



LEHIGH CAREER & TECHNICAL INSTITUTE

FINANCIAL AND COMPLIANCE REPORT

Year Ended June 30, 2019



TABLE OF CONTENTS

| | Pages |
|--|---------|
| INDEPENDENT AUDITOR'S REPORT | 1 - 2 |
| MANAGEMENT'S DISCUSSION AND ANALYSIS | 3 - 20 |
| BASIC FINANCIAL STATEMENTS | |
| Government-Wide Financial Statements | |
| Statement of Net Position | 21 |
| Statement of Activities | 22 |
| Fund Financial Statements | |
| Balance Sheet - Governmental Funds | 23 |
| Reconciliation of the Governmental Funds Balance Sheet to the Government-Wide Statement of Net Position | 24 |
| Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds | 25 |
| Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances to the Statement of Activities | 26 |
| Statement of Net Position - Proprietary Funds | 27 |
| Statement of Revenues, Expenses, and Changes in Net Position - Proprietary Funds | 28 |
| Statement of Cash Flows - Proprietary Funds | 29 - 30 |
| Statement of Net Position - Fiduciary Funds | 31 |
| Statement of Changes in Net Position - Fiduciary Funds | 32 |
| Notes to Basic Financial Statements | |
| Note 1 - Summary of Significant Accounting Policies | 33 |
| Note 2 - Stewardship, Compliance, and Accountability | 47 |
| Note 3 - Cash and Investments | 47 |
| Note 4 - Intergovernmental Receivables/Payables | 51 |
| Note 5 - Interfund Receivables/Payables and Transfers | 52 |
| Note 6 - Changes in Capital Assets | 53 |
| Note 7 - Long-Term Liabilities | 55 |
| Note 8 - Employee Retirement Plans | 57 |
| Note 9 - Other Postemployment Benefit Plans | 64 |
| Note 10 - Risk Management | 77 |
| Note 11 - Contingent Liabilities and Commitments | 78 |
| Note 12 - Fund Balance | 78 |
| Note 13 - New Accounting Pronouncements | 80 |

| | Pages |
|---|-----------|
| REQUIRED SUPPLEMENTARY INFORMATION | |
| Budgetary Comparison Schedule for the General Fund | 81 |
| Note to Required Supplementary Information..... | 82 |
| | |
| Schedule of LCTI’s Proportionate Share of the Net Pension | |
| Liability and Related Ratios - Pension Plan..... | 83 |
| Schedule of LCTI Contributions - Pension Plan | 84 |
| Schedule of LCTI’s Proportionate Share of the Net OPEB | |
| Liability and Related Ratios - PSERS OPEB Plan | 85 |
| Schedule of LCTI Contributions - PSERS OPEB Plan | 86 |
| Schedule of Changes in Total OPEB Liability and Related Ratios - LCTI OPEB Plan..... | 87 |
| | |
| SUPPLEMENTARY INFORMATION | |
| | |
| Individual Fund Financial Schedules | |
| Schedule of Budgeted and Actual Expenditures - Operating Fund | 88 - 90 |
| Schedule of Production Fund Components - Revenues, Expenses, and Net Position..... | 91 |
| | |
| Capital Projects Fund | |
| Combining Balance Sheet - Capital Projects Fund | 92 |
| Combining Statement of Revenues, Expenditures, and Changes in Fund Balances - Capital Projects Fund..... | 93 |
| | |
| Fiduciary Funds | |
| Combining Statement of Net Position - Fiduciary Funds - Agency | 94 |
| Statement of Receipts and Disbursements - Student Activities Fund | 95 |
| | |
| Single Audit | |
| Schedule of Expenditures of Federal Awards | 96 |
| Notes to Schedule of Expenditures of Federal Awards | 97 |
| | |
| 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 <i>GOVERNMENT AUDITING STANDARDS</i>..... | |
| | 98 - 99 |
| | |
| INDEPENDENT AUDITOR’S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE | |
| | 100 - 101 |
| | |
| SCHEDULE OF FINDINGS AND QUESTIONED COSTS | 102 - 103 |
| | |
| STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS | 104 |



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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, 2019, 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, 2019, 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.

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 25, 2019, 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 25, 2019

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

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)

June 30, 2019

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, 2019. 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's 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 nearly 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 \$16,985,717 for 2018-2019, which is net of excess revenues, to be credited to member districts in 2019-2020. 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, \$297,580 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 \$297,580 was allocated to two Capital Projects funds, \$100,000 to the Capital Projects Fund, and the remaining \$197,580 to the Capital Projects Technology Fund.

Additional revenue of \$2,961,219, 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. 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 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 2018-2019, Lehigh Career & Technical Institute had capital outlays of \$3,657,932, which includes construction in progress of \$1,781,685 and other capital purchases of \$1,876,247, with an increase in depreciation of \$4,081,917. Total equipment spending was \$1,595,452 and included the following six largest dollar instructional equipment purchases:

| | |
|---|------------|
| 1). 20 Miller Dynasty & 20 Miller XMT-350 Welders | \$260,240 |
| 2). Promethean Boards | \$210,504 |
| 3). Simlog Forklift Simulator | \$ 46,730* |
| 4). Amatrol Tabletop Mechatronics | \$ 45,893* |
| 5). Syndaver Musculoskeletal Model | \$ 45,765* |
| 6). 27 Automotive Work Benches with Visers | \$ 44,580 |
| * Grant funded | |

An additional \$320,321 was spent on instructional equipment purchases on individual items for instructional programs not itemized here. LCTI also spent \$131,255 for instructional technology equipment and \$490,164 for technology infrastructure equipment updates.

Academic Center:

The Academic Center completed its thirteenth year of operation in 2018-2019 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 \$1,536,770, which is net of excess revenues to be credited to member districts in 2019-2020. 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 \$54,798 in 2019, which decreases the amount assigned for adult school operations within the General Fund to \$939,911. The net loss is the product of lower or static enrollment in all programs, which can be attributed to the economy and low unemployment – less people seek training. The Lehigh CDL programs had a combined net loss of \$70,133, which includes the Class A, Class B, and Customized Job Training programs. This loss was caused by lower than usual enrollment, especially in Class A, along with rising personnel costs and the continued increase in PSERS contributions. The Heavy Equipment Operation (HEO) program, including their Customized Job Training program, had a combined net profit of \$41,843, its fourth consecutive year of profitability. This is the result of stable enrollment and limited hours for an additional instructor. HEO instructors have only been hired as needed, which has eliminated the need to hire a full time instructor with benefits at present.

LCTI continues to offer industry relevant training and credentials for adults working in the Lehigh Valley and beyond. We will continue to seek any grant opportunities that are offered. These programs include the recently completed Career FORCE 2019 Summer Jobs Program for Youth and the PA Smart Grant for the HEO Apprenticeship Program, which began in February 2019 and runs to June 2020, both of which are federally funded. For the fifth consecutive year, the County of Lehigh Community Development Block Grant has been awarded to LCTI to provide tuition assistance for CDL and HEO training. New apprenticeship and pre-apprenticeship programs are being developed this year in the manufacturing sector. LCTI will continue to monitor program costs as much as possible to minimize the financial impact of rising costs. Advertising costs were slightly reduced from the previous year and will be monitored more closely to further reduce costs.

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:

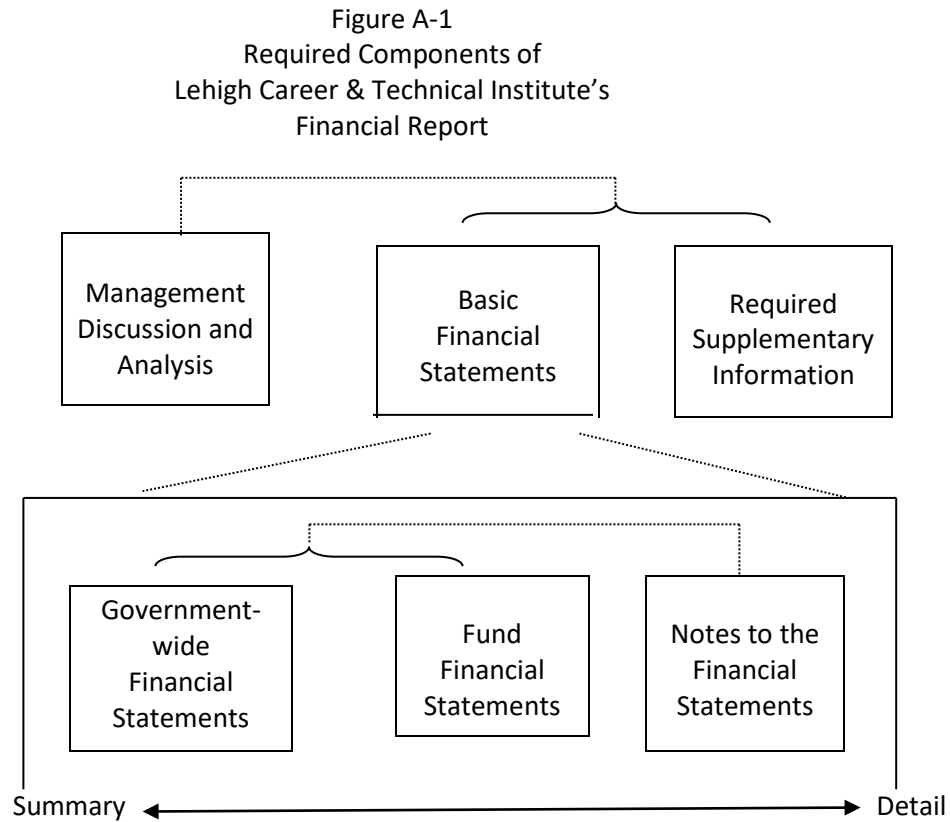


Figure A-2 summarizes the major features of LCTI’s financial statements, including the portion of LCTI they cover and the types of information they contain. The remainder of this overview section of management discussion and analysis explains the structure and contents of each of the statements.

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

| | Government Wide Statements | Fund 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 three 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 other financial statement because LCTI cannot use these assets to finance its operations.

FINANCIAL ANALYSIS OF LCTI AS A WHOLE

Table A-1
 A comparative analysis of fiscal year 2018 to 2019 for:
 Net Position (amounts expressed in thousands)

| | <u>Governmental Activities</u> | | <u>Business-Type Activities</u> | | <u>Total</u> | |
|---|--------------------------------|--------------------------|---------------------------------|-----------------------|--------------------------|--------------------------|
| | <u>2018</u> | <u>2019</u> | <u>2018</u> | <u>2019</u> | <u>2018</u> | <u>2019</u> |
| Current & other assets | \$14,011 | \$13,780 | \$2,185 | \$2,180 | \$16,196 | \$15,960 |
| Capital Assets | <u>40,628</u> | <u>40,105</u> | <u>351</u> | <u>325</u> | <u>40,979</u> | <u>40,430</u> |
| Total Assets | <u>\$54,639</u> | <u>\$53,885</u> | <u>\$2,536</u> | <u>\$2,505</u> | <u>\$57,175</u> | <u>\$56,390</u> |
| Total Deferred Outflows of Resources | <u>8,523</u> | <u>7,343</u> | <u>232</u> | <u>239</u> | <u>8,755</u> | <u>7,582</u> |
| Current and other liabilities | \$ 5,002 | \$ 5,900 | \$24 | \$55 | \$ 5,026 | \$ 5,955 |
| Long-term liabilities | <u>95,821</u> | <u>93,268</u> | <u>1,620</u> | <u>1,658</u> | <u>97,441</u> | <u>94,926</u> |
| Total Liabilities | <u>\$100,823</u> | <u>\$ 99,168</u> | <u>\$1,644</u> | <u>\$1,713</u> | <u>\$102,467</u> | <u>\$100,881</u> |
| Deferred Inflows of Resources | <u>1,713</u> | <u>1,821</u> | <u>60</u> | <u>62</u> | <u>1,773</u> | <u>1,883</u> |
| Net Position | | | | | | |
| Net Investment in capital assets | 1,763 | 1,166 | 352 | 325 | 2,115 | 1,491 |
| Restricted for Capital Projects | 1,319 | 1,397 | 0 | 0 | 1,319 | 1,397 |
| Unrestricted | <u>(42,456)</u> | <u>(42,324)</u> | <u>712</u> | <u>644</u> | <u>(41,744)</u> | <u>(41,680)</u> |
| Total Net Position (Deficit) | <u>\$(39,374)</u> | <u>\$(39,761)</u> | <u>\$1,064</u> | <u>\$ 969</u> | <u>\$(38,310)</u> | <u>\$(38,792)</u> |

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 \$48,956,864 for Governmental Activities for year end June 30, 2019, which is an decrease of \$1,099,026 from the June 30, 2018 Governmental Activities pension and other postemployment benefit liabilities of \$50,055,890. Total Net Position for Governmental Activities year end June 30, 2019 of \$(39,760,739), decreased \$386,774 from June 30, 2018 \$(39,373,965), in large part due to a net decrease in Capital Assets of \$523,152 in 2019, an annual occurrence because depreciation exceeded the amount of new capital assets being added over the course of the year by \$423,985.

Business Type Activities Total Net Position June 30, 2019 of \$969,001 represents a decrease of \$95,038, from Total Net Position June 30, 2018 of \$1,064,039. This is the result of the Production fund having an end of year net position for 2019 of \$1,342,434, which is reduced by the Cafeteria Fund having an end of year net position for 2019 of \$(373,433), for a combined Business Type Activities Total Net Position of \$969,001.

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

| | Balance before <u>Related Debt</u> | Balance <u>Percentage</u> | Debt <u>Allocation</u> | Balance Net <u>Related Debt</u> |
|------------------|---------------------------------------|------------------------------|---------------------------|------------------------------------|
| Net Fixed Assets | \$40,104,562 | 100.00% | \$38,938,252 | \$1,166,310 |

The remaining balance of Net Position consists of Restricted Net Position for Capital Projects of \$1,397,396, a 6 percent increase of \$78,349 from the previous year, and Unrestricted Net Position of \$(42,324,445) in 2019, is an improvement of \$131,418 from \$(42,455,863) in 2018.

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 2018 to 2019 for:
Changes in Net Position (amounts expressed in thousands)

| | <u>Governmental Activities</u> | | <u>Business-Type Activities</u> | | <u>Total</u> | |
|--|---------------------------------|---------------------------------|---------------------------------|-----------------------------|---------------------------------|---------------------------------|
| | <u>2018</u> | <u>2019</u> | <u>2018</u> | <u>2019</u> | <u>2018</u> | <u>2019</u> |
| Revenues | | | | | | |
| Program revenues: | | | | | | |
| Charges for services | \$ 19,588 | \$ 20,020 | \$1,079 | \$ 975 | \$20,667 | \$20,995 |
| Operating grants and contributions | 4,678 | 5,098 | 562 | 401 | 5,240 | 5,499 |
| Capital grants and contributions | 1,794 | 1,863 | 0 | 0 | 1,794 | 1,863 |
| General revenues: | | | | | | |
| State grants and subsidies | 3,746 | 4,040 | 0 | 0 | 3,746 | 4,040 |
| Investment earnings | 148 | 286 | 18 | 38 | 166 | 324 |
| Miscellaneous | 130 | 116 | 0 | 0 | 130 | 116 |
| Operating transfers | <u>0</u> | <u>(1)</u> | <u>0</u> | <u>1</u> | <u>0</u> | <u>0</u> |
| Total revenues | 30,084 | 31,422 | 1,659 | 1,415 | 31,743 | 32,837 |
| Expenses | | | | | | |
| Instruction | 18,986 | 19,266 | 0 | 0 | 18,986 | 19,266 |
| Support services | 10,583 | 10,686 | 0 | 0 | 10,583 | 10,686 |
| Operation of non-instructional services | 1,869 | 1,857 | 0 | 0 | 1,869 | 1,857 |
| Food / Production services | <u>0</u> | <u>0</u> | <u>1,562</u> | <u>1,510</u> | <u>1,562</u> | <u>1,510</u> |
| Total expenses | <u>31,438</u> | <u>31,809</u> | <u>1,562</u> | <u>1,510</u> | <u>33,000</u> | <u>33,319</u> |
| Increase (decrease) in net position | \$ (1,354) | \$ (387) | \$ 97 | \$ (95) | \$ (1,257) | \$ (482) |
| Net Position (deficit) Beginning | <u>(38,020)</u> | <u>(39,374)</u> | <u>967</u> | <u>1,064</u> | <u>(37,053)</u> | <u>(38,310)</u> |
| Net Position (deficit) Ending | <u><u>\$(39,374)</u></u> | <u><u>\$(39,761)</u></u> | <u><u>\$1,064</u></u> | <u><u>\$ 969</u></u> | <u><u>\$(38,310)</u></u> | <u><u>\$(38,792)</u></u> |

The largest source of program revenues for Governmental Activities consists of contributions from member school districts of \$18,522,487, which includes the \$1,536,770 received for the Academic Center. This amount accounts for approximately 69 percent of total program revenues and 59 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 \$1,453,508. 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, \$896,359. State grants and subsidies revenue increased \$516,834 in 2019, mostly due to the increased Vocational Education Subsidy received of \$316,877 in 2019. PSERS subsidy was \$2,339,465 for 2019, which was an increase of \$185,153 from 2018. This is the result of the increased retirement contributions, which were \$4,377,390 in 2019, an increase of \$291,433 from 2018.

Another large source of program revenues for LCTI is its business-type activities from its Cafeteria and Production funds, which had a combined decrease in total revenues of \$244,000 in 2019. The Cafeteria Fund had a \$142,000 decrease in Federal Subsidy from the National School Lunch program in 2019, which was the result of Allentown School District deciding to provide lunches for all of their students who attend LCTI, except for Academic Center students. While the Cafeteria Fund experienced a net loss in 2019 of \$95,518 after GASB Pension and OPEB expenses are applied, the loss was \$64,803 prior to those expenses, caused by the loss of subsidies. The Production Fund had a net profit of \$480 in 2019, 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 2018 to 2019 for:
Total and Net Costs of Services — Governmental Activities
(Amounts expressed in thousands)

| Functions/ Programs | Total Cost of Services | Total Cost of Services | Net Cost of Services | Net Cost of Services |
|---|---------------------------|---------------------------|-------------------------|-------------------------|
| | <u>2018</u> | <u>2019</u> | <u>2018</u> | <u>2019</u> |
| Instruction | \$18,986 | \$19,266 | \$2,796 | \$3,102 |
| Support services | 10,582 | 10,686 | 2,559 | 1,708 |
| Operation of non-instructional services | <u>1,869</u> | <u>1,857</u> | <u>23</u> | <u>17</u> |
| Total governmental activities | <u>\$31,437</u> | <u>\$31,809</u> | <u>\$5,378</u> | <u>\$4,827</u> |

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 Cost of Services Total Government Activities decreased \$551,000 in 2019, which is attributable to the Support Services line item, where the net cost of services of \$1,708,000 was \$851,000 less than in 2018. This decrease in Support Services can be traced to Administrative and Financial Support Service costs, which had a decrease of \$304,000 in Net Cost of Services, and the Operation and Maintenance of Plant Services, which had a decrease of \$495,000 in Net Cost of Services.

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 2018 to 2019 for:
Total and Net Costs of Services — Business-type Activities
(Amounts expressed in thousands)

| Functions/ Programs | Total Cost of Services | Total Cost of Services | Net Cost of Services | Net Cost of Services |
|---------------------------------------|---------------------------|---------------------------|-------------------------|-------------------------|
| | <u>2018</u> | <u>2019</u> | <u>2018</u> | <u>2019</u> |
| Cafeteria | \$ 737 | \$ 657 | (\$19) | (\$106) |
| Production | <u>825</u> | <u>853</u> | <u>98</u> | <u>(\$28)</u> |
| Total business-type activities | <u>\$1,562</u> | <u>\$1,510</u> | <u>\$79</u> | <u>(\$134)</u> |

This table shows that program costs in both LCTI's Cafeteria and Production funds to be greater than the program revenues from charges and services. Operationally, the Cafeteria Fund had a net loss of \$95,518, which is the Net Cost of Services of (\$105,925), plus investment earnings of \$9,401 and a General Fund transfer for Cafeteria Bad Debts of \$1,006. The Production Fund had a net profit of \$480, which is the Net Cost of Services (\$28,467) plus investment earnings of \$28,947. The combined net profit and loss of (\$95,038) is the Change in Net Position decrease for 2019.

FINANCIAL ANALYSIS OF THE SCHOOL'S FUNDS

As of June 30, 2019, the LCTI's governmental funds reported a combined fund balance of \$9,534,553, which represents a decrease of \$1,111,392 from the prior year balance of \$10,645,945 as of June 30, 2018. This decrease is due primarily to the Capital Outlay of \$1,958,658 in Capital Projects Funds for various projects, exceeding the transfers in to Capital Projects of \$620,179, by \$1,338,479. The significant occurrences in the General and other funds are as follows:

- The LCTI General Fund balance of \$3,472,188 includes Committed Fund Balance of \$972,000 for Future Retirement Costs. The General Fund Balance also includes Assigned Fund Balance of \$939,911 for Adult Education, which had a net loss of \$54,798 in 2019. Another Assigned Fund Balance, for Academic Center future member district payments, has a fund balance of \$459,322, after \$23,477 was retained from the Academic Center excess revenues over expenditures, which is in accordance with General Fund retainage policy. An Unassigned Fund Balance of \$1,056,855 exists which is available for future years' budgeting, increased by the \$105,147 in retainage of excess revenues for 2019, also in accordance with General Fund retainage policy. In addition, \$101,000 was relieved from the Committed Fund Balance for Future Retirement costs to the Unassigned Fund Balance. In addition, the Nonspendable Fund Balance for prepaid expenses increased by \$44,100 in 2019. 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 \$1,185,752 resulted from the Capital Outlay for various projects of \$1,958,658, exceeding transfers received from member districts of \$297,580, plus the E-Rate Program Refund of \$322,599 transferred from the General Fund, and the interest earnings of \$152,727. 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 \$197,580 for the Capital Projects Technology Fund.
- As of June 30, 2019, LCTI's Proprietary Fund reported total net position of \$969,001, which is a decrease of \$95,038 for 2019. This decrease is the result of the combined Cafeteria Fund net loss of \$95,518 and the Production Fund net profit of \$480 for 2019. As previously noted, the Cafeteria net loss is primarily caused by the loss of \$142,000 in Federal Subsidy from the National School Lunch Program, which occurred due to Allentown School District's decision to provide lunches for all of their students, except for Academic Center students. The net profit/loss amounts are net of the activity related to GASB Statements No. 68 and 71, and GASB 75.

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 \$499,000, of which \$348,000 can be attributed to Local Sources. Adult Education actual revenues were \$653,000 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 attributable to the General Fund Excess Revenues for 2018-2019, as the traditional excess revenue being returned to the member districts in 2019-2020 for the General Fund amounts to \$312,683. The Academic Center will return \$70,430 to member districts in the 2019-2020 school year. State Source revenues were \$37,500 above budget, due to actual State Vocational Education Subsidies received being \$316,877 higher than in 2018. Federal Source revenues were \$194,500 over the budgeted amount, largely due to the increased Carl Perkins Grant awarded funds, which were \$139,432 more in 2019.

As per Section 609 of the School Code, “Whenever Federal or State funds are made available to school districts; such funds may be expended by the board of school directors, for the purposes for which they were made available, even though provisions therefor were not made in the annual estimates or budget of such school district.”

Expenditure variances were all positive, as overall expenditures were \$762,000 less than budget. Instructional expenses had a positive variance of \$693,000, of which Adult Education had a positive variance of \$517,000, which is in line with the revenue budget being \$653,000 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 \$67,000. The Budgetary Reserve Account balance of \$179,000 for the General Fund included the use of \$6,000 from the original budget reserve of \$185,000, due to the increased revenues creating more spending availability, as previously described. The Academic Center Budget reserve of \$14,000 was not used for fiscal year 2018-2019.

CAPITAL ASSETS

As of June 30, 2019, LCTI had \$40,429,818 invested in capital assets.

Table A-5
A comparative analysis of fiscal year 2018 to 2019 for:
Capital Assets — Net of Depreciation
(Amounts expressed in thousands)

| | Total Assets | Accumulated Depreciation | Balance Net of Depreciation | Total Assets | Accumulated Depreciation | Balance Net of Depreciation |
|---------------------------------------|-------------------------|-------------------------------------|--|-------------------------|-------------------------------------|--|
| | <u>2018</u> | <u>2018</u> | <u>2018</u> | <u>2019</u> | <u>2019</u> | <u>2019</u> |
| Governmental Activities | | | | | | |
| Land | \$ 95 | \$ 0 | \$ 95 | \$ 95 | \$ 0 | \$ 95 |
| Construction in Progress | 97 | 0 | 97 | 1,878 | 0 | 1,878 |
| Buildings and Building Improvements | 60,817 | 29,018 | 31,799 | 60,915 | 31,133 | 29,782 |
| Fixtures and Equipment | 28,360 | 20,467 | 7,893 | 29,018 | 21,345 | 7,673 |
| Vehicles | 1,816 | 1,168 | 648 | 1,827 | 1,247 | 580 |
| Textbooks | <u>614</u> | <u>518</u> | <u>96</u> | <u>658</u> | <u>561</u> | <u>97</u> |
| Total Governmental Activities | <u>\$ 91,799</u> | <u>\$ 51,171</u> | <u>\$ 40,628</u> | <u>\$ 94,391</u> | <u>\$ 54,286</u> | <u>\$ 40,105</u> |
| Business-type Activities | | | | | | |
| Buildings and Building Improvements | \$ 344 | \$ 133 | \$ 211 | \$ 344 | \$ 138 | \$ 206 |
| Fixtures and Equipment | <u>538</u> | <u>398</u> | <u>140</u> | <u>545</u> | <u>426</u> | <u>119</u> |
| Total Business-type Activities | <u>\$ 882</u> | <u>\$ 531</u> | <u>\$ 351</u> | <u>\$ 889</u> | <u>\$ 564</u> | <u>\$ 325</u> |

The decrease in Governmental Activities net capital assets from the prior year of \$523,000 is the result of annual depreciation for 2018-2019 of \$4,082,000, which exceeds the amount of capital asset additions of \$3,658,000, by \$424,000. Business-Type Activities capital assets had a net decrease of \$26,000, which is the amount by which annual depreciation expense of \$33,000 exceeds capital asset additions of \$7,000 for the Cafeteria and Production funds in 2019. See notes to the financial statements for additional information about capital assets.

LONG-TERM DEBT

Outstanding long-term debt totaling \$44,665,843 at June 30, 2019, consists of revenue bonds with varying maturity dates through the year 2040 in the amount of \$43,235,000. Also included are unamortized bond discounts and premiums in the amount of \$1,430,843, net. Principal payments made in the current fiscal year were \$1,195,000 with an additional \$1,766,219 in interest payments. See the notes to the financial statements for additional information on long-term debt activity.

ECONOMIC FACTORS AND THE 2019-2020 BUDGET

1. The School has prepared a General Fund Budget for the next school year, or the fiscal year ending June 30, 2020. The total 2019-2020 Budget of \$27,666,000 represents an increase of \$1,063,800, or 4.00 percent, from the total 2018-2019 Budget of \$26,602,200. The member districts' increase is \$395,150, or 1.90 percent. Included in the receipts from member districts for 2019-2020, is the \$2,958,731 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 2019-2020 Facility Capital Projects contribution is \$100,000 and the Technology Reserve Fund is \$197,319. The Technology Reserve Fund is a relatively 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 2019-2020 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 2019-2020 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 2019-2020 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 \$348,700.
- Instructional staff changes budgeted include the addition of one Exercise Science and Rehabilitation Services Instructor to meet student demand.
- Any staff salary reductions were limited to staff replacements, which will result 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 3.93 percent for a total dollar value of \$303,700 are projected. Employer Retirement payments which increase to 34.29% from 33.43%, projects to a total net increase of \$271,600. Healthcare total expense projects a net decrease of \$9,200, which consists of a \$3,400 decrease due to employee selected plan changes and a \$5,800 increase in employee premium share (which is a decrease in LCTI expense). An opt-out incentive was selected by seventeen employees.
- Increases in both the Carl D. Perkins Vocational and Technical Grant funded by the United States Department of Education, and Secondary Career and Technical Education Subsidy, provided by the Pennsylvania Department of Education, are anticipated in the 2019-2020 school year.
- 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.

- An Academic Center Budget was approved having total expenditures of \$1,860,000, an increase of \$40,600 or 2.29 percent, and the member districts increase will be \$23,300, or 1.45 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

| <u>Member School District</u> | <u>2016</u> | <u>2017</u> | <u>2018</u> | <u>Percent of Change 2016 - 2018</u> |
|-------------------------------|--------------------------|--------------------------|--------------------------|--------------------------------------|
| Allentown | \$ 4,702,502,730 | \$ 4,564,251,308 | \$ 4,693,180,752 | -0.20% |
| Catasauqua | 896,859,345 | 889,251,650 | 964,485,780 | 7.54% |
| East Penn | 4,885,960,033 | 5,059,847,061 | 5,297,829,074 | 8.43% |
| Northern Lehigh | 677,632,631 | 678,266,002 | 691,131,182 | 1.99% |
| Northwestern Lehigh | 1,484,424,731 | 1,533,260,717 | 1,615,904,199 | 8.86% |
| Parkland | 7,227,426,285 | 7,428,335,722 | 7,775,307,705 | 7.58% |
| Salisbury Township | 1,184,583,678 | 1,184,618,873 | 1,188,599,941 | 0.34% |
| Southern Lehigh | 2,504,344,096 | 2,542,956,237 | 2,675,731,891 | 6.84% |
| Whitehall - Coplay | <u>2,143,504,805</u> | <u>2,149,156,314</u> | <u>2,200,303,214</u> | <u>2.65%</u> |
| Total | <u>\$ 25,707,238,334</u> | <u>\$ 26,029,943,884</u> | <u>\$ 27,102,473,738</u> | <u>5.43%</u> |

Source: PA State Tax Equalization Board

Participating District Enrollment History

For Grades 9-12

| <u>Member School District</u> | <u>2014-15</u> | <u>2015-16</u> | <u>2016-17</u> | <u>2017-18</u> | <u>2018-19</u> | <u>% Change (6/30/18- 6/30/19)</u> |
|-------------------------------|----------------|----------------|----------------|----------------|----------------|--|
| Allentown | 4,484 | 4,679 | 5,233 | 5,143 | 5,117 | -0.51% |
| Catasauqua | 485 | 466 | 476 | 473 | 460 | -2.75% |
| East Penn | 2,645 | 2,626 | 2,654 | 2,754 | 2,784 | 1.09% |
| Northern Lehigh | 537 | 554 | 516 | 516 | 483 | -6.40% |
| Northwestern Lehigh | 733 | 750 | 749 | 745 | 761 | 2.15% |
| Parkland | 3,123 | 3,179 | 3,227 | 3,220 | 3,219 | -0.03% |
| Salisbury Township | 572 | 568 | 577 | 574 | 548 | -4.53% |
| Southern Lehigh | 1,045 | 1,078 | 1,074 | 1,080 | 1,115 | 3.24% |
| Whitehall - Coplay | <u>1,408</u> | <u>1,399</u> | <u>1,437</u> | <u>1,428</u> | <u>1,491</u> | <u>-0.63%</u> |
| Total | <u>15,032</u> | <u>15,299</u> | <u>15,943</u> | <u>15,933</u> | <u>15,978</u> | <u>0.28%</u> |
| Percent Change per Year | N/A | 1.78% | 4.21% | -0.06% | 0.28% | |

Source: PDE K-12 School Data and Reporting
2018-2019 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, 2019

| | Governmental Activities | Business- Type Activities | Total |
|--|----------------------------|---------------------------------|------------------------|
| ASSETS | | | |
| Cash and investments | \$ 11,111,981 | \$ 1,906,138 | \$ 13,018,119 |
| Internal balances | 36,540 | (36,540) | - |
| Intergovernmental receivables | 2,527,325 | 24,034 | 2,551,359 |
| Other receivables | 60,371 | 41,604 | 101,975 |
| Inventories | - | 244,372 | 244,372 |
| Prepaid expenses | 44,100 | - | 44,100 |
| Capital assets not being depreciated | 1,973,646 | - | 1,973,646 |
| Capital assets, net of accumulated depreciation | 38,130,916 | 325,256 | 38,456,172 |
| TOTAL ASSETS | 53,884,879 | 2,504,864 | 56,389,743 |
| DEFERRED OUTFLOWS OF RESOURCES | | | |
| Deferred charge on bond refunding | 1,063,991 | - | 1,063,991 |
| Deferred outflows of resources for pension | 5,686,734 | 233,664 | 5,920,398 |
| Deferred outflows of resources for other postemployment benefits | 593,012 | 5,511 | 598,523 |
| TOTAL DEFERRED OUTFLOWS OF RESOURCES | 7,343,737 | 239,175 | 7,582,912 |
| LIABILITIES | | | |
| Intergovernmental payables | 1,743,578 | - | 1,743,578 |
| Accounts payable | 1,209,004 | 42,216 | 1,251,220 |
| Accrued interest | 434,683 | - | 434,683 |
| Accrued salaries and benefits | 1,209,109 | - | 1,209,109 |
| Unearned revenues | 84,073 | 6,205 | 90,278 |
| Other current liabilities | - | 2,022 | 2,022 |
| Noncurrent liabilities - due within one year | 1,220,000 | 4,172 | 1,224,172 |
| Noncurrent liabilities: | | | |
| Bonds payable, net | 43,445,843 | - | 43,445,843 |
| Long-term portion of compensated absences | 865,339 | - | 865,339 |
| Net pension liability | 43,772,688 | 1,592,312 | 45,365,000 |
| Net other postemployment benefit liabilities | 5,184,176 | 65,688 | 5,249,864 |
| TOTAL LIABILITIES | 99,168,493 | 1,712,615 | 100,881,108 |
| DEFERRED INFLOWS OF RESOURCES | | | |
| Deferred inflows of resources for pension | 1,700,250 | 58,035 | 1,758,285 |
| Deferred inflows of resources for other postemployment benefits | 120,612 | 4,388 | 125,000 |
| TOTAL DEFERRED INFLOWS OF RESOURCES | 1,820,862 | 62,423 | 1,883,285 |
| NET POSITION | | | |
| Net investment in capital assets | 1,166,310 | 325,256 | 1,491,566 |
| Restricted for capital projects | 1,397,396 | - | 1,397,396 |
| Unrestricted (deficit) | (42,324,445) | 643,745 | (41,680,700) |
| TOTAL NET POSITION (DEFICIT) | \$ (39,760,739) | \$ 969,001 | \$ (38,791,738) |

See accompanying notes.

LEHIGH CAREER & TECHNICAL INSTITUTE

STATEMENT OF ACTIVITIES

For the Year Ended June 30, 2019

| Functions/Programs | Expenses | Program Revenue | | | Net (Expense) Revenue and Changes in Net Position | | |
|---|----------------------|----------------------|------------------------------------|----------------------------------|---|--------------------------|------------------------|
| | | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions | Governmental Activities | Business-Type Activities | Total |
| Governmental Activities | | | | | | | |
| Instruction | \$ 5,038,808 | \$ 2,966,531 | \$ 1,266,626 | \$ - | \$ (805,651) | \$ - | \$ (805,651) |
| Vocational education | 11,496,133 | 7,714,905 | 1,489,324 | 97,123 | (2,194,781) | - | (2,194,781) |
| Adult education programs | 2,731,238 | 1,932,623 | 696,821 | - | (101,794) | - | (101,794) |
| Instructional student support | 2,329,359 | 1,365,505 | 601,712 | - | (362,142) | - | (362,142) |
| Administrative and financial support services | 4,770,852 | 3,352,485 | 505,696 | - | (912,671) | - | (912,671) |
| Operation and maintenance of plant services | 3,578,044 | 2,612,256 | 534,096 | - | (431,692) | - | (431,692) |
| Pupil transportation | 7,955 | 6,210 | - | - | (1,745) | - | (1,745) |
| Student activities | 86,535 | 64,397 | 4,278 | - | (17,860) | - | (17,860) |
| Community services | 6,886 | 5,293 | 91 | - | (1,502) | - | (1,502) |
| Interest on long-term debt | 1,763,635 | - | - | 1,766,219 | 2,584 | - | 2,584 |
| Total Governmental Activities | 31,809,445 | 20,020,205 | 5,098,644 | 1,863,342 | (4,827,254) | - | (4,827,254) |
| Business-Type Activities | | | | | | | |
| Food services | 656,793 | 185,330 | 365,538 | - | - | (105,925) | (105,925) |
| Production services | 853,148 | 789,704 | 34,977 | - | - | (28,467) | (28,467) |
| Total Business-Type Activities | 1,509,941 | 975,034 | 400,515 | - | - | (134,392) | (134,392) |
| Total Primary Government | \$ 33,319,386 | \$ 20,995,239 | \$ 5,499,159 | \$ 1,863,342 | (4,827,254) | (134,392) | (4,961,646) |
| General Revenues: | | | | | | | |
| Grants, subsidies, and contributions not restricted for specific programs | | | | | 4,039,825 | - | 4,039,825 |
| Investment earnings | | | | | 285,799 | 38,348 | 324,147 |
| Miscellaneous income | | | | | 115,862 | - | 115,862 |
| Transfers | | | | | (1,006) | 1,006 | - |
| Total General Revenues and Transfers | | | | | 4,440,480 | 39,354 | 4,479,834 |
| Change in Net Position | | | | | (386,774) | (95,038) | (481,812) |
| Net Position (Deficit) - Beginning of Year | | | | | (39,373,965) | 1,064,039 | (38,309,926) |
| Net Position (Deficit) - End of Year | | | | | \$ (39,760,739) | \$ 969,001 | \$ (38,791,738) |

See accompanying notes.

LEHIGH CAREER & TECHNICAL INSTITUTE

**BALANCE SHEET
GOVERNMENTAL FUNDS**

June 30, 2019

| | General | Capital Projects | Debt Service | Total Governmental Funds |
|--|---------------------|---------------------|-----------------|--------------------------------|
| ASSETS | | | | |
| Cash and investments | \$ 4,277,617 | \$ 6,832,995 | \$ 1,369 | \$ 11,111,981 |
| Interfund receivables | 71,613 | - | - | 71,613 |
| Intergovernmental receivables | 2,527,325 | - | - | 2,527,325 |
| Other receivables | 60,506 | - | - | 60,506 |
| Prepaid expenditures | 44,100 | - | - | 44,100 |
| | <u>4,277,617</u> | <u>6,832,995</u> | <u>1,369</u> | <u>11,111,981</u> |
| TOTAL ASSETS | <u>\$ 6,981,161</u> | <u>\$ 6,832,995</u> | <u>\$ 1,369</u> | <u>\$ 13,815,525</u> |
| LIABILITIES AND FUND BALANCES | | | | |
| LIABILITIES | | | | |
| Interfund payables | \$ 35,208 | \$ - | \$ - | \$ 35,208 |
| Intergovernmental payables | 1,743,578 | - | - | 1,743,578 |
| Accounts payable | 437,005 | 771,999 | - | 1,209,004 |
| Accrued salaries and benefits | 1,209,109 | - | - | 1,209,109 |
| Unearned revenues | 84,073 | - | - | 84,073 |
| | <u>3,508,973</u> | <u>771,999</u> | <u>-</u> | <u>4,280,972</u> |
| TOTAL LIABILITIES | <u>3,508,973</u> | <u>771,999</u> | <u>-</u> | <u>4,280,972</u> |
| FUND BALANCES | | | | |
| Nonspendable | 44,100 | - | - | 44,100 |
| Restricted for: | | | | |
| Debt service | - | - | 1,369 | 1,369 |
| Capital projects | - | 6,060,996 | - | 6,060,996 |
| Committed for: | | | | |
| Future retirement costs | 972,000 | - | - | 972,000 |
| Assigned for: | | | | |
| Academic center | 459,322 | - | - | 459,322 |
| Adult education | 939,911 | - | - | 939,911 |
| Unassigned | 1,056,855 | - | - | 1,056,855 |
| | <u>3,472,188</u> | <u>6,060,996</u> | <u>1,369</u> | <u>9,534,553</u> |
| TOTAL FUND BALANCES | <u>3,472,188</u> | <u>6,060,996</u> | <u>1,369</u> | <u>9,534,553</u> |
| TOTAL LIABILITIES AND FUND BALANCES | <u>\$ 6,981,161</u> | <u>\$ 6,832,995</u> | <u>\$ 1,369</u> | <u>\$ 13,815,525</u> |

LEHIGH CAREER & TECHNICAL INSTITUTE

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

June 30, 2019

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

TOTAL FUND BALANCES - GOVERNMENTAL FUNDS \$ 9,534,553

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 \$94,390,779 and the accumulated depreciation is \$54,286,217. 40,104,562

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 | \$ (43,235,000) | |
| Accrued interest on bonds | (434,683) | |
| Unamortized bond premium | (1,471,251) | |
| Unamortized bond discount | 40,408 | |
| Deferred charge on bond refunding | 1,063,991 | |
| Long-term portion of compensated absences | <u>(865,339)</u> | (44,901,874) |

The net pension liability and related deferred outflows and inflows of resources for pensions are not reflected on the fund financial statements. (39,786,204)

The net other postemployment benefit liabilities and related deferred outflows and inflows of resources for other postemployment benefits are not reflected on the fund financial statements. (4,711,776)

TOTAL NET POSITION (DEFICIT) - GOVERNMENTAL ACTIVITIES \$ (39,760,739)

LEHIGH CAREER & TECHNICAL INSTITUTE

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

For the Year Ended June 30, 2019

| | General | Capital Projects | Debt Service | Total Governmental Funds |
|--|---------------------|---------------------|--------------------|--------------------------------|
| REVENUES | | | | |
| Local sources | \$ 2,557,501 | \$ 152,727 | \$ 4,166 | \$ 2,714,394 |
| Local sources - other LEAs | 21,781,285 | - | - | 21,781,285 |
| State sources | 5,756,501 | - | - | 5,756,501 |
| Federal sources | 1,004,702 | - | - | 1,004,702 |
| TOTAL REVENUES | 31,099,989 | 152,727 | 4,166 | 31,256,882 |
| EXPENDITURES | | | | |
| Current: | | | | |
| Instructional services | 17,628,786 | - | - | 17,628,786 |
| Support services | 9,796,650 | - | - | 9,796,650 |
| Operation of noninstructional services | 91,627 | - | - | 91,627 |
| Capital outlay | - | 1,958,658 | - | 1,958,658 |
| Debt service: | | | | |
| Principal | - | - | 1,195,000 | 1,195,000 |
| Interest | - | - | 1,766,219 | 1,766,219 |
| TOTAL EXPENDITURES | 27,517,063 | 1,958,658 | 2,961,219 | 32,436,940 |
| EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES | 3,582,926 | (1,805,931) | (2,957,053) | (1,180,058) |
| OTHER FINANCING SOURCES (USES) | | | | |
| Sale of capital assets | 69,672 | - | - | 69,672 |
| Transfers in | 3,632 | 620,179 | 2,961,219 | 3,585,030 |
| Transfers out | (3,582,404) | - | (3,632) | (3,586,036) |
| TOTAL OTHER FINANCING SOURCES (USES) | (3,509,100) | 620,179 | 2,957,587 | 68,666 |
| NET CHANGE IN FUND BALANCES | 73,826 | (1,185,752) | 534 | (1,111,392) |
| FUND BALANCES - BEGINNING OF YEAR | 3,398,362 | 7,246,748 | 835 | 10,645,945 |
| FUND BALANCES - END OF YEAR | \$ 3,472,188 | \$ 6,060,996 | \$ 1,369 | \$ 9,534,553 |

See accompanying notes.

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, 2019

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

NET CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS \$ (1,111,392)

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 | \$ 3,657,932 | |
| Less: depreciation expense | (4,081,917) | |
| Disposal of assets | (99,167) | (523,152) |
| | | |

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 | 1,195,000 | |
| Amortization of bond discount | (1,902) | |
| Amortization of bond premium | 76,428 | |
| Amortization of deferred charge on bond refunding | (78,814) | 1,190,712 |
| | | |

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. 6,872

Some expenses reported in the statement of activities do not require the use of current financial resources and are not reported as expenditures in governmental funds. The difference in the amount incurred and amount paid of these activities is:

| | | |
|---|----------|--------|
| Compensated absences | 159,616 | |
| Net pension liability and related deferred outflows and inflows | (67,740) | |
| Net OPEB liability and related deferred outflows and inflows | (41,690) | 50,186 |
| | | |

CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES \$ (386,774)

LEHIGH CAREER & TECHNICAL INSTITUTE

STATEMENT OF NET POSITION
PROPRIETARY FUNDS

June 30, 2019

| | Cafeteria Fund | Production Fund | Total |
|--|---------------------|---------------------|-------------------|
| ASSETS | | | |
| CURRENT ASSETS | | | |
| Cash and investments | \$ 428,517 | \$ 1,477,621 | \$ 1,906,138 |
| Interfund receivables | 18,417 | 17,488 | 35,905 |
| Intergovernmental receivables | 7,459 | 16,575 | 24,034 |
| Other receivables | - | 41,604 | 41,604 |
| Inventories | 21,282 | 223,090 | 244,372 |
| TOTAL CURRENT ASSETS | 475,675 | 1,776,378 | 2,252,053 |
| NONCURRENT ASSETS | | | |
| Buildings and building improvements, net | - | 205,945 | 205,945 |
| Equipment, net | 113,360 | 5,951 | 119,311 |
| TOTAL NONCURRENT ASSETS | 113,360 | 211,896 | 325,256 |
| TOTAL ASSETS | 589,035 | 1,988,274 | 2,577,309 |
| DEFERRED OUTFLOWS OF RESOURCES | | | |
| Deferred outflows of resources for pension | 161,248 | 72,416 | 233,664 |
| Deferred outflows of resources for other postemployment benefits | 3,410 | 2,101 | 5,511 |
| TOTAL DEFERRED OUTFLOWS OF RESOURCES | 164,658 | 74,517 | 239,175 |
| LIABILITIES | | | |
| CURRENT LIABILITIES | | | |
| Interfund payables | 40,390 | 32,055 | 72,445 |
| Accounts payable | 4,576 | 37,640 | 42,216 |
| Unearned revenues | 6,205 | - | 6,205 |
| Other current liabilities | - | 2,022 | 2,022 |
| Compensated absences | 4,172 | - | 4,172 |
| TOTAL CURRENT LIABILITIES | 55,343 | 71,717 | 127,060 |
| NONCURRENT LIABILITIES | | | |
| Net pension liability | 993,494 | 598,818 | 1,592,312 |
| Net other postemployment benefit liabilities | 40,069 | 25,619 | 65,688 |
| TOTAL NONCURRENT LIABILITIES | 1,033,563 | 624,437 | 1,658,000 |
| TOTAL LIABILITIES | 1,088,906 | 696,154 | 1,785,060 |
| DEFERRED INFLOWS OF RESOURCES | | | |
| Deferred inflows of resources for pension | 35,482 | 22,553 | 58,035 |
| Deferred inflows of resources for other postemployment benefits | 2,738 | 1,650 | 4,388 |
| TOTAL DEFERRED INFLOWS OF RESOURCES | 38,220 | 24,203 | 62,423 |
| NET POSITION | | | |
| Investment in capital assets | 113,360 | 211,896 | 325,256 |
| Unrestricted (deficit) | (486,793) | 1,130,538 | 643,745 |
| TOTAL NET POSITION (DEFICIT) | \$ (373,433) | \$ 1,342,434 | \$ 969,001 |

See accompanying notes.

LEHIGH CAREER & TECHNICAL INSTITUTE

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

For the Year Ended June 30, 2019

| | Cafeteria Fund | Production Fund | Total |
|---|---------------------|---------------------|-------------------|
| OPERATING REVENUES | | | |
| Food service revenue | \$ 185,330 | \$ - | \$ 185,330 |
| Production Service Revenue | - | 789,704 | 789,704 |
| TOTAL OPERATING REVENUES | 185,330 | 789,704 | 975,034 |
| OPERATING EXPENSES | | | |
| Salaries | 251,406 | 171,965 | 423,371 |
| Employee benefits | 133,474 | 79,149 | 212,623 |
| Pension and OPEB valuation adjustments | 30,715 | 2,673 | 33,388 |
| Purchased professional services | 820 | - | 820 |
| Purchased property services | 3,774 | 9,666 | 13,440 |
| Other purchased services | 2,554 | 9,930 | 12,484 |
| Supplies | 206,777 | 571,754 | 778,531 |
| Depreciation | 26,946 | 6,192 | 33,138 |
| Other expenses | 327 | 1,819 | 2,146 |
| TOTAL OPERATING EXPENSES | 656,793 | 853,148 | 1,509,941 |
| OPERATING INCOME (LOSS) | (471,463) | (63,444) | (534,907) |
| NONOPERATING REVENUES | | | |
| Earnings on investments | 9,401 | 28,947 | 38,348 |
| State sources | 62,712 | 34,977 | 97,689 |
| Federal sources | 302,826 | - | 302,826 |
| TOTAL NONOPERATING REVENUES | 374,939 | 63,924 | 438,863 |
| INCOME (LOSS) BEFORE TRANSFERS | (96,524) | 480 | (96,044) |
| TRANSFERS IN | 1,006 | - | 1,006 |
| CHANGE IN NET POSITION | (95,518) | 480 | (95,038) |
| NET POSITION (DEFICIT) - BEGINNING OF YEAR | (277,915) | 1,341,954 | 1,064,039 |
| NET POSITION (DEFICIT) - END OF YEAR | \$ (373,433) | \$ 1,342,434 | \$ 969,001 |

See accompanying notes.

LEHIGH CAREER & TECHNICAL INSTITUTE

**STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS**

For the Year Ended June 30, 2019

| | Cafeteria Fund | Production Fund | Total |
|---|-------------------|--------------------|--------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | | |
| Cash received from users | \$ 186,039 | \$ - | \$ 186,039 |
| Cash received from other operating revenues | - | 787,351 | 787,351 |
| Cash payments to employees for services | (376,209) | (202,852) | (579,061) |
| Cash payments to suppliers for goods and services | (170,992) | (519,780) | (690,772) |
| | (361,162) | 64,719 | (296,443) |
| NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES | | | |
| CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES | | | |
| State sources | 62,901 | 34,977 | 97,878 |
| Federal sources | 265,482 | - | 265,482 |
| Transfers in | 1,006 | - | 1,006 |
| | 329,389 | 34,977 | 364,366 |
| NET CASH PROVIDED BY NONCAPITAL FINANCING ACTIVITIES | | | |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES | | | |
| Purchases of equipment | (6,707) | - | (6,707) |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | |
| Earnings on investments | 9,401 | 28,947 | 38,348 |
| | (29,079) | 128,643 | 99,564 |
| NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS | | | |
| CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR | 457,596 | 1,348,978 | 1,806,574 |
| CASH AND CASH EQUIVALENTS - END OF YEAR | \$ 428,517 | \$ 1,477,621 | \$ 1,906,138 |

See accompanying notes.

LEHIGH CAREER & TECHNICAL INSTITUTE

STATEMENT OF CASH FLOWS - CONTINUED
 PROPRIETARY FUNDS

For the Year Ended June 30, 2019

| | Cafeteria Fund | Production Fund | Total |
|--|---------------------|--------------------|---------------------|
| Reconciliation of Operating (Income) Loss to Net Cash Provided by (Used for) Operating Activities: | | | |
| Operating income (loss) | \$ (471,463) | \$ (63,444) | \$ (534,907) |
| Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities: | | | |
| Depreciation | 26,946 | 6,192 | 33,138 |
| Donated commodities used | 42,638 | - | 42,638 |
| Changes in assets, deferred outflows of resources, liabilities, and deferred inflows of resources: | | | |
| Interfund receivables | 11,124 | 48,588 | 59,712 |
| Intergovernmental and other receivables | 2,059 | (2,353) | (294) |
| Inventories | 3,090 | 39,315 | 42,405 |
| Deferred outflows of resources for pension | (19,637) | 14,061 | (5,576) |
| Deferred outflows of resources for other postemployment benefits | (1,113) | (720) | (1,833) |
| Interfund payables | (2,465) | (326) | (2,791) |
| Accounts payable | (2,468) | 34,135 | 31,667 |
| Unearned revenues | (1,350) | - | (1,350) |
| Other current liabilities | - | (61) | (61) |
| Compensated absences | 12 | - | 12 |
| Net pension liability | 48,062 | (11,288) | 36,774 |
| Net other postemployment benefit liabilities | 1,073 | 647 | 1,720 |
| Deferred inflows of resources for pension | 2,637 | 273 | 2,910 |
| Deferred inflows of resources for other postemployment benefits | (307) | (300) | (607) |
| Total adjustments | 110,301 | 128,163 | 238,464 |
| NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES | \$ (361,162) | \$ 64,719 | \$ (296,443) |

NONCASH NONCAPITAL FINANCING ACTIVITIES

During the year, LCTI used \$42,638 of commodities from the U.S. Department of Agriculture.

LEHIGH CAREER & TECHNICAL INSTITUTE

STATEMENT OF NET POSITION
FIDUCIARY FUNDS

June 30, 2019

| | <u>Private Purpose Trust Funds</u> | <u>Agency Funds</u> |
|-------------------------------------|--|-------------------------|
| ASSETS | | |
| CURRENT ASSETS | | |
| Cash and investments | \$ 90,195 | \$ 155,749 |
| Interfund receivables | - | 1,507 |
| | <u>90,195</u> | <u>157,256</u> |
| TOTAL ASSETS | <u>90,195</u> | <u>\$ 157,256</u> |
| LIABILITIES AND NET POSITION | | |
| CURRENT LIABILITIES | | |
| Interfund payables | - | \$ 1,372 |
| Payroll taxes and withholdings | - | 64,817 |
| Other current liabilities | - | 91,067 |
| | <u>-</u> | <u>157,256</u> |
| TOTAL LIABILITIES | <u>-</u> | <u>\$ 157,256</u> |
| NET POSITION HELD IN TRUST | <u>\$ 90,195</u> | |

LEHIGH CAREER & TECHNICAL INSTITUTE
STATEMENT OF CHANGES IN NET POSITION
FIDUCIARY FUND

For the Year Ended June 30, 2019

| | Private Purpose Trust Funds |
|---|--------------------------------|
| ADDITIONS | |
| Contributions | \$ 10,505 |
| Earnings on investments | 1,871 |
| TOTAL ADDITIONS | 12,376 |
| DEDUCTIONS | |
| Scholarships | 13,090 |
| CHANGE IN NET POSITION | (714) |
| NET POSITION - BEGINNING OF YEAR | 90,909 |
| NET POSITION - END OF YEAR | \$ 90,195 |

LEHIGH CAREER & TECHNICAL INSTITUTE

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2019

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.

LEHIGH CAREER & TECHNICAL INSTITUTE

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2019

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 7).

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.

LEHIGH CAREER & TECHNICAL INSTITUTE

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2019

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. Fiduciary funds are reported by fund type.

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.

LEHIGH CAREER & TECHNICAL INSTITUTE

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2019

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). LCTI has the following capital projects funds:

Capital Reserve Fund - This fund was created in accordance with Section 1850.4 of the Pennsylvania School Code. This fund is utilized for the purchase of equipment for facility maintenance and is funded by a charge to the member districts.

Technology Reserve Fund - This fund was established to accumulate resources from member districts for technological upgrades to the LCTI campus.

2017 Construction Fund - This fund was established to account for the proceeds received from the Revenue Bonds Series B of 2017. These funds are restricted to be used for capital improvements in the LCTI campus.

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

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.

LEHIGH CAREER & TECHNICAL INSTITUTE

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

C. Basis of Presentation - Fund Financial Statements - continued

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.

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.

LEHIGH CAREER & TECHNICAL INSTITUTE

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

D. Measurement Focus and Basis of Accounting - continued

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*. 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 and production fund are charges to customers for sales and services provided. Operating expenses for 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. Federal and state subsidies are considered non-operating revenues as no exchange transaction occurs.

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.

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.

LEHIGH CAREER & TECHNICAL INSTITUTE

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

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.

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.

LEHIGH CAREER & TECHNICAL INSTITUTE

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

F. Financial Position - continued

4. Inventories and Prepaid Items - continued

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, 2019, consist of the following:

| | Business-Type | | Total |
|--------------------------------|-------------------|--------------------|------------|
| | Cafeteria Fund | Production Fund | |
| Food | \$ 11,164 | \$ - | \$ 11,164 |
| Commodities | 2,488 | - | 2,488 |
| Non-food | 7,630 | - | 7,630 |
| Supplies - school store | - | 2,872 | 2,872 |
| Supplies - distribution center | - | 220,218 | 220,218 |
| Total | \$ 21,282 | \$ 223,090 | \$ 244,372 |

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.

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. Donated capital assets are recorded at their acquisition value at the date of donation.

LEHIGH CAREER & TECHNICAL INSTITUTE

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

F. Financial Position - continued

5. Capital Assets, Depreciation, and Amortization - continued

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. The costs of normal maintenance and repairs that do not add to the asset value or materially extend useful lives are not capitalized. Construction in progress is stated at cost and consists primarily of costs incurred on construction projects. No provision for depreciation is made on construction in progress until the assets are complete and placed into service. 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 for depreciable assets of the governmental activities are as follows:

| <u>Assets</u> | <u>Years</u> |
|-------------------------------------|---------------|
| 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 for depreciable assets of the business-type activities are as follows:

| | |
|-------------------------------------|-------------|
| Buildings and building improvements | 25 years |
| Equipment | 5 - 7 years |

6. Unearned Revenues

Revenues that are received but not earned are reported as unearned revenues in the government-wide, governmental, and proprietary 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.

LEHIGH CAREER & TECHNICAL INSTITUTE

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

F. Financial Position - continued

7. Compensated Absences

LCTI policies permit employees to accumulate earned but unused vacation, personal and sick days based on employment agreements. Payments for vacation, sick pay, and personal leave are expensed as paid in the governmental fund statements. Accumulated vacation, personal and sick leave that is expected to be liquidated with expendable available financial resources and that has matured is reported as an expenditure and a fund liability in the governmental fund that will pay it. Accumulated vacation, personal or sick leave that is not expected to be liquidated with expendable available financial resources and that has not matured is reported as a long-term liability in the proprietary funds and the government-wide financial statements and is expensed as incurred.

8. Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental or business-type activity columns in the statement of net position. This same treatment also applies to proprietary fund financial statements. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount. Other bond issuance costs are expensed at the time the debt is issued.

In the fund financial statements, governmental fund types recognized bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued and original issue discounts or premiums are reported as other financing sources and uses. Issuance costs and underwriter's discount, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

9. Pension

LCTI contributes to the Public School Employees Retirement System (PSERS), a cost-sharing multiple-employer defined benefit pension plan. LCTI accounts for the plan under the provisions of GASB Statement No. 68, which establishes standards for the measurement, recognition, and display of pension expense and related liabilities, deferred outflows and deferred inflows of resources related to pension, certain required supplementary information, and note disclosures.

For the purpose of measuring net pension liability, deferred outflows of resources, and deferred inflows of resources related to pension 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 refund of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

LEHIGH CAREER & TECHNICAL INSTITUTE

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

F. Financial Position - continued

10. Other Postemployment Benefits (OPEB)

LCTI's other postemployment benefit plans are accounted for under the provisions of GASB Statement No. 75, which establishes standards for the measurement, recognition, and display of other postemployment benefit expense and related liabilities, deferred outflows and deferred inflows of resources related to other postemployment benefits, certain required supplementary information, and note disclosures. LCTI provides OPEB under the following two plans:

PSERS OPEB Plan

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

LCTI OPEB Plan

LCTI sponsors a single-employer defined benefit OPEB plan. For purposes of measuring the total OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the OPEB plan and additions to/deductions from the plan's fiduciary net position have been determined on the same basis as they are reported by the plan. For this purpose, the plan recognizes benefit payments when due and payable in accordance with the benefit terms. LCTI OPEB plan is unfunded.

11. 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.

LEHIGH CAREER & TECHNICAL INSTITUTE

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

F. Financial Position - continued

11. Deferred Outflows/Inflows of Resources - continued

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.

Deferred outflows of resources for other postemployment benefit liabilities relates to LCTI's liability 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 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 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 liability in the following year.

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.

LEHIGH CAREER & TECHNICAL INSTITUTE

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

F. Financial Position - continued

11. Deferred Outflows/Inflows of Resources - continued

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.

Deferred inflows of resources for other postemployment benefit liabilities relate to LCTI's liability 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 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.

12. 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.

LEHIGH CAREER & TECHNICAL INSTITUTE

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

F. Financial Position - continued

13. 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.

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, governmental accounting standards suggest the following flow assumptions - first, committed; second, assigned; third, unassigned.

LEHIGH CAREER & TECHNICAL INSTITUTE

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

G. 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 had 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, 2019, the accounting under GASB No. 68, *Accounting and Financial Reporting for Pensions*, GASB No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*, and GASB No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, created a deficiency in net position at year end of \$373,433. 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.

LEHIGH CAREER & TECHNICAL INSTITUTE

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2019

NOTE 3 - CASH AND INVESTMENTS - CONTINUED

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, 2019, consists of the following:

| | | |
|--------------|----|---------------|
| Cash on hand | \$ | 340 |
| Deposits | | 1,369 |
| Pooled cash | | 8,015,016 |
| Investments | | 5,247,338 |
| | | \$ 13,264,063 |

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, 2019, LCTI did not have any accounts subject to this risk as all deposits are covered by federally depository insurance.

Pooled Cash and Investments

As of June 30, 2019, LCTI had the following pooled cash and investments:

| | Maturities | Fair Value | Level |
|---|------------|--------------|-------|
| PA Local Government Investment Trust (PLGIT) - Class Shares | | \$ 83,455 | N/A |
| PA School District Liquid Asset Fund (PSDLAF): | | | |
| MAX account balance | | 4,210,312 | N/A |
| Full flex pool | < 1 year | 1,800,000 | |
| Certificates of deposit | < 1 year | 3,350,000 | N/A |
| Total | | 9,443,767 | |
| Less reconciling items | | (1,428,751) | |
| Total pooled cash | | \$ 8,015,016 | |
| FHLB Discount Note | < 1 year | \$ 1,109,000 | 2 |
| First American General Obligation Fund | < 1 year | 1,407,721 | 2 |
| U.S. Treasury Bonds | < 1 year | 605,950 | 2 |
| U.S. Treasury Notes | < 1 year | 2,124,667 | 2 |
| Total investments | | \$ 5,247,338 | |

LEHIGH CAREER & TECHNICAL INSTITUTE

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2019

NOTE 3 - CASH AND INVESTMENTS - CONTINUED

Pooled Cash and Investments - continued

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 \$9,443,767 (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.

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, 2019, the entire book balance of pooled cash of \$8,015,016 is considered to be a cash equivalent for presentation on the government-wide and fund financial statements.

LEHIGH CAREER & TECHNICAL INSTITUTE

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2019

NOTE 3 - CASH AND INVESTMENTS - CONTINUED

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, 2019, LCTI's investments were rated as:

| <u>Investment</u> | <u>Standard & Poor's</u> |
|--|----------------------------------|
| PA Local Government Investment Trust | AAA |
| PA School District Liquid Asset Fund | AAA |
| FHLB Discount Note | AAA |
| First American General Obligation Fund | AAA |
| U.S. Treasury Bonds | AAA |
| U.S. Treasury Notes | AAA |

Concentration of Credit Risk

LCTI places no limit on the amount that LCTI may invest in any one issuer. As of June 30, 2019, 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.

LEHIGH CAREER & TECHNICAL INSTITUTE

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2019

NOTE 4 - INTERGOVERNMENTAL RECEIVABLES/PAYABLES

Intergovernmental Receivables

The following amounts were intergovernmental receivables as of June 30, 2019:

| Name of Governmental Unit | General Fund | Proprietary | | |
|--|---------------------|-----------------|------------------|------------------|
| | | Cafeteria | Production | Total |
| Pennsylvania Department of Education | \$ 954,422 | \$ 5,864 | \$ - | \$ 5,864 |
| Member Schools | 1,436,740 | 1,595 | 8,690 | 10,285 |
| Nonmember Schools | 35,939 | - | - | - |
| Bureau of Workforce Development | 19,403 | - | - | - |
| Workforce Development Board of Lehigh Valley | 36,471 | - | - | - |
| Other | 44,350 | - | 7,885 | 7,885 |
| | <u>\$ 2,527,325</u> | <u>\$ 7,459</u> | <u>\$ 16,575</u> | <u>\$ 24,034</u> |

Intergovernmental Payables

The following amounts were intergovernmental payables as of June 30, 2019:

| Name of Governmental Unit | General Fund |
|---|---------------------|
| Pennsylvania School Employees Retirement System | \$ 1,266,378 |
| Member Schools | 477,200 |
| | <u>\$ 1,743,578</u> |

LEHIGH CAREER & TECHNICAL INSTITUTE

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2019

NOTE 5 - INTERFUND RECEIVABLES/PAYABLES AND TRANSFERS

The following schedule represents the interfund receivables and payables at June 30, 2019:

| | <u>Interfund Receivables</u> | <u>Interfund Payables</u> |
|----------------------------|----------------------------------|-------------------------------|
| General Fund | \$ 71,613 | \$ 35,208 |
| Proprietary Funds: | | |
| Cafeteria | 18,417 | 40,390 |
| Production | 17,488 | 32,055 |
| Agency Fund - Payroll Fund | <u>1,507</u> | <u>1,372</u> |
| | <u>\$ 109,025</u> | <u>\$ 109,025</u> |

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

LCTI also made the following interfund transfers during the year ended June 30, 2019:

| | <u>Transfers In</u> | <u>Transfers Out</u> |
|-----------------------|---------------------|----------------------|
| General Fund | \$ 3,632 | \$ 3,582,404 |
| Capital Projects Fund | 620,179 | - |
| Debt Service Fund | 2,961,219 | 3,632 |
| Cafeteria Fund | <u>1,006</u> | <u>-</u> |
| | <u>\$ 3,586,036</u> | <u>\$ 3,586,036</u> |

Transfers were made to meet future capital needs, fund debt service requirements, and cover uncollectable balances in the cafeteria fund.

LEHIGH CAREER & TECHNICAL INSTITUTE

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2019

NOTE 6 - CHANGES IN CAPITAL ASSETS

Capital asset balances and activity for the year ended June 30, 2019, were as follows:

| | Beginning Balance | Increase | Reclass/ Decrease | Ending Balance |
|--|----------------------|---------------------|----------------------|----------------------|
| Governmental Activities | | | | |
| Capital assets not being depreciated: | | | | |
| Land | \$ 95,302 | \$ - | \$ - | \$ 95,302 |
| Construction in progress | 96,659 | 1,781,685 | - | 1,878,344 |
| Total not being depreciated | 191,961 | 1,781,685 | - | 1,973,646 |
| Capital assets being depreciated: | | | | |
| Buildings and building improvements | 60,816,995 | 97,720 | - | 60,914,715 |
| Furniture and fixtures | 2,790,413 | 105,431 | (36,263) | 2,859,581 |
| Equipment | 25,569,597 | 1,595,452 | (1,006,982) | 26,158,067 |
| Vehicles | 1,815,865 | 30,996 | (20,000) | 1,826,861 |
| Textbooks | 614,627 | 46,648 | (3,366) | 657,909 |
| Total being depreciated | 91,607,497 | 1,876,247 | (1,066,611) | 92,417,133 |
| Less accumulated depreciation for: | | | | |
| Buildings and building improvements | 29,018,196 | 2,114,884 | - | 31,133,080 |
| Furniture and fixtures | 2,071,763 | 160,675 | (32,210) | 2,200,228 |
| Equipment | 18,395,532 | 1,662,994 | (913,868) | 19,144,658 |
| Vehicles | 1,167,955 | 97,209 | (18,000) | 1,247,164 |
| Textbooks | 518,298 | 46,155 | (3,366) | 561,087 |
| Total accumulated depreciation | 51,171,744 | 4,081,917 | (967,444) | 54,286,217 |
| TOTAL CAPITAL ASSETS BEING DEPRECIATED, NET | 40,435,753 | (2,205,670) | (99,167) | 38,130,916 |
| GOVERNMENTAL ACTIVITIES, CAPITAL ASSETS, NET | \$ 40,627,714 | \$ (423,985) | \$ (99,167) | \$ 40,104,562 |
| Business-Type Activities | | | | |
| Capital assets being depreciated: | | | | |
| Buildings and building improvements | \$ 344,463 | \$ - | \$ - | \$ 344,463 |
| Equipment | 538,207 | 6,707 | - | 544,914 |
| Total being depreciated | 882,670 | 6,707 | - | 889,377 |
| Accumulated depreciation for: | | | | |
| Buildings and building improvements | 132,801 | 5,717 | - | 138,518 |
| Equipment | 398,182 | 27,421 | - | 425,603 |
| Total accumulated depreciation | 530,983 | 33,138 | - | 564,121 |
| BUSINESS-TYPE ACTIVITIES, CAPITAL ASSETS, NET | \$ 351,687 | \$ (26,431) | \$ - | \$ 325,256 |

LEHIGH CAREER & TECHNICAL INSTITUTE

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2019

NOTE 6 - CHANGES IN CAPITAL ASSETS - CONTINUED

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

| | |
|---|-----------------------------------|
| Instructional | \$ 240,301 |
| Vocational education | 2,378,770 |
| Adult education | 386,805 |
| Instructional student support | 77,183 |
| Administrative and financial support services | 230,904 |
| Operation and maintenance of plant | 765,933 |
| Community services | <u>2,021</u> |
| TOTAL DEPRECIATION EXPENSE - GOVERNMENTAL ACTIVITIES | <u><u>\$ 4,081,917</u></u> |

LEHIGH CAREER & TECHNICAL INSTITUTE

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2019

NOTE 7 - LONG-TERM LIABILITIES

Bonds payable are summarized as follows at June 30, 2019:

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.

\$ 36,835,000

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.

6,400,000

\$ 43,235,000

LEHIGH CAREER & TECHNICAL INSTITUTE

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2019

NOTE 7 - LONG-TERM LIABILITIES - CONTINUED

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

| | <u>Revenue Bonds Series A of 2017</u> | <u>Revenue Bonds Series B of 2017</u> | <u>Total Revenue Bonds Payable</u> | <u>Total Interest</u> |
|-------------|---|---|--|---------------------------|
| 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 | 1,505,000 | 5,000 | 1,510,000 | 1,526,332 |
| 2025 - 2029 | 8,750,000 | 25,000 | 8,775,000 | 6,416,516 |
| 2030 - 2034 | 10,810,000 | 25,000 | 10,835,000 | 4,179,491 |
| 2035 - 2039 | 11,535,000 | 1,170,000 | 12,705,000 | 2,091,700 |
| 2040 - 2041 | - | 4,180,000 | 4,180,000 | 164,800 |
| | <u>\$ 36,835,000</u> | <u>\$ 6,400,000</u> | <u>\$ 43,235,000</u> | <u>\$ 21,067,438</u> |

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

| | <u>Beginning Balance</u> | <u>Additions</u> | <u>Reductions</u> | <u>Ending Balance</u> | <u>Due Within One Year</u> |
|--|------------------------------|---------------------|-----------------------|---------------------------|--------------------------------|
| Governmental Activities | | | | | |
| Bonds payable | \$ 44,430,000 | \$ - | \$ (1,195,000) | \$ 43,235,000 | \$ 1,220,000 |
| Bond discounts | (42,310) | - | 1,902 | (40,408) | - |
| Bond premiums | 1,547,679 | - | (76,428) | 1,471,251 | - |
| Total bonds payable | <u>45,935,369</u> | <u>-</u> | <u>(1,269,526)</u> | <u>44,665,843</u> | <u>1,220,000</u> |
| Compensated absences | 1,024,955 | 341,910 | (501,526) | 865,339 | - |
| Net pension liability | 45,017,462 | 2,567,614 | (3,812,388) | 43,772,688 | - |
| Net other postemployment benefit liabilities | <u>5,038,428</u> | <u>467,047</u> | <u>(321,299)</u> | <u>5,184,176</u> | <u>-</u> |
| Total governmental activities | <u>\$ 97,016,214</u> | <u>\$ 3,376,571</u> | <u>\$ (5,904,739)</u> | <u>\$ 94,488,046</u> | <u>\$ 1,220,000</u> |
| Business-Type Activities | | | | | |
| Compensated absences | \$ 4,160 | \$ 2,802 | \$ (2,790) | \$ 4,172 | \$ 4,172 |
| Net pension liability | 1,555,538 | 174,876 | (138,102) | 1,592,312 | - |
| Net other postemployment benefit liabilities | <u>63,968</u> | <u>5,331</u> | <u>(3,611)</u> | <u>65,688</u> | <u>-</u> |
| Total business-type activities | <u>\$ 1,623,666</u> | <u>\$ 183,009</u> | <u>\$ (144,503)</u> | <u>\$ 1,662,172</u> | <u>\$ 4,172</u> |

LEHIGH CAREER & TECHNICAL INSTITUTE

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2019

NOTE 7 - LONG-TERM LIABILITIES - CONTINUED

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, 2019, was \$1,766,219. The net pension and PSERS OPEB Plan portion of the OPEB liability will be liquidated through future contributions to PSERS at the statutory rates; contributions will be made from the general, cafeteria, and production funds. LCTI OPEB Plan portion of the OPEB liability will be liquidated through future payments from the general, cafeteria, and production funds.

NOTE 8 - EMPLOYEE RETIREMENT PLANS

Employee Defined Benefit Pension Plan

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.

LEHIGH CAREER & TECHNICAL INSTITUTE

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2019

NOTE 8 - EMPLOYEE RETIREMENT PLANS - CONTINUED

Employee Defined Benefit Pension Plan - continued

General Information About the Pension Plan - continued

Benefits Provided - 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.

Contributions

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%.

LEHIGH CAREER & TECHNICAL INSTITUTE

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2019

NOTE 8 - EMPLOYEE RETIREMENT PLANS - CONTINUED

Employee Defined Benefit Pension Plan - continued

General Information About the Pension Plan - continued

Contributions - continued

Employer Contributions:

The LCTI contractually required contribution rate for the fiscal year ended June 30, 2019, was 32.60% of covered payroll, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from LCTI for the years ended June 30, 2019, 2018, and 2017 were \$4,274,310; \$3,950,490; and \$3,622,009; 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, 2019, 2018, and 2017 related to pension and OPEB benefits was \$2,339,465; \$2,154,312; and \$1,938,165; respectively.

At June 30, 2019, LCTI had an accrued balance due to PSERS, including contributions related to pension and healthcare of \$1,266,378. This amount represents LCTI's contractually obligated contributions for wages earned in April 2019 through June 2019. The balance was paid in September 2019.

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

At June 30, 2019, LCTI reported a liability of \$45,365,000 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by rolling forward the System's total pension liability as of June 30, 2017 to June 30, 2018. 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, 2019, LCTI's proportion was .0945%, which was an increase of 0.0002% from its proportion measured as of June 30, 2018.

LEHIGH CAREER & TECHNICAL INSTITUTE

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2019

NOTE 8 - 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, 2019, LCTI recognized pension expense of \$4,376,158. At June 30, 2019, LCTI reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| | <u>Deferred Outflows of Resources</u> | <u>Deferred Inflows of Resources</u> |
|--|---|--|
| Differences between expected and actual experience | \$ 365,000 | \$ 702,000 |
| Changes in assumptions | 845,000 | - |
| Net difference between projected and actual investment earnings | 223,000 | - |
| Changes in proportion - plan level | 145,000 | 967,000 |
| Changes in proportion - internal | 68,088 | 68,088 |
| Difference between employer contributions and proportionate share of total contributions | - | 21,197 |
| Contributions made subsequent to the measurement date | <u>4,274,310</u> | <u>-</u> |
| | <u><u>\$ 5,920,398</u></u> | <u><u>\$ 1,758,285</u></u> |

The \$4,274,310 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, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows for the years ending June 30:

| | |
|------|----------------------------|
| 2020 | \$ 633,779 |
| 2021 | 224,827 |
| 2022 | (785,901) |
| 2023 | <u>(184,902)</u> |
| | <u><u>\$ (112,197)</u></u> |

LEHIGH CAREER & TECHNICAL INSTITUTE

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2019

NOTE 8 - 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, 2018, was determined by rolling forward the System's total pension liability at June 30, 2017 to June 30, 2018, using the following actuarial assumptions, applied to all periods included in the measurement:

- Actuarial cost method - Entry Age Normal - level % of pay.
- Investment return - 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 actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study that was performed for the five year period ending June 30, 2015.

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

LEHIGH CAREER & TECHNICAL INSTITUTE

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2019

NOTE 8 - 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

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.

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, 2018 is:

| | Target Allocation | Long-Term Expected Real Rate of Return |
|-------------------------|----------------------|---|
| Global public equity | 20.0% | 5.2% |
| Fixed income | 36.0% | 2.2% |
| Commodities | 8.0% | 3.2% |
| Absolute return | 10.0% | 3.5% |
| Risk parity | 10.0% | 3.9% |
| Infrastructure/MLPs | 8.0% | 5.2% |
| Real estate | 10.0% | 4.2% |
| Alternative investments | 15.0% | 6.7% |
| Cash | 3.0% | 0.4% |
| Financing (LIBOR) | (20.0%) | 0.9% |
| | 100.0% | |

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.

LEHIGH CAREER & TECHNICAL INSTITUTE

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2019

NOTE 8 - 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:

| | <u>1% Decrease</u> 6.25% | <u>Current</u> Discount Rate 7.25% | <u>1% Increase</u> 8.25% |
|---|-----------------------------|--|-----------------------------|
| LCTI's proportionate share of the net pension liability | \$ 56,233,000 | \$ 45,365,000 | \$ 36,175,000 |

Pension Plan Fiduciary Net Position

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

Pension Reform

Pursuant to the Commonwealth Act 2017-5, members hired on or after July 1, 2019 will be required to choose one of three new retirement plan design options for retirement benefits. The current defined benefit plan will no longer be available to new members hired on or after July 1, 2019. The new plan design options include two hybrid plans consisting of defined benefit and defined contribution components. The third option is a stand-alone defined contribution plan.

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.

LEHIGH CAREER & TECHNICAL INSTITUTE

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2019

NOTE 9 - OTHER POSTEMPLOYMENT BENEFIT PLANS

Employee Defined Benefit Other Postemployment Benefit Plans

LCTI has other postemployment benefits (OPEB) under 2 different plans: (1) a cost-sharing, multiple employer, employee defined benefit other postemployment benefits plan administered through PSERS (PSERS OPEB Plan) and (2) a single employer defined benefit healthcare plan (LCTI OPEB Plan). LCTI's aggregate net OPEB liability and deferred outflows and inflows of resources related to OPEB at June 30, 2019 are as follows:

| <u>Plan</u> | <u>Net OPEB Liability</u> | <u>Deferred Outflows of Resources</u> | <u>Deferred Inflows of Resources</u> |
|-----------------|-------------------------------|---|--|
| PSERS OPEB Plan | \$ 1,970,000 | \$ 158,824 | \$ 125,000 |
| LCTI OPEB Plan | 3,279,864 | 439,699 | - |
| Total | <u>\$ 5,249,864</u> | <u>\$ 598,523</u> | <u>\$ 125,000</u> |

PSERS OPEB Plan

General Information About the PSERS OPEB Plan

Health Insurance Premium Assistance Program

PSERS (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 Premium Assistance Program if they satisfy the following criteria:

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

LEHIGH CAREER & TECHNICAL INSTITUTE

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2019

NOTE 9 - OTHER POSTEMPLOYMENT BENEFIT PLANS - CONTINUED

PSERS OPEB Plan - continued

General Information About the PSERS OPEB Plan - continued

Pension Plan Description

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

Benefits Provided

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

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, 2019, was 0.83% of covered payroll, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the OPEB plan from LCTI for the years ended June 30, 2019, 2018, and 2017 are \$108,824; \$103,305; and \$102,954; 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 PSERS OPEB Plan liability and related expense represents 100% of LCTI's share of these amounts. The total reimbursement recognized by LCTI for the years ended June 30, 2019, 2018, and 2017 for pension and OPEB benefits was \$2,339,465; \$2,154,312; and \$1,938,165; respectively.

At June 30, 2019, LCTI had an accrued balance due to PSERS of \$1,266,378, including balances related to pension and healthcare. This amount represents LCTI's contractually obligated contributions for wages earned in April 2019 through June 2019. The balance was paid in September 2019.

LEHIGH CAREER & TECHNICAL INSTITUTE

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2019

NOTE 9 - OTHER POSTEMPLOYMENT BENEFIT PLANS - CONTINUED

PSERS OPEB Plan - continued

PSERS OPEB Plan Liability, Expense, and Deferred Outflows and Inflows of Resources Related to OPEB

At June 30, 2019, LCTI reported a liability of \$1,970,000 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2018, and the total OPEB liability used to calculate the net OPEB liability was determined by rolling forward the System's total OPEB liability as of June 30, 2017 to June 30, 2018. LCTI's proportion of the net OPEB liability was calculated utilizing the employer's one-year reported covered payroll as it relates to the total one-year reported covered payroll. At June 30, 2019, LCTI's proportion was 0.0945%, which was an increase of 0.0002% from its proportion measured as of June 30, 2018. The net OPEB liability will be liquidated through future contributions to PSERS at statutory rates. Contributions will be made from the general, cafeteria, and production funds.

For the year ended June 30, 2019, LCTI recognized OPEB expense of \$79,305. At June 30, 2019, 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 |
|--|--------------------------------------|-------------------------------------|
| Differences between expected and actual experience | \$ 12,000 | \$ - |
| Changes in assumptions | 31,000 | 75,000 |
| Net difference between projected and actual investment earnings | 3,000 | - |
| Changes in proportion | 4,000 | 50,000 |
| Contributions made subsequent to the measurement date | 108,824 | - |
| | \$ 158,824 | \$ 125,000 |

The \$108,824 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 liability in the year ended June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows for the years ending June 30:

| | |
|------------|-------------|
| 2020 | \$ (16,000) |
| 2021 | (16,000) |
| 2022 | (16,000) |
| 2023 | (17,000) |
| 2024 | (17,000) |
| Thereafter | 7,000 |
| | \$ (75,000) |

LEHIGH CAREER & TECHNICAL INSTITUTE

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2019

NOTE 9 - OTHER POSTEMPLOYMENT BENEFIT PLANS - CONTINUED

PSERS OPEB Plan - continued

PSERS OPEB Plan Liability, Expense, and Deferred Outflows and Inflows of Resources Related to OPEB - continued

Actuarial Assumptions

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

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

LEHIGH CAREER & TECHNICAL INSTITUTE

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2019

NOTE 9 - OTHER POSTEMPLOYMENT BENEFIT PLANS - CONTINUED

PSERS OPEB Plan - continued

PSERS OPEB Plan Liability, Expense, and Deferred Outflows and Inflows of Resources Related to OPEB - continued

Actuarial Assumptions - continued

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

The following assumptions were used to determine the contribution rate:

- The results of the actuarial valuation as of June 30, 2016, determined the employer contribution rate for fiscal year 2018.
- Cost Method: Amount necessary to assure solvency of Premium Assistance through the third fiscal year after the valuation date.
- Asset valuation method: Market Value.
- Participation rate: 63% of eligible retirees are assumed to elect premium assistance.
- Mortality rates 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.

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.

LEHIGH CAREER & TECHNICAL INSTITUTE

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2019

NOTE 9 - OTHER POSTEMPLOYMENT BENEFIT PLANS - CONTINUED

PSERS OPEB Plan - continued

PSERS OPEB Plan Liability, Expense, and Deferred Outflows and Inflows of Resources Related to OPEB - continued

Actuarial Assumptions - continued

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, 2018 is:

| <u>Asset Class</u> | <u>Target Allocation</u> | <u>Long-Term Expected Real Rate of Return</u> |
|------------------------|--------------------------|---|
| Cash | 5.9% | 0.03% |
| US Core Fixed Income | 92.8% | 1.20% |
| Non-US Developed Fixed | 1.3% | 0.40% |
| | <u>100.0%</u> | |

Discount Rate

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

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

LEHIGH CAREER & TECHNICAL INSTITUTE
NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2019

NOTE 9 - OTHER POSTEMPLOYMENT BENEFIT PLANS - CONTINUED

PSERS OPEB Plan - continued

PSERS OPEB Plan Liability, Expense, and Deferred Outflows and Inflows of Resources Related to OPEB - continued

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

The following presents LCTI's proportionate share of the net OPEB liability for the June 30, 2018 measurement date, calculated using current Healthcare cost trends as well as what LCTI's proportionate share of the net OPEB liability would be if the health cost trends were one-percentage point lower or one-percentage point higher than the current rate:

| | 1% Decrease (Between <u>4% to 6.75%</u>) | Current Trend Rate (Between <u>5% to 7.75%</u>) | 1% Increase (Between <u>6% to 8.75%</u>) |
|--|---|---|---|
| LCTI's proportionate share of the net OPEB liability | \$ 1,970,000 | \$ 1,970,000 | \$ 1,971,000 |

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

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

| | 1% Decrease <u>1.98%</u> | Discount Rate <u>2.98%</u> | 1% Increase <u>3.98%</u> |
|--|-----------------------------|-------------------------------|-----------------------------|
| LCTI's proportionate share of the net OPEB liability | \$ 2,241,000 | \$ 1,970,000 | \$ 1,746,000 |

OPEB Plan Fiduciary Net Position

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

LEHIGH CAREER & TECHNICAL INSTITUTE

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2019

NOTE 9 - OTHER POSTEMPLOYMENT BENEFIT PLANS - CONTINUED

LCTI OPEB Plan

General Information About the LCTI 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 Governmental Accounting Standards Board Statement No. 75 to pay related benefits.

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

| <i>ELIGIBILITY</i> | <i>COVERAGE AND PREMIUM SHARING</i> | <i>DURATION</i> |
|---|--|--|
| Must be eligible for PSERS retirement, be at least age 53, and have at least 15 years of PSERS service with LCTI. | <p><u>Coverage</u> Medical, Prescription Drug, and Dental</p> <p><u>Premium Sharing</u> Institute pays for full medical, prescription drug, and dental coverage for member only. Dependent coverage fully paid for by Member.</p> <p><u>Dependents</u> Spouse and Family are included.</p> | 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. |

LEHIGH CAREER & TECHNICAL INSTITUTE

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2019

NOTE 9 - OTHER POSTEMPLOYMENT BENEFIT PLANS - CONTINUED

LCTI OPEB Plan - continued

General Information About the LCTI OPEB Plan - continued

Benefits Provided - continued

Administrators

| <i>ELIGIBILITY</i> | <i>COVERAGE AND PREMIUM SHARING</i> | <i>DURATION</i> |
|---|--|---|
| <p>Must be eligible for PSERS retirement, be at least age 45, and have at least 7 years of PSERS service with LCTI.</p> | <p><u>Coverage</u> Medical, Prescription Drug, and Dental</p> <p><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.</p> <p><u>Dependents</u> Spouse and Family are included.</p> <p><i>One retiree is eligible for \$270,000 in life insurance until Medicare age at the expense of LCTI.</i></p> | <p>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.</p> |

LEHIGH CAREER & TECHNICAL INSTITUTE

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2019

NOTE 9 - OTHER POSTEMPLOYMENT BENEFIT PLANS - CONTINUED

LCTI OPEB Plan - continued

General Information About the LCTI OPEB Plan - continued

Benefits Provided - continued

II. Nonclassified

| <i>ELIGIBILITY</i> | <i>COVERAGE AND PREMIUM SHARING</i> | <i>DURATION</i> |
|---|---|-----------------|
| Must be eligible for PSERS retirement, be at least age 55, and have at least 12 years of PSERS service with LCTI. | <p><u>Coverage</u> Medical, Prescription Drug, and Dental</p> <p><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 coverage fully paid Member.</p> <p><u>Dependents</u> Spouse and Family are included.</p> | Same as I. |

III. Support Staff

| <i>ELIGIBILITY</i> | <i>COVERAGE AND PREMIUM SHARING</i> | <i>DURATION</i> |
|--------------------------|-------------------------------------|-----------------|
| 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.

LEHIGH CAREER & TECHNICAL INSTITUTE

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2019

NOTE 9 - OTHER POSTEMPLOYMENT BENEFIT PLANS - CONTINUED

LCTI OPEB Plan - continued

General Information About the LCTI OPEB Plan - continued

Benefits Provided - 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 | <u>17</u> |
| Total | <u><u>192</u></u> |

OPEB Liability

Actuarial Assumptions and Other Inputs

The total OPEB liability as of July 1, 2018, was determined by rolling forward LCTI's total OPEB liability as of July 1, 2017 to July 1, 2018, 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%.

LEHIGH CAREER & TECHNICAL INSTITUTE

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2019

NOTE 9 - OTHER POSTEMPLOYMENT BENEFIT PLANS - CONTINUED

LCTI OPEB Plan - continued

OPEB Liability - continued

Actuarial Assumptions and Other Inputs - continued

- Discount rate - 2.98% - based on the Standard & Poors Municipal Bond 20 Year High Grade Rate Index at 7/1/18.
- 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 2018, and 5.5% in 2019 through 2021. Rates gradually decrease from 5.4% in 2022 to 3.8% in 2075 and later based on the Society of Actuaries Long-Run Medical Cost Trend Model.
- 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 Liability

| | <u>Total OPEB Liability</u> |
|--|---------------------------------|
| Balance at July 1, 2018 | <u>\$ 3,181,396</u> |
| Changes for the year: | |
| Service cost | 209,543 |
| Interest | 102,379 |
| Changes of assumptions or other inputs | 8,151 |
| Benefit payments | <u>(221,605)</u> |
| Net changes | <u>98,468</u> |
| Balance at June 30, 2019 | <u><u>\$ 3,279,864</u></u> |

Changes of assumptions or other inputs reflect the following changes: (1) the discount rate changed from 3.13% to 2.98%; (2) the trend assumption was updated; (3) assumptions for salary, mortality, withdrawal, and retirement were updated based on new PSERS assumptions.

LEHIGH CAREER & TECHNICAL INSTITUTE

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2019

NOTE 9 - OTHER POSTEMPLOYMENT BENEFIT PLANS - CONTINUED

LCTI OPEB Plan - continued

Changes in the Total OPEB Liability - continued

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

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

| | <u>1% Decrease</u> 1.98% | <u>Current</u> <u>Discount Rate</u> 2.98% | <u>1% Increase</u> 3.98% |
|----------------------------------|-----------------------------|---|-----------------------------|
| OPEB Plan - Total OPEB liability | \$ 3,470,087 | \$ 3,279,864 | \$ 3,098,362 |

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

The following presents total OPEB liability of LCTI, as well as what LCTI's total OPEB liability 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:

| | <u>1% Decrease</u> | <u>Current</u> <u>Healthcare</u> <u>Cost Trend</u> <u>Rate</u> | <u>1% Increase</u> |
|----------------------------------|--------------------|---|--------------------|
| OPEB Plan - Total OPEB Liability | \$ 2,961,137 | \$ 3,279,864 | \$ 3,651,623 |

LEHIGH CAREER & TECHNICAL INSTITUTE

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2019

NOTE 9 - OTHER POSTEMPLOYMENT BENEFIT PLANS - CONTINUED

LCTI OPEB Plan - continued

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

For the year ended June 30, 2019, LCTI recognized OPEB expense of \$331,675. At June 30, 2019, LCTI reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

| | <u>Deferred Outflows of Resources</u> | <u>Deferred Inflows of Resources</u> |
|--|---|--|
| Changes in assumptions | \$ 178,513 | \$ - |
| Benefit payments made subsequent to the measurement date | <u>261,186</u> | <u>-</u> |
| | <u>\$ 439,699</u> | <u>\$ -</u> |

The \$261,186 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 liability in the year ended June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows for the years ending June 30:

| | |
|------------|-------------------|
| 2020 | \$ 19,753 |
| 2021 | 19,753 |
| 2022 | 19,753 |
| 2023 | 19,753 |
| 2024 | 19,753 |
| Thereafter | <u>79,748</u> |
| Total | <u>\$ 178,513</u> |

NOTE 10 - 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 2018/2019 year. Settlement amounts have not exceeded insurance coverage for the current year or the three prior years.

LEHIGH CAREER & TECHNICAL INSTITUTE

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2019

NOTE 11 - 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.

LCTI has entered into construction contracts with multiple vendors for the welding lab construction project. The total amount of these contracts is \$3,618,738, of this balance \$2,019,407 is remaining at June 30, 2019, which will be satisfied through capital project available funds.

NOTE 12 - 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, 2019, were as follows:

General Fund

The General Fund has a nonspendable fund balance of \$44,100 in prepaid expenditures, committed funds of \$972,000 for future retirement costs, assigned funds of \$459,322 for the Academic Center, \$939,911 for Adult Education, and an unassigned fund balance of \$1,056,855. 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.

LEHIGH CAREER & TECHNICAL INSTITUTE

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2019

NOTE 12 - FUND BALANCE - CONTINUED

General Fund - continued

The classification of fund balances within the General Fund at June 30, 2019, is as follows:

| | Operating Fund Retainage | Adult Education Retainage | Academic Center Retainage | Total |
|--|--------------------------------|---------------------------------|---------------------------------|---------------------|
| Fund balance - July 1, 2018 | \$ 1,967,808 | \$ 994,709 | \$ 435,845 | \$ 3,398,362 |
| 2018 - 2019 Operating Fund | 105,147 | - | - | 105,147 |
| 2018 - 2019 Academic Center Fund balance retainage | - | - | 23,477 | 23,477 |
| 2018 - 2019 revenues over (under) expenditures on reserved operations | - | (54,798) | - | (54,798) |
| Fund balance - June 30, 2019 | <u>\$ 2,072,955</u> | <u>\$ 939,911</u> | <u>\$ 459,322</u> | <u>\$ 3,472,188</u> |

The Operating Fund had excess revenues over expenditures for the 2018/2019 fiscal year of \$417,831, of which \$105,147 was retained in accordance with establishment of the general fund balance retainage policy. The remaining Operating Fund excess revenues over expenditures for the 2018/2019 fiscal year of \$312,684 has been charged against the participating districts' contributions to LCTI for the 2018/2019 fiscal year, and is included as a liability of the General Fund as of June 30, 2019.

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, 2019, was \$939,911. The current year's expenditures exceeded revenues for adult school operations by \$54,798.

The Academic Center Fund had excess revenues over expenditures for the 2018/2019 fiscal year of \$93,907, of which \$23,477 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 2018/2019 fiscal year of \$70,430 has been charged against the participating districts' contributions to LCTI for the 2018/2019 fiscal year, and is included as a liability of the General Fund as of June 30, 2019.

Restricted Fund Balance

The Capital Projects Fund has restricted funds of \$6,060,996 comprised of \$1,257,708 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 \$4,803,288 of unspent bond proceeds.

LEHIGH CAREER & TECHNICAL INSTITUTE

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2019

NOTE 13 - NEW ACCOUNTING PRONOUNCEMENTS

The Governmental 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. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period* - This statement establishes accounting requirements for interest cost incurred before the end of a construction period. Under this statement, interest cost incurred before the end of a construction period must be recognized as an expense in the period in which the costs is incurred for financial statements prepared using the economic resources measurement focus. This statement is effective for LCTI's fiscal year ending June 30, 2021.
- Statement No. 90, *Majority Equity Interests - an Amendment of GASB Statements No. 14 and No. 61* - This statement modifies previous guidance for reporting a government's majority equity interest in a legally separate organization and provides guidance for reporting a component unit if a government acquires a 100% equity interest in that component unit. This statement is effective for LCTI's fiscal year ending June 30, 2020.

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, 2019

| | Budgeted Amounts | | Actual (GAAP) Basis | Variances Final to Actual |
|--|---------------------|---------------------|------------------------|---------------------------------|
| | Original | Final | | |
| REVENUES | | | | |
| Local sources | \$ 2,905,666 | \$ 2,905,666 | \$ 2,557,501 | \$ (348,165) |
| Local sources - other LEAs | 22,164,400 | 22,164,400 | 21,781,285 | (383,115) |
| State sources | 5,719,000 | 5,719,000 | 5,756,501 | 37,501 |
| Federal sources | 810,195 | 810,195 | 1,004,702 | 194,507 |
| TOTAL REVENUES | 31,599,261 | 31,599,261 | 31,099,989 | (499,272) |
| EXPENDITURES | | | | |
| INSTRUCTIONAL SERVICES: | | | | |
| Regular programs - elementary/secondary | 2,405,891 | 2,272,191 | 2,213,080 | 59,111 |
| Special programs - elementary/secondary | 1,334,684 | 1,313,805 | 1,312,306 | 1,499 |
| Vocational education | 10,312,144 | 10,375,772 | 10,355,109 | 20,663 |
| Other instructional programs - elementary/secondary | 1,542,697 | 1,516,747 | 1,422,085 | 94,662 |
| Adult education programs | 2,842,886 | 2,842,886 | 2,326,206 | 516,680 |
| TOTAL INSTRUCTIONAL SERVICES | 18,438,302 | 18,321,401 | 17,628,786 | 692,615 |
| SUPPORT SERVICES: | | | | |
| Students | 1,005,073 | 1,013,870 | 1,000,927 | 12,943 |
| Instructional staff | 1,013,388 | 1,246,250 | 1,230,552 | 15,698 |
| Administration | 1,870,877 | 1,922,877 | 1,902,620 | 20,257 |
| Pupil health | 153,501 | 152,401 | 149,477 | 2,924 |
| Business | 831,645 | 753,945 | 752,457 | 1,488 |
| Operation and maintenance of plant | 2,830,977 | 2,864,077 | 2,859,791 | 4,286 |
| Student transportation | 8,070 | 8,770 | 7,955 | 815 |
| Central | 2,044,450 | 1,901,450 | 1,892,871 | 8,579 |
| TOTAL SUPPORT SERVICES | 9,757,981 | 9,863,640 | 9,796,650 | 66,990 |
| OPERATION OF NONINSTRUCTIONAL SERVICES: | | | | |
| Student activities | 90,983 | 87,883 | 86,776 | 1,107 |
| Community services | 14,127 | 6,127 | 4,851 | 1,276 |
| TOTAL OPERATION OF NONINSTRUCTIONAL SERVICES | 105,110 | 94,010 | 91,627 | 2,383 |
| TOTAL EXPENDITURES | 28,301,393 | 28,279,051 | 27,517,063 | 761,988 |
| EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES | 3,297,868 | 3,320,210 | 3,582,926 | 262,716 |
| OTHER FINANCING SOURCES (USES) | | | | |
| Sale of capital assets | 25,000 | 25,000 | 69,672 | 44,672 |
| Transfers in | 66,600 | 66,600 | 3,632 | (62,968) |
| Transfers out | (3,328,884) | (3,357,226) | (3,582,404) | (225,178) |
| Budgetary reserve | (199,000) | (193,000) | - | 193,000 |
| TOTAL OTHER FINANCING SOURCES (USES) | (3,436,284) | (3,458,626) | (3,509,100) | (50,474) |
| REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES | \$ (138,416) | \$ (138,416) | 73,826 | \$ 212,242 |
| FUND BALANCE - BEGINNING OF YEAR | | | 3,398,362 | |
| FUND BALANCE - END OF YEAR | | | \$ 3,472,188 | |

See note to required supplementary information.

LEHIGH CAREER & TECHNICAL INSTITUTE

NOTE TO REQUIRED SUPPLEMENTARY INFORMATION

June 30, 2019

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.

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 2018/2019 budget transfers.

LEHIGH CAREER & TECHNICAL INSTITUTE

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

LAST TEN FISCAL YEARS

| | 2019 | 2018 | 2017 | 2016 | 2015 | 2014 |
|---|---------------|---------------|---------------|---------------|---------------|---------------|
| LCTI's proportion of the collective net pension liability | 0.0945% | 0.0943% | 0.0976% | 0.0973% | 0.0981% | 0.0962% |
| LCTI's proportionate share of the collective net pension liability | \$ 45,365,000 | \$ 46,573,000 | \$ 48,367,000 | \$ 42,146,000 | \$ 38,829,000 | \$ 39,381,000 |
| LCTI's covered employee payroll | \$ 12,724,257 | \$ 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 | 356.52% | 370.78% | 382.57% | 336.64% | 310.15% | 318.91% |
| Plan fiduciary net position as a percentage of the total pension liability | 54.00% | 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 pension liability, which is one year prior to the fiscal year end.

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

| | <u>2019</u> | <u>2018</u> | <u>2017</u> | <u>2016</u> | <u>2015</u> | <u>2014</u> | <u>2013</u> | <u>2012</u> | <u>2011</u> | <u>2010</u> |
|--|------------------|------------------|------------------|------------------|------------------|------------------|------------------|----------------|----------------|----------------|
| Contractually required contribution | \$ 4,274,310 | \$ 3,950,490 | \$ 3,622,009 | \$ 3,108,643 | \$ 2,591,775 | \$ 2,000,848 | \$ 1,423,485 | \$ 998,305 | \$ 592,287 | \$ 502,708 |
| Contributions in relation to the contractually required contribution | <u>4,274,310</u> | <u>3,950,490</u> | <u>3,622,009</u> | <u>3,108,643</u> | <u>2,591,775</u> | <u>2,000,848</u> | <u>1,423,485</u> | <u>998,305</u> | <u>592,287</u> | <u>502,708</u> |
| Contribution deficiency (excess) | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| LCTI's covered employee payroll | \$ 13,289,826 | \$ 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 | 32.16% | 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.

LEHIGH CAREER & TECHNICAL INSTITUTE

**SCHEDULE OF LCTI'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY AND RELATED RATIOS -
PSERS OPEB PLAN**

LAST TEN FISCAL YEARS

| | 2019 | 2018 | 2017 |
|--|---------------|---------------|---------------|
| LCTI's proportion of the collective net PSERS OPEB liability | 0.0945% | 0.0943% | 0.0976% |
| LCTI's proportionate share of the collective net PSERS OPEB liability | \$ 1,970,000 | \$ 1,921,000 | \$ 2,102,000 |
| LCTI's covered employee payroll | \$ 12,724,257 | \$ 12,560,978 | \$ 12,642,778 |
| LCTI's proportionate share of the net PSERS OPEB liability as a percentage of its covered employee payroll | 15.48% | 15.29% | 16.63% |
| Plan fiduciary net position as a percentage of the total PSERS OPEB liability | 5.56% | 5.73% | 5.47% |

LCTI's covered employee payroll noted above is as of the measurement date of the net PSERS OPEB liability, which is one year prior to the fiscal year end.

NOTES TO SCHEDULE

Changes of Benefit Terms

None.

Changes of Assumptions

Significant changes of assumptions for the June 30, 2018 measurement date are as follows:

- The discount rate changed from 3.13% to 2.98%.

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 - PSERS OPEB PLAN

LAST TEN FISCAL YEARS

| | <u>2019</u> | <u>2018</u> | <u>2017</u> | <u>2016</u> | <u>2015</u> | <u>2014</u> | <u>2013</u> | <u>2012</u> | <u>2011</u> | <u>2010</u> |
|--|----------------|----------------|----------------|----------------|----------------|----------------|----------------|---------------|---------------|---------------|
| Contractually required contribution | \$ 108,824 | \$ 103,305 | \$ 102,954 | \$ 104,450 | \$ 113,785 | \$ 116,299 | \$ 106,452 | \$ 81,112 | \$ 75,813 | \$ 98,028 |
| Contributions in relation to the contractually required contribution | <u>108,824</u> | <u>103,305</u> | <u>102,954</u> | <u>104,450</u> | <u>113,785</u> | <u>116,299</u> | <u>106,452</u> | <u>81,112</u> | <u>75,813</u> | <u>98,028</u> |
| Contribution deficiency (excess) | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| LCTI's covered employee payroll | \$ 13,289,826 | \$ 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 | 0.82% | 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 TOTAL OPEB LIABILITY AND RELATED RATIOS -
LCTI OPEB PLAN**

LAST TEN FISCAL YEARS

| | <u>2019</u> | <u>2018</u> |
|---|---------------------------------|---------------------------------|
| Total OPEB liability: | | |
| Service cost | \$ 209,543 | \$ 180,934 |
| Interest | 102,379 | 70,604 |
| Changes of benefit terms | - | 157,816 |
| Changes of assumptions | 8,151 | 209,127 |
| Benefit payments | <u>(221,605)</u> | <u>(200,022)</u> |
| Net change in total OPEB liability | 98,468 | 418,459 |
| Total OPEB liability, beginning | <u>3,181,396</u> | <u>2,762,937</u> |
| Total OPEB liability, ending | <u><u>\$ 3,279,864</u></u> | <u><u>\$ 3,181,396</u></u> |
| Covered Employee Payroll | <u><u>\$ 10,942,734</u></u> | <u><u>\$ 10,942,734</u></u> |
| Total OPEB Liability as a Percentage of Covered Employee Payroll | 29.97% | 29.07% |

NOTES TO SCHEDULE

Changes of Benefit Terms

None.

Changes of Assumptions

Significant changes in assumptions for the July 1, 2018 measurement date are as follows:

- The discount rate changed from 3.13% to 2.98%.
- The trend assumption was updated.

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, 2019

| | Final Budget | Actual | Variance Final to Actual |
|--|-------------------|-------------------|--------------------------------|
| INSTRUCTIONAL SERVICES | | | |
| Regular programs, secondary: | | | |
| Salaries | \$ 435,024 | \$ 433,693 | \$ 1,331 |
| Employee benefits | 330,169 | 329,988 | 181 |
| Purchased professional services | 550 | 500 | 50 |
| Purchased property services | 700 | 618 | 82 |
| Other purchased services | 1,000 | 988 | 12 |
| Supplies | 9,500 | 9,423 | 77 |
| Property | 17,300 | 16,997 | 303 |
| | <u>794,243</u> | <u>792,207</u> | <u>2,036</u> |
| Special education programs, secondary: | | | |
| Salaries | 767,368 | 767,223 | 145 |
| Employee benefits | 543,501 | 543,296 | 205 |
| Purchased professional services | 1,400 | 1,320 | 80 |
| Other purchased services | 666 | 413 | 253 |
| Supplies | 870 | 54 | 816 |
| | <u>1,313,805</u> | <u>1,312,306</u> | <u>1,499</u> |
| Vocational education programs: | | | |
| Salaries | 4,860,627 | 4,860,297 | 330 |
| Employee benefits | 3,168,488 | 3,168,052 | 436 |
| Purchased professional services | 52,864 | 52,078 | 786 |
| Purchased property services | 215,100 | 214,865 | 235 |
| Other purchased services | 65,770 | 65,593 | 177 |
| Supplies | 647,444 | 647,348 | 96 |
| Property | 1,324,708 | 1,324,240 | 468 |
| Other | 8,395 | 8,262 | 133 |
| | <u>10,343,396</u> | <u>10,340,735</u> | <u>2,661</u> |
| Other instructional programs: | | | |
| Salaries | 784,090 | 784,040 | 50 |
| Employee benefits | 491,336 | 490,058 | 1,278 |
| Purchased property services | 5,300 | 5,171 | 129 |
| Supplies | 49,700 | 49,688 | 12 |
| Other | 13,200 | 13,115 | 85 |
| | <u>1,343,626</u> | <u>1,342,072</u> | <u>1,554</u> |
| SUPPORT SERVICES | | | |
| Student services: | | | |
| Salaries | 480,399 | 479,676 | 723 |
| Employee benefits | 338,190 | 337,486 | 704 |
| Purchased professional services | 50,870 | 50,345 | 525 |
| Purchased property services | 10,950 | 10,125 | 825 |
| Other purchased services | 3,400 | 2,414 | 986 |
| Supplies | 12,170 | 12,020 | 150 |
| Other | 970 | 928 | 42 |
| | <u>896,949</u> | <u>892,994</u> | <u>3,955</u> |

LEHIGH CAREER & TECHNICAL INSTITUTE

SCHEDULE OF BUDGETED AND ACTUAL EXPENDITURES - OPERATING FUND - CONTINUED

For the Year Ended June 30, 2019

| | Final Budget | Actual | Variance Final to Actual |
|--------------------------------------|------------------|------------------|--------------------------------|
| SUPPORT SERVICES (continued): | | | |
| Instructional staff services: | | | |
| Salaries | 356,195 | 355,761 | 434 |
| Employee benefits | 342,692 | 342,538 | 154 |
| Purchased professional services | 43,022 | 42,952 | 70 |
| Purchased property services | 500 | - | 500 |
| Other purchased services | 11,600 | 11,577 | 23 |
| Supplies | 35,800 | 35,754 | 46 |
| Property | 103,750 | 102,750 | 1,000 |
| Other | 650 | 633 | 17 |
| | <u>894,209</u> | <u>891,965</u> | <u>2,244</u> |
| General administration services: | | | |
| Salaries | 984,153 | 984,108 | 45 |
| Employee benefits | 607,387 | 606,547 | 840 |
| Purchased professional services | 111,050 | 110,930 | 120 |
| Purchased property services | 2,740 | 2,559 | 181 |
| Other purchased services | 14,600 | 14,572 | 28 |
| Supplies | 43,670 | 43,657 | 13 |
| Property | 2,800 | 2,765 | 35 |
| Other | 12,090 | 12,076 | 14 |
| | <u>1,778,490</u> | <u>1,777,214</u> | <u>1,276</u> |
| Pupil health services: | | | |
| Salaries | 89,462 | 89,403 | 59 |
| Employee benefits | 57,069 | 56,199 | 870 |
| Purchased professional services | 200 | 60 | 140 |
| Purchased property services | 200 | - | 200 |
| Other purchased services | 870 | - | 870 |
| Supplies | 2,650 | 2,080 | 570 |
| Property | 1,700 | 1,605 | 95 |
| Other | 250 | 130 | 120 |
| | <u>152,401</u> | <u>149,477</u> | <u>2,924</u> |
| Business Services: | | | |
| Salaries | 391,108 | 391,041 | 67 |
| Employee benefits | 253,163 | 252,679 | 484 |
| Purchased professional services | 57,950 | 57,785 | 165 |
| Purchased property services | 4,680 | 4,270 | 410 |
| Other purchased services | 36,154 | 35,916 | 238 |
| Supplies | 8,300 | 8,189 | 111 |
| Other | 2,590 | 2,577 | 13 |
| | <u>753,945</u> | <u>752,457</u> | <u>1,488</u> |
| Operation and maintenance of plant: | | | |
| Salaries | 944,802 | 944,391 | 411 |
| Employee benefits | 622,540 | 621,972 | 568 |
| Purchased professional services | 45,220 | 44,656 | 564 |
| Purchased property services | 332,370 | 331,408 | 962 |
| Other purchased services | 154,950 | 154,680 | 270 |
| Supplies | 676,000 | 675,650 | 350 |
| Property | 84,600 | 84,505 | 95 |
| Other | 3,595 | 2,529 | 1,066 |
| | <u>2,864,077</u> | <u>2,859,791</u> | <u>4,286</u> |

LEHIGH CAREER & TECHNICAL INSTITUTE

SCHEDULE OF BUDGETED AND ACTUAL EXPENDITURES - OPERATING FUND - CONTINUED

For the Year Ended June 30, 2019

| | Final Budget | Actual | Variance Final to Actual |
|--|----------------------|----------------------|--------------------------------|
| SUPPORT SERVICES (continued): | | | |
| Student transportation: | | | |
| Other purchased services | 6,200 | 5,695 | 505 |
| Supplies | 250 | - | 250 |
| | <u>6,450</u> | <u>5,695</u> | <u>755</u> |
| Central support services: | | | |
| Salaries | 935,091 | 935,021 | 70 |
| Employee benefits | 650,348 | 645,193 | 5,155 |
| Purchased professional services | 8,900 | 8,779 | 121 |
| Purchased property services | 109,010 | 108,819 | 191 |
| Other purchased services | 50,390 | 48,598 | 1,792 |
| Supplies | 134,401 | 133,474 | 927 |
| Property | 11,400 | 11,118 | 282 |
| Other | 1,910 | 1,869 | 41 |
| | <u>1,901,450</u> | <u>1,892,871</u> | <u>8,579</u> |
| OPERATION OF NONINSTRUCTIONAL SERVICES | | | |
| Student activities: | | | |
| Salaries | 18,150 | 18,150 | - |
| Employee benefits | 7,639 | 7,380 | 259 |
| Purchased professional services | 7,500 | 7,022 | 478 |
| Other purchased services | 40,840 | 40,838 | 2 |
| Supplies | 770 | 566 | 204 |
| Other | 10,490 | 10,484 | 6 |
| | <u>85,389</u> | <u>84,440</u> | <u>949</u> |
| Community Services: | | | |
| Salaries | 2,562 | 2,325 | 237 |
| Employee benefits | 565 | 192 | 373 |
| Supplies | 3,000 | 2,334 | 666 |
| | <u>6,127</u> | <u>4,851</u> | <u>1,276</u> |
| OTHER FINANCING USES | | | |
| Interfund transfers | 3,260,300 | 3,582,405 | (322,105) |
| Intrafund transfers I.D.C. | 28,342 | 28,342 | - |
| Budget reserve | 179,000 | - | 179,000 |
| | <u>3,467,642</u> | <u>3,610,747</u> | <u>(143,105)</u> |
| TOTAL EXPENDITURES AND OTHER FINANCING USES | <u>\$ 26,602,199</u> | <u>\$ 26,709,822</u> | <u>\$ (107,623)</u> |

LEHIGH CAREER & TECHNICAL INSTITUTE

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

For the Year Ended June 30, 2019

| | Agriculture | Marketing/ Distributive Education | Home Economics | Summer Fun Camp | Trade and Industry | Total |
|--|---------------|---|-------------------|--------------------|-----------------------|---------------------|
| OPERATING REVENUES | | | | | | |
| Production service revenue | \$ 1,947 | \$ 60,842 | \$ 46,804 | \$ 34,791 | \$ 645,320 | \$ 789,704 |
| TOTAL OPERATING REVENUES | 1,947 | 60,842 | 46,804 | 34,791 | 645,320 | 789,704 |
| OPERATING EXPENSES | | | | | | |
| Salaries | - | - | 6,338 | 24,756 | 140,871 | 171,965 |
| Employee benefits | - | - | 2,643 | 10,318 | 66,188 | 79,149 |
| GASB pension and OPEB expense | - | - | 80 | 294 | 2,299 | 2,673 |
| Purchased property services | - | - | - | - | 9,666 | 9,666 |
| Other purchased services | - | - | 1,372 | 8,017 | 541 | 9,930 |
| Supplies | 1,392 | 57,280 | 35,993 | 9,715 | 467,374 | 571,754 |
| Depreciation | - | - | - | - | 6,192 | 6,192 |
| Other miscellaneous expense | - | - | - | 1,767 | 52 | 1,819 |
| TOTAL OPERATING EXPENSES | 1,392 | 57,280 | 46,426 | 54,867 | 693,183 | 853,148 |
| OPERATING INCOME (LOSS) | 555 | 3,562 | 378 | (20,076) | (47,863) | (63,444) |
| NONOPERATING REVENUES | | | | | | |
| Local sources - earnings on investments | - | - | - | - | 28,947 | 28,947 |
| State sources - FICA reimbursement | - | - | - | 947 | 5,612 | 6,559 |
| State sources - retirement reimbursement | - | - | - | 4,138 | 24,280 | 28,418 |
| TOTAL NONOPERATING REVENUES | - | - | - | 5,085 | 58,839 | 63,924 |
| NET INCOME | <u>\$ 555</u> | <u>\$ 3,562</u> | <u>\$ 378</u> | <u>\$ (14,991)</u> | <u>\$ 10,976</u> | 480 |
| NET POSITION - BEGINNING OF YEAR | | | | | | 1,341,954 |
| NET POSITION - END OF YEAR | | | | | | <u>\$ 1,342,434</u> |

LEHIGH CAREER & TECHNICAL INSTITUTE

COMBINING BALANCE SHEET - CAPITAL PROJECTS FUND

June 30, 2019

| | Capital Reserve Fund | Technology Reserve Fund | 2017 Construction Fund | Total Capital Projects Fund |
|--|----------------------------|-------------------------------|------------------------------|-----------------------------------|
| ASSETS | | | | |
| Cash and investments | \$ 616,331 | \$ 641,377 | \$ 5,575,287 | \$ 6,832,995 |
| Interfund receivables | - | - | - | - |
| TOTAL ASSETS | <u>\$ 616,331</u> | <u>\$ 641,377</u> | <u>\$ 5,575,287</u> | <u>\$ 6,832,995</u> |
| LIABILITIES AND FUND BALANCES | | | | |
| LIABILITIES | | | | |
| Accounts payable | \$ - | \$ - | \$ 771,999 | \$ 771,999 |
| TOTAL LIABILITIES | - | - | 771,999 | 771,999 |
| FUND BALANCES | | | | |
| Restricted for capital projects | 616,331 | 641,377 | 4,803,288 | 6,060,996 |
| TOTAL FUND BALANCES | <u>616,331</u> | <u>641,377</u> | <u>4,803,288</u> | <u>6,060,996</u> |
| TOTAL LIABILITIES AND FUND BALANCES | <u>\$ 616,331</u> | <u>\$ 641,377</u> | <u>\$ 5,575,287</u> | <u>\$ 6,832,995</u> |

LEHIGH CAREER & TECHNICAL INSTITUTE

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

For the Year Ended June 30, 2019

| | Capital Reserve Fund | Technology Reserve Fund | 2017 Construction Fund | Total Capital Projects Fund |
|---|----------------------------|-------------------------------|------------------------------|-----------------------------------|
| REVENUES | | | | |
| Local sources | \$ 11,040 | \$ 6,823 | \$ 134,864 | \$ 152,727 |
| TOTAL REVENUES | 11,040 | 6,823 | 134,864 | 152,727 |
| EXPENDITURES | | | | |
| Capital outlay | 69,859 | 38,051 | 1,850,748 | 1,958,658 |
| TOTAL EXPENDITURES | 69,859 | 38,051 | 1,850,748 | 1,958,658 |
| DEFICIENCY OF REVENUES OVER EXPENDITURES | (58,819) | (31,228) | (1,715,884) | (1,805,931) |
| OTHER FINANCING SOURCES | | | | |
| Transfers in | 100,000 | 197,580 | 322,599 | 620,179 |
| TOTAL OTHER FINANCING SOURCES | 100,000 | 197,580 | 322,599 | 620,179 |
| NET CHANGE IN FUND BALANCES | 41,181 | 166,352 | (1,393,285) | (1,185,752) |
| FUND BALANCES - BEGINNING OF YEAR | 575,150 | 475,025 | 6,196,573 | 7,246,748 |
| FUND BALANCES - END OF YEAR | <u>\$ 616,331</u> | <u>\$ 641,377</u> | <u>\$ 4,803,288</u> | <u>\$ 6,060,996</u> |

LEHIGH CAREER & TECHNICAL INSTITUTE
COMBINING STATEMENT OF NET POSITION
FIDUCIARY FUND TYPES - AGENCY

June 30, 2019

| | Student Activities Fund | Payroll | Total Agency Fund |
|--------------------------------|-------------------------------|------------------|-------------------------|
| ASSETS | | | |
| Cash and investments | \$ 91,067 | \$ 64,682 | \$ 155,749 |
| Interfund receivables | - | 1,507 | 1,507 |
| | TOTAL ASSETS | \$ 66,189 | \$ 157,256 |
| | \$ 91,067 | \$ 66,189 | \$ 157,256 |
| LIABILITIES | | | |
| Interfund payables | \$ - | \$ 1,372 | \$ 1,372 |
| Payroll taxes and withholdings | - | 64,817 | 64,817 |
| Other current liabilities | 91,067 | - | 91,067 |
| | TOTAL LIABILITIES | \$ 66,189 | \$ 157,256 |
| | \$ 91,067 | \$ 66,189 | \$ 157,256 |

LEHIGH CAREER & TECHNICAL INSTITUTE

STATEMENT OF RECEIPTS AND DISBURSEMENTS - STUDENT ACTIVITIES FUND

For the Year Ended June 30, 2019

| | Balance 7/1/2018 | Receipts | Disbursements | Balance 6/30/2019 |
|--------------------|---------------------|-------------------|-------------------|----------------------|
| DECA | \$ 26,528 | \$ 42,129 | \$ 38,917 | \$ 29,740 |
| FFA | 15,705 | 3,642 | 6,074 | 13,273 |
| HOSA | 3,492 | 36,733 | 26,967 | 13,258 |
| Skills USA | 9,865 | 35,835 | 37,630 | 8,070 |
| FCCLA | 6,911 | 9,124 | 8,545 | 7,490 |
| FBLA | 9,621 | 31,408 | 25,431 | 15,598 |
| NTHS | 2,384 | 2,003 | 1,860 | 2,527 |
| AC Student Council | - | 2,810 | 1,699 | 1,111 |
| | <u>\$ 74,506</u> | <u>\$ 163,684</u> | <u>\$ 147,123</u> | <u>\$ 91,067</u> |

LEHIGH CAREER & TECHNICAL INSTITUTE

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the Year Ended June 30, 2019

| 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, 2018 | Revenue Recognized/Expenditures | Accrued or (Unearned) Revenue at June 30, 2019 |
|---|-------------|---------------------|-------------------------------|----------------------|-------------------------------------|-----------------------|---|---------------------------------|--|
| U.S. Department of Education | | | | | | | | | |
| Passed through the Commonwealth of Pennsylvania | | | | | | | | | |
| Department of Education: | | | | | | | | | |
| Career and Technical Education | I | 84.048 | 380-189-0034 | \$ 896,359 | 07/01/18-06/30/19 | \$ 889,245 | \$ - | \$ 896,359 | \$ 7,114 |
| Career and Technical Education | I | 84.048 | 380-18-0043 | 756,927 | 07/01/17-06/30/18 | 63,077 | 63,077 | - | - |
| Career and Technical Education | I | 84.048A | 119-19-0004 | 53,295 | 08/15/18-06/30/19 | 24,225 | - | 53,050 | 28,825 |
| TOTAL U.S. DEPARTMENT OF EDUCATION | | | | | | 976,547 | 63,077 | 949,409 | 35,939 |
| 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 | AA30758-17-55-A42 | 90,027 | 07/01/18-06/30/19 | 41,673 | - | 41,673 | - |
| Workforce Innovation and Opportunity Act Out-of-School Youth | I | 17.259 | AA28399-16-55-A42 | 116,854 | 08/01/17-06/30/18 | 21,106 | 21,106 | - | - |
| Subtotal - CFDA 17.259 | | | | | | 62,779 | 21,106 | 41,673 | - |
| 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 | 07/01/18-06/30/19 | 35,889 | - | 55,292 | 19,403 |
| Trade Adjustment Assistance Program | I | 17.245 | TAA-0127-17 | N/A | 07/01/17-06/30/18 | 8,980 | 8,980 | - | - |
| Subtotal - CFDA 17.245 | | | | | | 44,869 | 8,980 | 55,292 | 19,403 |
| TOTAL U.S. DEPARTMENT OF LABOR | | | | | | 107,648 | 30,086 | 96,965 | 19,403 |
| 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 | 5167-04 | 41,172 | 05/25/19-09/30/19 | - | - | 19,843 | 19,843 |
| LCTI/CareerFORCE 2017 Summer Jobs Program for Youth | I | 93.558 | 5167-03 | 40,313 | 05/25/18-09/30/18 | 37,673 | 19,177 | 18,496 | - |
| TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES | | | | | | 37,673 | 19,177 | 38,339 | 19,843 |
| 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 | 07/01/18-06/30/19 | 254,571 | - | 260,188 | 5,617 |
| National School Lunch Program | I | 10.555 | N/A | N/A | 07/01/17-06/30/18 | 10,911 | 10,911 | - | - |
| Passed through PA Department of Agriculture: | | | | | | | | | |
| National School Lunch Program - USDA Commodities | I | 10.555 | N/A | N/A | 07/01/18-06/30/19 | 41,800 | (3,326) | 42,638 | (2,488) |
| Subtotal - CFDA 10.555 | | | | | | 307,282 | 7,585 | 302,826 | 3,129 |
| TOTAL CHILD NUTRITION CLUSTER AND TOTAL U.S. DEPARTMENT OF AGRICULTURE | | | | | | 307,282 | 7,585 | 302,826 | 3,129 |
| TOTAL FEDERAL AWARDS | | | | | | \$ 1,429,150 | \$ 119,925 | \$ 1,387,539 | \$ 78,314 |

I = Indirect Source of Funding

NOTE: No funds were passed through to subrecipients in the year ended June 30, 2019.

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, 2019

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, 2019. 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, 2019, LCTI had \$2,488 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, 2019, 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 25, 2019.

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 25, 2019



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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, 2019. 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, 2019.

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 25, 2019**

LEHIGH CAREER & TECHNICAL INSTITUTE

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the Year Ended June 30, 2019

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):

| <u>CFDA Number(s)</u> | <u>Name of Federal Program or Cluster</u> |
|-----------------------|---|
| 84.048 | Career and Technical Education |

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, 2019

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, 2019

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.