Northwestern Lehigh School District, Northern Lehigh School District, Parkland School District, Salisbury Township School District, Southern Lehigh School District, and Whitehall-Coplay School District.

LCTI is a joint venture, which is 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 LCTI, and conduct the affairs of LCTI within the limits of the budget adopted by the 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.

The Joint Operating Committee appoints a superintendent of record from among the participating school districts, who assists the executive director of LCTI, who also is appointed, in administering the vocational education of the students and implementing the policies and procedures adopted by the Joint Operating Committee.

The participating member districts' own financial activities are excluded from LCTI's financial statements and are not part of the reporting entity of LCTI.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Lehigh Career & Technical Institute have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the authoritative standard-setting body for the establishment of governmental accounting and financial reporting principles. The more significant of these accounting principles are as follows:

A. Reporting Entity

As required by generally accepted accounting principles, the financial statements of the reporting entity include those of LCTI (the primary government) and its component units.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

A. Reporting Entity - continued

LCTI used guidance contained in generally accepted accounting principles to evaluate the possible inclusion of related entities (authorities, boards, councils, etc.) within its reporting entity. Accounting principles generally accepted in the United States of America require that the reporting entity consists of the primary government and organizations for which the primary government is financially accountable. In addition, the primary government may determine through the exercise of management's professional judgment that the inclusion of an organization that does not meet the financial accountability criteria is necessary in order to prevent the reporting entity's financial statements from being misleading. In such instances, that organization should be included as a component unit if the nature and significance of their relationship with the primary government or other component units are such that the exclusion from the financial reporting entity would render the financial reporting entity's financial statements incomplete or misleading. In evaluating how to define the reporting entity, management has considered all potential component units.

Based on the foregoing criteria, the reporting entity has been defined to include all criteria for which LCTI is financially accountable or for which there is another significant relationship. Specific information on the nature of the various potential component units and a description of how the aforementioned criteria have been considered in determining whether or not to include or exclude such units in LCTI's financial statements are provided in the following paragraphs.

Blended Component Unit

Lehigh County Area Vocational-Technical Authority

Lehigh County Area Vocational-Technical Authority is considered to be a component unit of Lehigh Career & Technical Institute. The Authority is active and due to the relationship with the primary government (Lehigh Career & Technical Institute), the Authority is presented as a blended component unit and presented as though a part of the primary government.

Lehigh County Area Vocational-Technical School Authority is the owner of real property used by LCTI and has no formal activity. The Authority was a conduit party to the issuance of the Revenue Bonds Series A and B of 2017 (see Note 6).

Governments commonly enter into special arrangements with each other to provide or obtain needed services. A common type of such an arrangement is a joint venture. In addition to joint ventures, governments also enter into contracts to plan for and address certain activities for their mutual benefits; i.e., a jointly governed organization. LCTI itself is a joint venture organized by nine participating member school districts.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

B. Basis of Presentation - Government-Wide Financial Statements

Government-wide financial statements (i.e., the statement of net position and the statement of activities) display information about the reporting entity, except for its fiduciary activities. All fiduciary activities are reported only in the fund financial statements. The government-wide statements include separate columns for the governmental and business-type activities of the primary government, as well as any discretely presented component units. Governmental activities, which normally are supported by intergovernmental revenues and other nonexchange transactions, are reported separately from business-type activities which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from the legally separate component units for which the primary government is financially accountable.

The statement of activities demonstrates the level to which the direct expenses of a given function to LCTI are offset by the program revenues related to that function. Direct expenses are those that are directly related to and clearly identified with a function. Program revenues include 1) charges to customers, 2) or others who purchase, use, or directly benefit from services or goods provided by a given function or grants and contributions that are restricted to meet the operational or capital requirements of a function. Other items properly not included in program revenues are reported as general revenues.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are the contributions made to any component units from LCTI's governmental funds and transfers between governmental funds and business-type and fiduciary funds. Elimination of these contributions would distort the direct costs and program revenues reported for the various functions concerned.

C. Basis of Presentation - Fund Financial Statements

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

LCTI Reports the Following Major Governmental Funds:

General Fund: This fund is established to account for resources devoted to financing the general services that LCTI performs. Intergovernmental revenues and other sources of revenue used to finance the fundamental operations of LCTI are included in this fund. The fund is charged with all costs of operating LCTI for which a separate fund has not been established.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

C. Basis of Presentation - Fund Financial Statements - continued

LCTI Reports the Following Major Governmental Funds: - continued

Capital Projects Fund: This fund is established to account for financial resources to be used for the acquisition or construction of major capital equipment and facilities (other than those financed by proprietary funds).

Debt Service Fund: This fund is established for the purpose of accumulating resources for the payment of interest and principal for long-term debt obligations.

LCTI has the Following Major Enterprise Funds:

Cafeteria Fund: This fund accounts for all revenues, food purchases, and costs and expenses for the food service program. The intent of the governing body is that the costs of providing food services are covered by user charges and subsidies received.

Production Fund: The fund is used to account for LCTI's trade and industry production activities that are financed and operated in a manner similar to private business enterprises. The fund accounts for all revenues and expenses for the Trade and Industry Production Program.

Additionally, LCTI Reports the Following Fund Types:

Fiduciary Funds: LCTI’s fiduciary funds are trust funds and agency funds. Trust funds are used to account for assets held by LCTI under a trust agreement for individuals, private organizations, or other governments and are, therefore, not available to support LCTI’s own programs. LCTI’s only trust funds are the private-purpose trusts. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. LCTI’s student activity and payroll funds are agency funds.

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

C. Basis of Presentation - Fund Financial Statements - continued

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

D. Measurement Focus and Basis of Accounting

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

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

The governmental fund financial statements are reported using the *current financial resources measurement* focus and the *modified accrual basis* of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements have been met. If time eligibility requirements are not met, deferred inflows of resources would be recorded. All other revenue items are considered to be measurable and available only when cash is received by the government.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, and claims and judgments, are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources.

The proprietary fund is reported using the *economic resources measurement focus* and the *accrual basis of accounting*. The trust fund is reported using the *accrual basis of accounting*. The agency fund has no measurement focus but utilizes the *accrual basis of accounting* for reporting its assets and liabilities.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

E. 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.

In accordance with the operating agreement of LCTI, the Joint Operating Committee adopts the general fund budget with a two-thirds affirmative vote of the participating school districts and a majority vote of all school directors comprising such participating boards.

Legal budgetary control is maintained at the sub-function/major object level. The PA School Code allows the Joint Operating Committee 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 Joint Operating Committee 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.

The amounts reported as the original budgeted amounts in the budgetary statements reflect the amounts in the PDE 2028 when the original appropriations were adopted. The amounts reported as the final budgeted amounts in the budgetary statements reflect the amounts after all 2017/2018 budget transfers.

F. Financial Position

1. Cash and Cash Equivalents
For purposes of the statement of cash flows, LCTI considers all highly-liquid investments with an original maturity of three months or less when purchased to be cash equivalents.

2. Investments
Investments are valued at fair value in accordance with Governmental Accounting Standards Board Statement No. 72, *Fair Value Measurement and Application*, except for investments in external investment pools, which are valued at amortized costs if required criteria are met as outlined in Governmental Accounting Standards Board Statement No. 79, *Certain External Investment Pools and Pool Participants*.

LCTI categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

F. Financial Position - continued

3. Interfund Transactions

Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the year are referred to as “interfund receivables/payables.” Any residual balances outstanding between the governmental and business-type activities are reported in the government-wide financial statements as “internal balances.”

4. Inventories and Prepaid Items

On government-wide financial statements, inventories are presented at the lower of cost or market on a first-in, first-out basis and are expensed when used.

Inventories of the governmental funds, consisting principally of textbooks and instructional supplies, are not valued since it is the policy of LCTI to charge these items to expense upon acquisition.

Inventories of the Enterprise Funds consisting of food and production services inventory are carried at cost, using the first-in, first-out method. Federal donated commodities are valued at their fair market value as determined by the U.S. Department of Agriculture at the date of donation. The inventories on hand at June 30, 2018, consist of the following:

	Business-Type		
	Cafeteria Fund	Production Fund	Total
Food	$ 12,863	$ -	$ 12,863
Commodities	3,326	-	3,326
Non-food	8,183	-	8,183
Supplies - School Store	-	9,735	9,735
Supplies - Distribution Center	-	252,670	252,670
Total	$ 24,372	$ 262,405	$ 286,777

Certain prepayments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements. The cost of prepaid items is recorded as expenditures/expenses when consumed rather than when purchased.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

F. Financial Position - continued

5. Capital Assets, Depreciation, and Amortization

LCTI's property, plant, and equipment with useful lives of more than one year are stated at historical cost and comprehensively reported in the government-wide financial statements. Proprietary capital assets are also reported in their respective financial statements. The reported value excludes normal maintenance and repairs which are essentially amounts spent in relation to capital assets that do not increase the capacity or efficiency of the item or extend its useful life beyond the original estimate. In the case of donations, the government values these capital assets at the estimated fair value of the item at the date of its donation.

LCTI generally capitalizes assets with costs of $1,000 or more as purchase and construction outlays occur. Management has elected to include certain homogeneous asset categories with individual assets less than $1,000 as composite groups for financial reporting purposes. Assets purchased or constructed with long-term debt may be capitalized regardless of the threshold established. Interest incurred during the construction phase of the business-type activities is included in the capitalized value of the assets constructed. The costs of normal maintenance and repairs that do not add to the asset value or materially extend useful lives are not capitalized. Capital assets, including those of component units, are depreciated using the straight-line method. When capital assets are disposed, the cost and applicable accumulated depreciation are removed from the respective accounts, and the resulting gain or loss is recorded in operations.

Estimated useful lives, in years, for depreciable assets of the governmental activities are as follows:

Assets	Years
Buildings and building improvements	20 - 50 years
Furniture, fixtures, and equipment	3 - 15 years
Vehicles	5 - 10 years
Textbooks	5 - 7 years

Estimated useful lives, in years, for depreciable assets of the business-type activities are as follows:

Buildings and building improvements	25 years
Equipment	5 - 7 years

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

F. Financial Position - continued

6. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expenses) until then. LCTI has three items that qualify for reporting in this category:

A *deferred charge on bond refunding* results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

Deferred outflows of resources for other postemployment benefit obligations relates to LCTI's obligation for postemployment benefits other than pensions and related expenses and arises from the changes in assumptions, actual versus expected results, changes in benefits, variances in expected versus actual investment earnings, changes in the employer's proportion, differences between employer contributions and the proportionate share of total contributions reported by the plan, or changes in the internal allocation of the net other postemployment benefit obligation between governmental and business-type activities or funds. These amounts are deferred and amortized over either a closed 5-year period or the average remaining service life of all employees depending on what gave rise to the deferred outflow. Also included are contributions or benefit payments made subsequent to the measurement date and prior to LCTI's year end. These payments will be recognized as a reduction to the net other postemployment benefit obligation in the following year.

Deferred outflows of resources for pension relates to LCTI's net pension liability and pension expense and arises from changes in assumptions, actual versus expected results, changes in benefits, variances in expected versus actual investment earnings, changes in the employer's proportion, differences between employer contributions and the proportionate share of total contributions reported by the pension plan, or changes in the internal allocation of the net pension liability between governmental and business-type activities or funds. These amounts are deferred and amortized over either a closed 5-year period or the average remaining service life of all employees depending on what gave rise to the deferred outflow. Also included are contributions made to the pension plan subsequent to the measurement date and prior to LCTI's year end. The contributions will be recognized as a reduction in net pension liability in the following year.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

F. Financial Position - continued

6. Deferred Outflows/Inflows of Resources - continued

In addition to liabilities, the statement of net position 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 a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. LCTI has two types of items that qualify for reporting in this category.

Deferred inflows of resources for other postemployment benefit obligations relate to LCTI's obligation for postemployment benefits other than pensions and related expenses and arise from changes in assumptions, actual versus expected results, changes in benefits, variances in expected versus actual investment earnings, changes in the employer's proportion, differences between employer contributions and the proportionate share of total contributions reported by the plan, or changes in the internal allocation of the other postemployment benefit obligation between governmental and business-type activities or funds. These amounts are deferred and amortized over either a closed 5-year period or the average remaining service life of all employees depending on what gave rise to the deferred inflow.

Deferred inflows of resources for pensions relate to LCTI's net pension liability and pension expense and arise from changes in assumptions, actual versus expected results, changes in benefits, variances in expected versus actual investment earnings, changes in the employer's proportion, differences between employer contributions and the proportionate share of total contributions reported by the pension plan, or changes in the internal allocation of the net pension liability between governmental and business-type activities or funds. These amounts are deferred and amortized over either a closed 5-year period or the average remaining service life of all employees depending on what gave rise to the deferred inflow.

7. Unearned Revenues

Revenues that are received but not earned are reported as unearned revenues in the government-wide and fund financial statements. Unearned revenues arise when resources are received prior to the incurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when LCTI has legal claim to the resources, the liability for unearned revenue is removed from the respective financial statements and revenue is recognized.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

F. Financial Position - continued

8. Net Position

Net position represents the difference between assets and deferred outflows of resources, less liabilities and deferred inflows of resources. Net investment in capital assets component of net position is comprised 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. In addition, any deferred outflows of resources and/or deferred inflows of resources related to such capital assets or liabilities associated with the capital assets should also be added to or deducted from the overall net investment in capital assets. The restricted component of net position is used when there are limitations imposed on their use, either through the enabling legislation adopted by a higher governmental authority or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The remaining component of net position is unrestricted.

It is LCTI's policy to consider restricted resources to have been depleted before unrestricted resources are applied.

9. Fund Balance Policies and Flow Assumptions

Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. The government itself can establish limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance).

The restricted fund balance classification represents funds that are limited in use due to constraints for a specific purpose through restrictions by external parties, grant agreements, or enabling legislation.

The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the government's highest level of decision-making authority. The Joint Operating Committee (JOC) is the highest level of decision-making authority for the government that can, by adoption of a resolution prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the resolution remains in place until a similar action is taken (the adoption of another resolution) to remove or revise the limitation.

Amounts in the assigned fund balance classification are intended to be used by the government for specific purposes but do not meet the criteria to be classified as committed. The executive director or business administrator may assign fund balance. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or review a commitment.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

F. Financial Position - continued

9. Fund Balance Policies and Flow Assumptions - continued

Under the general fund balance retainage policy, LCTI may retain no more than 25% of the surplus at the end of any fiscal year into unassigned fund balance. The unassigned fund balance of the general fund at the end of each fiscal year end shall not exceed 5% of the following year's projected budgeted expenditures.

Sometimes the government will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the government's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. LCTI's policy places no restrictions on the order of the unrestricted fund balances used and, therefore, government accounting standards suggest the following flow assumptions - first, committed; second, assigned; third, unassigned.

G. Revenues and Expenditures/Expense

1. Program Revenues

Amounts reported as program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment, and 2) grants and contributions (including special assessments) that are restricted to meeting the operations or capital requirements of a particular function or segment. All other internally dedicated resources are reported as general revenues rather than as program revenues.

2. Compensated Absences

Sick Pay

LCTI employees earn sick leave depending upon their classification. Sick leave is accumulated on an annual basis for all employees. There is no limit to the number of sick days which may be accumulated. Upon retirement, eligible employees are paid an established rate per day depending upon their classification.

Vacation Leave

LCTI employees are entitled to vacation based upon the employment agreements and schedule of benefits. Total vacation time per month applies from July 1 to June 30. Administrative personnel must use vacation days within eighteen months after they are awarded, or they shall be forfeited. Technical and support employees shall be awarded vacation days as determined by the terms of an applicable agreement or the collective bargaining contract.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

G. Revenues and Expenditures/Expense - continued

3. Proprietary Funds Operating and Nonoperating Revenues and Expenses

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the cafeteria fund are charges to customers for meals and services provided. The principal operating revenues of the production fund are charges to customers for trade and industry production activities. Operating expenses for the proprietary funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

H. Other Use of Estimates

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

NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Compliance with Finance Related Legal and Contractual Provisions

LCTI has no material violations of finance related legal and contractual provisions.

B. Deficit Fund Balance or Net Position of Individual Funds

Deficit Net Position - Proprietary Fund - Cafeteria Fund

For the year ended June 30, 2018, the implementation of GASB No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, and the accounting under GASB No. 68, *Accounting and Financial Reporting for Pensions,* and GASB No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date,* created a deficiency in net position at year end of $277,915. LCTI will fund this deficiency in future years through contributions to the Pennsylvania Public School Employees' Retirement Plan (PSERS) at the statutory rate and future benefit contributions.

C. Excess of Expenditures Over Appropriations in Individual Funds

No individual fund, which had a legally adopted budget, had an excess of expenditures over appropriations.

NOTE 3 - CASH AND INVESTMENTS

Under Section 440.1 of the Public School Code of 1949, as amended, LCTI is permitted to invest funds in the following types of investments:

> Obligations of (a) the United States of America or any of its agencies or instrumentalities backed by the full faith and credit of the United States of America, (b) the Commonwealth of Pennsylvania or any of its agencies or instrumentalities backed by the full faith and credit of the Commonwealth, or (c) any political subdivision of the Commonwealth of Pennsylvania or any of its agencies or instrumentalities backed by the full faith and credit of the political subdivision.
>
> Deposits in savings accounts, time deposits, or share accounts of institutions insured by the Federal Deposit Insurance Corporation to the extent that such accounts are so insured and, for any amounts above the insured maximum, provided that approved collateral as provided by law, therefore, shall be pledged by the depository.

The carrying amount of cash and investments at June 30, 2018, consists of the following:

Cash on hand	$ 340
Cash	835
Pooled cash	8,078,084
Investments	6,196,497
	$ 14,275,756

Deposits
Custodial Credit Risk
Custodial credit risk is the risk that in the event of a bank failure the government’s deposits may not be returned. LCTI does have a policy for custodial credit risk. As of June 30, 2018, LCTI did not have any accounts subject to this risk.

NOTE 3 - CASH AND INVESTMENTS - CONTINUED

Pooled Cash and Investments

As of June 30, 2018, LCTI had the following pooled cash and investments:

	Maturities	Fair Value	Level
PA Local Government Investment Trust (PLGIT):		$ 81,762	N/A
PA School District Liquid Asset Fund (PSDLAF):			
MAX Account Balance		3,428,291	N/A
Full Flex Pool	< 1 year	2,200,000	
Certificates of Deposit	< 1 year	3,648,000	N/A
Total		9,358,053	
Less Reconciling Items		(1,279,969)	
Total Pooled Cash		$ 8,078,084	
First American General Obligation Fund	< 1 year	$ 71,864	N/A
U.S. Treasury Bonds	< 1 year	1,210,150	2
U.S. Treasury Notes	< 1 year	4,914,483	2
Total Investments		$ 6,196,497	

Certain external investments held by LCTI, based on portfolio maturity, quality, diversification, and liquidity measures, qualify for measurement at amortized cost at both the pool and participating government level consistent with GASB Statement No. 79. LCTI measures those investments, which include $9,358,053 (PSDLAF and PLGIT), at amortized cost. All investments in external investment pools that are not registered with the Securities and Exchange Commission are subject to oversight by the Commonwealth of Pennsylvania.

A portion of LCTI's deposits are in the Pennsylvania Local Government Investment Trust (PLGIT) and the Pennsylvania School District Liquid Asset Fund (PSDLAF). PLGIT and PSDLAF act like a money market mutual fund in that their objective is to maintain a stable net asset value of $1 per share, is rated by a nationally recognized statistical rating organization, and is subject to an independent annual audit.

PLGIT invests primarily in U.S. Treasury and federal agency securities and repurchase agreements secured by such obligations, as well as certain municipal obligations and collateralized or insured certificates of deposit. The fund manager intends to comply with guidelines similar to those mandated for money-market funds as contained in Rule 2a-7 of the Investment Company Act of 1940.

NOTE 3 - CASH AND INVESTMENTS - CONTINUED

Pooled Cash and Investments - continued
PLGIT Class Shares are a flexible option within the PLGIT fund which requires no minimum balance, no minimum initial investment, and a one-day minimum investment period. Dividends are paid monthly.

The PSDMAX fund invests in U.S. treasury securities, U.S. government securities, its agencies and instrumentalities, and repurchase agreements, collateralized by such securities and contracted with highly-rated counterparties. Weighted average portfolio maturity for the fund is expected to be kept at or below 60 days. PSDMAX does not have limitations or restrictions on withdrawals.

The PSDLAF Full Flex Pool and Certificates of Deposit, as part of the Fixed-Term Series at PSDLAF, are fixed-term investments collateralized in accordance with Act 72 and invests in assets listed above as permitted under Section 440.1 of the Public School Code of 1949. The Fixed-Term Series are fixed-term investment vehicles with maturities depending upon the maturity date of each particular Fixed-Term Series. All investments in a Fixed-Term Series by a Settlor are intended to be deposited for the full term of the particular Fixed-Term Series; however, participants in the full flex pool may remove funds without early withdrawal penalty. Whether a Fixed-Term Series has only one Settlor or more than one Settlor participating in it, each certificate of deposit in which the monies in such Fixed-Term Series are invested is registered in the name of that particular Fixed-Term Series.

As of June 30, 2018, the entire book balance of pooled cash of $8,078,084 is considered to be a cash equivalent for presentation on the government-wide and fund financial statements.

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

Credit Risk
LCTI has an investment policy that would limit its investment choices to certain credit ratings. As of June 30, 2018, LCTI’s investments were rated as:

Investment	Standard & Poor's
PA Local Government Investment Trust	AAA
PA School District Liquid Asset Fund	AAA
First American Government Obligation Fund	AAA
U.S. Treasury Bonds	AAA
U.S. Treasury Notes	AAA

NOTE 3 - CASH AND INVESTMENTS - CONTINUED

Concentration of Credit Risk
LCTI places no limit on the amount that LCTI may invest in any one issuer. As of June 30, 2018, LCTI has no investments subject to concentration of credit risk.

Custodial Credit Risk
For an investment, custodial credit is the risk that in the event of the failure of the counterparty LCTI will not be able to recover the value of its investments or collateral security that are in the possession of an outside party. LCTI has an investment policy for custodial credit risk.

NOTE 4 - INTERGOVERNMENTAL RECEIVABLES/PAYABLES

Intergovernmental Receivables
The following amounts were intergovernmental receivables as of June 30, 2018:

Name of Governmental Unit	General Fund	Proprietary Cafeteria	Proprietary Production	Proprietary Total
Pennsylvania Department of Education	$ 833,077	$ 11,347	$ -	$ 11,347
Member Schools	863,078	3,654	9,495	13,149
Nonmember Schools	47,806	-	-	-
Bureau of Workforce Development	8,980	-	-	-
Workforce Development Board of Lehigh Valley	58,550	-	-	-
Other	34,977	-	5,668	5,668
	$ 1,846,468	$ 15,001	$ 15,163	$ 30,164

Intergovernmental Payables
The following amounts were intergovernmental payables as of June 30, 2018:

Name of Governmental Unit	General Fund
Pennsylvania School Employees Retirement System	$ 1,191,581
Member Schools	431,483
	$ 1,623,064

NOTE 5 - CHANGES IN CAPITAL ASSETS

Capital asset balances and activity for the year ended June 30, 2018, were as follows:

Governmental Activities

	Beginning Balance	Increase	Reclass/ Decrease	Ending Balance
Capital assets not being depreciated:				
Land	$ 95,302	$ -	$ -	$ 95,302
Construction in progress	-	96,659	-	96,659
Total not being depreciated	95,302	96,659	-	191,961
Capital assets being depreciated:				
Buildings and building improvements	60,108,603	716,392	(8,000)	60,816,995
Furniture and fixtures	2,615,679	187,768	(13,034)	2,790,413
Equipment	24,472,923	1,756,411	(659,737)	25,569,597
Vehicles	1,797,883	90,404	(72,422)	1,815,865
Textbooks	566,989	47,638	-	614,627
Total being depreciated	89,562,077	2,798,613	(753,193)	91,607,497
Less accumulated depreciation for:				
Buildings and building improvements	26,910,097	2,110,500	(2,401)	29,018,196
Furniture and fixtures	1,936,865	145,549	(10,651)	2,071,763
Equipment	17,356,491	1,655,857	(616,816)	18,395,532
Vehicles	1,129,760	103,874	(65,679)	1,167,955
Textbooks	473,526	44,769	3	518,298
Total accumulated depreciation	47,806,739	4,060,549	(695,544)	51,171,744
TOTAL CAPITAL ASSETS BEING DEPRECIATED, NET	41,755,338	(1,261,936)	(57,649)	40,435,753
GOVERNMENTAL ACTIVITIES, CAPITAL ASSETS, NET	$ 41,850,640	$ (1,165,277)	$ (57,649)	$ 40,627,714

Business-Type Activities

	Beginning Balance	Increase	Reclass/ Decrease	Ending Balance
Capital assets being depreciated:				
Buildings and building improvements	$ 344,463	$ -	$ -	$ 344,463
Equipment	546,455	27,943	(36,191)	538,207
Total being depreciated	890,918	27,943	(36,191)	882,670
Accumulated depreciation for:				
Buildings and building improvements	127,085	5,716	-	132,801
Equipment	397,582	36,791	(36,191)	398,182
Total accumulated depreciation	524,667	42,507	(36,191)	530,983
BUSINESS-TYPE ACTIVITIES, CAPITAL ASSETS, NET	$ 366,251	$ (14,564)	$ -	$ 351,687

NOTE 5 - CHANGES IN CAPITAL ASSETS - CONTINUED

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

Instructional Services:		
Regular Programs - Elementary/Secondary	$	102,723
Special Programs - Elementary/Secondary		3,677
Vocational Education		2,321,806
Other Instructional Programs - Elementary/Secondary		84,962
Adult Education Programs		464,378
Support Services:		
Students		9,789
Instructional Staff		52,716
Administration		15,312
Pupil Health		3,858
Business		33,015
Operation and Maintenance of Plant Services		785,189
Central		181,086
Community Services		2,038
TOTAL DEPRECIATION EXPENSE - GOVERNMENTAL ACTIVITIES	$	4,060,549

NOTE 6 - LONG-TERM LIABILITIES

Bonds payable are summarized as follows at June 30, 2018:

Revenue Bonds - Series A of 2017: The Series A of 2017 Revenue Bonds were issued by the State Public School Building Authority on March 1, 2017, in the original principal amount of $38,600,000. The proceeds of this bond were used to currently refund the outstanding balance of the Revenue Bond Series of 2007, as well as pay debt issuance costs. LCTI realized a present value savings of approximately $1,056,000 as a result of the refunding. Principal maturities occur on October 1, 2017 through the year 2038. Interest is payable semi-annually on April 1 and October 1, with interest ranging from 0.95% to 5.00%. The participating districts of LCTI are obligated to pay allocable shares for the rental (debt service) requirements which are payable from the current revenues of each of the participating districts in each applicable year. The allocable shares are based upon the market valuation of the participating district's taxable real estate. As title owner to the real estate, the Authority executed a lease agreement with the State Public School Building Authority with the rent payment equal to the net proceeds from the bond issuance. A sublease agreement was executed between the State Authority and LCTI with rental payments equal to the debt service requirements.	$ 37,720,000
Revenue Bonds - Series B of 2017: The Series B of 2017 Revenue Bonds were issued by the State Public School Building Authority on March 1, 2017, in the original principal amount of $7,265,000. The proceeds of this bond will be used to fund certain capital improvements projects of LCTI, as well as pay debt issuance costs. Principal maturities occur on April 1, 2017, and then October 1, 2017 through the year 2040. Interest is payable semi-annually on April 1 and October 1, with interest ranging from 0.90% to 4.00%. The participating districts of LCTI are obligated to pay allocable shares for the rental (debt service) requirements which are payable from the current revenues of each of the participating districts in each applicable year. The allocable shares are based upon the market valuation of the participating district's taxable real estate. As title owner to the real estate, the Authority executed a lease agreement with the State Public School Building Authority with the rent payment equal to the net proceeds from the bond issuance. A sublease agreement was executed between the State Authority and LCTI with rental payments equal to the debt service requirements.	6,710,000
	$ 44,430,000

NOTE 6 - LONG-TERM LIABILITIES - CONTINUED

The future annual payments required to amortize all outstanding bonds are as follows:

	Revenue Bonds Series A of 2017	Revenue Bonds Series B of 2017	Total Revenue Bonds Payable	Total Interest
2019	$ 885,000	$ 310,000	$ 1,195,000	$ 1,766,219
2020	900,000	320,000	1,220,000	1,738,731
2021	930,000	330,000	1,260,000	1,700,131
2022	965,000	340,000	1,305,000	1,654,681
2023	1,440,000	5,000	1,445,000	1,595,056
2024 - 2028	8,325,000	25,000	8,350,000	6,839,106
2029 - 2033	10,415,000	25,000	10,440,000	4,665,553
2034 - 2038	12,585,000	25,000	12,610,000	2,494,475
2039 - 2041	1,275,000	5,330,000	6,605,000	379,704
	$ 37,720,000	$ 6,710,000	$ 44,430,000	$ 22,833,656

Compensated Absences

Sick-Pay

Under LCTI's various bargaining agreements and plans, professional employees accumulate unused sick days without limitation. These unused sick days may be accumulated for future illnesses and are vested upon retirement.

LCTI maintains records of each employee's accumulated sick days that are vested with eligible employees. The sick leave termination benefit of $652,955 which includes the employer's share of FICA tax and retirement expense, is recorded as a long-term liability in the governmental activities column of the government-wide financial statements.

Vacation Leave

Unused vacation leave is paid upon an employee's termination. LCTI maintains records of each employee's accumulated vacation days. Vacation leave earned of $372,000, which includes the employer's share of FICA tax, is recorded as a long-term liability in the governmental activities column of the government-wide financial statement. The liability recorded in the Cafeteria Fund and in the business-type activity column of the government-wide financial statements is $4,160 at June 30, 2018.

NOTE 6 - LONG-TERM LIABILITIES - CONTINUED

Long-term liability balance and activity, except for the net pension liability and other postemployment benefits obligation, for the year ended June 30, 2018, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities					
Bonds Payable	$ 45,610,000	$ -	$ (1,180,000)	$ 44,430,000	$ 1,195,000
Bond Discounts	(44,212)	-	1,902	(42,310)	-
Bond Premiums	1,624,107	-	(76,428)	1,547,679	-
Total Bonds Payable	47,189,895	-	(1,254,526)	45,935,369	1,195,000
Compensated Absences	985,781	347,996	(308,822)	1,024,955	-
Total Governmental Activities	$ 48,175,676	$ 347,996	$ (1,563,348)	$ 46,960,324	$ 1,195,000
Business-Type Activities					
Compensated Absences	$ 3,969	$ 2,454	$ (2,263)	$ 4,160	$ 4,160

Payments on the bonds are made by the debt service fund via transfers from the general fund, with receipts from debt service assessments received from the member districts. The compensated absence liabilities will be liquidated by the general fund and the proprietary funds. Total interest paid during the year ended June 30, 2018, was $1,782,611.

NOTE 7 - HEALTH INSURANCE PREMIUM ASSISTANCE PROGRAM

Employee Defined Benefit Other Postemployment Benefits Plan
The Health Insurance Premium Assistance Program (HIPAP) is a cost-sharing, multiple-employer, employee defined benefit other postemployment benefits plan administered by PSERS.

Summary of Significant Accounting Policies

<u>Other Postemployment Benefits</u>

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.

NOTE 7 - HEALTH INSURANCE PREMIUM ASSISTANCE PROGRAM - CONTINUED

Employee Defined Benefit Other Postemployment Benefits Plan - continued

General Information About the Health Insurance Premium Assistance Program

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, 2017, there were no assumed future benefit increases to participating eligible retirees.

Premium Assistance Eligibility Criteria

Retirees of the System can participate in the HIPAP 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, 2017, there were no assumed future benefit increases to participating eligible retirees.

NOTE 7 - HEALTH INSURANCE PREMIUM ASSISTANCE PROGRAM - CONTINUED

Employee Defined Benefit Other Postemployment Benefits Plan - continued

General Information About the Health Insurance Premium Assistance Program - continued

Contributions:

The contribution policy is set by state statute. A portion of each employer's contribution is set aside for premium assistance. LCTI's contractually required contribution rate for the fiscal year ended June 30, 2018, 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 LCTI for the years ended June 30, 2018, 2017, and 2016 are $103,305; $102,954; and $104,450, respectively.

LCTI is also required to contribute a percentage of covered payroll to PSERS for pension benefits. Under the current legislation, the Commonwealth of Pennsylvania reimburses LCTI for no less than one-half of the employer contributions made, including contributions related to pension and healthcare. This arrangement does not meet the criteria of a special funding situation in accordance with GASB Standards. Therefore, the net HIPAP obligation and related expense represents 100% of LCTI's share of these amounts. The total reimbursement recognized by LCTI for the years ended June 30, 2018, 2017, and 2016 was $2,154,312; $1,938,165; and $1,644,187, respectively.

At June 30, 2018, LCTI had an accrued balance due to PSERS of $1,191,581, including balances related to pension and healthcare. This amount represents LCTI's contractually obligated contributions for wages earned in April 2018 through June 2018. The balance was paid in September 2018.

HIPAP OPEB Obligation, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

At June 30, 2018, LCTI reported an obligation of $1,921,000 for its proportionate share of the net OPEB obligation. The net OPEB obligation was measured as of June 30, 2017, and the total OPEB obligation used to calculate the net OPEB obligation was determined by rolling forward the System's total OPEB obligation as of June 30, 2016 to June 30, 2017. LCTI's proportion of the net OPEB obligation 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, 2018, LCTI's proportion was 0.0943%, which was a decrease of 0.0033% from its proportion measured as of June 30, 2017. The net OPEB obligation will be liquidated through future contributions to PSERS at statutory rates. Contributions will be made from the general, cafeteria, and production funds.

NOTE 7 - HEALTH INSURANCE PREMIUM ASSISTANCE PROGRAM - CONTINUED

Employee Defined Benefit Other Postemployment Benefits Plan - continued

HIPAP OPEB Obligation, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB - continued

For the year ended June 30, 2018, LCTI recognized OPEB expense of $69,954. At June 30, 2018, LCTI reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in assumptions	$ -	$ 89,000
Net difference between projected and actual investment earnings	2,000	-
Changes in proportion	-	61,000
Contributions made subsequent to the measurement date	103,305	-
	$ 105,305	$ 150,000

The $103,305 reported as deferred outflows of resources related to OPEB resulting from LCTI contributions made subsequent to the measurement date will be recognized as a reduction of the net OPEB obligation 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 for the years ending June 30:

2019	$ (25,000)
2020	(25,000)
2021	(25,000)
2022	(25,000)
2023	(25,000)
Thereafter	(23,000)
	$ (148,000)

NOTE 7 - HEALTH INSURANCE PREMIUM ASSISTANCE PROGRAM - CONTINUED

Employee Defined Benefit Other Postemployment Benefits Plan - continued

HIPAP OPEB Obligation, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB - continued

Actuarial Assumptions

The total OPEB obligation as of June 30, 2017, was determined by rolling forward the System's total OPEB obligation as of June 30, 2016 to June 30, 2017 using the following actuarial assumptions, applied to all periods included in the measurement:

- Actuarial cost method - Entry Age Normal - level % of pay.
- Investment return - 3.13% - 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, 2015, determined the employer contribution rate for fiscal year 2017.
- 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.)

NOTE 7 - HEALTH INSURANCE PREMIUM ASSISTANCE PROGRAM - CONTINUED

Employee Defined Benefit Other Postemployment Benefits Plan - continued

HIPAP OPEB Obligation, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB - continued

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 PSERS Board. Under the program, as defined in the retirement code employer contribution rates for Premium Assistance are established to provide reserves in the Health Insurance Account that are sufficient for the payment of Premium Assistance benefits for each succeeding year.

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Cash	76.4%	0.6%
Fixed income	23.6%	1.5%
	100.0%	

The above was the PSERS Board's adopted asset allocation policy and best estimates of geometric real rates of return for each major asset class as of June 30, 2017.

Discount Rate

The discount rate used to measure the total OPEB obligation was 3.13%. 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 3.13% which represents the S&P 20-year Municipal Bond Rate at June 30, 2017, was applied to all projected benefit payments to measure the total OPEB liability.

NOTE 7 - HEALTH INSURANCE PREMIUM ASSISTANCE PROGRAM - CONTINUED

Employee Defined Benefit Other Postemployment Benefits Plan - continued

HIPAP OPEB Obligation, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB - continued

Sensitivity of LCTI's Proportionate Share of the Net OPEB Obligation to Changes 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, 2017, retirees Premium Assistance benefits are not subject to future healthcare cost increases. The annual Premium Assistance reimbursement for qualifying retirees is capped at a maximum of $1,200. As of June 30, 2016, 91,797 retirees were receiving the maximum amount allowed of $1,200 per year. As of June 30, 2016, 1,354 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 LCTI's proportionate share of the net OPEB obligation for the June 30, 2017 measurement date, calculated using current Healthcare cost trends as well as what LCTI's proportionate share of the net OPEB obligation would be if the health cost trends were one-percentage point lower or one-percentage point higher than the current rate:

	1% Decrease (Between 4% to 7%)	Current Trend Rate (Between 5% to 8%)	1% Increase (Between 6% to 9%)
LCTI's proportionate share of the net OPEB obligation	$ 1,921,000	$ 1,921,000	$ 1,922,000

Sensitivity of LCTI's Proportionate Share of the Net OPEB Obligation to Changes in the Discount Rate

The following presents the net OPEB obligation, calculated using the discount rate of 3.13%, as well as what the net OPEB obligation would be if it were calculated using a discount rate that is one-percentage point lower (2.13%) or one-percentage-point higher (4.13%) than the current rate:

	1% Decrease 2.13%	Current Discount Rate 3.13%	1% Increase 4.13%
LCTI's proportionate share of the net OPEB obligation	$ 2,184,000	$ 1,921,000	$ 1,703,000

NOTE 7 - HEALTH INSURANCE PREMIUM ASSISTANCE PROGRAM - CONTINUED

Employee Defined Benefit Other Postemployment Benefits Plan - continued

HIPAP OPEB Obligation, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB - continued

OPEB Plan Fiduciary Net Position

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

NOTE 8 - LCTI OTHER POSTEMPLOYMENT BENEFITS PLAN

Employee Defined Benefit Other Postemployment Benefits Plan

General Information About the OPEB Plan

Plan Description

Lehigh Career & Technical Institute administers a single-employer defined benefit healthcare plan (the OPEB Plan). LCTI OPEB Plan provides certain healthcare insurance for eligible retirees through LCTI's health insurance plan, which covers both retired members until the member reaches Medicare age and active employees. Benefit provisions are established through negotiation with LCTI and the unions representing LCTI's employees. The OPEB Plan does not issue a publicly available financial report and no assets are accumulated in a trust that meets the criteria in Government Accounting Standards Board Statement No. 75 to pay related benefits.

Employee Defined Benefit Other Postemployment Benefits Plan - continued

General Information About the OPEB Plan - continued

Benefits Provided

LCTI classifies employees in the following categories: Teachers, Administrators, Nonclassified, and Support Staff. Contribution requirements are negotiated between LCTI and union representatives. Below is a summary of the postemployment benefits provided to each of these groups:

I. Teachers

ELIGIBILITY	*COVERAGE AND PREMIUM SHARING*	*DURATION*
Must be eligible for PSERS retirement, be at least age 53, and have at least 15 years of PSERS service with LCTI.	Coverage Medical, Prescription Drug, and Dental Premium Sharing Institute pays for full medical, prescription drug, and dental coverage for member only. Dependent coverage fully paid for by Member. Dependents Spouse and Family are included.	Coverage is provided until Retiree is eligible for Medicare or until Retiree's death, whichever is earlier. The spouse may continue full paid coverage until Medicare age.

NOTE 8 - LCTI OTHER POSTEMPLOYMENT BENEFITS PLAN - CONTINUED

Employee Defined Benefit Other Postemployment Benefits Plan - continued

General Information About the OPEB Plan - continued

II. Administrators

ELIGIBILITY	*COVERAGE AND PREMIUM SHARING*	*DURATION*
Must be eligible for PSERS retirement, be at least age 45, and have at least 7 years of PSERS service with LCTI.	<u>Coverage</u> Medical, Prescription Drug, and Dental <u>Premium Sharing</u> Institute pays for full medical, prescription drug, and dental coverage for member only. An account balance is determined at retirement based on one half of the prior year's salary. The account balance is used to pay for Spousal and Dependent coverage until the account is exhausted. Institute provides annual credit of $1,000 to pay for medical, prescription drug, and dental for Spouse and Dependent coverage only. After account exhaustion, Spousal and Dependent coverage fully paid for by Member. <u>Dependents</u> Spouse and Family are included. *One retiree is eligible for $270,000 in life insurance until Medicare age at the expense of LCTI.*	Coverage is provided until Retiree is eligible for Medicare or until Retiree's death, whichever is earlier. If a Retiree's death occurs before their account balance is exhausted, spousal/dependent coverage may continue until exhaustion of spouse reached Medicare age. The spouse/dependent may continue full paid coverage through COBRA thereafter.

NOTE 8 - LCTI OTHER POSTEMPLOYMENT BENEFITS PLAN - CONTINUED

Employee Defined Benefit Other Postemployment Benefits Plan - continued

General Information about the OPEB Plan - continued

III. Nonclassified

ELIGIBILITY	*COVERAGE AND PREMIUM SHARING*	*DURATION*
Must be eligible for PSERS retirement, be at least age 55, and have at least 12 years of PSERS service with LCTI.	<u>Coverage</u> Medical, Prescription Drug, and Dental <u>Premium Sharing</u> For Confidential and Non-Classified, Institute provides annual credit of $1,000 to pay for medical, prescription drug and dental for Member only for a period of up to eight years. Dependent overage fully paid Member. <u>Dependents</u> Spouse and Family are included.	Same as I.

IV. Support Staff

ELIGIBILITY	*COVERAGE AND PREMIUM SHARING*	*DURATION*
Act 110/43 requirements.	Act 110/43	Same as I.

Pennsylvania Act 110 of 1988 and Act 43 of 1989 require school employers in Pennsylvania to give retirees and their dependents the right to continue coverage in the group health plan to which they belonged as employees. To be eligible for this benefit, retirees must have taken superannuation retirement on or after age 65, retired with 30 years of service, or receive PSERS disability benefits.

PSERS Superannuation Retirement:

1) For individuals who were members of PSERS prior to July 1, 2011, an employee is eligible for PSERS superannuation retirement upon reaching age 60 with 30 years of PSERS service, age 62 with 1 year of PSERS service or 35 years of PSERS service regardless of age.
2) For individuals who became members of PSERS on or after July 1, 2011, an employee is eligible for PSERS superannuation retirement upon reaching age 65 with 3 years of PSERS service or upon attainment of a total combination of age plus service equal to or greater than 92 with a minimum of 35 years of PSERS service.

NOTE 8 - LCTI OTHER POSTEMPLOYMENT BENEFITS PLAN - CONTINUED

Employee Defined Benefit Other Postemployment Benefits Plan - continued

General Information About the OPEB Plan - continued

PSERS Retirement:

1) For individuals who are members of PSERS prior to July 1, 2011, an employee is eligible for PSERS retirement if he or she is eligible for either: a) PSERS early retirement with under 62 with 5 years of PSERS service or b) PSERS superannuation retirement upon reaching age 60 with 30 years of PSERS service, age 62 with 1 year of PSERS service or 35 years of PSERS service regardless of age.
2) For individuals who became members of PSERS on or after July 1, 2011, an employee is eligible for PSERS retirement if he or she is eligible for either: a) PSERS early retirement while under 65 with 10 years of PSERS service or b) PSERS superannuation retirement upon reaching age 65 with 3 years of PSERS service or upon attainment of a total combination of age plus service equal to or greater than 92 with a minimum of 35 years of PSERS service.
3) All individuals are eligible for a special early retirement upon reaching age 55 with 25 years of PSERS service.

Employees Covered by Benefit Terms

At July 1, 2017, the date of the most recent actuary valuation, the following employees were covered by the benefit terms:

Active participants	175
Retired participants	17
Total	192

OPEB Liability

Actuarial Assumptions and Other Inputs

The total OPEB obligation as of July 1, 2017, was determined by rolling forward LCTI’s total OPEB obligation as of July 1, 2016 to July 1, 2017, using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

- Actuarial cost method - Entry Age Normal.
- Salary increases - 2.50% cost of living adjustment, 1% real wage growth, and for teachers and administrators a merit increase which varies by age from 2.75% to 0%.

NOTE 8 - LCTI OTHER POSTEMPLOYMENT BENEFITS PLAN - CONTINUED

Employee Defined Benefit Other Postemployment Benefits Plan - continued

OPEB Liability - continued

Actuarial Assumptions and Other Inputs - continued

- Index at 7/1/17.
- Mortality rates - Separate rates are assumed preretirement and postretirement using the rates assumed in the PSERS defined benefit pension plan actuarial valuation. Incorporated into the table are rates projected generationally by the Buck Modified 2016 projection scale to reflect mortality improvement.
- Healthcare cost trend rates - 6.0% in 2017, and 5.5% in 2018 through 2023. Rates gradually decrease from 5.4% in 2024 to 3.9% in 2075 and later based on the Society of Actuaries Long-Run Medical Cost Trend Model.
- Participation rates - 100% of Teachers, Administrators, and Confidential/Non-Classified employees and 25% of the Support Staff are assumed to elect coverage.

The actuarial assumptions were selected using input from LCTI based on actual experience.

Changes in the Total OPEB Obligation

	Total OPEB Obligation
Balance at July 1, 2017	$ 2,762,937
Changes for the year:	
Service cost	180,934
Interest	70,604
Changes of benefit terms	157,816
Changes of assumptions or other inputs	209,127
Benefit payments	(200,022)
Net changes	418,459
Balance at June 30, 2018	$ 3,181,396

Changes of assumptions or other inputs reflect the following changes: (1) the discount rate changed from 2.49% to 3.13%; (2) the trend assumption was updated; (3) assumptions for salary, mortality, withdrawal and retirement were updated based on new PSERS assumptions.

NOTE 8 - LCTI OTHER POSTEMPLOYMENT BENEFITS PLAN - CONTINUED

Employee Defined Benefit Other Postemployment Benefits Plan - continued

Changes in the Total OPEB Obligation - continued

Sensitivity of the Total OPEB Obligation to Changes in the Discount Rate

The following presents the total OPEB obligation of LCTI, as well as what LCTI's total OPEB obligation would be if it were calculated using a discount rate that is one-percentage point lower (2.13%) or one-percentage point higher (4.13%) than the current discount rate:

	1% Decrease 2.13%	Current Discount Rate 3.13%	1% Increase 4.13%
OPEB Plan - Total OPEB Obligation	$ 3,368,427	$ 3,181,396	$ 3,003,356

Sensitivity of the Total OPEB Obligation to Changes in the Healthcare Cost Trend Rates

The following presents total OPEB obligation of LCTI, as well as what LCTI's total OPEB obligation would be if it were calculated using healthcare cost trend rates that are one-percentage point lower or one-percentage point higher than the current healthcare cost trend rates:

	1% Decrease	Current Healthcare Cost Trend Rate	1% Increase
OPEB Plan - Total OPEB Obligation	$ 2,902,841	$ 3,181,396	$ 3,504,760

At June 30, 2018, LCTI reported an OPEB obligation of $3,181,396 related to the OPEB Plan. The net OPEB obligation was measured as of July 1, 2017, and was determined by rolling forward an actuarial valuation performed as of July 1, 2016 to July 1, 2017. The liability will be liquidated through future payments from the general, cafeteria, and production funds.

NOTE 8 - LCTI OTHER POSTEMPLOYMENT BENEFITS PLAN - CONTINUED

Employee Defined Benefit Other Postemployment Benefits Plan - continued

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

For the year ended June 30, 2018, LCTI recognized OPEB expense of $428,366. At June 30, 2018, LCTI reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in assumptions	$ 190,115	$ -
Benefit payments made subsequent to the measurement date	221,605	-
	$ 411,720	$ -

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB - continued

The $221,605 reported as deferred outflows of resources related to OPEB liabilities resulting from benefit payments made subsequent to the measurement date will be recognized as a reduction of the net OPEB obligation 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 for the years ending June 30:

2019	$ 19,012
2020	19,012
2021	19,012
2022	19,012
2023	19,012
Thereafter	95,055
Total	$ 190,115

NOTE 9 - EMPLOYEE RETIREMENT PLANS

Employee Defined Benefit Pension Plan

Summary of Significant Accounting Policies

Pension Plan

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.

General Information About the Pension Plan

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

PSERS provides retirement, disability, and death benefits. Members are eligible for monthly retirement benefits upon reaching (a) age 62 with at least 1 year of credited service; (b) age 60 with 30 or more years of credited service; or (c) 35 or more years of service regardless of age. Act 120 of 2010 (Act 120) preserves the benefits of existing members and introduced benefit reductions for individuals who become new members on or after July 1, 2011. Act 120 created two new membership classes, Membership Class T-E (Class T-E) and Membership Class T-F (Class T-F). To qualify for normal retirement, Class T-E and Class T-F members must work until age 65 with a minimum of 3 years of service or attain a total combination of age and service that is equal to or greater than 92 with a minimum of 35 years of service. Benefits are generally equal to 2% or 2.5%, depending upon membership class, of the member's final average salary (as defined in the Code) multiplied by the number of years of credited service. For members whose membership started prior to July 1, 2011, after completion of 5 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 10 years of service.

NOTE 9 - EMPLOYEE RETIREMENT PLANS - CONTINUED

Employee Defined Benefit Pension Plan - continued

General Information About the Pension Plan - continued

Participants are eligible for disability retirement benefits after completion of five years of credited service. Such benefits are generally equal to 2.0% 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.

<u>Contributions</u>

The contribution policy is set by state statute and requires contributions by active members, employers, and the Commonwealth of Pennsylvania.

Member Contributions:

Active members who joined the System prior to July 22, 1983, contribute at 5.25% (Membership Class TC) 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%.

NOTE 9 - EMPLOYEE RETIREMENT PLANS - CONTINUED

Employee Defined Benefit Pension Plan - continued

General Information About the Pension Plan - continued

Employer Contributions:

The school districts' contractually required contribution rate for the fiscal year ended June 30, 2018, was 31.74% 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 LCTI for the years ended June 30, 2018, 2017, and 2016 were $3,950,490; $3,622,009; and $3,108,643, respectively.

LCTI is also required to contribute a percentage of covered payroll to PSERS for healthcare insurance premium assistance. Under the current legislation, the Commonwealth of Pennsylvania reimburses LCTI for no less than one-half of the employer contributions made, including contributions related to pension and healthcare. This arrangement does not meet the criteria of a special funding situation in accordance with GASB Standards. Therefore, the net pension liability and related pension expense represents 100 percent of LCTI's share of these amounts. The total reimbursement recognized by LCTI for the years ended June 30, 2018, 2017, and 2016 was $2,154,312; $1,938,165; and $1,644,187, respectively.

At June 30, 2018, LCTI had an accrued balance due to PSERS, including contributions related to pension and healthcare of $1,191,581. This amount represents LCTI's contractually obligated contributions for wages earned in April 2018 through June 2018. The balance was paid in September 2018.

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

At June 30, 2018, LCTI reported a liability of $46,573,000 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017, 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, 2016 to June 30, 2017. LCTI'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, 2018, LCTI's proportion was .0943%, which was a decrease of 0.0033% from its proportion measured as of June 30, 2017. The net pension liability will be liquidated through future contributions to PSERS at the statutory rates. Contributions will be made from the general, cafeteria, and production funds.

NOTE 9 - EMPLOYEE RETIREMENT PLANS - CONTINUED

Employee Defined Benefit Pension Plan - continued

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

For the year ended June 30, 2018, LCTI recognized pension expense of $4,641,056. At June 30, 2018, LCTI reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 486,000	$ 281,000
Changes in assumptions	1,265,000	-
Net difference between projected and actual investment earnings	1,079,000	-
Changes in proportion - plan level	252,000	1,335,000
Changes in proportion - internal	6,662	6,662
Difference between employer contributions and proportionate share of total contributions	55,471	-
Contributions made subsequent to the measurement date	3,950,490	-
	$ 7,094,623	$ 1,622,662

The $3,950,490 reported as deferred outflows of resources related to pensions resulting from LCTI contributions made 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 for the years ending June 30:

2019	$ 439,060
2020	968,681
2021	560,729
2022	(446,999)
	$ 1,521,471

NOTE 9 - EMPLOYEE RETIREMENT PLANS - CONTINUED

Employee Defined Benefit Pension Plan - continued

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

Actuarial Assumptions

The total pension liability at June 30, 2017, was determined by rolling forward the System's total pension liability at June 30, 2016 to June 30, 2017, 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%, 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 long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

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

NOTE 9 - EMPLOYEE RETIREMENT PLANS - CONTINUED

Employee Defined Benefit Pension Plan - continued

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

	Target Allocation	Long-Term Expected Real Rate of Return
Global public equity	20.0%	5.1%
Fixed income	36.0%	2.6%
Commodities	8.0%	3.0%
Absolute return	10.0%	3.4%
Risk parity	10.0%	3.8%
Infrastructure/MLPs	8.0%	4.8%
Real estate	10.0%	3.6%
Alternative investments	15.0%	6.2%
Cash	3.0%	0.6%
Financing (LIBOR)	(20.0%)	1.1%
	100.0%	

The above was the PSERS Board’s adopted asset allocation policy and best estimates of geometric real rates of return for each major asset class as of June 30, 2017.

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.

NOTE 9 - EMPLOYEE RETIREMENT PLANS - CONTINUED

Employee Defined Benefit Pension Plan - continued

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

Sensitivity of LCTI'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 6.25%	Current Discount Rate 7.25%	1% Increase 8.25%
LCTI's proportionate share of the net pension liability	$ 57,328,000	$ 46,573,000	$ 37,494,000

403(b) Tax Shelter Plan

LCTI has established a 403(b) tax shelter plan permitting the establishment of accounts for school employees to voluntarily set aside monies to supplement their retirement income. All school employees are eligible to participate. LCTI does not contribute to the Plan.

NOTE 10 - INTERFUND RECEIVABLES/PAYABLES AND TRANSFERS

The following schedule represents the interfund receivables and payables at June 30, 2018:

	Interfund Receivables	Interfund Payables
General Fund	$ 74,230	$ 93,797
Proprietary Funds:		
Cafeteria	29,541	42,855
Production	66,076	32,381
Agency Fund - Payroll Fund	-	814
	$ 169,847	$ 169,847

Interfund receivables/payables are due to shared costs which have not been reimbursed yet.

NOTE 10 - INTERFUND RECEIVABLES/PAYABLES AND TRANSFERS

LCTI also made the following interfund transfers during the year ended June 30, 2018:

	Transfers In	Transfers Out
General Fund	$ 1,155	$ 3,265,138
Capital Projects Fund	302,527	-
Debt Service Fund	2,962,611	1,155
	$ 3,266,293	$ 3,266,293

Transfers were made to meet future capital needs and fund debt service requirements.

NOTE 11 - FUND BALANCE

In January 2003, the members of the Joint Operating Committee of LCTI approved the establishment of a general fund balance. The purpose of this balance is to provide an alternative funding source in the consideration of the potential impact a sudden change in the level of funding from sources other than the member districts may have on the services of LCTI. The amount is determined in accordance with a prescribed formula to be followed each year as approved by the members of the Joint Operating Committee.

Details of LCTI's governmental fund balance reporting and policy can be found in Note 1, *Summary of Significant Accounting Policies.* Fund balance classifications for the year ended June 30, 2018, were as follows:

General Fund
The General Fund has committed funds of $1,073,000 for future retirement costs, assigned funds of $435,845 for the Academic Center, $994,709 for Adult Education, and an unassigned fund balance of $894,808. The commitment was authorized by the Joint Operating Committee's motion to set aside resources to fund anticipated increases in PSERS contributions.

The General Fund of LCTI is comprised of three components - one for regular operations, another for its adult education activities, and another for its academic center. The academic center reflects those activities at LCTI for the core educational competencies normally provided by the member schools. This allows students of the member districts to attend LCTI on a full day basis.

NOTE 11 - FUND BALANCE - CONTINUED

The classification of fund balances within the General Fund at June 30, 2018, is as follows:

	Operating Fund Retainage	Adult Education Retainage	Academic Center Retainage	Total
Fund Balance - July 1, 2017	$ 1,879,972	$ 1,205,123	$ 411,666	$ 3,496,761
2017 - 2018 Operating Fund	87,836	-	-	87,836
2017 - 2018 Academic Center Fund Balance Retainage	-	-	24,179	24,179
2017 - 2018 Revenues Over (Under) Expenditures on Reserved Operations	-	(210,414)	-	(210,414)
Fund Balance - June 30, 2018	$ 1,967,808	$ 994,709	$ 435,845	$ 3,398,362

The Operating Fund had excess revenues over expenditures for the 2017/2018 fiscal year of $351,345, of which $87,836 was retained in accordance with establishment of the general fund balance retainage policy. The remaining Operating Fund excess revenues over expenditures for the 2017/2018 fiscal year of $263,509 has been charged against the participating districts' contributions to LCTI for the 2017/2018 fiscal year, and is included as a liability of the General Fund as of June 30, 2018.

The Joint Operating Committee of Lehigh Career & Technical Institute has also established an agreement to allow LCTI to retain and reserve any excess revenues over expenditures occurring within the General Fund that is created by the adult school operations of LCTI. The amount retained and reserved for adult school operations within the General Fund at June 30, 2018, was $994,709. The current year's expenditures exceeded revenues for adult school operations by $210,414.

The Academic Center Fund had excess revenues over expenditures for the 2017/2018 fiscal year of $96,717, of which $24,179 was retained in accordance with establishment of the general fund balance retainage policy. This fund balance is classified as assigned for the purpose of funding the Academic Center. The remaining Academic Center Fund excess revenues over expenditures for the 2017/2018 fiscal year of $72,538 has been charged against the participating districts' contributions to LCTI for the 2017/2018 fiscal year, and is included as a liability of the General Fund as of June 30, 2018.

NOTE 11 - FUND BALANCE - CONTINUED

Restricted Fund Balance

The Capital Projects Fund has restricted funds of $7,246,748 comprised of $1,050,175 of monies transferred from the General Fund for the acquisition or construction of capital facilities and qualifying capital assets as authorized by Pennsylvania School Code Section 1850.4 and $6,196,573 of unspent bond proceeds.

NOTE 12 - CONTINGENT LIABILITIES AND COMMITMENTS

LCTI receives federal, state, and local funding through a number of programs. Payments made by these sources under contractual agreements are provisional and subject to redetermination based on filing reports and audits of those reports. Final settlements due from or to these sources are recorded in the year in which the related services are performed. Any adjustments resulting from subsequent examinations are recognized in the year in which the results of such examinations become known. LCTI officials do not expect any significant adjustments as a result of these examinations.

LCTI is subject to claims made by individuals for various assertions. Management believes they have insurance that will meet any potential liability and the impact to LCTI will be minimal.

NOTE 13 - RISK MANAGEMENT

LCTI is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. Significant losses are covered by commercial insurance for all major programs except for workers' compensation, for which LCTI retains risk of loss. For insured programs, there were no reductions in insurance coverage for the 2017/2018 year. Settlement amounts have not exceeded insurance coverage for the current year or the three prior years.

NOTE 14 - RESTATEMENT OF BEGINNING NET POSITION

Restatement of Beginning Net Position

Effective July 1, 2017, LCTI adopted Governmental Accounting Standards Board Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions,* to be in conformity with generally accepted accounting principles.

Statement No. 75 establishes standards for measuring and recognizing liabilities, deferred outflows of resources, deferred inflows of resources, and expenditures in order to improve accounting and financial reporting by governments for other postemployment benefit plans. The statement identifies the methods and assumptions that are required to be used to project benefit payments, discount projected benefit payments to actuarial present value, and attribute that present value to periods of employee service. The statement also enhances note disclosure and required supplementary information for these plans.

The adoption of this standard resulted in LCTI restating beginning net position as of July 1, 2017, as follows:

		Business-Type Activities		
	Governmental Activities	Cafeteria Fund	Production Fund	Total
Net Position (Deficit) at June 30, 2017	$ (34,530,103)	$ (223,259)	$ 1,257,113	$ 1,033,854
Restatement for:				
Deferred Outflow - HIPAP contributions made subsequent to the measurement date	99,523	2,089	1,342	3,431
Other postemployment benefit obligation - HIPAP	(2,032,003)	(42,671)	(27,326)	(69,997)
Deferred Outflow - benefit payments made subsequent to the measurement date	200,022	-	-	-
Other postemployment benefit obligation - LCTI Plan	(1,757,956)	-	-	-
Net Position (Deficit) at July 1, 2017 - Restated	$ (38,020,517)	$ (263,841)	$ 1,231,129	$ 967,288

NOTE 15 - NEW ACCOUNTING PRONOUNCEMENTS

The Government Accounting Standards Board (GASB) has issued the following standards which have not yet been implemented:

- Statement No. 84, Fiduciary Activities - This statement establishes criteria for identifying fiduciary activities and describes four types of fiduciary funds, as well as provides for recognition of a liability to the beneficiaries in a fiduciary fund when an event has occurred that compels the government to disburse fiduciary resources. This statement is effective for LCTI's fiscal year ending June 30, 2020.

- Statement No. 87, Leases - This statement requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources. This statement is effective for LCTI's fiscal year ending June 30, 2021.

- Statement No. 88, *Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements,* have been issued to enhance reporting and disclosures for specific debt transactions. Statement No. 88 is effective for the LCTI's fiscal year ending June 30, 2019.

LCTI has not yet completed the analysis necessary to determine the actual financial statement impact of these new pronouncements.

REQUIRED SUPPLEMENTARY INFORMATION

LEHIGH CAREER & TECHNICAL INSTITUTE

BUDGETARY COMPARISON SCHEDULE FOR THE GENERAL FUND

For the Year Ended June 30, 2018

	Budgeted Amounts Original	Budgeted Amounts Final	Actual (GAAP) Basis	Variances Final to Actual
REVENUES				
Local Sources	$ 3,745,913	$ 3,745,913	$ 2,427,852	$ (1,318,061)
Local Sources - Other LEAs	21,953,600	21,953,600	21,370,779	(582,821)
State Sources	5,665,250	5,665,250	5,239,667	(425,583)
Federal Sources	740,000	740,000	893,107	153,107
TOTAL REVENUES	32,104,763	32,104,763	29,931,405	(2,173,358)
EXPENDITURES				
INSTRUCTIONAL SERVICES:				
Regular Programs - Elementary/Secondary	2,430,262	2,192,712	2,101,581	91,131
Special Programs - Elementary/Secondary	1,278,941	1,101,821	1,096,715	5,106
Vocational Education	10,130,939	9,900,475	9,763,109	137,366
Other Instructional Programs - Elementary/Secondary	1,521,492	1,549,342	1,473,578	75,764
Adult Education Programs	3,516,178	3,516,178	2,746,598	769,580
TOTAL INSTRUCTIONAL SERVICES	18,877,812	18,260,528	17,181,581	1,078,947
SUPPORT SERVICES:				
Students	913,694	926,477	895,102	31,375
Instructional Staff	720,976	941,400	900,873	40,527
Administration	1,825,800	1,882,400	1,866,242	16,158
Pupil Health	158,194	162,394	156,482	5,912
Business	795,175	804,775	773,045	31,730
Operation and Maintenance of Plant Services	2,713,780	3,059,730	2,967,715	92,015
Student Transportation Services	8,070	9,020	6,984	2,036
Central	2,151,224	2,101,874	1,998,198	103,676
TOTAL SUPPORT SERVICES	9,286,913	9,888,070	9,564,641	323,429
OPERATION OF NONINSTRUCTIONAL SERVICES:				
Student Activities	88,357	88,357	77,744	10,613
Community Services	14,171	14,171	5,329	8,842
TOTAL OPERATION OF NONINSTRUCTIONAL SERVICES	102,528	102,528	83,073	19,455
TOTAL EXPENDITURES	28,267,253	28,251,126	26,829,295	1,421,831
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	3,837,510	3,853,637	3,102,110	(751,527)
OTHER FINANCING SOURCES (USES)				
Sale of Capital Assets	25,000	25,000	63,474	38,474
Transfers In	-	-	1,155	1,155
Transfers Out	(3,513,240)	(3,529,367)	(3,265,138)	264,229
Budgetary Reserve	(199,000)	(199,000)	-	199,000
TOTAL OTHER FINANCING SOURCES (USES)	(3,687,240)	(3,703,367)	(3,200,509)	502,858
REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	$ 150,270	$ 150,270	(98,399)	$ (248,669)
FUND BALANCE - BEGINNING OF YEAR			3,496,761	
FUND BALANCE - END OF YEAR			$ 3,398,362	

See note to required supplementary information.

LEHIGH CAREER & TECHNICAL INSTITUTE

NOTE TO REQUIRED SUPPLEMENTARY INFORMATION

June 30, 2018

BUDGETARY DATA

The budget for the general fund is adopted on the modified accrual basis of accounting which is consistent with generally accepted accounting principles.

LEHIGH CAREER & TECHNICAL INSTITUTE

SCHEDULE OF LCTI'S PROPORTIONATE SHARE OF THE NET OPEB OBLIGATION AND RELATED RATIOS - HEALTH INSURANCE PREMIUM ASSISTANCE PROGRAM (HIPAP)

LAST TEN FISCAL YEARS

	2018	2017
LCTI's proportion of the collective HIPAP obligation	0.0943%	0.0976%
LCTI's proportionate share of the collective net HIPAP obligation	$ 1,921,000	$ 2,102,000
LCTI's covered employee payroll	$ 12,560,978	$ 12,642,778
LCTI's proportionate share of the net HIPAP obligation as a percentage of its covered employee payroll	15.29%	16.63%
Plan fiduciary net position as a percentage of the total HIPAP obligation	5.73%	5.47%

The LCTI's covered employee payroll noted above is as of the measurement date of the net HIPAP obligation (June 30, 2017 and 2016).

NOTES TO SCHEDULE

Changes of Benefit Terms
None.

Changes of Assumptions
Significant changes of assumptions for the June 30, 2017 measurement date are as follows:

- The discount rate changed from 2.71% to 3.13%.

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, information for only those years available is shown.

LEHIGH CAREER & TECHNICAL INSTITUTE

SCHEDULE OF LCTI CONTRIBUTIONS - HEALTH INSURANCE PREMIUM ASSISTANCE PROGRAM

LAST TEN FISCAL YEARS

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Contractually required contribution	$ 103,305	$ 102,954	$ 104,450	$ 113,785	$ 116,299	$ 106,452	$ 81,112	$ 75,813	$ 98,028	$ 85,917
Contributions in relation to the contractually required contribution	103,305	102,954	104,450	113,785	116,299	106,452	81,112	75,813	98,028	8,517
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
LCTI's covered employee payroll	$ 12,724,257	$ 12,560,978	$ 12,642,778	$ 12,519,658	$ 12,519,299	$12,348,475				
Contributions as a percentage of covered employee payroll	0.81%	0.82%	0.83%	0.91%	0.93%	0.86%				

NOTE: This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, information for only those years available is shown.

LEHIGH CAREER & TECHNICAL INSTITUTE

SCHEDULE OF CHANGES IN NET OPEB OBLIGATION AND RELATED RATIOS - LCTI OPEB PLAN

LAST TEN FISCAL YEARS

	2018
Total OPEB Obligation	
Service cost	$ 180,934
Interest	70,604
Changes of Benefit Terms	157,816
Changes of Assumptions	209,127
Benefit payments	(200,022)
Net change in total OPEB obligation	418,459
Total OPEB obligation, beginning	2,762,937
Total OPEB obligation, ending	$ 3,181,396
Covered Employee Payroll	$ 10,942,734
Total OPEB Obligation as a Percentage of Covered Employee Payroll	29.07%

NOTES TO SCHEDULE

Changes of Benefit Terms
None.

Changes of Assumptions
Significant changes in assumptions for the July 1, 2017 measurement date are as follows:

- The discount rate changed from 2.49% to 3.13%.
- The trend assumption was updated.
- Assumptions for salary, mortality, withdrawal and retirement were updated based on new PSERS assumptions.

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, information for only those years available is shown.

LEHIGH CAREER & TECHNICAL INSTITUTE

SCHEDULE OF LCTI'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY AND RELATED RATIOS - PENSION PLAN

LAST TEN FISCAL YEARS

	2018	2017	2016	2015	2014
LCTI's proportion of the collective net pension liability	0.0943%	0.0976%	0.0973%	0.0981%	0.0962%
LCTI's proportionate share of the collective net pension liability	$ 46,573,000	$ 48,367,000	$ 42,146,000	$ 38,829,000	$ 39,381,000
LCTI's covered employee payroll	$ 12,560,978	$ 12,642,778	$ 12,519,658	$ 12,519,299	$ 12,348,475
LCTI's proportionate share of the net pension liability as a percentage of its covered employee payroll	370.78%	382.57%	336.64%	310.15%	318.91%
Plan fiduciary net position as a percentage of the total pension liability	51.84%	50.14%	54.36%	57.24%	54.50%

LCTI's covered employee payroll noted above is as of the measurement date of the net
(June 30, 2017, 2016, 2015, 2014, and 2013).

NOTES TO SCHEDULE

Changes of Benefit Terms
With the passage of Act 5 class T-E and T-F members are now permitted to elect a lump-sum payment of member contributions upon retirement.

Changes of Assumptions
None.

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, information for only those years available is shown.

LEHIGH CAREER & TECHNICAL INSTITUTE

SCHEDULE OF LCTI CONTRIBUTIONS - PENSION PLAN

LAST TEN FISCAL YEARS

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Contractually required contribution	$ 3,950,490	$ 3,622,009	$ 3,108,643	$ 2,591,775	$ 2,000,848	$ 1,423,485	$ 998,305	$ 592,287	$ 502,708	$ 452,192
Contributions in relation to the contractually required contribution	3,950,490	3,622,009	3,108,643	2,591,775	2,000,848	1,423,485	998,305	592,287	502,708	452,192
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
LCTI's covered employee payroll	$ 12,724,257	$ 12,560,978	$ 12,642,778	$ 12,519,658	$ 12,519,299	$ 12,348,475				
Contributions as a percentage of covered employee payroll	31.05%	28.84%	24.59%	20.70%	15.98%	11.53%				

NOTE: This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, information for only those years available is shown.

SUPPLEMENTARY INFORMATION

LEHIGH CAREER & TECHNICAL INSTITUTE

SCHEDULE OF BUDGETED AND ACTUAL EXPENDITURES - OPERATING FUND

For the Year Ended June 30, 2018

INSTRUCTIONAL SERVICES	Final Budget	Actual	Variance Final to Actual
Regular Programs, Secondary:			
Salaries	$ 427,810	$ 426,904	$ 906
Employee Benefits	307,449	307,099	350
Purchased Professional Services	1,150	1,133	17
Purchased Property Services	3,500	385	3,115
Other Purchased Services	1,000	65	935
Supplies	7,300	5,614	1,686
Property	17,300	16,500	800
	765,509	757,700	7,809
Special Education Programs, Secondary:			
Salaries	625,459	624,438	1,021
Employee Benefits	428,426	425,620	2,806
Purchased Professional Services	1,600	1,557	43
Other Purchased Services	1,266	1,192	74
Supplies	1,070	96	974
Property	44,000	43,812	188
	1,101,821	1,096,715	5,106
Vocational Education Programs:			
Salaries	4,654,678	4,641,091	13,587
Employee Benefits	2,961,667	2,901,016	60,651
Purchased Professional Services	52,145	52,096	49
Purchased Property Services	211,060	210,295	765
Other Purchased Services	61,070	61,062	8
Supplies	648,439	646,822	1,617
Property	1,285,521	1,236,047	49,474
Other Objects	18,395	7,180	11,215
	9,892,975	9,755,609	137,366
Other Instructional Programs:			
Salaries	783,139	778,818	4,321
Employee Benefits	486,220	480,326	5,894
Purchased Property Services	1,000	490	510
Supplies	45,900	45,409	491
Property	55,000	54,812	189
	1,371,259	1,359,855	11,404
SUPPORT SERVICES			
Student Services:			
Salaries	439,207	439,177	30
Employee Benefits	313,584	308,250	5,334
Purchased Professional Services	26,900	19,499	7,401
Purchased Property Services	12,950	12,649	301
Other Purchased Services	17,100	10,262	6,839
Supplies	11,870	11,613	257
Other objects	870	836	34
	822,481	802,287	20,194

LEHIGH CAREER & TECHNICAL INSTITUTE

SCHEDULE OF BUDGETED AND ACTUAL EXPENDITURES - OPERATING FUND - CONTINUED

For the Year Ended June 30, 2018

SUPPORT SERVICES (continued):	Final Budget	Actual	Variance Final to Actual
Instructional Staff Services:			
Salaries	269,032	255,261	13,771
Employee Benefits	276,885	276,552	333
Purchased Professional Services	11,460	11,377	83
Purchased Property Services	500	-	500
Other Purchased Services	5,000	3,294	1,706
Supplies	25,350	24,976	374
Property	60,840	60,759	81
Other Objects	600	579	21
	649,667	632,799	16,868
General Administration Services:			
Salaries	980,629	980,270	359
Employee Benefits	557,663	552,329	5,334
Purchased Professional Services	110,430	110,425	5
Purchased Property Services	2,740	2,559	181
Other Purchased Services	16,300	12,120	4,180
Supplies	50,270	50,209	61
Property	2,900	2,898	2
Other Objects	9,490	7,748	1,743
	1,730,422	1,718,558	11,864
Pupil Health Services:			
Salaries	98,658	98,640	18
Employee Benefits	58,466	54,640	3,826
Purchased Professional Services	400	375	25
Purchased Property Services	1,200	-	1,200
Other Purchased Services	670	-	670
Supplies	2,750	2,712	38
Other Objects	250	115	135
	162,394	156,482	5,912
Business Services:			
Salaries	374,507	374,442	65
Employee Benefits	246,719	240,639	6,080
Purchased Professional Services	93,440	93,397	43
Purchased Property Services	5,075	4,990	85
Other Purchased Services	49,144	49,097	47
Supplies	31,100	6,444	24,656
Property	2,400	2,310	90
Other Objects	2,390	1,726	664
	804,775	773,045	31,730
Operation and Maintenance of Plant Services:			
Salaries	905,807	905,192	615
Employee Benefits	613,461	589,350	24,111
Purchased Professional Services	59,420	55,783	3,637
Purchased Property Services	582,605	528,255	54,350
Other Purchased Services	148,860	141,478	7,382
Supplies	692,100	691,774	326
Property	26,550	26,506	44
Other Objects	3,595	932	2,663
	3,032,398	2,939,269	93,129

LEHIGH CAREER & TECHNICAL INSTITUTE

SCHEDULE OF BUDGETED AND ACTUAL EXPENDITURES - OPERATING FUND - CONTINUED

For the Year Ended June 30, 2018

SUPPORT SERVICES (continued):	Final Budget	Actual	Variance Final to Actual
Student Transportation Services:			
Other Purchased Services	7,700	6,030	1,670
Supplies	250	-	250
	7,950	6,030	1,920
Central Support Services:			
Salaries	933,961	918,880	15,081
Employee Benefits	676,732	646,698	30,034
Purchased Professional Services	64,100	63,879	221
Purchased Property Services	119,230	90,827	28,403
Other Purchased Services	60,990	32,635	28,355
Supplies	200,351	199,037	1,314
Property	45,500	45,462	38
Other Objects	1,010	780	230
	2,101,874	1,998,198	103,676
OPERATION OF NONINSTRUCTIONAL SERVICES			
Student Activities:			
Salaries	18,150	18,150	-
Employee Benefits	7,507	7,150	357
Purchased Professional Services	5,000	4,713	287
Other Purchased Services	29,500	23,621	5,879
Supplies	11,500	8,816	2,684
Other Objects	16,700	15,294	1,406
	88,357	77,744	10,613
Community Services:			
Salaries	6,564	2,025	4,539
Employee Benefits	607	167	440
Supplies	7,000	3,137	3,863
	14,171	5,329	8,842
OTHER FINANCING USES			
Interfund Transfers	3,511,920	3,265,138	246,782
Intrafund Transfers I.D.C.	16,127	16,127	-
Budget Reserve	185,000	-	185,000
	3,713,047	3,281,265	431,782
TOTAL EXPENDITURES AND OTHER FINANCING USES	$ 26,259,100	$ 25,360,883	$ 898,217

LEHIGH CAREER & TECHNICAL INSTITUTE

SCHEDULE OF PRODUCTION FUND COMPONENTS - REVENUES, EXPENSES, AND CHANGES IN NET POSITION

For the Year Ended June 30, 2018

	Agriculture	Marketing/ Distributive Education	Home Economics	Summer Fun Camp	Trade and Industry	Total
OPERATING REVENUES						
Production Service Revenue	$ 1,185	$ 57,155	$ 52,936	$ 47,730	$ 731,372	$ 890,378
TOTAL OPERATING REVENUES	1,185	57,155	52,936	47,730	731,372	890,378
OPERATING EXPENSES						
Salaries	-	-	3,502	18,068	143,659	165,229
Employee Benefits	-	-	1,429	7,375	65,865	74,669
GASB Pension and OPEB Expense	-	-	251	921	7,201	8,373
Purchased Property Services	-	-	-	-	550	550
Other Purchased Services	-	-	829	4,004	-	4,833
Supplies	-	38,191	43,259	3,165	465,174	549,789
Depreciation	-	-	-	-	9,213	9,213
Other Miscellaneous Expense	-	-	-	2,162	10,275	12,437
TOTAL OPERATING EXPENSES	-	38,191	49,270	35,695	701,937	825,093
OPERATING INCOME (LOSS)	1,185	18,964	3,666	12,035	29,435	65,285
NONOPERATING REVENUES						
Local Sources - Earnings on Investments	-	-	-	-	12,651	12,651
State Sources - FICA Reimbursement	-	-	-	691	5,608	6,299
State Sources - Retirement Reimbursement	-	-	-	2,942	23,648	26,590
TOTAL NONOPERATING REVENUES	-	-	-	3,633	41,907	45,540
NET INCOME	$ 1,185	$ 18,964	$ 3,666	$ 15,668	$ 71,342	110,825
NET POSITION - BEGINNING OF YEAR - RESTATED						1,231,129
NET POSITION - END OF YEAR						$ 1,341,954

LEHIGH CAREER & TECHNICAL INSTITUTE

COMBINING BALANCE SHEET - CAPITAL PROJECTS FUND

June 30, 2018

	Capital Reserve Fund	Technology Reserve Fund	2017 Construction Fund	Total Capital Projects Fund
ASSETS				
Cash and Investments	$ 575,150	$ 475,025	$ 6,196,573	$ 7,246,748
Interfund Receivables	-	-	-	-
TOTAL ASSETS	$ 575,150	$ 475,025	$ 6,196,573	$ 7,246,748
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Accounts Payable	$ -	$ -	$ -	$ -
TOTAL LIABILITIES	-	-	-	-
FUND BALANCES				
Restricted for Capital Projects	575,150	475,025	6,196,573	7,246,748
TOTAL FUND BALANCES	575,150	475,025	6,196,573	7,246,748
TOTAL LIABILITIES AND FUND BALANCES	$ 575,150	$ 475,025	$ 6,196,573	$ 7,246,748

LEHIGH CAREER & TECHNICAL INSTITUTE

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - CAPITAL PROJECTS FUND

For the Year Ended June 30, 2018

	Capital Reserve Fund	Technology Reserve Fund	2017 Construction Fund	Total Capital Projects Fund
REVENUES				
Local Sources	$ 5,436	$ 2,393	$ 68,107	$ 75,936
TOTAL REVENUES	5,436	2,393	68,107	75,936
EXPENDITURES				
Capital Outlay	87,214	-	618,314	705,528
TOTAL EXPENDITURES	87,214	-	618,314	705,528
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(81,778)	2,393	(550,207)	(629,592)
OTHER FINANCING SOURCES (USES)				
Transfers In	100,000	202,527	-	302,527
TOTAL OTHER FINANCING SOURCES (USES)	100,000	202,527	-	302,527
NET CHANGE IN FUND BALANCES	18,222	204,920	(550,207)	(327,065)
FUND BALANCES - BEGINNING OF YEAR	556,928	270,105	6,746,780	7,573,813
FUND BALANCES - END OF YEAR	$ 575,150	$ 475,025	$ 6,196,573	$ 7,246,748

LEHIGH CAREER & TECHNICAL INSTITUTE

COMBINING STATEMENT OF NET POSITION
FIDUCIARY FUND TYPES - AGENCY

June 30, 2018

	Student Activities Fund	Payroll	Total Agency Fund
ASSETS			
Cash	$ 74,506	$ 138,944	$ 213,450
TOTAL ASSETS	$ 74,506	$ 138,944	$ 213,450
LIABILITIES			
Interfund Payables	$ -	$ 814	$ 814
Payroll Taxes and Withholdings	-	138,130	138,130
Other Current Liabilities	74,506	-	74,506
TOTAL LIABILITIES	$ 74,506	$ 138,944	$ 213,450

LEHIGH CAREER & TECHNICAL INSTITUTE

STATEMENT OF RECEIPTS AND DISBURSEMENTS - STUDENT ACTIVITIES FUND

For the Year Ended June 30, 2018

	Balance 7/1/2017	Receipts	Disbursements	Balance 6/30/2018
DECA	$ 27,172	$ 30,364	$ 31,008	$ 26,528
FFA	15,133	2,669	2,097	15,705
HOSA	3,548	28,654	28,710	3,492
Skills USA	8,974	35,445	34,554	9,865
FCCLA	5,733	7,939	6,761	6,911
FBLA	10,065	26,754	27,198	9,621
NTHS	1,724	1,795	1,135	2,384
	$ 72,349	$ 133,620	$ 131,463	$ 74,506

LEHIGH CAREER & TECHNICAL INSTITUTE

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the Year Ended June 30, 2018

Grantor/Program Title	Source Code	Federal CFDA Number	Pass-Through Grantor's Number	Program Award Amount	Grant Period Beginning/ Ending Dates	Receipts for the Year	Accrued or (Unearned) Revenue at July 1, 2017	Revenue Recognized	Expenditures	Accrued or (Unearned) Revenue at June 30, 2018
U.S. Department of Education										
Passed through the Commonwealth of Pennsylvania										
Department of Education:										
Career and Technical Education	I	84.048	380-18-0043	$ 756,927	07/01/17-06/30/18	$ 693,850	$ -	$ 756,927	$ 756,927	$ 63,077
Career and Technical Education	I	84.048	380-17-0078	740,830	07/20/16-06/30/17	61,736	61,736	-	-	-
TOTAL U.S. DEPARTMENT OF EDUCATION						755,586	61,736	756,927	756,927	63,077
U.S. Department of Labor										
Passed through The Workforce Board of Lehigh Valley										
Workforce Innovation and Opportunity Act Out-of School Youth	I	17.259	AA28399-16-55-A42	116,854	08/01/17-06/30/18	55,914	-	77,020	77,020	21,106
Passed through the Bureau of Workforce Development										
Administration - PA Department of Labor and Industry										
Trade Adjustment Assistance Program	I	17.245	TAA-0127-17	N/A	07/01/17-06/30/18	127,200	-	136,180	136,180	8,980
Trade Adjustment Assistance Program	I	17.245	TAA-0127-17	N/A	07/20/16-06/30/17	117,267	117,267 *	-	-	-
TOTAL U.S. DEPARTMENT OF LABOR						300,381	117,267	213,200	213,200	30,086
U.S. Department of Health and Human Services										
Passed through the Lehigh Valley Workforce										
Development Board, Inc.										
LCTI/CareerFORCE 2018 Summer Jobs Program for Youth	I	93.558	5167-03	41,172	05/25/18-09/30/18	-	-	19,177	19,177	19,177
LCTI/CareerFORCE 2017 Summer Jobs Program for Youth	I	93.558	5167-02	40,313	05/15/17-09/30/17	37,582	20,056	17,526	17,526	-
TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES						37,582	20,056	36,703	36,703	19,177
U.S. Department of Agriculture										
Child Nutrition Cluster										
Passed through the Commonwealth of Pennsylvania										
Department of Education:										
National School Lunch Program	I	10.555	N/A	N/A	07/01/17-06/30/18	391,416	-	402,327	402,327	10,911
National School Lunch Program	I	10.555	N/A	N/A	07/01/16-06/30/17	12,721	12,721	-	-	-
Passed through PA Department of Agriculture:										
National School Lunch Program - USDA Commodities	I	10.555	N/A	N/A	07/01/17-06/30/18	56,402	(2,986)	56,062	56,062	(3,326)
TOTAL CHILD NUTRITION CLUSTER AND TOTAL U.S. DEPARTMENT OF AGRICULTURE						460,539	9,735	458,389	458,389	7,585
TOTAL FEDERAL AWARDS						$ 1,554,088	$ 208,794	$ 1,465,219	$ 1,465,219	$ 119,925

I = Indirect Source of Funding

* This was revised from the June 30, 2017 Schedule of Expenditures of Federal Awards to reflect the correct amount

NOTE: No funds were passed through to subrecipients in the year ended June 30, 2018.

See notes to schedule of expenditures of federal awards.

LEHIGH CAREER & TECHNICAL INSTITUTE

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the Year Ended June 30, 2018

NOTE 1 - BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal awards activity of the Lehigh Career & Technical Institute under programs of the federal government for the year ended June 30, 2018. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200*, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Lehigh Career & Technical Institute, it is not intended to and does not present the financial position, changes in net position, or cash flows of the Lehigh Career & Technical Institute.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to the reimbursement. Negative amounts shown on the Schedule represent adjustment or credits made in the normal course of business amounts reported as expenditures in prior years.

NOTE 3 - DE MINIMIS RATE FOR INDIRECT COSTS

LCTI did not elect to use the De Minimis rate for indirect costs.

NOTE 4 - FOOD COMMODITIES

Nonmonetary assistance is reported in the Schedule at the fair market value of the commodities received and disbursed. At June 30, 2018, LCTI had $3,326 of food commodity inventory.

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

To the Joint Operating Committee
Lehigh Career & Technical Institute
Schnecksville, Pennsylvania

We have audited, 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, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Lehigh Career & Technical Institute, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Lehigh Career & Technical Institute's basic financial statements and have issued our report thereon dated November 19, 2018.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Lehigh Career & Technical Institute's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Lehigh Career & Technical Institute's internal control. Accordingly, we do not express an opinion on the effectiveness of the Lehigh Career & Technical Institute'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 Lehigh Career & Technical Institute's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance 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.

Herbein + Company, Inc.

Reading, Pennsylvania
November 19, 2018

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

To the Joint Operating Committee
Lehigh Career & Technical Institute
Schnecksville, Pennsylvania

Report on Compliance for Each Major Federal Program

We have audited Lehigh Career & Technical Institute'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 the Lehigh Career & Technical Institute's major federal programs for the year ended June 30, 2018. The Lehigh Career & Technical Institute'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 federal statutes, regulations, and all terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Lehigh Career & Technical Institute'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 the Lehigh Career & Technical Institute'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 the Lehigh Career & Technical Institute's compliance.

Opinion on Each Major Federal Program

In our opinion, the Lehigh Career & Technical Institute 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, 2018.

Report on Internal Control Over Compliance

Management of the Lehigh Career & Technical Institute 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 the Lehigh Career & Technical Institute'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 the Lehigh Career & Technical Institute'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 a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. 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.

Herbein + Company, Inc.

Reading, Pennsylvania
November 19, 2018

LEHIGH CAREER & TECHNICAL INSTITUTE

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the Year Ended June 30, 2018

Section I - Summary of Auditor's Results

Financial Statements

Type of Auditor's Report Issued:	Unmodified			
Internal Control Over Financial Reporting:				
Material weakness(es) identified?		yes	X	no
Significant deficiency(ies) identified not considered to be material weaknesses?		yes	X	none reported
Noncompliance material to financial statements noted?		yes	X	no

Federal Awards

Internal Control Over Major Programs:				
Material weakness(es) identified?		yes	X	no
Significant deficiency(ies) identified not considered to be material weaknesses?		yes	X	none reported
Type of Auditor's Report Issued on Compliance for Major Programs:	Unmodified			
Any audit findings disclosed that are required to be reported in accordance with 2 CFR Section 200.516(a)?		yes	X	no

Identification of Major Program(s):

CFDA Number(s)	Name of Federal Program or Cluster
	Child Nutrition Cluster:
10.555	National School Lunch Program

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

Auditee qualified as low-risk auditee?	X	yes		no

LEHIGH CAREER & TECHNICAL INSTITUTE

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the Year Ended June 30, 2018

Section II - Financial Statement Findings

There were no financial statement findings reported.

Section III - Federal Awards Findings and Questioned Costs

There were no federal awards findings reported.

LEHIGH CAREER & TECHNICAL INSTITUTE
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STATUS OF PRIOR AUDIT FINDINGS AND QUESTIONED COSTS

For the Year Ended June 30, 2018

Section II - Financial Statement Findings

There were no financial statement findings reported.

Section III - Federal Awards Findings and Questioned Costs

There were no federal awards findings reported.