



***LEHIGH CAREER & TECHNICAL INSTITUTE***

**FINANCIAL AND COMPLIANCE REPORT**

**Year Ended June 30, 2016**



## TABLE OF CONTENTS

	Pages
<b>INDEPENDENT AUDITOR'S REPORT .....</b>	1 - 2
<b>MANAGEMENT'S DISCUSSION AND ANALYSIS .....</b>	3 - 20
 <b>BASIC FINANCIAL STATEMENTS</b>	
<b>Government-Wide Financial Statements</b>	
Statement of Net Position .....	21
Statement of Activities .....	22
 <b>Fund Financial Statements</b>	
Balance Sheet - Governmental Funds .....	23
Reconciliation of the Governmental Funds Balance Sheet to the 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 .....	33 - 64
 <b>REQUIRED SUPPLEMENTARY INFORMATION</b>	
Budgetary Comparison Schedule for the General Fund .....	65
Schedule of LCTI's Proportionate Share of the Net Pension Liability - Pension Plan .....	66
Schedule of LCTI Contributions - Pension Plan .....	67
Schedule of Funding Progress - Postemployment Benefits Plan .....	68
Note to Required Supplementary Information .....	69

**SUPPLEMENTARY INFORMATION**

**Individual Fund Financial Schedules**

Schedule of Budgeted and Actual Expenditures - Operating Fund .....	70 - 72
Schedule of Production Fund Components - Revenues, Expenses, and Net Position .....	73

**Fiduciary Funds**

Combining Statement of Net Position - Fiduciary Funds - Agency.....	74
Statement of Receipts and Disbursements - Student Activities Fund .....	75

**Single Audit**

Schedule of Expenditures of Federal Awards.....	76
Notes to Schedule of Expenditures of Federal Awards.....	77

<b>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> .....</b>	<b>78 - 79</b>
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<b>INDEPENDENT AUDITOR’S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE.....</b>	<b>80 - 81</b>
--	----------------

<b>SCHEDULE OF FINDINGS AND QUESTIONED COSTS.....</b>	<b>82 - 83</b>
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<b>STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS .....</b>	<b>84</b>
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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, 2016, 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, 2016, 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.

## Other Matters

### *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, pension and other postemployment benefit information on pages 65 through 68, 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 (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

The 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 22, 2016, on our consideration of the 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 to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Lehigh Career & Technical Institute's internal control over financial reporting and compliance.

*Herbein + Company, Inc.*

**Reading, Pennsylvania  
November 22, 2016**

**LEHIGH CAREER & TECHNICAL INSTITUTE  
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SCHNECKSVILLE, PENNSYLVANIA 18078**

**MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)**

**June 30, 2016**

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, 2016. The intent of this discussion and analysis is to provide a narrative summary of the financial performance of the Lehigh Career & Technical Institute (LCTI) as a whole. Readers should also review the financial statements and notes to the financial statements to enhance their understanding of LCTI's financial performance.

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

**OVERVIEW OF THE SCHOOL**

Lehigh Career & Technical Institute is a joint venture of nine public school districts in Lehigh County, Pennsylvania organized under the Public School Code of Pennsylvania, and is Pennsylvania's largest career and technical school. Founded in 1971, LCTI prepares students with academic and technical knowledge needed to succeed in higher education and careers by providing more than 45 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 \$15,579,395 for 2015-2016, which is net of excess revenues to be credited to member districts in 2016-2017. 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, \$50,000 was received from the participating school districts for Capital Costs apportioned among the participating districts on the basis of market value of taxable real property as certified by the State Real Estate Tax Equalization Board according to the Articles of Agreement.

Additional revenue of \$3,410,063 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, Series of 2001 and 2003. The proration of these Debt Service payments is based on the market values available at the time of budget preparation. These Debt Service payments were based on the amortization schedule from the refinancing of those issues in January 2007 when LCTI entered in to the School Lease Revenue Bonds Refunding Series of 2007.

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 2015-16, Lehigh Career & Technical Institute had capital outlays in the amount of \$1,596,282 with a corresponding increase in depreciation of \$4,082,276. New equipment spending was \$1,334,886 and was made up of the following four major instructional equipment purchases:

1). Caterpillar D5K2 XL Bulldozer w/ GPS Control	\$191,718
2). Electromechanical Trainer	\$ 83,054
3). Virtual Articulated Dump Truck Trainer	\$ 49,000
4). Hunter RFT13 Balancer and TCA34SS Tire Changer	\$ 36,212*
* Grant funded	

An additional \$361,574 was spent on instructional equipment purchases on individual items for instructional programs that are not itemized here. LCTI also spent \$36,107 for instructional technology equipment and \$527,920 for technology infrastructure equipment updates.

#### Academic Center:

The Academic Center completed its tenth year of operation in 2015-2016 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 \$1,315,074, which is net of excess revenues to be credited to member districts in 2016-2017. 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 profit of \$276,081 in 2016, which increases the amount assigned for adult school operations within the General Fund to \$1,101,699. The net profit for 2016 was the first profitable year since 2011-2012 ending three consecutive years of net losses. The Heavy Equipment Operation program had a profit of \$223,193, a marked improvement over the previous year's loss of \$15,646 due to the restructuring of Instructional personnel and increased enrollment, particularly in the area of customized training. The Electromechanical/Mechatronics program showed an operating profit of \$58,266, which is also a marked improvement from the previous year's loss of \$43,379. This turn around can be attributed to slightly increased enrollment and limiting the number of hours for an additional instructor. The Central Westmoreland Tractor Trailer program showed a profit of \$37,588 in 2016, only its third year of operation, which continued its profitable performance of the previous year which showed a profit of \$21,668 in 2015. This program has been successful as the result of an advantageous program location where there is little competition in the area at this time. Also, operational costs have been controlled by sharing the coordinator position with Sage, LCTI's partner in the CDL program.

LCTI continues to offer industry relevant training and credentials for adults working in the Lehigh Valley and beyond. We will also continue to seek any grant opportunities that may be offered, such as the recently completed Career FORCE 2016 Summer Jobs Program for Youth federally funded grant, and in 2016-2017, the Bosch Community Fund. Other strategies that will be utilized to increase profitability include the monitoring and controlling of program costs as much as possible and working with public relations to optimize advertising initiatives which will spend allotted advertising dollars more effectively resulting in reduced advertising expenses. Upon the retirement of the Workforce Education Coordinator, the position was reconfigured to two-part time positions, one remaining as a program coordinator and the other to focus directly on student recruitment and admissions.



## 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 general LCTI 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 more detailed data.

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

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

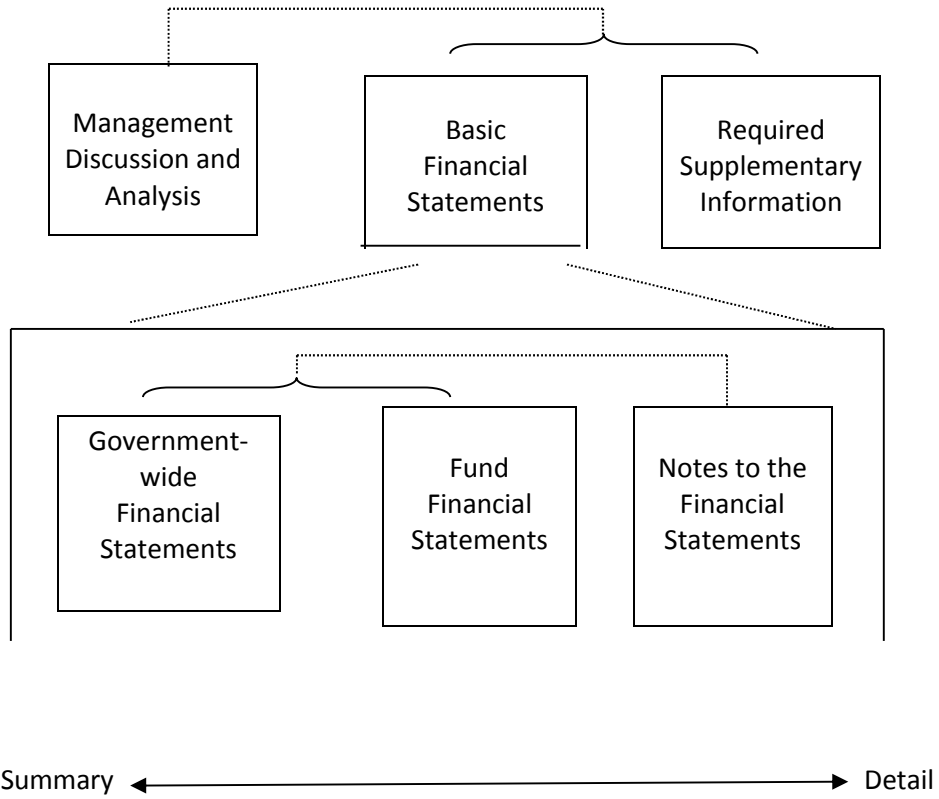


Figure A-2 summarizes the major features of the LCTI financial statements, including the portion of the LCTI they cover and the types of information they contain. The remainder of this overview section of management discussion and analysis explains the structure and contents of each of the statements.

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

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

## Reporting the School as a Whole

### Statement of Net Position and the Statement of Activities

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

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

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

- *Governmental Activities*— Most of the LCTI's basic services are reported here, such as instruction, administration, and support services. Contributions from the member school districts and state and federal government subsidies and grants are the primary funding sources for these activities.
- *Business-type Activities*— LCTI operates a Cafeteria Fund and charges fees to students and staff to help it cover all or most of the cost of the food services it provides. The Production Fund represents a combination of user charges to outside parties, and interfund sales and purchases, all of which is designed to further the career and technical education of the students.

## Reporting the School's Most Significant Funds

### Fund Financial Statements

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

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

The governmental funds that are considered to be 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 THE LCTI AS A WHOLE**

Table A-1

A comparative analysis of fiscal year 2015 to 2016 for:  
Net Position (amounts expressed in thousands)

	<u>Governmental</u>		<u>Business-Type</u>		<u>Total</u>	
	<u>Activities</u>		<u>Activities</u>			
	<u>2015</u>	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>	<u>2016</u>
Current & other assets	\$ 6,043	\$ 6,794	\$1,863	\$1,993	\$ 7,906	\$ 8,787
Capital Assets	<u>46,751</u>	<u>44,128</u>	<u>391</u>	<u>381</u>	<u>47,142</u>	<u>44,509</u>
<b>Total Assets</b>	<b><u>\$52,794</u></b>	<b><u>\$50,922</u></b>	<b><u>\$2,254</u></b>	<b><u>\$2,374</u></b>	<b><u>\$55,048</u></b>	<b><u>\$53,296</u></b>
Deferred Charge on Bond Refunding	<u>1,092</u>	<u>1,030</u>	<u>0</u>	<u>0</u>	<u>1,092</u>	<u>1,030</u>
Deferred Outflows of Resources for Pension	<u>0</u>	<u>547</u>	<u>0</u>	<u>48</u>	<u>0</u>	<u>595</u>
Pension Contributions made Subsequent to Measurement Date	<u>2,504</u>	<u>3,007</u>	<u>88</u>	<u>101</u>	<u>2,592</u>	<u>3,108</u>
<b>Total Deferred Outflows of Resources</b>	<b><u>3,596</u></b>	<b><u>4,584</u></b>	<b><u>88</u></b>	<b><u>149</u></b>	<b><u>3,684</u></b>	<b><u>4,733</u></b>
Current and other liabilities	\$4,831	\$ 5,207	\$ 127	\$ 107	\$4,958	\$ 3,585
Long-term liabilities	<u>79,721</u>	<u>81,166</u>	<u>1,290</u>	<u>1,437</u>	<u>81,011</u>	<u>84,332</u>
<b>Total Liabilities</b>	<b><u>84,552</u></b>	<b><u>86,373</u></b>	<b><u>1,417</u></b>	<b><u>1,544</u></b>	<b><u>85,969</u></b>	<b><u>87,917</u></b>
<b>Deferred Inflows of Resources</b>	<b><u>2,020</u></b>	<b><u>520</u></b>	<b><u>91</u></b>	<b><u>38</u></b>	<b><u>2,111</u></b>	<b><u>558</u></b>
<b>Net Position</b>						
Net Investment in capital assets	5,890	4,844	391	381	6,281	5,225
Restricted for Capital Projects	482	533	0	0	482	533
Unrestricted	<u>(36,554)</u>	<u>(36,764)</u>	<u>443</u>	<u>560</u>	<u>(36,111)</u>	<u>(36,204)</u>
<b>Total Net Position (Deficit)</b>	<b><u>\$(30,182)</u></b>	<b><u>\$(31,387)</u></b>	<b><u>\$ 834</u></b>	<b><u>\$ 941</u></b>	<b><u>\$(29,348)</u></b>	<b><u>\$(30,446)</u></b>

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 liabilities of \$40,708,821 for Governmental Activities for year end June 30, 2016, which is an increase of \$3,169,797 from the June 30, 2015 Governmental Activities pension liabilities of \$37,539,024. Total Net Position for Governmental Activities year end June 30, 2016 of \$(31,387,010), decreased \$1,204,351 from June 30, 2015 \$(30,182,659) in large part due to a net decrease in Capital Assets of \$2,622,000 in 2016, an annual occurrence because depreciation exceeded the amount of new capital assets being added over the course of the year by \$2,486,000.

Business Type Activities Total Net Position June 30, 2016 of \$941,017 represents an increase of \$106,718, from Total Net Position June 30, 2015 of \$834,299. This is the result of the Cafeteria fund having a profit for 2016 of \$47,365, after GASB 68 entries are included, and the Production Fund having a profit of \$59,353 after GASB 68 entries are included.

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	\$44,128,486	100.00%	\$39,284,567	\$4,843,919

The remaining balance of Net Position consists of Restricted Net Position for Capital Projects of \$533,309, which represents an 11 percent increase of \$51,278, and Unrestricted Net Position of \$(36,764,238), which is caused by the pension liability associated with GASB Statements No. 68 and 71.

## 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 2015 to 2016 for:  
Changes in Net Position (amounts expressed in thousands)

	<u>Governmental</u> <u>Activities</u>		<u>Business-Type</u> <u>Activities</u>		<u>Total</u>	
	<u>2015</u>	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>	<u>2016</u>
<b>Revenues</b>						
<b>Program revenues:</b>						
Charges for services	\$ 18,681	\$ 18,925	\$1,100	\$1,462	\$19,781	\$20,387
Operating grants and contributions	3,316	3,922	513	599	3,829	4,521
Capital grants and contributions	1,924	1,919	0	0	1,924	1,919
<b>General revenues:</b>						
State grants and subsidies	4,103	4,210	0	0	4,103	4,210
Investment earnings	10	17	2	3	12	20
Miscellaneous	127	53	0	0	127	53
Operating transfers	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<b>Total revenues</b>	28,161	29,046	1,615	2,064	29,776	31,110
<b>Expenses</b>						
Instruction	19,461	18,972	0	0	19,461	18,972
Support services	8,946	9,369	0	0	8,946	9,369
Operation of non-instructional services	2,003	1,909	0	0	2,003	1,909
Food / Production services	<u>0</u>	<u>0</u>	<u>1,645</u>	<u>1,957</u>	<u>1,645</u>	<u>1,957</u>
<b>Total expenses</b>	<u>30,410</u>	<u>30,250</u>	<u>1,645</u>	<u>1,957</u>	<u>32,055</u>	<u>32,207</u>
<b>Increase (decrease) in net position</b>	\$ (2,249)	\$ (1,204)	\$ (30)	\$ 107	\$ (2,279)	\$ (1,097)
<b>Net Position (deficit) Beginning</b>	<u>(27,933)</u>	<u>(30,183)</u>	<u>864</u>	<u>834</u>	<u>(27,069)</u>	<u>(29,349)</u>
<b>Net Position (deficit) Ending</b>	<u>\$ (30,182)</u>	<u>\$ (31,387)</u>	<u>\$ 834</u>	<u>\$ 941</u>	<u>\$ (29,348)</u>	<u>\$ (30,446)</u>



The largest source of program revenues for Governmental Activities consists of contributions from member school districts of \$16,894,469, which includes the \$1,315,074 received for the Academic Center. This amount accounts for approximately 68 percent of total program revenues and 58 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 \$2,014,221. 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 \$823,744. State grants and subsidies revenue increased \$354,000 in 2016, mostly due to the increase of \$308,761 in PSERS subsidy which totaled \$1,644,187 for 2016. This is the result of the increased retirement contributions which were \$3,108,643 in 2016, an increase of \$516,868 from 2015.

Another large source of program revenues for LCTI is provided by LCTI's business-type activities from its Cafeteria and Production funds which had an increase in total revenues of \$449,000 in 2016, contributing greatly to the profitability in both the Cafeteria and Production funds in 2016, including the activity related to GASB Statements No. 68 and 71.

### 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 2015 to 2016 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>2015</u>	<u>2016</u>	<u>2015</u>	<u>2016</u>
Instruction	\$19,461	\$18,972	\$3,594	\$2,691
Support services	8,946	9,369	2,808	2,706
Operation of non-instructional services	<u>2,003</u>	<u>1,909</u>	<u>87</u>	<u>88</u>
<b>Total governmental activities</b>	<u>\$30,410</u>	<u>\$30,250</u>	<u>\$6,489</u>	<u>\$5,485</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 Instructional Cost of Services decreased \$903,000 in 2016 which in part can be attributed to Vocational instruction where the net cost of services of \$3,058,000 was \$471,000 less than in 2015. Also, the Adult Education net cost of services profitability increased \$305,000 for 2016, as Adult Education had a net profit of \$276,000 in 2016 compared to a net loss of \$32,000 in 2015. Support Service Net Cost of Services decreased \$102,000, the largest line item improvement coming from Central Support Service costs which had a decrease of \$67,000 in Net Cost of Services due to the retirement of a full time grant coordinator position which was replaced by a part time position.

## 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 2015 to 2016 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>2015</u>	<u>2016</u>	<u>2015</u>	<u>2016</u>
Cafeteria	\$ 744	\$ 759	\$22	\$ 47
Production	<u>901</u>	<u>1,197</u>	<u>10</u>	<u>57</u>
<b>Total business-type activities</b>	<u><u>\$1,645</u></u>	<u><u>\$1,956</u></u>	<u><u>32</u></u>	<u><u>\$104</u></u>

This table shows the program revenues from charges for services in LCTI's Cafeteria and Production funds to be less than the costs incurred to run these programs. Operationally, the Cafeteria Fund had a net profit of \$47,365 and the Production Fund had a net profit of \$59,353, including the activity related to GASB Statements No. 68 and 71.

## FINANCIAL ANALYSIS OF THE SCHOOL'S FUNDS

As of June 30, 2016, the LCTI's governmental funds reported a combined fund balance of \$3,739,889, which represents an increase of \$423,328 from the prior year balance of \$3,316,561 as of June 30, 2015. This increase is due in large part to the net profit of the Adult Education Fund in the amount of \$276,081 for the 2015-2016 school year. The significant occurrences in the General and other funds are as follows:

- The LCTI General Fund balance of \$3,206,580 includes Committed Fund Balance of \$1,250,000 for Future Retirement Costs. The General Fund Balance also includes Assigned Fund Balance of \$1,101,699 for Adult Education, which had a net profit of \$276,081 in 2016. Another Assigned Fund Balance for Academic Center future member district payments has a fund balance of \$365,391, after \$46,531 was credited by the request of a member school district to their respective district's annual payment, and \$48,815 was retained from the Academic Center excess revenues over expenditures, which is in accordance with General Fund retainage policy. An Unassigned Fund Balance of \$485,976 exists which is available for future years' budgeting, increased by the \$93,689 in retainage of excess revenues for 2016, also in accordance with General Fund retainage policy. In addition, the Nonspendable Fund Balance for prepaid expenses increased by \$3,514 in 2016, which resulted in a decrease of the same amount to the Unassigned Fund Balance. The Unassigned Fund Balance is used to balance the amount required in future years from school districts to fund the secondary program. The Unassigned Fund Balance which can be accumulated is limited to 5 percent of the total General Fund expenditures.

- A net increase to LCTI's Capital Projects Fund of \$51,278 resulted primarily from the annual transfer from the General Fund, which was reduced to \$50,000 again this year.
- As of June 30, 2016, LCTI's Proprietary Fund reported total net position of \$941,017 which is an increase of \$106,718 from the prior year balance of \$834,299. This increase is the result of the combined profits of the Cafeteria Fund of \$47,364 and the Production Fund of \$59,354 for 2016. These net profit amounts are net of the activity related to GASB Statements No. 68 and 71.

### **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 \$1,336,000, of which \$773,000 can be attributed to Local Sources. Adult Education actual revenues were \$610,000 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. Additionally, the Local Source – Other LEAs variance is attributable to the General Fund Excess Revenues for 2015-2016, as the traditional excess revenue being returned to the member districts in 2016-2017 for the General Fund amounts to \$270,542. The Academic Center will return \$146,446 to member districts in the 2016-2017 school year. State Source revenues showed a negative variance primarily due to actual State Vocational Education Subsidies received being \$268,000 below budget. Federal Source revenues were \$109,000 over the budgeted amount due to receiving a higher awarded amount than anticipated for the Carl D. Perkins Career and Technical Education Grant for fiscal year 2015-2016.

Expenditure variances were all positive, as overall expenditures were \$1,129,000 less than budget. Instructional expenses had a positive variance of \$974,000, of which Adult Education had a positive variance of \$606,000 which is line with the revenue budget being \$610,000 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 \$195,000, the Central Support Services line item having the largest positive variance of \$57,000 due to the retirement of a full time grant writer position in 2015 that was replaced by a part time position in 2016. The Budgetary Reserve Account balances of \$185,000 for the General Fund and \$13,000 for the Academic Center were both not used for fiscal year 2015-2016.

## CAPITAL ASSETS

As of June 30, 2016, LCTI had \$44,509,768 invested in capital assets.

Table A-5  
A comparative analysis of fiscal year 2015 to 2016 for:  
Capital Assets— Net of Depreciation  
(Amounts expressed in thousands)

	<b>Total Assets</b>	<b>Accumulated Depreciation</b>	<b>Balance Net of Depreciation</b>	<b>Total Assets</b>	<b>Accumulated Depreciation</b>	<b>Balance Net of Depreciation</b>
	<b><u>2015</u></b>	<b><u>2015</u></b>	<b><u>2015</u></b>	<b><u>2016</u></b>	<b><u>2016</u></b>	<b><u>2016</u></b>
<b>Governmental Activities</b>						
Land	\$ 95	\$ 0	\$ 95	\$ 95	\$ 0	\$ 95
Buildings and Building Improvements	59,937	22,744	37,193	59,985	24,821	35,164
Fixtures and Equipment	26,250	17,366	8,884	26,716	18,419	8,297
Vehicles	1,524	1,008	516	1,478	1,007	471
Textbooks	<u>465</u>	<u>402</u>	<u>63</u>	<u>551</u>	<u>449</u>	<u>102</u>
<b>Total Governmental Activities</b>	<b><u>\$ 88,271</u></b>	<b><u>\$ 41,520</u></b>	<b><u>\$ 46,751</u></b>	<b><u>\$ 88,825</u></b>	<b><u>\$ 44,696</u></b>	<b><u>\$ 44,129</u></b>
<b>Business-type Activities</b>						
Buildings and Building Improvements	\$ 344	\$ 116	\$ 228	\$ 344	\$ 121	\$ 223
Fixtures and Equipment	<u>507</u>	<u>344</u>	<u>163</u>	<u>548</u>	<u>390</u>	<u>158</u>
<b>Total Business-type Activities</b>	<b><u>\$ 851</u></b>	<b><u>\$ 460</u></b>	<b><u>\$ 391</u></b>	<b><u>\$ 892</u></b>	<b><u>\$ 511</u></b>	<b><u>\$ 381</u></b>

The decrease in Governmental Activity net capital assets from the prior year of \$2,622,000 is the result of annual depreciation for 2015-2016 of \$4,082,000, which exceeds the amount of capital asset additions of \$1,596,000, by \$2,486,000. Business-Type Activities capital assets had a net decrease of \$10,000 which is the amount by which annual depreciation expense of \$51,000 exceeds capital asset additions of \$41,000 for the Cafeteria and Production funds in 2016.

## ECONOMIC FACTORS AND THE 2016-2017 BUDGET

1. The School has prepared a General Fund Budget for the next school year, or the fiscal year ending June 30, 2017. The total 2016-2017 Budget of \$25,507,300 represents an increase of \$781,600, or 3.16 percent, from the total 2015-2016 Budget of \$24,725,700. The member districts' increase is \$616,600, or 3.19 percent. Included in the receipts from member districts for 2016-2017 is the \$3,402,031 debt service payment for the school's modernization and expansion. The 2016-2017 Capital Projects contribution has been reinstated to \$100,000 for building and capital improvement needs, which represent a return to the historic budget level, after three years of having the contribution reduced 50 percent to \$50,000. 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 2016-2017 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 2016-2017 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 2016-2017 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 \$263,700 for 2016-2017.
- Instructional staff changes budgeted include the addition of a Benefits Clerk, a Special Education Learning Facilitator, and an additional Supervisor.
- Staff reductions and furloughs include the removal of a vacant Instructional Assistant position, the reduction to part time of the Grant Coordinator position, and the replacement of seven professional staff positions that resulted 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 7.4 percent for a total dollar value of \$495,900 are projected. Employer Retirement payments which increase to 30.03% from 25.84%, projects to a total net increase of \$518,000. Increases of 1.5 percent for Health Insurance project to result in a decrease of \$52,100 due in part to increasing employee paid premium share as well as employee driven plan level choice reductions.
- A projected enrollment of 2,800 students attending LCTI in fiscal 2016-2017, which does not include non-resident students.
- In addition to addressing staffing needs, LCTI will begin to address the historic underfunding of instructional technology, as well as technology infrastructure concerns due to aging equipment and networks.
- The judicious use of \$100,000 of Committed Fund Balance for Future Retirement Costs is anticipated to balance the 2016-2017 General Fund Budget.

- An Academic Center Budget was approved having total expenditures of \$1,657,500, an increase of \$43,880 or 2.72 percent, and the member districts increase will be \$20,680, or 1.41 percent, for the projected enrollment of 400 students.
- Current Long-Term Liabilities for the series of 2007 Revenue Bonds issued by the State Public School Building Authority in January 2007, which were used to advance refund the Revenue Bond Series of 2001 and the Revenue Bond Series of 2003 have a call date of April 1, 2017. Negotiations are ongoing to refinance this debt in order to take advantage of historically low interest rates. The refinance will also include new proceeds to be used for certain capital improvement projects at LCTI

In order to comply with the Continuing Disclosure covenants of the State Public School Building Authority issued General Obligation Bond dated January 18, 2006, the following information is presented:

**Market Values by Member School Districts**

<u>Member School District</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>Percent of Change 2013 - 2015</u>
Allentown	\$ 4,049,827,702	\$ 4,071,755,859	\$ 4,257,813,000	5.14%
Catasauqua	815,949,091	860,591,471	847,727,100	3.89%
East Penn	4,680,663,952	4,726,417,161	4,733,941,529	1.14%
Northern Lehigh	692,845,983	684,798,238	682,059,204	-1.56%
Northwestern Lehigh	1,278,180,479	1,332,427,962	1,391,109,706	8.84%
Parkland	7,237,139,794	7,239,758,349	7,321,549,832	1.17%
Salisbury Township	1,214,764,519	1,181,903,274	1,178,658,485	-2.97%
Southern Lehigh	2,412,717,165	2,401,901,524	2,450,391,092	1.56%
Whitehall- Coplay	<u>2,067,529,961</u>	<u>2,068,236,916</u>	<u>2,059,507,715</u>	<u>-0.39%</u>
Total	<u>\$ 24,449,618,646</u>	<u>\$ 24,567,790,754</u>	<u>\$ 24,922,757,213</u>	<u>1.94%</u>

Source: PA State Tax Equalization Board

**Participating District Enrollment History**  
For Grades 9-12

<b><u>Member School District</u></b>	<b><u>2011-12</u></b>	<b><u>2012-13</u></b>	<b><u>2013-14</u></b>	<b><u>2014-15</u></b>	<b><u>2015-16</u></b>	<b><u>% Change (6/30/15- 6/30/16)</u></b>
Allentown	4,888	4,529	4,452	4,484	4,679	4.35%
Catasauqua	497	464	465	485	466	-3.92%
East Penn	2,566	2,590	2,575	2,645	2,626	-0.72%
Northern Lehigh	587	579	548	537	554	3.17%
Northwestern Lehigh	733	692	739	733	750	2.32%
Parkland	3,109	3,157	3,153	3,123	3,179	1.79%
Salisbury Township	553	579	580	572	568	-0.70%
Southern Lehigh	1,032	1,029	1,051	1,045	1,078	3.16%
Whitehall- Coplay	<u>1,411</u>	<u>1,385</u>	<u>1,396</u>	<u>1,408</u>	<u>1,399</u>	<u>-0.64%</u>
Total	<u>15,376</u>	<u>15,004</u>	<u>14,959</u>	<u>15,032</u>	<u>15,299</u>	<u>1.78%</u>
Percent Change per Year		-2.42%	-0.30%	0.49%	1.78%	

Source: PDE K-12 School  
Statistics 2015-2016  
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](mailto:baderp@lcti.org).

LEHIGH CAREER & TECHNICAL INSTITUTE

STATEMENT OF NET POSITION

June 30, 2016

	Governmental Activities	Business- Type Activities	Total
<b>ASSETS</b>			
Cash and Investments	\$ 6,047,558	\$ 1,462,457	\$ 7,510,015
Internal Balances	(73,279)	73,279	-
Intergovernmental Receivables	742,367	30,781	773,148
Other Receivables	73,413	44,804	118,217
Prepaid Expenses	3,515	-	3,515
Inventories	-	381,399	381,399
Capital Assets Not Being Depreciated:			
Land	95,302	-	95,302
Capital Assets, Net of Accumulated Depreciation	44,033,184	381,282	44,414,466
<b>TOTAL ASSETS</b>	<b>50,922,060</b>	<b>2,374,002</b>	<b>53,296,062</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred Charge on Bond Refunding	1,029,661	-	1,029,661
Deferred Outflows of Resources for Pension	547,659	47,546	595,205
Pension Contributions Made Subsequent to the Measurement Date	3,007,329	101,314	3,108,643
<b>TOTAL DEFERRED OUTFLOWS OF RESOURCES</b>	<b>4,584,649</b>	<b>148,860</b>	<b>4,733,509</b>
<b>LIABILITIES</b>			
Intergovernmental Payables	1,487,501	-	1,487,501
Accounts Payable	408,654	91,820	500,474
Accrued Salaries and Benefits	1,033,369	2,942	1,036,311
Sales Tax Payable	-	166	166
Accrued Interest	428,422	-	428,422
Unearned Revenues	124,161	6,295	130,456
Other Current Liabilities	-	1,600	1,600
Noncurrent Liabilities:			
Due Within One Year	1,725,000	3,851	1,728,851
Bonds Payable, Net	38,589,228	-	38,589,228
Long-Term Portion of Compensated Absences	977,507	-	977,507
Net Pension Liability	40,708,821	1,437,179	42,146,000
Other Postemployment Benefit Obligation	890,772	-	890,772
<b>TOTAL LIABILITIES</b>	<b>86,373,435</b>	<b>1,543,853</b>	<b>87,917,288</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred Inflows of Resources for Pension	520,284	37,992	558,276
<b>NET POSITION</b>			
Net Investment in Capital Assets	4,843,919	381,282	5,225,201
Restricted for Capital Projects	533,309	-	533,309
Unrestricted (Deficit)	(36,764,238)	559,735	(36,204,503)
<b>TOTAL NET POSITION (DEFICIT)</b>	<b>\$ (31,387,010)</b>	<b>\$ 941,017</b>	<b>\$ (30,445,993)</b>

See accompanying notes.



LEHIGH CAREER & TECHNICAL INSTITUTE

STATEMENT OF ACTIVITIES

For the Year Ended June 30, 2016

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
<b>Governmental Activities:</b>							
<b>Instructional Services:</b>							
Regular	\$ 2,114,000	\$ 1,294,386	\$ 200,022	\$ -	\$ (619,592)	\$ -	\$ (619,592)
Special Programs	1,009,063	216,479	688,961	-	(103,623)	-	(103,623)
Vocational	11,172,444	6,729,357	1,221,899	163,548	(3,057,640)	-	(3,057,640)
Other Instructional Programs	1,452,823	888,138	139,554	-	(425,131)	-	(425,131)
Adult Education Programs	3,224,158	4,080,640	658,715	-	1,515,197	-	1,515,197
Total Instructional Services	18,972,488	13,209,000	2,909,151	163,548	(2,690,789)	-	(2,690,789)
<b>Support Services:</b>							
Pupil Personnel	899,159	524,259	123,949	-	(250,951)	-	(250,951)
Instructional Staff	695,809	235,621	347,402	-	(112,786)	-	(112,786)
Administration	1,730,407	1,057,552	166,629	-	(506,226)	-	(506,226)
Pupil Health	149,343	91,134	14,585	-	(43,624)	-	(43,624)
Business Services	773,146	483,384	58,378	-	(231,384)	-	(231,384)
Operation of Plant and Maintenance Services	3,135,843	2,015,561	155,480	-	(964,802)	-	(964,802)
Student Transportation Services	4,349	2,941	-	-	(1,408)	-	(1,408)
Central Support Services	1,980,464	1,242,531	143,162	-	(594,771)	-	(594,771)
Total Support Services	9,368,520	5,652,983	1,009,585	-	(2,705,952)	-	(2,705,952)
<b>Noninstructional Services:</b>							
Student Activities	90,683	59,386	2,871	-	(28,426)	-	(28,426)
Community Services	5,333	3,571	53	-	(1,709)	-	(1,709)
Interest on Long-Term Debt	1,813,190	-	-	1,755,063	(58,127)	-	(58,127)
Total Noninstructional Services	1,909,206	62,957	2,924	1,755,063	(88,262)	-	(88,262)
<b>Total Governmental Activities</b>	<b>30,250,214</b>	<b>18,924,940</b>	<b>3,921,660</b>	<b>1,918,611</b>	<b>(5,485,003)</b>	<b>-</b>	<b>(5,485,003)</b>
<b>Business-Type Activities:</b>							
Food Services	759,463	234,141	572,154	-	-	46,832	46,832
Production Services	1,197,256	1,227,391	27,110	-	-	57,245	57,245
Total Business-Type Activities	1,956,719	1,461,532	599,264	-	-	104,077	104,077
<b>Total Primary Government</b>	<b>\$ 32,206,933</b>	<b>\$ 20,386,472</b>	<b>\$ 4,520,924</b>	<b>\$ 1,918,611</b>	<b>(5,485,003)</b>	<b>104,077</b>	<b>(5,380,926)</b>
<b>General Revenues:</b>							
Grants, Subsidies, and Contributions Not Restricted for Specific Programs					4,210,369	-	4,210,369
Investment Earnings					17,588	2,641	20,229
Miscellaneous Income					52,695	-	52,695
<b>Total General Revenues</b>					<b>4,280,652</b>	<b>2,641</b>	<b>4,283,293</b>
<b>Change in Net Position</b>					<b>(1,204,351)</b>	<b>106,718</b>	<b>(1,097,633)</b>
<b>Net Position (Deficit) - Beginning</b>					<b>(30,182,659)</b>	<b>834,299</b>	<b>(29,348,360)</b>
<b>Net Position (Deficit) - Ending</b>					<b>\$ (31,387,010)</b>	<b>\$ 941,017</b>	<b>\$ (30,445,993)</b>

See accompanying notes.

LEHIGH CAREER & TECHNICAL INSTITUTE

BALANCE SHEET  
GOVERNMENTAL FUNDS

June 30, 2016

	General	Capital Projects	Debt Service	Total Governmental Funds
<b>ASSETS</b>				
Cash and Investments	\$ 5,551,496	\$ 496,061	\$ -	\$ 6,047,557
Interfund Receivables	59,655	37,248	-	96,903
Intergovernmental Receivables	742,367	-	-	742,367
Other Receivables	73,259	-	-	73,259
Prepaid Expenses	3,514	-	-	3,514
<b>TOTAL ASSETS</b>	<b>\$ 6,430,291</b>	<b>\$ 533,309</b>	<b>\$ -</b>	<b>\$ 6,963,600</b>
<b>LIABILITIES AND FUND BALANCES</b>				
<b>LIABILITIES</b>				
Interfund Payables	\$ 170,026	\$ -	\$ -	\$ 170,026
Intergovernmental Payables	1,487,501	-	-	1,487,501
Accounts Payable	408,654	-	-	408,654
Accrued Salaries and Benefits	1,033,369	-	-	1,033,369
Unearned Revenues	124,161	-	-	124,161
<b>TOTAL LIABILITIES</b>	<b>3,223,711</b>	<b>-</b>	<b>-</b>	<b>3,223,711</b>
<b>FUND BALANCES</b>				
Nonspendable	3,514	-	-	3,514
Restricted for:				
Debt Service	-	-	-	-
Capital Projects	-	533,309	-	533,309
Committed for:				
Future Retirement Costs	1,250,000	-	-	1,250,000
Assigned for:				
Academic Center	365,391	-	-	365,391
Adult Education	1,101,699	-	-	1,101,699
Unassigned	485,976	-	-	485,976
<b>TOTAL FUND BALANCES</b>	<b>3,206,580</b>	<b>533,309</b>	<b>-</b>	<b>3,739,889</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 6,430,291</b>	<b>\$ 533,309</b>	<b>\$ -</b>	<b>\$ 6,963,600</b>

**LEHIGH CAREER & TECHNICAL INSTITUTE**

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

**June 30, 2016**

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

<b>TOTAL FUND BALANCES - GOVERNMENTAL FUNDS</b>		<b>\$ 3,739,889</b>
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds. The cost of the assets is \$88,824,859 and the accumulated depreciation is \$44,696,373.		44,128,486
The net pension and other postemployment benefit obligations are not reflected on the fund financial statements.		(41,599,593)
Deferred outflows and inflows of resources for pensions are recorded and amortized in the statement of net position.		3,034,704
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	\$ (40,585,000)	
Accrued Interest on Bonds	(428,422)	
Unamortized Bond Discount	270,772	
Deferred Charge on Bond Refunding	1,029,661	
Long-Term Portion of Compensated Absences	(977,507)	(40,690,496)
<b>TOTAL NET POSITION (DEFICIT) - GOVERNMENTAL ACTIVITIES</b>		<b><u>\$ (31,387,010)</u></b>

LEHIGH CAREER & TECHNICAL INSTITUTE

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

For the Year Ended June 30, 2016

	General	Capital Projects	Debt Service	Total Governmental Funds
<b>REVENUES</b>				
Local Sources	\$ 2,562,011	\$ 1,278	\$ 18	\$ 2,563,307
Local Sources - Other LEA's	20,354,532	-	-	20,354,532
State Sources	5,072,717	-	-	5,072,717
Federal Sources	823,744	-	-	823,744
<b>TOTAL REVENUES</b>	<b>28,813,004</b>	<b>1,278</b>	<b>18</b>	<b>28,814,300</b>
<b>EXPENDITURES</b>				
Current:				
Instructional Services	16,473,995	-	-	16,473,995
Support Services	8,482,147	-	-	8,482,147
Operation of Noninstructional Services	92,781	-	-	92,781
Debt Service:				
Principal	-	-	1,655,000	1,655,000
Interest	-	-	1,755,063	1,755,063
Refund of Prior Year Revenues - Academic Center Credit Applied	46,531	-	-	46,531
<b>TOTAL EXPENDITURES</b>	<b>25,095,454</b>	<b>-</b>	<b>3,410,063</b>	<b>28,505,517</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<b>3,717,550</b>	<b>1,278</b>	<b>(3,410,045)</b>	<b>308,783</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Sale of Capital Assets	114,545	-	-	114,545
Transfers In	22	50,000	3,410,063	3,460,085
Transfers Out	(3,460,063)	-	(22)	(3,460,085)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>(3,345,496)</b>	<b>50,000</b>	<b>3,410,041</b>	<b>114,545</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>372,054</b>	<b>51,278</b>	<b>(4)</b>	<b>423,328</b>
<b>FUND BALANCES - BEGINNING OF YEAR</b>	<b>2,834,526</b>	<b>482,031</b>	<b>4</b>	<b>3,316,561</b>
<b>FUND BALANCES - END OF YEAR</b>	<b>\$ 3,206,580</b>	<b>\$ 533,309</b>	<b>\$ -</b>	<b>\$ 3,739,889</b>

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, 2016**

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

**NET CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS** **\$ 423,328**

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	\$ 1,596,282	
Loss on Disposal of Assets	(136,177)	
Less: Depreciation Expense	<u>(4,082,276)</u>	(2,622,171)

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	1,655,000	
Amortization of Bond Discount	(16,410)	
Amortization of Deferred Charge on Bond Refunding	<u>(62,404)</u>	1,576,186

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.

20,687

In the statement of activities, certain operating expenses - compensated absences (vacations and sick days) are measured by the amounts earned during the year.

118,996

Increase in net pension liability and other postemployment benefit obligation is reflected as an adjustment to expense on the statement of activities, but not included in the fund statements.

(721,377)

**CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES** **\$ (1,204,351)**

LEHIGH CAREER & TECHNICAL INSTITUTE

STATEMENT OF NET POSITION  
PROPRIETARY FUNDS

June 30, 2016

	Cafeteria Fund	Production Fund	Total
<b>ASSETS</b>			
<b>CURRENT ASSETS</b>			
Cash and Investments	\$ 410,330	\$ 1,052,127	\$ 1,462,457
Interfund Receivables	24,879	117,310	142,189
Intergovernmental Receivables	14,582	16,199	30,781
Other Receivables, Net	-	44,804	44,804
Inventories	20,645	360,754	381,399
<b>TOTAL CURRENT ASSETS</b>	<b>470,436</b>	<b>1,591,194</b>	<b>2,061,630</b>
<b>NONCURRENT ASSETS</b>			
Buildings and Building Improvements	-	344,463	344,463
Equipment	367,595	180,331	547,926
Accumulated Depreciation	(224,560)	(286,547)	(511,107)
<b>TOTAL NONCURRENT ASSETS</b>	<b>143,035</b>	<b>238,247</b>	<b>381,282</b>
<b>TOTAL ASSETS</b>	<b>613,471</b>	<b>1,829,441</b>	<b>2,442,912</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred Outflows of Resources for Pension	40,101	7,445	47,546
Pension Contributions Made Subsequent to the Measurement Date	61,204	40,110	101,314
<b>TOTAL DEFERRED OUTFLOWS OF RESOURCES</b>	<b>101,305</b>	<b>47,555</b>	<b>148,860</b>
<b>LIABILITIES</b>			
<b>CURRENT LIABILITIES</b>			
Interfund Payables	31,402	37,508	68,910
Accounts Payable	25,331	66,489	91,820
Accrued Salaries and Benefits	-	2,942	2,942
Sales Tax Payable	-	166	166
Unearned Revenues	6,295	-	6,295
Other Current Liabilities	-	1,600	1,600
Compensated Absences	3,851	-	3,851
<b>TOTAL CURRENT LIABILITIES</b>	<b>66,879</b>	<b>108,705</b>	<b>175,584</b>
<b>NONCURRENT LIABILITIES</b>			
Net Pension Liability	885,066	552,113	1,437,179
<b>TOTAL LIABILITIES</b>	<b>951,945</b>	<b>660,818</b>	<b>1,612,763</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred Inflows of Resources for Pension	21,102	16,890	37,992
<b>NET POSITION</b>			
Net Investment in Capital Assets	143,035	238,247	381,282
Unrestricted (Deficit)	(401,306)	961,041	559,735
<b>TOTAL NET POSITION (DEFICIT)</b>	<b>\$ (258,271)</b>	<b>\$ 1,199,288</b>	<b>\$ 941,017</b>

See accompanying notes.

**LEHIGH CAREER & TECHNICAL INSTITUTE**

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

**For the Year Ended June 30, 2016**

	Cafeteria Fund	Production Fund	Total
<b>OPERATING REVENUES</b>			
Food Service Revenue	\$ 234,141	\$ -	\$ 234,141
Production Service Revenue	-	1,227,391	1,227,391
<b>TOTAL OPERATING REVENUES</b>	<b>234,141</b>	<b>1,227,391</b>	<b>1,461,532</b>
<b>OPERATING EXPENSES</b>			
Salaries	244,816	170,823	415,639
Employee Benefits	140,483	86,499	226,982
Purchased Property Services	14,327	-	14,327
Other Purchased Services	395	7,017	7,412
Supplies	330,160	909,323	1,239,483
Depreciation	29,167	22,058	51,225
Other Expenses	115	1,536	1,651
<b>TOTAL OPERATING EXPENSES</b>	<b>759,463</b>	<b>1,197,256</b>	<b>1,956,719</b>
<b>OPERATING INCOME (LOSS)</b>	<b>(525,322)</b>	<b>30,135</b>	<b>(495,187)</b>
<b>NONOPERATING REVENUES</b>			
Earnings on Investments	532	2,109	2,641
State Sources	61,763	27,110	88,873
Federal Sources	510,391	-	510,391
<b>TOTAL NONOPERATING REVENUES</b>	<b>572,686</b>	<b>29,219</b>	<b>601,905</b>
<b>CHANGE IN NET POSITION</b>	<b>47,364</b>	<b>59,354</b>	<b>106,718</b>
<b>NET POSITION (DEFICIT) - BEGINNING OF YEAR</b>	<b>(305,635)</b>	<b>1,139,934</b>	<b>834,299</b>
<b>NET POSITION (DEFICIT) - END OF YEAR</b>	<b>\$ (258,271)</b>	<b>\$ 1,199,288</b>	<b>\$ 941,017</b>

LEHIGH CAREER & TECHNICAL INSTITUTE

STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS

For the Year Ended June 30, 2016

	Cafeteria Fund	Production Fund	Total
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Cash Received from Users	\$ 278,353	\$ -	\$ 278,353
Cash Received from Other Operating Revenues	-	1,225,316	1,225,316
Cash Payments to Employees for Services	(349,970)	(293,264)	(643,234)
Cash Payments to Suppliers for Goods and Services	(262,186)	(612,518)	(874,704)
	<b>NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES</b>	319,534	(14,269)
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>			
State Sources	61,763	27,110	88,873
Federal Sources	446,627	-	446,627
	<b>NET CASH PROVIDED BY NONCAPITAL FINANCING ACTIVITIES</b>	27,110	535,500
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>			
Purchases of Equipment	(41,503)	-	(41,503)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Earnings on Investments	532	2,109	2,641
	<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	348,753	482,369
<b>CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR</b>	276,714	703,374	980,088
<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	<b>\$ 410,330</b>	<b>\$ 1,052,127</b>	<b>\$ 1,462,457</b>

See accompanying notes.



LEHIGH CAREER & TECHNICAL INSTITUTE

STATEMENT OF CASH FLOWS - CONTINUED  
 PROPRIETARY FUNDS

For the Year Ended June 30, 2016

	Cafeteria Fund	Production Fund	Total
<b><u>Reconciliation of Operating (Income) Loss to Net Cash Provided by (Used for) Operating Activities:</u></b>			
Operating Income (Loss)	\$ (525,322)	\$ 30,135	\$ (495,187)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities:			
Depreciation	29,167	22,058	51,225
Donated Commodities Used	63,764	-	63,764
Changes in Assets and Liabilities:			
Interfund Receivables	15,426	(17,484)	(2,058)
Intergovernmental and Other Receivables	42,448	(2,075)	40,373
Inventories	2,019	338,036	340,055
Deferred Outflows of Resources for Pension	(6,956)	(6,099)	(13,055)
Pension Contributions Made Subsequent to the Measurement Date	(39,231)	(7,036)	(46,267)
Interfund Payables	(5,982)	(19,981)	(25,963)
Accounts Payable	17,028	(33,146)	(16,118)
Accrued Salaries and Benefits	-	(7,264)	(7,264)
Unearned Revenues	1,765	-	1,765
Other Current Liabilities	-	468	468
Compensated Absences	962	-	962
Net Pension Liability	105,527	41,676	147,203
Deferred Inflows of Resources for Pension	(34,418)	(19,754)	(54,172)
Total Adjustments	191,519	289,399	480,918
	<b><u>NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES</u></b>	<b><u>\$ 319,534</u></b>	<b><u>\$ (14,269)</u></b>

**NONCASH NONCAPITAL FINANCING ACTIVITIES**

During the year, the District used \$63,764 of commodities from the U.S. Department of Agriculture.

**LEHIGH CAREER & TECHNICAL INSTITUTE**

**STATEMENT OF NET POSITION  
FIDUCIARY FUNDS**

**June 30, 2016**

	Private Purpose Trust Funds	Agency Funds
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and Investments	\$ 97,769	\$ 125,983
<b>TOTAL ASSETS</b>	97,769	\$ 125,983
<b>LIABILITIES AND NET POSITION</b>		
<b>CURRENT LIABILITIES</b>		
Payroll Taxes and Withholdings	-	\$ 44,703
Interfund Payables	-	156
Other Current Liabilities	-	81,124
<b>TOTAL LIABILITIES</b>	-	\$ 125,983
<b>NET POSITION HELD IN TRUST</b>	\$ 97,769	

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

**For the Year Ended June 30, 2016**

	Private Purpose Trust Funds
<b>ADDITIONS</b>	
Contributions	\$ 6,272
Earnings on Investments	125
<b>TOTAL ADDITIONS</b>	6,397
 <b>DEDUCTIONS</b>	
Scholarships	8,217
<b>CHANGE IN NET POSITION</b>	(1,820)
 <b>NET POSITION - BEGINNING OF YEAR</b>	99,589
<b>NET POSITION - END OF YEAR</b>	\$ 97,769

## LEHIGH CAREER & TECHNICAL INSTITUTE

### NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2016

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 an acting superintendent from among the participating school districts, who assists the 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

---

##### 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.

LCTI used guidance contained in generally accepted accounting principles to evaluate the possible inclusion of related entities (authorities, boards, etc.) within its reporting entity. The criteria used by LCTI for inclusion are financial accountability and the nature and significance of the relationships. In determining financial accountability in a given case, LCTI reviews the applicability of the following criteria. LCTI is financially accountable for:

- Organizations that make up the legal entity.
- Legally separate organizations if LCTI officials appoint a voting majority of the organization’s governing body and LCTI is able to impose its will on the organization, or if there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, LCTI as defined below.

**Impose its will** - If LCTI can significantly influence the programs, projects or activities of, or the level of services performed or provided by, the organization.

LEHIGH CAREER & TECHNICAL INSTITUTE

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

---

A. Reporting Entity - continued

**Financial benefit or burden** - Exists if LCTI (1) is entitled to the organization's resources; (2) is legally obligated or has otherwise assumed the obligation to finance the deficits of, or provide support to, the organization; or (3) is obligated in some manner for the debt of the organization.

- Organizations that are fiscally dependent on LCTI. Fiscal dependency is established if the organization is unable to adopt its budget, levy taxes, set rates or charges, or issue bonded debt without approval by LCTI.

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

The Lehigh County Area Vocational-Technical Authority is considered to be a component unit of the 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 of 2007 (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, 2016**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

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**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.

LEHIGH CAREER & TECHNICAL INSTITUTE

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

---

C. Basis of Presentation - Fund Financial Statements - continued

**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.

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

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

**LCTI has the Following Major Enterprise Funds:**

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

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

**Additionally, LCTI Reports the Following Fund Types:**

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

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

LEHIGH CAREER & TECHNICAL INSTITUTE

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

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**C. Basis of Presentation - Fund Financial Statements - continued**

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

**D. Measurement Focus and Basis of Accounting**

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

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

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

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

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



LEHIGH CAREER & TECHNICAL INSTITUTE

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

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**E. Budgetary Process**

An operating budget is adopted prior to the beginning of each year for the General Fund on the modified accrual basis of accounting. The General Fund is the only fund for which a budget is legally required.

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

Legal budgetary control is maintained at the sub-function/major object level. The PA School Code allows the Joint Operating Committee to make budgetary transfers between major function and major object codes only within the last nine months of the fiscal year, unless there is a two-thirds majority of the Joint Operating Committee approving the transfer. Appropriations lapse at the end of the fiscal period. Budgetary information reflected in the financial statements is presented at or below the level of budgetary control and includes the effect of approved budget amendments.

The amounts reported as the original budgeted amounts in the budgetary statements reflect the amounts in the PDE 2028 when the original appropriations were adopted. The amounts reported as the final budgeted amounts in the budgetary statements reflect the amounts after all 2015/16 budget transfers.

**F. Assets, Liabilities, Deferred Inflows/Outflows of Resources, and Net Position/Fund Balance**

**1. Cash and Investments**

For purposes of the statement of cash flows, the proprietary fund type considers all highly-liquid investments with a maturity of three months or less when purchased to be cash equivalents.

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*.

The 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.

**LEHIGH CAREER & TECHNICAL INSTITUTE**

**NOTES TO BASIC FINANCIAL STATEMENTS**

**June 30, 2016**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

**F. Assets, Liabilities, Deferred Inflows/Outflows of Resources, and Net Position/Fund Balance - continued**

**2. Receivables/Payables**

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."

**3. Inventories and Prepaid Items**

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

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

Inventories of the Enterprise Funds consisting of food and production services inventory are carried at cost, using the first-in, first-out method. Federal donated commodities are valued at their fair market value as determined by the U.S. Department of Agriculture at the date of donation. The inventories on hand at June 30, 2016, consist of the following:

	Business-Type		Total
	Cafeteria Fund	Production Fund	
Food	\$ 19,104	\$ -	\$ 19,104
Commodities	1,541	-	1,541
Supplies - School Store	-	2,895	2,895
Land - House Projects	-	95,349	95,349
Supplies - Distribution Center	-	262,510	262,510
	\$ 20,645	\$ 360,754	\$ 381,399
<b>TOTAL</b>	<b>\$ 20,645</b>	<b>\$ 360,754</b>	<b>\$ 381,399</b>

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.

LEHIGH CAREER & TECHNICAL INSTITUTE

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

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F. Assets, Liabilities, Deferred Inflows/Outflows of Resources, and Net Position/Fund Balance - continued

4. Capital Assets, Depreciation, and Amortization

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. Capital assets, including those of component units, are depreciated using the straight-line method. When capital assets are disposed, the cost and applicable accumulated depreciation are removed from the respective accounts, and the resulting gain or loss is recorded in operations.

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

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

Buildings and building improvements	25 years
Equipment	5 - 7 years

Interest costs incurred during the construction phase of capital assets are capitalized when incurred by proprietary funds and similar component units on debt where proceeds were used to finance the construction of assets.

LEHIGH CAREER & TECHNICAL INSTITUTE

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

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**F. Assets, Liabilities, Deferred Inflows/Outflows of Resources, and Net Position/Fund Balance - continued**

**5. 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 (expense/expenditure) until then. LCTI has three items that qualify for reporting in this category, which are a deferred charge on bond refunding, a deferred pension contribution, and deferred outflows of resources for pension which are reported in the government-wide statement of net position. 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. A deferred pension contribution results from contributions made to the pension plan subsequent to the measurement date and prior to the 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 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. These amounts are deferred and amortized over either a closed five-year period or the average remaining service life of all employees depending on what gave rise to the deferred outflow.

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 one item that qualifies for reporting in this category. Deferred inflows 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, or differences between employer contributions and the proportionate share of total contributions reported by the pension plan. These amounts are deferred and amortized over either a closed five-year period or the average remaining service life of all employees depending on what gave rise to the deferred inflow.

**6. Unearned Revenues**

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

LEHIGH CAREER & TECHNICAL INSTITUTE

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

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**F. Assets, Liabilities, Deferred Inflows/Outflows of Resources, and Net Position/Fund Balance - continued**

**7. 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 the LCTI's policy to consider restricted resources to have been depleted before unrestricted resources are applied.

**8. 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 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 percent 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 five percent of the following year's projected budgeted expenditures.

LEHIGH CAREER & TECHNICAL INSTITUTE

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

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**F. Assets, Liabilities, Deferred Inflows/Outflows of Resources, and Net Position/Fund Balance - continued**

**8. Fund Balance Policies and Flow Assumptions - continued**

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

**G. Revenues and Expenditures/Expense**

**1. Program Revenues**

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

**2. Compensated Absences**

**Sick Pay**

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

**Vacation Leave**

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

LEHIGH CAREER & TECHNICAL INSTITUTE

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

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**G. Revenues and Expenditures/Expense - continued**

**3. Proprietary Funds Operating and Nonoperating Revenues and Expenses**

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

**H. Other Use of Estimates**

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

NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

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**A. Compliance with finance related legal and contractual provisions**

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

**B. Deficit fund balance or net position of individual funds**

**Deficit Fund Balance - Proprietary Fund - Cafeteria Fund**

For the year ended June 30, 2016, the accounting under GASB No. 68, *Accounting and Financial Reporting for Pensions* and GASB No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date* created a deficiency in net position at year-end of \$258,271. LCTI will fund this deficiency in future years through contributions to the Pennsylvania Public School Employees' Retirement Plan (PSERS) at a rate required by the PSERS.

**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.

LEHIGH CAREER & TECHNICAL INSTITUTE

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2016

NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY - CONTINUED

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**D. Budgetary compliance**

LCTI's only legally adopted budget is for the General Fund. All budgetary transfers were made within the last nine months of the fiscal year. LCTI cancels all purchase orders open at year end; therefore, it does not have any outstanding encumbrances at June 30, 2016.

NOTE 3 - CASH AND INVESTMENTS

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The carrying amount of cash and investments at June 30, 2016, consists of the following:

Petty cash	\$	300
Pooled cash		<u>7,733,467</u>
	\$	<u><u>7,733,767</u></u>

**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, 2016, LCTI did not have any accounts subject to this risk.

**Investments**

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

Obligations of (a) the United States of America or any of its agencies or instrumentalities backed by the full faith and credit of the United States of America, (b) the Commonwealth of Pennsylvania or any of its agencies or instrumentalities backed by the full faith and credit of the commonwealth, or (c) any political subdivision of the Commonwealth of Pennsylvania or any of its agencies or instrumentalities backed by the full faith and credit of the political subdivision.

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



**LEHIGH CAREER & TECHNICAL INSTITUTE**

**NOTES TO BASIC FINANCIAL STATEMENTS**

**June 30, 2016**

**NOTE 3 - CASH AND INVESTMENTS - CONTINUED**

Pennsylvania Act 10 of 2016 became effective May 25, 2016, and expanded the permitted investment types to include commercial paper, bankers' acceptances, negotiable certificates of deposit, and insured bank deposit reciprocals as long as certain safeguards related to credit quality and maturity are met. At this time, LCTI does not have any investments related to Act 10.

As of June 30, 2016, LCTI had the following investments:

	Fair Value	Reconciling Items	Carrying Value
PA Local Government Investment Trust	\$ 80,548	\$ -	\$ 80,548
PA School District Liquid Asset Fund:			
Max account balance	4,210,936	(473,017)	3,737,919
Fixed Income	3,915,000	-	3,915,000
<b>Total Investments</b>	<b>\$ 8,206,484</b>	<b>\$ (473,017)</b>	<b>\$ 7,733,467</b>

A portion of LCTI's deposits are in the Pennsylvania Local Government Investment Trust (PLGIT) and the Pennsylvania School District Liquid Asset Fund (PSDLAF). Although not registered with the Securities and Exchange Commission and not subject to regulatory oversight, the funds 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.

LCTI's cash equivalent investments in PLGIT and PSDLAF cannot be classified by risk category because they are not evidenced by securities that exist in physical or book entry form. The fair value of LCTI's position in the external investment pool is the same as the value of the pool shares. 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.

As of June 30, 2016, the entire PLGIT and PSDLAF book balance of \$7,733,467 is considered to be a cash equivalent for presentation on the government-wide and fund financial statements.

**Interest Rate Risk**

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

**LEHIGH CAREER & TECHNICAL INSTITUTE**

**NOTES TO BASIC FINANCIAL STATEMENTS**

**June 30, 2016**

**NOTE 3 - CASH AND INVESTMENTS - CONTINUED**

**Credit Risk**

LCTI has an investment policy that would limit its investment choices to certain credit ratings. As of June 30, 2016, LCTI's investments were rated as:

Investment	Standard & Poor's
PA Local Government Investment Trust	AAA
PA School District Liquid Asset Fund	AAA

**Concentration of Credit Risk**

LCTI places no limit on the amount that LCTI may invest in any one issuer. As of June 30, 2016, LCTI has no investments subject to concentration of credit risk.

**Custodial Credit Risk**

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

**NOTE 4 - INTERGOVERNMENTAL RECEIVABLES/PAYABLES**

**Intergovernmental Receivables**

The following amounts were intergovernmental receivables as of June 30, 2016:

Name of Governmental Unit	General Fund	Proprietary Fund		
		Cafeteria	Production	Total
Pennsylvania Department of Education	\$ 626,813	\$ 13,742	\$ -	\$ 13,742
Department of Veteran Affairs	5,134	-	-	-
Office of Vocational Rehabilitation	1,590	-	-	-
Member Schools	-	-	12,162	12,162
Nonmember Schools	52,456	-	-	-
Other	56,374	840	4,037	4,877
	\$ 742,367	\$ 14,582	\$ 16,199	\$ 30,781

**LEHIGH CAREER & TECHNICAL INSTITUTE**

**NOTES TO BASIC FINANCIAL STATEMENTS**

**June 30, 2016**

**NOTE 4 - INTERGOVERNMENTAL RECEIVABLES/PAYABLES - CONTINUED**

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**Intergovernmental Payables**

The following amounts were intergovernmental payables as of June 30, 2016:

Name of Governmental Unit	General Fund
Pennsylvania School Employees Retirement System	\$ 972,602
Member Schools	514,899
	\$ 1,487,501

**NOTE 5 - INTERFUND BALANCES AND TRANSFERS**

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The following schedule represents the interfund receivables and payables at June 30, 2016:

Funds	Interfund Receivables	Interfund Payables
General Fund	\$ 59,655	\$ 170,026
Capital Projects Fund	37,248	-
Proprietary Funds:		
Cafeteria	24,879	31,402
Production	117,310	37,508
Agency Fund - Payroll Fund	-	156
	\$ 239,092	\$ 239,092

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, 2016:

Fund	Transfers In	Transfers Out
General Fund	\$ 22	\$ 3,460,063
Capital Projects Fund	50,000	-
Debt Service Fund	3,410,063	22
	\$ 3,460,085	\$ 3,460,085

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

**LEHIGH CAREER & TECHNICAL INSTITUTE**

**NOTES TO BASIC FINANCIAL STATEMENTS**

**June 30, 2016**

**NOTE 6 - CHANGES IN CAPITAL ASSETS**

Capital asset balances and activity for the year ended June 30, 2016, were as follows:

**Governmental Activities**

	Beginning Balance	Increase	Reclass/ Decrease	Ending Balance
Capital assets not being depreciated:				
Land	\$ 95,302	\$ -	\$ -	\$ 95,302
Capital assets being depreciated:				
Buildings and building improvements	59,937,395	47,166	-	59,984,561
Furniture and fixtures	2,540,513	13,680	(17,953)	2,536,240
Equipment	23,708,834	1,334,886	(864,398)	24,179,322
Vehicles	1,523,520	114,463	(159,600)	1,478,383
Textbooks	464,964	86,087	-	551,051
Total being depreciated	<u>88,175,226</u>	<u>1,596,282</u>	<u>(1,041,951)</u>	<u>88,729,557</u>
Less accumulated depreciation for:				
Buildings and building improvements	22,744,094	2,076,801	-	24,820,895
Furniture and fixtures	1,672,572	147,770	(21,416)	1,798,926
Equipment	15,692,821	1,699,591	(772,459)	16,619,953
Vehicles	1,007,918	111,117	(111,899)	1,007,136
Textbooks	402,466	46,997	-	449,463
Total accumulated depreciation	<u>41,519,871</u>	<u>4,082,276</u>	<u>(905,774)</u>	<u>44,696,373</u>
<b>TOTAL CAPITAL ASSETS BEING DEPRECIATED, NET</b>	<u>46,655,355</u>	<u>(2,485,994)</u>	<u>(136,177)</u>	<u>44,033,184</u>
<b>GOVERNMENTAL ACTIVITIES, CAPITAL ASSETS, NET</b>	<u>\$ 46,750,657</u>	<u>\$ (2,485,994)</u>	<u>\$ (136,177)</u>	<u>\$ 44,128,486</u>
<b>Business-Type Activities</b>				
Capital assets being depreciated:				
Buildings and building improvements	\$ 344,463	\$ -	\$ -	\$ 344,463
Equipment	506,423	41,503	-	547,926
Total being depreciated	<u>850,886</u>	<u>41,503</u>	<u>-</u>	<u>892,389</u>
Accumulated depreciation for:				
Buildings and building improvements	115,651	5,717	-	121,368
Equipment	344,231	45,508	-	389,739
Total accumulated depreciation	<u>459,882</u>	<u>51,225</u>	<u>-</u>	<u>511,107</u>
<b>BUSINESS-TYPE ACTIVITIES CAPITAL ASSETS, NET</b>	<u>\$ 391,004</u>	<u>\$ (9,722)</u>	<u>\$ -</u>	<u>\$ 381,282</u>

LEHIGH CAREER & TECHNICAL INSTITUTE

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2016

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 Services:	
Regular	\$ 74,408
Special Programs	2,883
Vocational	2,335,849
Other Instructional Programs	146,363
Adult Education Programs	524,252
Support Services:	
Pupil Personnel	11,217
Instructional Staff	22,830
Administration	23,566
Pupil Health	3,683
Business Services	13,639
Operation of Plant and Maintenance Services	719,704
Central Support Services	201,937
Community Services	<u>1,945</u>
<b>TOTAL DEPRECIATION EXPENSE - GOVERNMENTAL ACTIVITIES</b>	<b>\$ <u>4,082,276</u></b>

NOTE 7 - LONG-TERM LIABILITIES

Revenue Bonds Payable: The series of 2007 Revenue Bonds were issued by the State Public School Building Authority in January 2007. The proceeds of this bond were used to advance refund the Revenue Bond Series of 2001 and the Revenue Bond Series of 2003. Interest is payable semi-annually on April 1 and October 1 with interest ranging from 3.50% 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.

\$ 40,585,000

**LEHIGH CAREER & TECHNICAL INSTITUTE**

**NOTES TO BASIC FINANCIAL STATEMENTS**

**June 30, 2016**

**NOTE 7 - LONG-TERM LIABILITIES - CONTINUED**

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

	Revenue Bonds Series of 2007	
	Principal	Interest
2017	\$ 1,725,000	\$ 1,677,031
2018	1,810,000	1,601,913
2019	1,880,000	1,525,850
2020	1,960,000	1,444,150
2021	2,045,000	1,359,150
2022 - 2026	11,605,000	5,417,590
2027 - 2031	14,340,000	2,684,300
2032 - 2033	5,220,000	194,438
	\$ 40,585,000	\$ 15,904,422

**Compensated Absences**

*Sick-Pay*

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

LCTI maintains records of each employee's accumulated sick days that are vested with eligible employees. The sick leave termination benefit of \$632,276, including FICA tax (net of reimbursement), is recorded as a long-term liability in the governmental activities column of the government-wide financial statements.

*Vacation Leave*

Unused vacation leave is paid upon an employee's termination. LCTI maintains records of each employee's accumulated vacation days. Vacation leave earned of \$345,231, which includes the employer's share of FICA tax, is recorded as a long-term liability in the governmental activities column of the government-wide financial statement. The liability recorded in the Cafeteria Fund and in the business-type activity column of the government-wide financial statements is \$3,851 at June 30, 2016.

**LEHIGH CAREER & TECHNICAL INSTITUTE**

**NOTES TO BASIC FINANCIAL STATEMENTS**

**June 30, 2016**

**NOTE 7 - LONG-TERM LIABILITIES - CONTINUED**

Long-term liability balance and activity, except for the net pension liability and other postemployment benefits obligation, for the year ended June 30, 2016, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
<b>Governmental Activities</b>					
General Obligation Debt:					
Bonds payable	\$ 42,240,000	\$ -	\$ (1,655,000)	\$ 40,585,000	\$ 1,725,000
Less deferred amounts:					
For issuance discounts	<u>(287,182)</u>	-	<u>16,410</u>	<u>(270,772)</u>	-
Subtotal	41,952,818	-	(1,638,590)	40,314,228	1,725,000
Other Liabilities:					
Compensated absences	<u>1,096,503</u>	<u>416,338</u>	<u>(535,334)</u>	<u>977,507</u>	-
Total Governmental Long-Term Liabilities	<u>\$ 43,049,321</u>	<u>\$ 416,338</u>	<u>\$ (2,173,924)</u>	<u>\$ 41,291,735</u>	<u>\$ 1,725,000</u>
<b>Business-Type Activities</b>					
Other Liabilities:					
Compensated absences	<u>\$ 2,889</u>	<u>\$ 2,317</u>	<u>\$ (1,355)</u>	<u>\$ 3,851</u>	<u>\$ 3,851</u>

Payments on the bonds are made by the debt service 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, 2016, was \$1,755,062.

**NOTE 8 - EMPLOYEE RETIREMENT PLANS**

**Employee Defined Benefit Pension Plan**

***Summary of Significant Accounting Policies***

Pension Plan

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

LEHIGH CAREER & TECHNICAL INSTITUTE

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2016

NOTE 8 - EMPLOYEE RETIREMENT PLANS - CONTINUED

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***General Information about the Pension Plan***

Plan Description

PSERS is a governmental cost-sharing multi-employer defined benefit pension plan that provides retirement benefits to public school employees of the Commonwealth of Pennsylvania under Title 24 Part IV of the Pennsylvania General Assembly. 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.state.pa.us](http://www.psers.state.pa.us).

Benefits Provided

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

Participants are eligible for disability retirement benefits after completion of five years of credited service. Such benefits are generally equal to 2 percent or 2.5 percent, 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.



LEHIGH CAREER & TECHNICAL INSTITUTE

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2016

**NOTE 8 - EMPLOYEE RETIREMENT PLANS - CONTINUED**

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Contributions

The contribution policy is set by the 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 percent (Membership Class T-C) or at 6.50 percent (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 percent (Membership Class T-C) or at 7.50 percent (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 percent (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 percent (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 percent (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 percent and 9.5 percent and Membership Class T-F contribution rate to fluctuate between 10.3 percent and 12.3 percent.

Employer Contributions:

LCTI's contractually required contribution rate for fiscal year ended June 30, 2016, was 25.00 percent 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. The rate was certified by the PSERS Board of Trustees. Contributions to the pension plan from LCTI for the years ended June 30, 2016, 2015, and 2014 were \$3,108,643; \$2,591,775; and \$2,000,848; respectively.

LCTI is also required to contribute a percentage of covered payroll to PSERS for healthcare insurance premium assistance. For the year ended June 30, 2016, the contribution rate was 0.84 percent of covered payroll and LCTI contributed \$104,450; \$113,785; and \$116,299; for the years ended June 30, 2016, 2015, and 2014, respectively.

**LEHIGH CAREER & TECHNICAL INSTITUTE**

**NOTES TO BASIC FINANCIAL STATEMENTS**

**June 30, 2016**

**NOTE 8 - EMPLOYEE RETIREMENT PLANS - CONTINUED**

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 position liabilities and related pension expense represent 100 percent of the LCTI's share of these amounts. The total reimbursement recognized by LCTI for the years ended June 30, 2016, 2015, and 2014 was \$1,644,187; \$1,335,426; and \$1,062,567; respectively.

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

At June 30, 2016, LCTI reported a liability of \$42,146,000 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2015, 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, 2014 to June 30, 2015. 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, 2015, LCTI's proportion was 0.0973 percent, which was a decrease of 0.0008 percent from its proportion measured as of June 30, 2014.

For the year ended June 30, 2016, LCTI recognized pension expense of \$3,760,326. At June 30, 2016, LCTI reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual investment earnings	\$ -	\$ 86,000
Difference between expected and actual experience	-	174,000
Change in proportion - Plan Level	476,000	271,000
Change in proportion - Internal	27,276	27,276
Difference between employer contributions and proportionate share of total contributions	91,929	-
Contributions subsequent to the measurement date	3,108,643	-
	\$ 3,703,848	\$ 558,276

LEHIGH CAREER & TECHNICAL INSTITUTE

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2016

**NOTE 8 - EMPLOYEE RETIREMENT PLANS - CONTINUED**

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The \$3,108,643 reported as deferred outflows of resources resulting from LCTI pension contributions made subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. 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:

2017	\$ 128,675
2018	128,675
2019	128,675
2020	<u>(422,954)</u>
	<u>\$ (36,929)</u>

Actuarial Assumptions

The total pension liability as of June 30, 2015, was determined by rolling forward the System's total pension liability as of the June 30, 2014 actuarial valuation to June 30, 2015, using the following actuarial assumptions, applied to all periods included in the measurement:

- Actuarial cost method - Entry Age Normal - level percent of pay
- Investment return - 7.50 percent, includes inflation at 3.00 percent
- Salary increases - Effective average of 5.50 percent, which reflects an allowance for inflation of 3.00 percent, real wage growth of 1 percent, and merit or seniority increases of 1.50 percent
- Mortality rates were based on the RP-2000 Combined Healthy Annuitant Tables (male and female) with age set back three years for both males and females. For disabled annuitants the RP-2000 Combined Disabled Tables (male and female) with age set back seven years for males and three years for females.

The actuarial assumptions used in the June 30, 2014 valuation were based on the experience study that was performed for the five-year period ended June 30, 2010. The recommended assumption changes based on this experience study were adopted by the board at its March 11, 2011 board meeting, and were effective beginning with the June 30, 2011 actuarial valuation.

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, 2016**

**NOTE 8 - EMPLOYEE RETIREMENT PLANS - CONTINUED**

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Public markets global equity	22.5%	4.8%
Private markets (equity)	15.0%	6.6%
Private real estate	12.0%	4.5%
Global fixed income	7.5%	2.4%
U.S. long treasuries	3.0%	1.4%
TIPS	12.0%	1.1%
High yield bonds	6.0%	3.3%
Cash	3.0%	70.0%
Absolute return	10.0%	4.9%
Risk parity	10.0%	3.7%
MLPs/Infrastructure	5.0%	5.2%
Commodities	8.0%	3.1%
Financing (LIBOR)	-14.0%	1.1%
	<u>100%</u>	

The above was the Board's adopted asset allocation policy and best estimates of geometric real rates of return for each major asset class as of June 30, 2015.

Discount Rate

The discount rate used to measure the total pension liability was 7.50 percent. 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, 2016

**NOTE 8 - EMPLOYEE RETIREMENT PLANS - CONTINUED**

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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 7.50 percent, as well as what the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (6.50%) or 1-percentage-point higher (8.50%) than the current rate:

	<u>1% Decrease 6.50%</u>	<u>Current Discount Rate 7.50%</u>	<u>1% Increase 8.50%</u>
LCTI's proportionate share of the net pension liability	\$ 51,949,000	\$ 42,146,000	\$ 33,906,000

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.state.pa.us](http://www.psers.state.pa.us).

Payables to the Pension Plan

At June 30, 2016, LCTI had an accrued balance due to PSERS of \$972,602. This amount represents LCTI's contractually obligated contributions for wages earned in April 2016 through June 2016. The balance will be paid in September 2016.

**403(b) Tax Shelter Plan**

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

**NOTE 9 - OTHER POSTEMPLOYMENT HEALTH CARE BENEFITS**

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**Plan Description**

LCTI administers a single-employer defined benefit healthcare plan (the Retiree Health Plan). The Plan provides certain healthcare insurance for eligible retirees and their spouses through LCTI's health insurance plan, which covers both active and retired members. Benefit provisions are established through negotiation with LCTI and the unions representing LCTI's employees. The Retiree Health Plan does not issue a publicly available financial report.

LEHIGH CAREER & TECHNICAL INSTITUTE

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2016

NOTE 9 - OTHER POSTEMPLOYMENT HEALTH CARE BENEFITS - CONTINUED

**Funding Policy**

Contribution requirements also are negotiated between LCTI and union representatives. The required contribution is based on pay as you go financing. For teachers who are eligible for PSERS retirement, with at least 15 years of service with LCTI and at least age 53, LCTI pays full medical, prescription drug, and dental coverage for the retired plan member. The retired plan member contributes 100 percent of the premiums for its dependents, spouse and family included. For administrators who are eligible for PSERS retirement, with at least seven years of service with LCTI and at least age 45, an account balance is determined at retirement based on the retired plan member's salary in the prior year. The account balance is used to pay for the retired plan member and spouse coverage until the account is exhausted. LCTI provides an annual credit of \$1,000 to pay for medical, prescription drug, and dental for the retired plan member only. After account exhaustion, retired plan member contributes 100 percent of the premiums for its dependents, spouse, and family included. For confidential and nonclassified employees eligible for PSERS retirement, with at least 12 years of service with LCTI and at least age 55, LCTI provides an annual credit of \$1,000 to pay for medical, prescription drug, and dental for the retired plan member. The retired plan member contributes 100 percent of the premiums for its dependents, spouse, and family included. For support staff with at least 30 years of service with LCTI or superannuation retirement (age 60 with 30 years of service, age 62 with 1 year of service, or 35 years of service regardless of age), the retired plan member must provide payment equal to the premium determined for the purpose of COBRA for continued coverage under LCTI's health plan. Under all the plans described, coverage is generally provided until the retiree is eligible for Medicare or until retiree's death, whichever is earlier. For the fiscal year ended June 30, 2016, LCTI contributed \$184,984 to the Plan related to retirees.

**Annual OPEB Cost and Net OPEB Obligation**

LCTI's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of LCTI's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in LCTI's net OPEB obligation:

Annual required contribution	\$ 301,293
Interest on net OPEB obligation	35,432
Adjustment to annual required contribution	(48,338)
Annual OPEB Cost	<u>288,387</u>
Contributions made	<u>(184,984)</u>
Increase in net OPEB obligation	103,403
Net OPEB obligation - beginning of year	<u>787,369</u>
Net OPEB obligation - end of year	<u>\$ 890,772</u>

LEHIGH CAREER & TECHNICAL INSTITUTE

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2016

NOTE 9 - OTHER POSTEMPLOYMENT HEALTH CARE BENEFITS - CONTINUED

LCTI's annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB obligation as of June 30 were as follows:

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
6/30/2016	\$ 288,387	64.1%	\$ 890,772
6/30/2015	289,820	69.8%	787,369
6/30/2014	343,620	50.7%	699,894

**Funded Status and Funding Progress**

As of July 1, 2014, the most recent actuarial valuation date, the Plan was unfunded. The actuarial accrued liability for benefits was \$2,457,928, and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability (UAAL) of \$2,457,928. The covered payroll (annual payroll of active employees covered by the Plan) was \$10,325,804, and the ratio of the UAAL to the covered payroll was 23.80 percent.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the Plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents information about actuarial value of plan assets and actuarial accrued liabilities for benefits.

**Actuarial Methods and Assumptions**

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

In the July 1, 2014 actuarial valuation, the entry age actuarial cost method was used. The actuarial assumptions included a 4.5 percent investment rate of return (net of administrative expenses) and an annual healthcare cost trend rate of 6.5 percent in 2014, decreasing 0.5 percent per year to 5.5 percent in 2016. Rates gradually decrease from 5.3 percent in 2017 to 4.2 percent in 2089 and later. The unfunded actuarial accrued liability is being amortized at the end of the year based on level dollar and a 30-year open amortization period.

**LEHIGH CAREER & TECHNICAL INSTITUTE**

**NOTES TO BASIC FINANCIAL STATEMENTS**

**June 30, 2016**

**NOTE 10 - 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, 2016, were as follows:

**General Fund**

The General Fund has nonspendable funds of \$3,514 for prepaid expenditures, committed funds of \$1,250,000 for future retirement costs, assigned funds of \$365,391 for the Academic Center, \$1,101,699 for Adult Education, and an unassigned fund balance of \$485,976. 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.

The classification of fund balances within the General Fund at June 30, 2016, is as follows:

	Operating Fund Retainage	Adult Education Retainage	Academic Center Retainage	Total
Fund Balance - July 1, 2015	\$ 1,645,802	\$ 825,618	\$ 363,106	\$ 2,834,526
2015 - 2016 Operating Fund	93,688	-	-	93,688
2015 - 2016 Academic Center Fund Balance Retainage	-	-	48,816	48,816
2015 - 2016 Academic Center Fund Transfer to Member Districts	-	-	(46,531)	(46,531)
2015 - 2016 Revenues Over (Under) Expenditures on Reserved Operations	-	276,081	-	276,081
Fund Balance - June 30, 2016	\$ 1,739,490	\$ 1,101,699	\$ 365,391	\$ 3,206,580



**LEHIGH CAREER & TECHNICAL INSTITUTE**

**NOTES TO BASIC FINANCIAL STATEMENTS**

**June 30, 2016**

**NOTE 10 - FUND BALANCE - CONTINUED**

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The Operating Fund had excess revenues over expenditures for the 2015/2016 fiscal year of \$374,756, of which \$93,688 was retained in accordance with establishment of the general fund balance retainage policy. The remaining Operating Fund excess revenues over expenditures for the 2015/2016 fiscal year of \$270,542 has been charged against the participating districts' contributions to LCTI for the 2015/2016 fiscal year, and is included as a liability of the General Fund as of June 30, 2016.

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, 2016, was \$1,101,699. The current year's revenues exceeded expenditures for adult school operations by \$276,081.

The Academic Center Fund had excess revenues over expenditures for the 2015/2016 fiscal year of \$195,262, of which \$48,816 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 2015/2016 fiscal year of \$146,446 has been charged against the participating districts' contributions to LCTI for the 2015/2016 fiscal year, and is included as a liability of the General Fund as of June 30, 2016.

During the 2015/2016 fiscal year, participating districts requested \$46,531 of the assigned fund balance in the Academic Center Fund to be used as credits against current year billings. This amount is reported as a credit applied from the Academic Center Fund on the statement of revenues, expenditures, and changes in fund balance - governmental funds.

**Restricted Fund Balance**

The Capital Projects Fund has restricted funds of \$533,309 comprised of surplus 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.

**LEHIGH CAREER & TECHNICAL INSTITUTE**

**NOTES TO BASIC FINANCIAL STATEMENTS**

**June 30, 2016**

**NOTE 11 - CONTINGENCIES AND COMMITMENTS**

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

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

**NOTE 12 - RISK MANAGEMENT**

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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 significant reductions in insurance coverage for the 2015/2016 year. Settlement amounts have not exceeded insurance coverage for the current year or the three prior years.

**NOTE 13 - NEW ACCOUNTING PRONOUNCEMENTS**

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

- Statement No. 74, *Financial Reporting for Postemployment Benefits Other Than Pension Plans* - The objective of this statement is to improve the usefulness of information about other postemployment benefits other than pensions included in the general purpose external financial reports of state and local governmental OPEB plans for making decisions and assessing accountability. This statement is effective for LCTI's fiscal year ending June 30, 2017.
- Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* - This statement replaces the requirements of Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. The scope of this statement addresses accounting and financial reporting for OPEB that is provided to the employees of state and local governmental employers. This statement establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. This statement is effective for LCTI's fiscal year ending June 30, 2018.

LEHIGH CAREER & TECHNICAL INSTITUTE

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2016

NOTE 13 - NEW ACCOUNTING PRONOUNCEMENTS - CONTINUED

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- Statement No. 77, *Tax Abatement Disclosures* - The requirements of this statement enhance the disclosure of information about the nature and magnitude of tax abatements and will make these transactions more transparent to financial statement users. As a result, users will be better equipped to understand (1) how tax abatements affect a government's future ability to raise resources and meet its financial obligations, and (2) the impact those abatements have on a government's financial position and economic condition. This statement is effective for LCTI's fiscal year ending June 30, 2017.
- Statement No. 82, *Pension Issues - an amendment of GASB Statements No. 67, No. 68, and No. 73* - This statement addressed certain issues that have been raised with respect to GASB Statements No. 67, No. 68, and No. 73 related to (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions of the treatment of deviations from the guidance in Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements. This statement is effective for LCTI's fiscal year ending June 30, 2017.

LCTI has not yet completed the analyses necessary to estimate the financial statement impact of these new pronouncements, but believe the result will have a negative impact on financial position.

**REQUIRED SUPPLEMENTARY INFORMATION**

LEHIGH CAREER & TECHNICAL INSTITUTE

BUDGETARY COMPARISON SCHEDULE FOR THE GENERAL FUND

For the Year Ended June 30, 2016

	Budgeted Amounts		Actual (GAAP) Basis	Variances Final to Actual
	Original	Final		
<b>REVENUES</b>				
Local Sources	\$ 3,334,643	\$ 3,334,643	\$ 2,562,011	\$ (772,632)
Local Sources - Other LEAs	20,771,520	20,771,520	20,354,532	(416,988)
State Sources	5,328,318	5,328,318	5,072,717	(255,601)
Federal Sources	715,000	715,000	823,744	108,744
<b>TOTAL REVENUES</b>	<b>30,149,481</b>	<b>30,149,481</b>	<b>28,813,004</b>	<b>(1,336,477)</b>
<b>EXPENDITURES</b>				
<b>INSTRUCTION</b>				
Regular	2,232,166	2,204,116	2,020,620	183,496
Special Programs	1,000,263	1,034,321	1,021,577	12,744
Vocational	9,675,985	9,689,631	9,550,497	139,134
Other Instructional	1,320,528	1,290,368	1,258,300	32,068
Adult Education	3,229,235	3,229,235	2,623,001	606,234
<b>TOTAL INSTRUCTION</b>	<b>17,458,177</b>	<b>17,447,671</b>	<b>16,473,995</b>	<b>973,676</b>
<b>SUPPORT SERVICES</b>				
Pupil Personnel	945,684	893,653	864,135	29,518
Instructional Staff	676,600	755,605	741,210	14,395
Administration	1,651,280	1,683,620	1,652,029	31,591
Pupil Health	144,572	143,822	139,513	4,309
Business Services	733,229	740,454	729,475	10,979
Operation of Plant and Maintenance Services	2,588,458	2,539,158	2,497,031	42,127
Student Transportation Services	9,450	9,900	4,349	5,551
Central	1,929,412	1,910,982	1,854,405	56,577
<b>TOTAL SUPPORT SERVICES</b>	<b>8,678,685</b>	<b>8,677,194</b>	<b>8,482,147</b>	<b>195,047</b>
<b>OPERATION OF NONINSTRUCTIONAL SERVICES</b>				
Student Activities	83,833	90,628	89,351	1,277
Community Services	14,135	9,135	3,430	5,705
<b>TOTAL OPERATION OF NONINSTRUCTIONAL SERVICES</b>	<b>97,968</b>	<b>99,763</b>	<b>92,781</b>	<b>6,982</b>
<b>REFUND OF PRIOR YEAR REVENUE</b>				
Academic Center Credit Applied	-	-	46,531	(46,531)
<b>TOTAL EXPENDITURES</b>	<b>26,234,830</b>	<b>26,224,628</b>	<b>25,095,454</b>	<b>1,129,174</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<b>3,914,651</b>	<b>3,924,853</b>	<b>3,717,550</b>	<b>(207,303)</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Sale of Capital Assets	25,000	25,000	114,545	89,545
Transfers In	-	-	22	22
Transfers Out	(3,461,890)	(3,472,092)	(3,460,063)	12,029
Budgetary Reserve	(198,000)	(198,000)	-	198,000
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>(3,634,890)</b>	<b>(3,645,092)</b>	<b>(3,345,496)</b>	<b>299,596</b>
<b>REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES</b>	<b>\$ 279,761</b>	<b>\$ 279,761</b>	<b>372,054</b>	<b>\$ 92,293</b>
<b>BEGINNING FUND BALANCE</b>			<b>2,834,526</b>	
<b>ENDING FUND BALANCE</b>			<b>\$ 3,206,580</b>	

**LEHIGH CAREER & TECHNICAL INSTITUTE**

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

**June 30, 2016**

	<u>2016</u>	<u>2015</u>	<u>2014</u>
LCTI's proportion of the collective net pension liability	0.0973%	0.0981%	0.0962%
LCTI's proportionate share of the collective net pension liability	\$ 42,146,000	\$ 38,829,000	\$ 39,381,000
LCTI's covered employee payroll	\$ 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	336.64%	310.15%	318.91%
Plan fiduciary net position as a percentage of the total pension liability	54.36%	57.24%	54.50%

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

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

**LEHIGH CAREER & TECHNICAL INSTITUTE**  
**SCHEDULE OF LCTI CONTRIBUTIONS - PENSION PLAN**

**LAST 10 FISCAL YEARS**

	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Contractually required contribution	\$ 3,108,643	\$ 2,591,775	\$ 2,000,848	\$ 1,423,485	\$ 998,305	\$ 592,287	\$ 502,708	\$ 452,192	\$ 665,360	\$ 576,116
Contributions in relation to the contractually required contribution	<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>	<u>452,192</u>	<u>665,360</u>	<u>576,116</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	\$ 12,647,324	\$ 12,519,658	\$ 12,519,299	\$ 12,348,475						
Contributions as a percentage of covered employee payroll	24.58%	20.70%	15.98%	11.53%						

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

LEHIGH CAREER & TECHNICAL INSTITUTE

SCHEDULE OF FUNDING PROGRESS - OTHER POSTEMPLOYMENT BENEFITS PLAN

	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a / b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b - a) / c)
Eligible Employees	7/1/2014	\$ -	\$ 2,457,928	\$ 2,457,928	0.00%	\$ 10,325,804	23.80%
Eligible Employees	7/1/2012	-	2,441,341	2,441,341	0.00%	10,685,857	22.85%
Eligible Employees	7/1/2010	-	2,840,583	2,840,583	0.00%	10,505,108	27.04%



**LEHIGH CAREER & TECHNICAL INSTITUTE**

**NOTE TO REQUIRED SUPPLEMENTARY INFORMATION**

**June 30, 2016**

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**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.

**SUPPLEMENTARY INFORMATION**

LEHIGH CAREER & TECHNICAL INSTITUTE

SCHEDULE OF BUDGETED AND ACTUAL EXPENDITURES - OPERATING FUND

For the Year Ended June 30, 2016

INSTRUCTION	Final Budget	Actual	Variance Final to Actual
<b>Regular Programs, Secondary:</b>			
Salaries	\$ 519,180	\$ 515,395	\$ 3,785
Employee Benefits	334,978	333,200	1,778
Purchased Professional Services	250	80	170
Purchased Property Services	900	878	22
Other Purchased Services	1,000	857	143
Supplies	8,250	7,790	460
Property	3,150	3,101	49
	<u>867,708</u>	<u>861,301</u>	<u>6,407</u>
<b>Special Education Programs, Secondary:</b>			
Salaries	596,570	590,504	6,066
Employee Benefits	427,015	420,855	6,160
Purchased Professional Services	4,770	4,770	-
Other Purchased Services	806	805	1
Supplies	540	422	118
Property	4,620	4,221	399
	<u>1,034,321</u>	<u>1,021,577</u>	<u>12,744</u>
<b>Vocational Education Programs:</b>			
Salaries	4,633,096	4,632,732	364
Employee Benefits	2,923,757	2,918,641	5,116
Purchased Professional Services	19,207	19,122	85
Purchased Property Services	259,950	259,282	668
Other Purchased Services	60,682	60,678	4
Supplies	591,222	591,205	17
Property	1,168,799	1,042,518	126,281
Other Objects	9,180	8,584	596
	<u>9,665,893</u>	<u>9,532,762</u>	<u>133,131</u>
<b>Other Instructional Programs:</b>			
Salaries	749,056	747,503	1,553
Employee Benefits	460,209	452,588	7,621
Purchased Property Services	1,000	-	1,000
Supplies	44,745	43,343	1,402
	<u>1,255,010</u>	<u>1,243,434</u>	<u>11,576</u>
<b>SUPPORT SERVICES</b>			
<b>Pupil Personnel:</b>			
Salaries	433,022	429,468	3,554
Employee Benefits	293,763	293,385	378
Purchased Professional Services	34,123	20,650	13,473
Purchased Property Services	12,950	7,996	4,954
Other Purchased Services	15,650	11,274	4,376
Supplies	8,130	8,129	1
Other objects	460	456	4
	<u>798,098</u>	<u>771,358</u>	<u>26,740</u>

LEHIGH CAREER & TECHNICAL INSTITUTE

SCHEDULE OF BUDGETED AND ACTUAL EXPENDITURES - OPERATING FUND - CONTINUED

For the Year Ended June 30, 2016

	Final Budget	Actual	Variance Final to Actual
<b>SUPPORT SERVICES (continued):</b>			
Instructional Staff:			
Salaries	222,171	222,044	127
Employee Benefits	151,131	146,908	4,223
Purchased Professional Services	13,002	11,463	1,539
Purchased Property Services	500	-	500
Other Purchased Services	5,000	3,564	1,436
Supplies	19,311	19,308	3
Property	51,800	51,638	162
Other Objects	700	667	33
	463,615	455,592	8,023
Administration:			
Salaries	948,322	947,273	1,049
Employee Benefits	495,141	494,903	238
Purchased Professional Services	29,630	29,590	40
Purchased Property Services	2,740	2,564	176
Other Purchased Services	11,700	8,130	3,570
Supplies	48,000	44,445	3,555
Property	10,400	10,355	45
Other Objects	12,240	8,699	3,541
	1,558,173	1,545,959	12,214
Pupil Health:			
Salaries	87,455	87,424	31
Employee Benefits	52,747	49,618	3,129
Purchased Professional Services	350	319	31
Purchased Property Services	-	(348)	348
Other Purchased Services	870	324	546
Supplies	2,150	2,062	88
Other Objects	250	115	135
	143,822	139,514	4,308
Business:			
Salaries	349,100	347,180	1,920
Employee Benefits	213,719	210,984	2,735
Purchased Professional Services	72,600	72,524	76
Purchased Property Services	4,085	4,054	31
Other Purchased Services	42,250	37,298	4,952
Supplies	56,310	55,697	613
Other Objects	2,390	1,737	653
	740,454	729,474	10,980
Operation and Maintenance of Plant Services:			
Salaries	859,886	859,713	173
Employee Benefits	543,521	533,492	10,029
Purchased Professional Services	49,400	49,303	97
Purchased Property Services	179,730	161,714	18,016
Other Purchased Services	162,342	152,533	9,809
Supplies	619,150	619,008	142
Property	105,700	105,656	44
Other Objects	3,460	2,854	606
	2,523,189	2,484,273	38,916

LEHIGH CAREER & TECHNICAL INSTITUTE

SCHEDULE OF BUDGETED AND ACTUAL EXPENDITURES - OPERATING FUND - CONTINUED

For the Year Ended June 30, 2016

	Final Budget	Actual	Variance Final to Actual
<b>SUPPORT SERVICES (continued):</b>			
Student Transportation Services:			
Purchased Property Services	1,000	-	1,000
Other Purchased Services	8,150	4,349	3,801
Supplies	250	-	250
	<u>9,400</u>	<u>4,349</u>	<u>5,051</u>
Central:			
Salaries	851,002	850,111	891
Employee Benefits	591,790	579,832	11,958
Purchased Professional Services	23,450	7,829	15,621
Purchased Property Services	114,170	91,558	22,612
Other Purchased Services	59,890	54,963	4,927
Supplies	201,550	201,515	35
Property	68,420	68,097	323
Other Objects	710	499	211
	<u>1,910,982</u>	<u>1,854,404</u>	<u>56,578</u>
<b>OPERATION OF NONINSTRUCTIONAL SERVICES</b>			
Student Activities:			
Salaries	17,600	17,229	371
Employee Benefits	6,033	5,728	305
Purchased Professional Services	3,400	3,359	41
Other Purchased Services	36,950	36,506	444
Supplies	10,875	10,795	80
Other Objects	15,770	15,735	35
	<u>90,628</u>	<u>89,352</u>	<u>1,276</u>
Community Services:			
Salaries	6,545	1,400	5,145
Employee Benefits	590	117	473
Supplies	2,000	1,912	88
	<u>9,135</u>	<u>3,429</u>	<u>5,706</u>
<b>OTHER FINANCING USES</b>			
Interfund Transfers	3,460,070	3,460,063	7
Intrafund Transfers I.D.C.	10,202	10,202	-
Budget Reserve	185,000	-	185,000
	<u>3,655,272</u>	<u>3,470,265</u>	<u>185,007</u>
<b>TOTAL EXPENDITURES AND OTHER FINANCING USES</b>	<u>\$ 24,725,700</u>	<u>\$ 24,207,043</u>	<u>\$ 518,657</u>

LEHIGH CAREER & TECHNICAL INSTITUTE

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

For the Year Ended June 30, 2016

	Agriculture	Marketing/ Distributive Education	Home Economics	Summer Fun Camp	Trade and Industry	Total
<b>OPERATING REVENUES</b>						
Production Service Revenue	\$ 2,834	\$ 55,107	\$ 56,061	\$ 43,197	\$ 1,070,192	\$ 1,227,391
<b>TOTAL OPERATING REVENUES</b>	2,834	55,107	56,061	43,197	1,070,192	1,227,391
<b>OPERATING EXPENSES</b>						
Salaries	-	-	4,050	21,589	145,185	170,824
Employee Benefits	-	-	1,384	7,479	77,635	86,498
Other Purchased Services	-	-	219	6,692	106	7,017
Supplies	1,017	43,924	34,814	4,057	825,511	909,323
Depreciation	-	-	-	-	22,058	22,058
Other Miscellaneous Expense	-	-	-	1,176	360	1,536
<b>TOTAL OPERATING EXPENSES</b>	1,017	43,924	40,467	40,993	1,070,855	1,197,256
<b>OPERATING INCOME (LOSS)</b>	1,817	11,183	15,594	2,204	(663)	30,135
<b>NONOPERATING REVENUES</b>						
Local Sources - Earnings on Investments	-	-	-	-	2,109	2,109
State Sources - FICA Reimbursement	-	-	154	826	5,401	6,381
State Sources - Retirement Reimbursement	-	-	523	2,834	17,372	20,729
<b>TOTAL NONOPERATING REVENUES</b>	-	-	677	3,660	24,882	29,219
<b>NET INCOME</b>	\$ 1,817	\$ 11,183	\$ 16,271	\$ 5,864	\$ 24,219	59,354
<b>NET POSITION - BEGINNING OF YEAR</b>						1,139,934
<b>NET POSITION - END OF YEAR</b>						\$ 1,199,288

**LEHIGH CAREER & TECHNICAL INSTITUTE**

**COMBINING STATEMENT OF NET POSITION  
FIDUCIARY FUND TYPES - AGENCY**

**June 30, 2016**

	Student Activities Fund	Payroll	Total Agency Fund
<b>ASSETS</b>			
Cash	\$ 81,124	\$ 44,859	\$ 125,983
<b>TOTAL ASSETS</b>	\$ 81,124	\$ 44,859	\$ 125,983
<b>LIABILITIES</b>			
Payroll Taxes and Withholdings	\$ -	\$ 44,703	\$ 44,703
Interfund Payables	-	156	156
Other Current Liabilities	81,124	-	81,124
<b>TOTAL LIABILITIES</b>	\$ 81,124	\$ 44,859	\$ 125,983

**LEHIGH CAREER & TECHNICAL INSTITUTE**

**STATEMENT OF RECEIPTS AND DISBURSEMENTS - STUDENT ACTIVITIES FUND**

**For the Year Ended June 30, 2016**

	<u>Balance 7/1/2015</u>	<u>Receipts</u>	<u>Disbursements</u>	<u>Balance 6/30/2016</u>
DECA	\$ 25,651	\$ 42,289	\$ 40,186	\$ 27,754
FFA	11,294	2,548	270	13,572
HOSA	5,808	41,570	44,464	2,914
Skills USA	28,441	26,168	32,291	22,318
FCCLA	1,243	19,363	16,036	4,570
FBLA	2,089	27,912	21,466	8,535
NTHS	2,225	2,021	2,785	1,461
	<u>\$ 76,751</u>	<u>\$ 161,871</u>	<u>\$ 157,498</u>	<u>\$ 81,124</u>



**LEHIGH CAREER & TECHNICAL INSTITUTE**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

For the Year Ended June 30, 2016

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, 2015	Revenue Recognized	Expenditures	Accrued or (Unearned) Revenue at June 30, 2016
<b><u>U.S. Department of Education</u></b>										
Passed through the Commonwealth of Pennsylvania										
Department of Education:										
Career and Technical Education	I	84.048	380-16-0073	\$ 823,744	07/01/15-06/30/16	\$ 755,099	\$ -	\$ 823,744	\$ 823,744	\$ 68,645
Career and Technical Education	I	84.048	380-15-0074	717,549	07/21/14-06/30/15	59,796	59,796	-	-	-
Total Career and Technical Education						<u>814,895</u>	<u>59,796</u>	<u>823,744</u>	<u>823,744</u>	<u>68,645</u>
Passed through the Pennsylvania Training & Technical Assistance Network and Intermediate Unit #1:										
Universal Screening for 9th Grade Students at Lehigh Career & Technical Institute	I	84.027	062-15-0-032	10,000	09/01/14-06/30/15	6,233	6,233	-	-	-
<b>TOTAL U.S. DEPARTMENT OF EDUCATION</b>						<u>821,128</u>	<u>66,029</u>	<u>823,744</u>	<u>823,744</u>	<u>68,645</u>
<b><u>U.S. Department of Health and Human Services</u></b>										
Passed through the Lehigh Valley Workforce Development Board, Inc.										
LCTI/CareerFORCE 2016 Summer Jobs Program for Youth	I	93.558	1502 PATANF	35,358	06/02/16-09/30/16	-	-	14,867	14,867	14,867
<b><u>U.S. Department of Agriculture</u></b>										
Child Nutrition Cluster										
Passed through the Commonwealth of Pennsylvania										
Department of Education:										
National School Lunch Program	I	10.555	N/A	N/A	07/01/15-06/30/16	433,404	-	446,627	446,627	13,223
National School Lunch Program	I	10.555	N/A	N/A	07/01/14-06/30/15	54,798	54,798	-	-	-
Passed through PA Department of Agriculture:										
National School Lunch Program - USDA Commodities	I	10.555	N/A	N/A	07/01/15-06/30/16	64,527	(778)	63,764	63,764	(1,541)
Total Child Nutrition Cluster						<u>552,729</u>	<u>54,020</u>	<u>510,391</u>	<u>510,391</u>	<u>11,682</u>
Passed through the Commonwealth of Pennsylvania										
Department of Education:										
PA Team Nutrition Grant	I	10.574	4300426810	1,500	08/15/14-06/15/15	375	375	-	-	-
<b>TOTAL U.S. DEPARTMENT OF AGRICULTURE</b>						<u>553,104</u>	<u>54,395</u>	<u>510,391</u>	<u>510,391</u>	<u>11,682</u>
<b>TOTAL FEDERAL AWARDS</b>						<u><u>\$ 1,374,232</u></u>	<u><u>\$ 120,424</u></u>	<u><u>\$ 1,349,002</u></u>	<u><u>\$ 1,349,002</u></u>	<u><u>\$ 95,194</u></u>

I = Indirect Source of Funding

NOTE: No funds were passed through to subrecipients in the year ended June 30, 2016.

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, 2016**

**NOTE 1 - BASIS OF PRESENTATION**

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The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of the Lehigh Career & Technical Institute under programs of the federal government for the year ended June 30, 2016. 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**

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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 MINIMUS RATE FOR INDIRECT COSTS**

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

**NOTE 4 - FOOD COMMODITIES**

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Nonmonetary assistance is reported in the schedule at the fair market value of the commodities received and disbursed. At June 30, 2016, LCTI had \$1,541 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, 2016, 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 22, 2016.

**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 22, 2016**



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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 the 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, 2016. 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 the 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, 2016.

### **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 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 22, 2016**

LEHIGH CAREER & TECHNICAL INSTITUTE

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the Year Ended June 30, 2016

---

**Section I - Summary of Auditor's Results**

**Financial Statements**

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

**Federal Awards**

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

Identification of Major Program(s):

CFDA Number(s) Name of Federal Program or Cluster

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, 2016**

---

**Section II - Financial Statement Findings**

There were no financial statement findings reported.

**Section III - Federal Award Findings and Questioned Costs**

There were no federal award findings reported.



**LEHIGH CAREER & TECHNICAL INSTITUTE**

**STATUS OF PRIOR AUDIT FINDINGS AND QUESTIONED COSTS**

**For the Year Ended June 30, 2016**

---

**Section II - Financial Statement Findings**

There were no financial statement findings reported.

**Section III - Federal Award Findings and Questioned Costs**

There were no federal award findings reported.



***LEHIGH CAREER & TECHNICAL INSTITUTE***

**FINANCIAL AND COMPLIANCE REPORT**

**Year Ended June 30, 2017**



## TABLE OF CONTENTS

	Pages
<b>INDEPENDENT AUDITOR'S REPORT</b> .....	1 - 2
<b>MANAGEMENT'S DISCUSSION AND ANALYSIS</b> .....	3 - 20
 <b>BASIC FINANCIAL STATEMENTS</b>	
<b>Government-Wide Financial Statements</b>	
Statement of Net Position .....	21
Statement of Activities .....	22
 <b>Fund Financial Statements</b>	
Balance Sheet - Governmental Funds .....	23
Reconciliation of the Governmental Funds Balance Sheet to the 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 .....	33 - 67
 <b>REQUIRED SUPPLEMENTARY INFORMATION</b>	
Budgetary Comparison Schedule for the General Fund .....	68
Schedule of LCTI's Proportionate Share of the Net Pension Liability and Related Ratios - Pension Plan .....	69
Schedule of LCTI Contributions - Pension Plan .....	70
Schedule of Funding Progress - Postemployment Benefits Plan .....	71
Note to Required Supplementary Information .....	72

	Pages	
<b>SUPPLEMENTARY INFORMATION</b>		
<b>Individual Fund Financial Schedules</b>		
Schedule of Budgeted and Actual Expenditures - Operating Fund .....	73 - 75	
Schedule of Production Fund Components - Revenues, Expenses, and Net Position .....	76	
<b>Capital Projects Fund</b>		
Combining Balance Sheet - Capital Projects Fund .....	77	
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances - Capital Projects Fund.....	78	
<b>Fiduciary Funds</b>		
Combining Statement of Net Position - Fiduciary Funds - Agency .....	79	
Statement of Receipts and Disbursements - Student Activities Fund .....	80	
<b>Single Audit</b>		
Schedule of Expenditures of Federal Awards .....	81	
Notes to Schedule of Expenditures of Federal Awards.....	82	
<b>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 .....</b>		83 - 84
<b>INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE .....</b>		85 - 86
<b>SCHEDULE OF FINDINGS AND QUESTIONED COSTS .....</b>	87 - 88	
<b>STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS .....</b>	89	



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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, 2017, 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, 2017, 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 69 through 71, 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* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

The 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 20, 2017, 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 to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Lehigh Career & Technical Institute's internal control over financial reporting and compliance.

*Herbein + Company, Inc.*

**Reading, Pennsylvania  
November 20, 2017**

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)**

**June 30, 2017**

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, 2017. The intent of this discussion and analysis is to provide a narrative summary of the financial performance of the Lehigh Career & Technical Institute (LCTI) as a whole. Readers should also review the financial statements and notes to the financial statements to enhance their understanding of LCTI's financial performance.

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

**OVERVIEW OF THE SCHOOL**

Lehigh Career & Technical Institute is a joint venture of nine public school districts in Lehigh County, Pennsylvania organized under the Public School Code of Pennsylvania, and is Pennsylvania's largest career and technical school. Founded in 1971, LCTI prepares students with academic and technical knowledge needed to succeed in higher education and careers by providing more than 45 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 \$16,003,124 for 2016-2017, which is net of excess revenues to be credited to member districts in 2017-2018. 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, \$100,000 was received from the participating school districts for Capital Costs apportioned among the participating districts on the basis of market value of taxable real property as certified by the State Real Estate Tax Equalization Board according to the Articles of Agreement.

Additional revenue of \$3,255,827 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. LCTI realized a present value savings of \$1,056,000 as the result of the refinancing. 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 proration of these Debt Service payments is based on the market values available at the time of budget preparation. These Debt Service payments were based on the amortization schedule from the School Lease Revenue Bonds Refunding Series of 2007 and 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 2016-2017, Lehigh Career & Technical Institute had capital outlays in the amount of \$1,786,411 with a corresponding increase in depreciation of \$4,035,135. New equipment spending was \$1,225,909 and was made up of the following major instructional equipment purchases:

1). 2017 John Deere 310 SL Backhoe	\$ 97,367*	2). 2017 GMC Savannah – 2 vans	\$ 59,064
3). Nine Oscilloscopes	\$ 47,340*	4). Nursing Anne Simpad Plus	\$ 39,231*
5). Haas Vertical Machine	\$ 38,300*	6). 2017 GMC Sierra Truck	\$ 34,527
7). Trax Knee Mill	\$ 27,359*	8). Bench Brake Lathe	\$ 18,693*
9). John Deere Gator	\$ 15,252		

\* Grant funded



An additional \$361,716 was spent on instructional equipment purchases on individual items for instructional programs that are not itemized here. LCTI also spent \$90,727 for instructional technology equipment and \$628,045 for technology infrastructure equipment updates.

#### Academic Center:

The Academic Center completed its eleventh year of operation in 2016-2017 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 \$1,343,375, which is net of excess revenues to be credited to member districts in 2017-2018. 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 profit of \$103,424 in 2017, which increases the amount assigned for adult school operations within the General Fund to \$1,205,123. This is the second consecutive year of profitability for Adult Education. The Heavy Equipment Operation program, including their Customized Job Training program, had a profit of \$146,201, its second consecutive profitable year of six digits. This turn around can be attributed to slightly increased enrollment and limiting the number of hours for an additional instructor. The Continuing Ed Instructional program had a profit of \$55,600, a 79 percent increase over the previous year's profit of \$31,056. The Central Westmoreland Tractor Trailer program showed a net loss of \$44,087 in 2017, and our partnership to operate this program will end on December 16, 2017, due to low enrollment in 2016-2017 and the increased costs of the Sage Corporation shared position.

LCTI continues to offer industry relevant training and credentials for adults working in the Lehigh Valley and beyond. We will also continue to seek any grant opportunities that may be offered, such as the recently completed Career FORCE 2017 Summer Jobs Program for Youth federally funded grant. In 2017-2018, additional grants being developed are the County of Lehigh Community Development Block Grant, which provides tuition assistance for CDL and HEO training, the County of Lehigh BB&T Bank Foundation which provides tuition assistance for manufacturing and transportation programs, the TECH Grant for Electromechanical equipment, and the Out-of-School Youth Navigator Grant. LCTI will continue to monitor the control of program costs as much as possible and will work with public relations to optimize advertising initiatives, which will spend allotted advertising dollars more effectively resulting in reduced advertising expenses. The Workforce Education Coordinator position was reconfigured again back to a full time position, as we were unable to find anyone to work part time with the skill sets necessary for the position.

## 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 general LCTI 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 more detailed data.

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

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

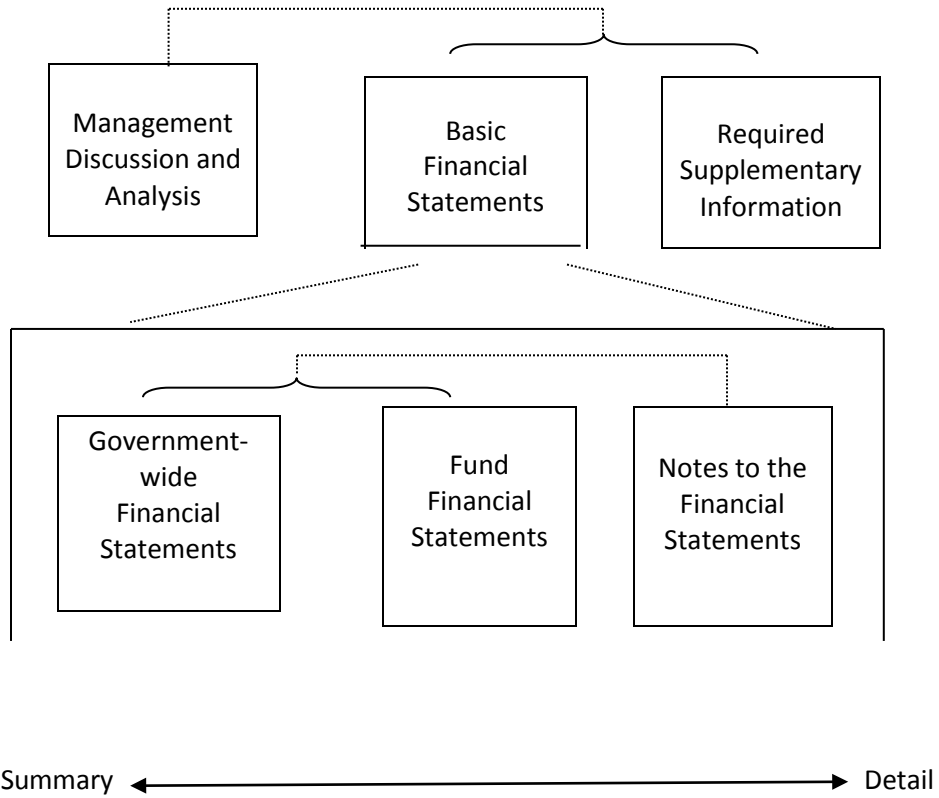


Figure A-2 summarizes the major features of the LCTI financial statements, including the portion of the LCTI they cover and the types of information they contain. The remainder of this overview section of management discussion and analysis explains the structure and contents of each of the statements.

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

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

## Reporting the School as a Whole

### Statement of Net Position and the Statement of Activities

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

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

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

- *Governmental Activities*— Most of the LCTI's basic services are reported here, such as instruction, administration, and support services. Contributions from the member school districts and state and federal government subsidies and grants are the primary funding sources for these activities.
- *Business-type Activities*— LCTI operates a Cafeteria Fund and charges fees to students and staff to help it cover all or most of the cost of the food services it provides. The Production Fund represents a combination of user charges to outside parties, and interfund sales and purchases, all of which is designed to further the career and technical education of the students.

## Reporting the School's Most Significant Funds

### Fund Financial Statements

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

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

The governmental funds that are considered to be 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 THE LCTI AS A WHOLE

Table A-1

A comparative analysis of fiscal year 2016 to 2017 for:  
Net Position (amounts expressed in thousands)

	<u>Governmental</u> <u>Activities</u>		<u>Business-Type</u> <u>Activities</u>		<u>Total</u>	
	<u>2016</u>	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>	<u>2017</u>
Current & other assets	\$ 6,794	\$14,938	\$1,993	\$2,120	\$ 8,787	\$ 17,057
Capital Assets	<u>44,128</u>	<u>41,851</u>	<u>381</u>	<u>366</u>	<u>44,509</u>	<u>42,217</u>
<b>Total Assets</b>	<b><u>\$50,922</u></b>	<b><u>\$56,789</u></b>	<b><u>\$2,374</u></b>	<b><u>\$2,486</u></b>	<b><u>\$53,296</u></b>	<b><u>\$59,275</u></b>
Deferred Charge on Bond Refunding	<u>1,030</u>	<u>1,222</u>	<u>0</u>	<u>0</u>	<u>1,030</u>	<u>1,222</u>
Deferred Outflows of Resources for Pension	<u>547</u>	<u>4,828</u>	<u>48</u>	<u>142</u>	<u>595</u>	<u>4,970</u>
Pension Contributions made Subsequent to Measurement Date	<u>3,007</u>	<u>3,501</u>	<u>101</u>	<u>121</u>	<u>3,108</u>	<u>3,622</u>
<b>Total Deferred Outflows of Resources</b>	<b><u>4,584</u></b>	<b><u>9,551</u></b>	<b><u>149</u></b>	<b><u>263</u></b>	<b><u>4,733</u></b>	<b><u>9,814</u></b>
Current and other liabilities	\$5,207	\$ 5,493	\$ 107	\$88	\$5,314	\$ 5,581
Long-term liabilities	<u>81,166</u>	<u>94,791</u>	<u>1,437</u>	<u>1,577</u>	<u>82,603</u>	<u>96,368</u>
<b>Total Liabilities</b>	<b><u>86,373</u></b>	<b><u>100,284</u></b>	<b><u>1,544</u></b>	<b><u>1,665</u></b>	<b><u>87,917</u></b>	<b><u>101,949</u></b>
<b>Deferred Inflows of Resources</b>	<b><u>520</u></b>	<b><u>586</u></b>	<b><u>38</u></b>	<b><u>50</u></b>	<b><u>558</u></b>	<b><u>636</u></b>
<b>Net Position</b>						
Net Investment in capital assets	4,844	2,264	381	366	5,225	2,630
Restricted for Capital Projects	533	1,192	0	0	533	1,192
Unrestricted	<u>(36,764)</u>	<u>(37,986)</u>	<u>560</u>	<u>668</u>	<u>(36,204)</u>	<u>(37,318)</u>
<b>Total Net Position (Deficit)</b>	<b><u>\$(31,387)</u></b>	<b><u>\$(34,530)</u></b>	<b><u>\$ 941</u></b>	<b><u>\$1,034</u></b>	<b><u>\$(30,446)</u></b>	<b><u>\$(33,496)</u></b>

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 liabilities of \$46,790,236 for Governmental Activities for year end June 30, 2017, which is an increase of \$6,081,415 from the June 30, 2016 Governmental Activities pension liabilities of \$40,708,821. Total Net Position for Governmental Activities year end June 30, 2017 of \$(34,530,130), decreased \$3,143,093 from June 30, 2016 \$(31,387,010) in large part due to a net decrease in Capital Assets of \$2,278,000 in 2017, an annual occurrence because depreciation exceeded the amount of new capital assets being added over the course of the year by \$2,249,000.

Business Type Activities Total Net Position June 30, 2017 of \$1,033,854 represents an increase of \$92,837, from Total Net Position June 30, 2016 of \$941,017. This is the result of the Cafeteria fund having a profit for 2017 of \$35,012, after GASB 68 entries are included, and the Production Fund having a profit of \$57,825 after GASB 68 entries are included.

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

	<u>Balance before Related Debt</u>	<u>Balance Percentage</u>	<u>Debt Allocation</u>	<u>Balance Net Related Debt</u>
Net Fixed Assets	\$41,850,640	100.00%	\$39,586,500	\$2,264,140

The remaining balance of Net Position consists of Restricted Net Position for Capital Projects of \$1,192,037, a 124 percent increase of \$658,728 from the previous year, caused by the issuance of the 2017 School Lease Revenue Bonds Series A and B, which created additional Capital Projects Funds. Unrestricted Net Position of \$(37,986,280) is the result of the pension liability associated with GASB Statements No. 68 and 71.

### **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 2016 to 2017 for:  
Changes in Net Position (amounts expressed in thousands)

	<u>Governmental</u> <u>Activities</u>		<u>Business-Type</u> <u>Activities</u>		<u>Total</u>	
	<u>2016</u>	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>	<u>2017</u>
<b>Revenues</b>						
<b>Program revenues:</b>						
Charges for services	\$ 18,925	\$ 19,210	\$1,462	\$1,120	\$20,387	\$20,330
Operating grants and contributions	3,922	4,349	599	603	4,521	4,952
Capital grants and contributions	1,919	1,276	0	0	1,919	1,276
<b>General revenues:</b>						
State grants and subsidies	4,210	4,605	0	0	4,210	4,605
Investment earnings	17	46	3	8	20	54
Miscellaneous	53	71	0	0	53	71
Operating transfers	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<b>Total revenues</b>	<b>29,046</b>	<b>29,557</b>	<b>2,064</b>	<b>1,731</b>	<b>31,110</b>	<b>31,288</b>
<b>Expenses</b>						
Instruction	18,972	19,797	0	0	18,972	19,797
Support services	9,369	10,924	0	0	9,369	10,924
Operation of non-instructional services	1,909	1,979	0	0	1,909	1,979
Food / Production services	<u>0</u>	<u>0</u>	<u>1,957</u>	<u>1,638</u>	<u>1,957</u>	<u>1,638</u>
<b>Total expenses</b>	<b><u>30,250</u></b>	<b><u>32,700</u></b>	<b><u>1,957</u></b>	<b><u>1,638</u></b>	<b><u>32,207</u></b>	<b><u>34,338</u></b>
<b>Increase (decrease) in net position</b>	<b>\$(1,204)</b>	<b>\$(3,143)</b>	<b>\$107</b>	<b>\$ 93</b>	<b>\$(1,097)</b>	<b>\$(3,050)</b>
<b>Net Position (deficit) Beginning</b>	<b><u>(30,183)</u></b>	<b><u>(31,387)</u></b>	<b><u>834</u></b>	<b><u>941</u></b>	<b><u>(29,349)</u></b>	<b><u>(30,446)</u></b>
<b>Net Position (deficit) Ending</b>	<b><u>\$(31,387)</u></b>	<b><u>\$(34,530)</u></b>	<b><u>\$ 941</u></b>	<b><u>\$1,034</u></b>	<b><u>\$(30,446)</u></b>	<b><u>\$(33,496)</u></b>

The largest source of program revenues for Governmental Activities consists of contributions from member school districts of \$17,346,499, which includes the \$1,343,375 received for the Academic Center. This amount accounts for approximately 70 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 \$1,800,846. 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 \$740,830. State grants and subsidies revenue increased \$264,000 in 2017, mostly due to the increase of \$293,978 in PSERS subsidy which totaled \$1,938,165 for 2017. This is the result of the increased retirement contributions which were \$3,703,495 in 2017, an increase of \$594,852 from 2016.

Another large source of program revenues for LCTI is provided by LCTI's business-type activities from its Cafeteria and Production funds, which had a decrease in total revenues of \$333,000 in 2017. This was due to the settlement of a House Project sale in the Production Fund in 2016, and was the last House Project completed. Despite this decrease in revenues, both the Cafeteria and Production funds were profitable in 2017, including the activity related to GASB Statements No. 68 and 71.

### 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 2016 to 2017 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>2016</u>	<u>2017</u>	<u>2016</u>	<u>2017</u>
Instruction	\$18,972	\$19,797	\$2,691	\$3,711
Support services	9,369	10,924	2,706	3,516
Operation of non-instructional services	<u>1,909</u>	<u>1,979</u>	<u>88</u>	<u>639</u>
<b>Total governmental activities</b>	<u>\$30,250</u>	<u>\$32,700</u>	<u>\$5,485</u>	<u>\$7,866</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 Instructional Cost of Services increased \$1,020,000 in 2017, which is mostly attributed to Vocational instruction, where the net cost of services of \$3,676,000 was \$619,000 more than in 2016. Support Service Net Cost of Services increased \$810,000, the largest line items coming from Administrative costs, which had an increase of \$322,000 in Net Cost of Services, and Plant and Maintenance Services, which had an increase of \$267,000 in Net Cost of Services. Non-instructional Service Net Cost of Services increased \$551,000 due to Interest on Long-Term Debt increasing due to the bond refinancing.

## 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 2016 to 2017 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>2016</u>	<u>2017</u>	<u>2016</u>	<u>2017</u>
Cafeteria	\$ 759	\$ 768	(\$ 47)	(\$ 33)
Production	<u>1,197</u>	<u>870</u>	( <u>57</u> )	( <u>52</u> )
<b>Total business-type activities</b>	<u>\$1,956</u>	<u>\$1,638</u>	<u>(\$104)</u>	<u>(\$ 85)</u>

This table shows the program revenues from charges for services in LCTI's Cafeteria and Production funds to be greater than the costs incurred to run these programs. Operationally, the Cafeteria Fund had a net profit of \$35,012 and the Production Fund had a net profit of \$57,825, including the activity related to GASB Statements No. 68 and 71. The combined net profits of \$92,837 is the Change in Net Position increase for 2017.

## FINANCIAL ANALYSIS OF THE SCHOOL'S FUNDS

As of June 30, 2017, the LCTI's governmental funds reported a combined fund balance of \$11,070,611, which represents an increase of \$7,330,722 from the prior year balance of \$3,739,889 as of June 30, 2016. This increase is due primarily to the increase in Capital Projects Funds of \$7,040,504 from the previous year caused by the issuance of the Series B of 2017 Revenue Bonds, which generated proceeds of \$7,265,000. The significant occurrences in the General and other funds are as follows:

- The LCTI General Fund balance of \$3,496,761 includes Committed Fund Balance of \$1,150,000 for Future Retirement Costs. The General Fund Balance also includes Assigned Fund Balance of \$1,205,123 for Adult Education, which had a net profit of \$103,424 in 2017. Another Assigned Fund Balance for Academic Center future member district payments has a fund balance of \$411,666, after \$46,275 was retained from the Academic Center excess revenues over expenditures, which is in accordance with General Fund retainage policy. An Unassigned Fund Balance of \$720,755 exists which is available for future years' budgeting, increased by the \$140,872 in retainage of excess revenues for 2017, also in accordance with General Fund retainage policy. Also, \$100,000 was moved from the Committed Fund Balance for Future Retirement costs to the Unassigned Fund Balance. In addition, the Nonspendable Fund Balance for prepaid expenses increased by \$5,703 in 2017, which resulted in a decrease of the same amount to the Unassigned Fund Balance. The Unassigned Fund Balance is used to balance the amount required in future years from school districts to fund the secondary program. The Unassigned Fund Balance which can be accumulated, is limited to 5 percent of the total General Fund expenditures.

- A net increase to LCTI's Capital Projects Fund of \$7,040,504 resulted primarily from the issuance of the Series B of 2017 School Lease Revenue Bonds, the proceeds being used to fund certain capital improvements. 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 reinstated to the traditional \$100,000 amount this year, after a three-year reduction to \$50,000.
- As of June 30, 2017, LCTI's Proprietary Fund reported total net position of \$1,033,854, which is an increase of \$92,837 from the prior year balance of \$941,017. This increase is the result of the combined profits of the Cafeteria Fund of \$35,012 and the Production Fund of \$57,825 for 2017. These net profit amounts are net of the activity related to GASB Statements No. 68 and 71.

### **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 \$1,636,000, of which \$1,028,000 can be attributed to Local Sources. Adult Education actual revenues were \$749,000 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 2016-2017, as the traditional excess revenue being returned to the member districts in 2017-2018 for the General Fund amounts to \$421,445. The Academic Center will return \$138,825 to member districts in the 2017-2018 school year. Additionally, \$146,204 was refunded to the member districts for Debt Service savings realized from the bond refinancing in 2017. State Source revenues showed a negative variance primarily due to actual State Vocational Education Subsidies received being \$369,000 below budget. Federal Source revenues were \$203,000 over the budgeted amount due to recognizing Adult Education tuition payments from the U.S. Department of Labor under the Trade Adjustment Assistance Program in the amount of \$211,971 for fiscal year 2016-2017.

Expenditure variances were all positive, as overall expenditures were \$1,488,000 less than budget. Instructional expenses had a positive variance of \$1,207,000, of which Adult Education had a positive variance of \$662,000 which is line with the revenue budget being \$749,000 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 \$267,000, the Central Support Services line item having the largest positive variance of \$78,000 due primarily to the retirement of a long time secretary, which was a twelve month position, and being replaced with a ten month position at a lower salary. The Budgetary Reserve Account balances of \$185,000 for the General Fund and \$13,000 for the Academic Center were both not used for fiscal year 2016-2017.

## CAPITAL ASSETS

As of June 30, 2017, LCTI had \$42,216,891 invested in capital assets.

Table A-5  
A comparative analysis of fiscal year 2016 to 2017 for:  
Capital Assets— Net of Depreciation  
(Amounts expressed in thousands)

	<b>Total Assets</b>	<b>Accumulated Depreciation</b>	<b>Balance Net of Depreciation</b>	<b>Total Assets</b>	<b>Accumulated Depreciation</b>	<b>Balance Net of Depreciation</b>
	<u>2016</u>	<u>2016</u>	<u>2016</u>	<u>2017</u>	<u>2017</u>	<u>2017</u>
<b>Governmental Activities</b>						
Land	\$ 95	\$ 0	\$ 95	\$ 95	\$ 0	\$ 95
Buildings and Building Improvements	59,985	24,821	35,164	60,109	26,910	33,199
Fixtures and Equipment	26,716	18,419	8,297	27,088	19,293	7,795
Vehicles	1,478	1,007	471	1,798	1,130	668
Textbooks	<u>551</u>	<u>449</u>	<u>102</u>	<u>567</u>	<u>473</u>	<u>94</u>
<b>Total Governmental Activities</b>	<u>\$ 88,825</u>	<u>\$ 44,696</u>	<u>\$ 44,129</u>	<u>\$ 89,657</u>	<u>\$ 47,806</u>	<u>\$ 41,851</u>
<b>Business-type Activities</b>						
Buildings and Building Improvements	\$ 344	\$ 121	\$ 223	\$ 344	\$ 127	\$ 217
Fixtures and Equipment	<u>548</u>	<u>390</u>	<u>158</u>	<u>547</u>	<u>398</u>	<u>149</u>
<b>Total Business-type Activities</b>	<u>\$ 892</u>	<u>\$ 511</u>	<u>\$ 381</u>	<u>\$ 891</u>	<u>\$ 525</u>	<u>\$ 366</u>

The decrease in Governmental Activity net capital assets from the prior year of \$2,278,000 is the result of annual depreciation for 2016-2017 of \$4,035,000, which exceeds the amount of capital asset additions of \$1,786,000, by \$2,249,000. Business-Type Activities capital assets had a net decrease of \$15,000 which is the amount by which annual depreciation expense of \$42,000 exceeds capital asset additions of \$27,000 for the Cafeteria and Production funds in 2017.

## ECONOMIC FACTORS AND THE 2017-2018 BUDGET

1. The School has prepared a General Fund Budget for the next school year, or the fiscal year ending June 30, 2018. The total 2017-2018 Budget of \$26,182,100 represents an increase of \$674,800, or 2.56 percent, from the total 2016-2017 Budget of \$25,507,300. The member districts' increase is \$478,300, or 2.40 percent. Included in the receipts from member districts for 2017-2018 is the \$3,411,913 debt service payment for the school's modernization and expansion, though the actual amount the member districts will be billed is \$2,962,611 due to the bond refinancing. The 2017-2018 Capital Projects contribution is \$100,000 for building and capital improvement needs for the second consecutive year, which represents the return to the historic budget level. 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 2017-2018 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 2017-2018 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 2017-2018 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 \$322,500 for 2017-2018.
- Instructional staff changes budgeted include the addition of a Computer Information Technology teacher, a full-time Information Technology Technician, and a part-time Career Pathways position which is no longer funded by the Perkins Grant.
- Staff reductions and furloughs include the removal of one teacher position, the removal of a Professional Development Leave position, and the replacement of ten teaching staff positions that results in savings.
- LCTI closely and thoroughly, analyzes and identifies staff needs based on educational priorities to determine the most efficient and cost effective mix of full and part time staffing levels.
- Employee benefit increases of 4.25 percent for a total dollar value of \$306,000 are projected. Employer Retirement payments which increase to 32.57% from 30.03%, projects to a total net increase of \$357,600. Health Insurance Benefits have a 1% decrease and total expense projects a total net decrease of \$56,000, which consists of a \$72,000 decrease due to employee select plan changes, which will be offset by a \$16,000 decrease in employee premium share (an increase in LCTI expense).
- A projected enrollment of 2,800 students attending LCTI in fiscal 2017-2018, which does not include non-resident students.
- In addition to addressing staffing needs, LCTI will begin to address the historic underfunding of instructional technology, as well as technology infrastructure concerns due to aging equipment and networks.

- The judicious use of \$77,000 of Committed Fund Balance for Future Retirement Costs is anticipated to balance the 2017-2018 General Fund Budget.
- An Academic Center Budget was approved having total expenditures of \$1,746,00, an increase of \$88,800 or 5.36 percent, and the member districts increase will be \$66,500, or 4.49 percent, for the projected enrollment of 400 students.

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>2014</u>	<u>2015</u>	<u>2016</u>	<u>Percent of Change 2014 - 2016</u>
Allentown	\$ 4,071,755,859	\$ 4,257,813,000	\$ 4,702,502,730	15.49%
Catasauqua	860,591,471	847,727,100	896,859,345	4.21%
East Penn	4,726,417,161	4,733,941,529	4,885,960,033	3.38%
Northern Lehigh	684,798,238	682,059,204	677,632,631	-1.05%
Northwestern Lehigh	1,332,427,962	1,391,109,706	1,484,424,731	11.41%
Parkland	7,239,758,349	7,321,549,382	7,227,426,285	-0.17%
Salisbury Township	1,181,903,274	1,178,658,485	1,184,583,678	0.23%
Southern Lehigh	2,401,901,524	2,450,391,092	2,504,344,096	4.27%
Whitehall- Coplay	<u>2,068,236,916</u>	<u>2,059,507,715</u>	<u>2,143,504,805</u>	<u>3.64%</u>
Total	<u>\$ 24,567,790,754</u>	<u>\$ 24,922,757,213</u>	<u>\$ 25,707,238,334</u>	<u>4.64%</u>

Source: PA State Tax Equalization Board

**Participating District Enrollment History**  
For Grades 9-12

<u>Member School District</u>	<u>2012-13</u>	<u>2013-14</u>	<u>2014-15</u>	<u>2015-16</u>	<u>2016-17</u>	<u>% Change (6/30/16- 6/30/17)</u>
Allentown	4,529	4,452	4,484	4,679	5,233	11.84%
Catasauqua	464	465	485	466	476	2.15%
East Penn	2,590	2,575	2,645	2,626	2,654	1.07%
Northern Lehigh	579	548	537	554	516	-6.86%
Northwestern Lehigh	692	739	733	750	749	-0.13%
Parkland	3,157	3,153	3,123	3,179	3,227	1.51%
Salisbury Township	579	580	572	568	577	1.58%
Southern Lehigh	1,029	1,051	1,045	1,078	1,074	-0.37%
Whitehall- Coplay	<u>1,385</u>	<u>1,396</u>	<u>1,408</u>	<u>1,399</u>	<u>1,437</u>	<u>2.72%</u>
Total	<u>15,004</u>	<u>14,959</u>	<u>15,032</u>	<u>15,299</u>	<u>15,943</u>	<u>4.21%</u>
Percent Change per Year	N/A	-0.30%	0.49%	1.78%	4.21%	

Source: PDE K-12 School  
Statistics 2016-2017  
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](mailto:baderp@lcti.org).



**LEHIGH CAREER & TECHNICAL INSTITUTE**

**STATEMENT OF NET POSITION**

**June 30, 2017**

	Governmental Activities	Business- Type Activities	Total
<b>ASSETS</b>			
Cash and Investments	\$ 13,868,033	\$ 1,692,601	\$ 15,560,634
Internal Balances	(18,486)	18,486	-
Intergovernmental Receivables	1,059,109	23,264	1,082,373
Other Receivables	20,659	40,817	61,476
Prepaid Expenses	9,217	-	9,217
Inventories	-	343,981	343,981
Capital Assets Not Being Depreciated:			
Land	95,302	-	95,302
Capital Assets, Net of Accumulated Depreciation	41,755,338	366,251	42,121,589
<b>TOTAL ASSETS</b>	<b>56,789,172</b>	<b>2,485,400</b>	<b>59,274,572</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred Charge on Bond Refunding	1,221,619	-	1,221,619
Deferred Outflows of Resources for Pension Pension Contributions Made Subsequent to the Measurement Date	4,828,540	142,097	4,970,637
	3,501,277	120,732	3,622,009
<b>TOTAL DEFERRED OUTFLOWS OF RESOURCES</b>	<b>9,551,436</b>	<b>262,829</b>	<b>9,814,265</b>
<b>LIABILITIES</b>			
Intergovernmental Payables	1,798,115	-	1,798,115
Accounts Payable	904,734	73,816	978,550
Accrued Salaries and Benefits	1,050,432	-	1,050,432
Sales Tax Payable	-	857	857
Accrued Interest	445,653	-	445,653
Unearned Revenues	114,640	7,494	122,134
Other Current Liabilities	-	1,600	1,600
Noncurrent Liabilities - Due Within One Year	1,180,000	3,969	1,183,969
Noncurrent Liabilities:			
Bonds Payable, Net	46,009,895	-	46,009,895
Long-Term Portion of Compensated Absences	985,781	-	985,781
Net Pension Liability	46,790,236	1,576,764	48,367,000
Other Postemployment Benefit Obligation	1,004,981	-	1,004,981
<b>TOTAL LIABILITIES</b>	<b>100,284,467</b>	<b>1,664,500</b>	<b>101,948,967</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred Inflows of Resources for Pension	586,244	49,875	636,119
<b>NET POSITION</b>			
Net Investment in Capital Assets	2,264,140	366,251	2,630,391
Restricted for Capital Projects	1,192,037	-	1,192,037
Unrestricted (Deficit)	(37,986,280)	667,603	(37,318,677)
<b>TOTAL NET POSITION (DEFICIT)</b>	<b>\$ (34,530,103)</b>	<b>\$ 1,033,854</b>	<b>\$ (33,496,249)</b>

See accompanying notes.

LEHIGH CAREER & TECHNICAL INSTITUTE

STATEMENT OF ACTIVITIES

For the Year Ended June 30, 2017

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
<b>Governmental Activities</b>							
<b>Instructional Services:</b>							
Regular Programs	\$ 2,223,268	\$ 1,258,283	262,211	\$ -	\$ (702,774)	\$ -	\$ (702,774)
Special Programs	1,167,975	329,032	655,309	-	(183,634)	-	(183,634)
Vocational Education	11,534,132	6,582,109	1,274,922	663	(3,676,438)	-	(3,676,438)
Other Instructional Programs	1,519,611	853,051	190,067	-	(476,493)	-	(476,493)
Adult Education Programs	3,352,305	3,834,085	846,642	-	1,328,422	-	1,328,422
Total Instructional Services	19,797,291	12,856,560	3,229,151	663	(3,710,917)	-	(3,710,917)
<b>Support Services:</b>							
Student Services	961,675	528,447	138,079	-	(295,149)	-	(295,149)
Instructional Staff	811,259	294,731	351,884	-	(164,644)	-	(164,644)
Administration	2,500,317	1,483,001	188,773	-	(828,543)	-	(828,543)
Pupil Health	160,492	92,012	17,088	-	(51,392)	-	(51,392)
Business Services	793,655	464,421	69,794	-	(259,440)	-	(259,440)
Operation of Plant and Maintenance Services	3,603,289	2,204,579	166,696	-	(1,232,014)	-	(1,232,014)
Student Transportation Services	8,533	5,473	-	-	(3,060)	-	(3,060)
Central Support Services	2,085,216	1,219,921	183,769	-	(681,526)	-	(681,526)
Total Support Services	10,924,436	6,292,585	1,116,083	-	(3,515,768)	-	(3,515,768)
<b>Noninstructional Services:</b>							
Student Activities	90,644	55,995	3,356	-	(31,293)	-	(31,293)
Community Services	6,965	4,415	81	-	(2,469)	-	(2,469)
Interest on Long-Term Debt	1,881,274	-	-	1,275,827	(605,447)	-	(605,447)
Total Noninstructional Services	1,978,883	60,410	3,437	1,275,827	(639,209)	-	(639,209)
<b>Total Governmental Activities</b>	32,700,610	19,209,555	4,348,671	1,276,490	(7,865,894)	-	(7,865,894)
<b>Business-Type Activities:</b>							
Food Services	767,770	228,718	572,229	-	-	33,177	33,177
Production Services	870,005	891,201	30,509	-	-	51,705	51,705
Total Business-Type Activities	1,637,775	1,119,919	602,738	-	-	84,882	84,882
<b>Total Primary Government</b>	<u>\$ 34,338,385</u>	<u>\$ 20,329,474</u>	<u>\$ 4,951,409</u>	<u>\$ 1,276,490</u>	(7,865,894)	84,882	(7,781,012)
<b>General Revenues:</b>							
Grants, Subsidies, and Contributions Not Restricted for Specific Programs					4,605,075	-	4,605,075
Investment Earnings					46,345	7,640	53,985
Miscellaneous Income					71,381	315	71,696
<b>Total General Revenues</b>					4,722,801	7,955	4,730,756
<b>Change in Net Position</b>					(3,143,093)	92,837	(3,050,256)
<b>Net Position (Deficit) - Beginning of Year</b>					(31,387,010)	941,017	(30,445,993)
<b>Net Position (Deficit) - End of Year</b>					<u>\$ (34,530,103)</u>	<u>\$ 1,033,854</u>	<u>\$ (33,496,249)</u>

See accompanying notes.

LEHIGH CAREER & TECHNICAL INSTITUTE

BALANCE SHEET  
GOVERNMENTAL FUNDS

June 30, 2017

	General	Capital Projects	Debt Service	Total Governmental Funds
<b>ASSETS</b>				
Cash and Investments	\$ 6,011,680	\$ 7,856,316	\$ 37	\$ 13,868,033
Interfund Receivables	65,867	71,269	-	137,136
Intergovernmental Receivables	1,059,109	-	-	1,059,109
Other Receivables	20,174	-	-	20,174
Prepaid Expenses	9,217	-	-	9,217
<b>TOTAL ASSETS</b>	<b>\$ 7,166,047</b>	<b>\$ 7,927,585</b>	<b>\$ 37</b>	<b>\$ 15,093,669</b>
<b>LIABILITIES AND FUND BALANCES</b>				
<b>LIABILITIES</b>				
Interfund Payables	\$ 155,137	\$ -	\$ -	\$ 155,137
Intergovernmental Payables	1,798,115	-	-	1,798,115
Accounts Payable	550,962	353,772	-	904,734
Accrued Salaries and Benefits	1,050,432	-	-	1,050,432
Unearned Revenues	114,640	-	-	114,640
<b>TOTAL LIABILITIES</b>	<b>3,669,286</b>	<b>353,772</b>	<b>-</b>	<b>4,023,058</b>
<b>FUND BALANCES</b>				
Nonspendable	9,217	-	-	9,217
Restricted for:				
Debt Service	-	-	37	37
Capital Projects	-	7,573,813	-	7,573,813
Committed for:				
Future Retirement Costs	1,150,000	-	-	1,150,000
Assigned for:				
Academic Center	411,666	-	-	411,666
Adult Education	1,205,123	-	-	1,205,123
Unassigned	720,755	-	-	720,755
<b>TOTAL FUND BALANCES</b>	<b>3,496,761</b>	<b>7,573,813</b>	<b>37</b>	<b>11,070,611</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 7,166,047</b>	<b>\$ 7,927,585</b>	<b>\$ 37</b>	<b>\$ 15,093,669</b>

**LEHIGH CAREER & TECHNICAL INSTITUTE**

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

**June 30, 2017**

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

<b>TOTAL FUND BALANCES - GOVERNMENTAL FUNDS</b>		\$ 11,070,611
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 \$89,657,379 and the accumulated depreciation is \$47,806,739.		41,850,640
The net pension and other postemployment benefit obligations are not reflected on the fund financial statements.		(47,795,217)
Deferred outflows and inflows of resources for pensions are recorded and amortized in the statement of net position.		7,743,573
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	\$ (45,610,000)	
Accrued Interest on Bonds	(445,653)	
Unamortized Bond Premium	(1,624,107)	
Unamortized Bond Discount	44,212	
Deferred Charge on Bond Refunding	1,221,619	
Long-Term Portion of Compensated Absences	(985,781)	(47,399,710)
<b>TOTAL NET POSITION (DEFICIT) - GOVERNMENTAL ACTIVITIES</b>		<b>\$ (34,530,103)</b>

**LEHIGH CAREER & TECHNICAL INSTITUTE**

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

**For the Year Ended June 30, 2017**

	General	Capital Projects	Debt Service	Total Governmental Funds
<b>REVENUES</b>				
Local Sources	\$ 2,543,531	\$ 9,802	\$ 52	\$ 2,553,385
Local Sources - Other LEAs	20,702,326	-	-	20,702,326
State Sources	5,337,115	-	-	5,337,115
Federal Sources	952,801	-	-	952,801
<b>TOTAL REVENUES</b>	<b>29,535,773</b>	<b>9,802</b>	<b>52</b>	<b>29,545,627</b>
<b>EXPENDITURES</b>				
Current:				
Instructional Services	16,769,618	-	-	16,769,618
Support Services	9,037,748	115,040	585,565	9,738,353
Operation of Noninstructional Services	93,640	-	-	93,640
Capital Outlay	-	444,187	-	444,187
Debt Service:				
Principal	-	-	1,980,000	1,980,000
Interest	-	-	1,810,072	1,810,072
<b>TOTAL EXPENDITURES</b>	<b>25,901,006</b>	<b>559,227</b>	<b>4,375,637</b>	<b>30,835,870</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<b>3,634,767</b>	<b>(549,425)</b>	<b>(4,375,585)</b>	<b>(1,290,243)</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Issuance of Revenue Bonds	-	7,265,000	-	7,265,000
Issuance of Refunding Bonds	-	-	38,600,000	38,600,000
Current Refunding Debt Service - Principal	-	-	(38,860,000)	(38,860,000)
Bond Premium	-	-	1,649,584	1,649,584
Bond Discount	-	(44,845)	-	(44,845)
Sale of Capital Assets	11,226	-	-	11,226
Transfers In	15	369,774	2,986,053	3,355,842
Transfers Out	(3,355,827)	-	(15)	(3,355,842)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>(3,344,586)</b>	<b>7,589,929</b>	<b>4,375,622</b>	<b>8,620,965</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>290,181</b>	<b>7,040,504</b>	<b>37</b>	<b>7,330,722</b>
<b>FUND BALANCES - BEGINNING OF YEAR</b>	<b>3,206,580</b>	<b>533,309</b>	<b>-</b>	<b>3,739,889</b>
<b>FUND BALANCES - END OF YEAR</b>	<b>\$ 3,496,761</b>	<b>\$ 7,573,813</b>	<b>\$ 37</b>	<b>\$ 11,070,611</b>

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, 2017**

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

**NET CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS** **\$ 7,330,722**

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	\$ 1,786,411	
Loss on Disposal of Assets	(29,122)	
Less: Depreciation Expense	<u>(4,035,135)</u>	(2,277,846)

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.

Issuance of Revenue Bonds	(7,265,000)	
Issuance of Refunding Bonds	(38,600,000)	
Repayment of Bond Principal	1,980,000	
Current Refunding Debt Service - Principal	38,860,000	
Bond Premium	(1,649,583)	
Bond Discount	44,845	
Amortization of Bond Discount	(11,574)	
Amortization of Bond Premium	25,476	
Amortization of Deferred Charge on Bond Refunding	<u>(67,873)</u>	(6,683,709)

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. (17,231)

In the statement of activities, certain operating expenses - compensated absences (vacations and sick days) are measured by the amounts earned during the year. (8,274)

Increase in net pension liability and other postemployment benefit obligation is reflected as an adjustment to expense on the statement of activities, but not included in the fund statements. (1,486,755)

**CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES** **\$ (3,143,093)**

LEHIGH CAREER & TECHNICAL INSTITUTE

STATEMENT OF NET POSITION  
PROPRIETARY FUNDS

June 30, 2017

	Cafeteria Fund	Production Fund	Total
<b>ASSETS</b>			
<b>CURRENT ASSETS</b>			
Cash and Investments	\$ 471,305	\$ 1,221,296	\$ 1,692,601
Interfund Receivables	21,609	69,025	90,634
Intergovernmental Receivables	13,208	10,056	23,264
Other Receivables, Net	-	40,817	40,817
Inventories	16,949	327,032	343,981
<b>TOTAL CURRENT ASSETS</b>	<b>523,071</b>	<b>1,668,226</b>	<b>2,191,297</b>
<b>NONCURRENT ASSETS</b>			
Buildings and Building Improvements	-	344,463	344,463
Equipment	394,814	151,641	546,455
Accumulated Depreciation	(255,864)	(268,803)	(524,667)
<b>TOTAL NONCURRENT ASSETS</b>	<b>138,950</b>	<b>227,301</b>	<b>366,251</b>
<b>TOTAL ASSETS</b>	<b>662,021</b>	<b>1,895,527</b>	<b>2,557,548</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred Outflows of Resources for Pension	86,856	55,241	142,097
Pension Contributions Made Subsequent to the Measurement Date	73,505	47,227	120,732
<b>TOTAL DEFERRED OUTFLOWS OF RESOURCES</b>	<b>160,361</b>	<b>102,468</b>	<b>262,829</b>
<b>LIABILITIES</b>			
<b>CURRENT LIABILITIES</b>			
Interfund Payables	37,572	34,576	72,148
Accounts Payable	9,528	64,288	73,816
Sales Tax Payable	-	857	857
Unearned Revenues	7,494	-	7,494
Other Current Liabilities	-	1,600	1,600
Compensated Absences	3,969	-	3,969
<b>TOTAL CURRENT LIABILITIES</b>	<b>58,563</b>	<b>101,321</b>	<b>159,884</b>
<b>NONCURRENT LIABILITIES</b>			
Net Pension Liability	952,830	623,934	1,576,764
<b>TOTAL LIABILITIES</b>	<b>1,011,393</b>	<b>725,255</b>	<b>1,736,648</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred Inflows of Resources for Pension	34,248	15,627	49,875
<b>NET POSITION</b>			
Net Investment in Capital Assets	138,950	227,301	366,251
Unrestricted (Deficit)	(362,209)	1,029,812	667,603
<b>TOTAL NET POSITION (DEFICIT)</b>	<b>\$ (223,259)</b>	<b>\$ 1,257,113</b>	<b>\$ 1,033,854</b>

See accompanying notes.

**LEHIGH CAREER & TECHNICAL INSTITUTE**

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

**For the Year Ended June 30, 2017**

	Cafeteria Fund	Production Fund	Total
<b>OPERATING REVENUES</b>			
Food Service Revenue	\$ 228,718	\$ -	\$ 228,718
Production Service Revenue	-	891,201	891,201
<b>TOTAL OPERATING REVENUES</b>	<b>228,718</b>	<b>891,201</b>	<b>1,119,919</b>
<b>OPERATING EXPENSES</b>			
Salaries	251,702	163,681	415,383
Employee Benefits	128,126	70,463	198,589
Pension Expense from GASB Statement Nos. 68 and 71	21,854	15,645	37,499
Purchased Property Services	15,244	234	15,478
Other Purchased Services	651	2,112	2,763
Supplies	318,766	604,921	923,687
Depreciation	31,304	10,946	42,250
Other Expenses	123	2,003	2,126
<b>TOTAL OPERATING EXPENSES</b>	<b>767,770</b>	<b>870,005</b>	<b>1,637,775</b>
<b>OPERATING INCOME (LOSS)</b>	<b>(539,052)</b>	<b>21,196</b>	<b>(517,856)</b>
<b>NONOPERATING REVENUES</b>			
Earnings on Investments	1,835	5,805	7,640
State Sources	65,250	30,509	95,759
Federal Sources	506,979	-	506,979
Miscellaneous Income	-	315	315
<b>TOTAL NONOPERATING REVENUES</b>	<b>574,064</b>	<b>36,629</b>	<b>610,693</b>
<b>CHANGE IN NET POSITION</b>	<b>35,012</b>	<b>57,825</b>	<b>92,837</b>
<b>NET POSITION (DEFICIT) - BEGINNING OF YEAR</b>	<b>(258,271)</b>	<b>1,199,288</b>	<b>941,017</b>
<b>NET POSITION (DEFICIT) - END OF YEAR</b>	<b>\$ (223,259)</b>	<b>\$ 1,257,113</b>	<b>\$ 1,033,854</b>

See accompanying notes.



LEHIGH CAREER & TECHNICAL INSTITUTE

STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS

For the Year Ended June 30, 2017

	Cafeteria Fund	Production Fund	Total
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Cash Received from Users	\$ 230,758	\$ -	\$ 230,758
Cash Received from Other Operating Revenues	-	901,333	901,333
Cash Payments to Employees for Services	(370,271)	(191,735)	(562,006)
Cash Payments to Suppliers for Goods and Services	(288,054)	(577,058)	(865,112)
	<b>NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES</b>	132,540	(295,027)
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>			
State Sources	65,282	30,509	95,791
Federal Sources	448,644	-	448,644
Miscellaneous Income	-	315	315
	<b>NET CASH PROVIDED BY NONCAPITAL FINANCING ACTIVITIES</b>	30,824	544,750
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>			
Purchases of Equipment	(27,219)	-	(27,219)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Earnings on Investments	1,835	5,805	7,640
	<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	169,169	230,144
<b>CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR</b>	410,330	1,052,127	1,462,457
<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	<b>\$ 471,305</b>	<b>\$ 1,221,296</b>	<b>\$ 1,692,601</b>

See accompanying notes.

LEHIGH CAREER & TECHNICAL INSTITUTE

STATEMENT OF CASH FLOWS - CONTINUED  
 PROPRIETARY FUNDS

For the Year Ended June 30, 2017

	Cafeteria Fund	Production Fund	Total
<b><u>Reconciliation of Operating (Income) Loss to Net Cash                      Provided by (Used for) Operating Activities:</u></b>			
Operating Income (Loss)	\$ (539,052)	\$ 21,196	\$ (517,856)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities:			
Depreciation	31,304	10,946	42,250
Donated Commodities Used	58,837	-	58,837
Changes in Assets and Liabilities:			
Interfund Receivables	3,270	48,285	51,555
Intergovernmental and Other Receivables	840	10,130	10,970
Inventories	3,696	33,722	37,418
Deferred Outflows of Resources for Pension	(46,755)	(47,796)	(94,551)
Pension Contributions Made Subsequent to the Measurement Date	(12,301)	(7,117)	(19,418)
Interfund Payables	6,170	(2,932)	3,238
Accounts Payable	(15,803)	(2,201)	(18,004)
Accrued Salaries and Benefits	-	(2,942)	(2,942)
Unearned Revenues	1,199	-	1,199
Other Current Liabilities	-	691	691
Compensated Absences	118	-	118
Net Pension Liability	67,764	71,821	139,585
Deferred Inflows of Resources for Pension	13,146	(1,263)	11,883
Total Adjustments	<u>111,485</u>	<u>111,344</u>	<u>222,829</u>
<b>NET CASH PROVIDED BY                      (USED FOR) OPERATING ACTIVITIES</b>	<b><u>\$ (427,567)</u></b>	<b><u>\$ 132,540</u></b>	<b><u>\$ (295,027)</u></b>

**NONCASH NONCAPITAL FINANCING ACTIVITIES**

During the year, the District used \$58,837 of commodities

**LEHIGH CAREER & TECHNICAL INSTITUTE**

**STATEMENT OF NET POSITION  
FIDUCIARY FUNDS**

**June 30, 2017**

	Private Purpose Trust Funds	Agency Funds
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and Investments	\$ 92,763	\$ 115,908
<b>TOTAL ASSETS</b>	92,763	\$ 115,908
<b>LIABILITIES AND NET POSITION</b>		
<b>CURRENT LIABILITIES</b>		
Interfund Payables	-	\$ 485
Payroll Taxes and Withholdings	-	43,074
Other Current Liabilities	-	72,349
<b>TOTAL LIABILITIES</b>	-	\$ 115,908
<b>NET POSITION HELD IN TRUST</b>	\$ 92,763	

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

**For the Year Ended June 30, 2017**

	Private Purpose Trust Funds
<b>ADDITIONS</b>	
Contributions	\$ 7,910
Earnings on Investments	405
<b>TOTAL ADDITIONS</b>	8,315
<b>DEDUCTIONS</b>	
Scholarships	13,321
<b>CHANGE IN NET POSITION</b>	(5,006)
<b>NET POSITION - BEGINNING OF YEAR</b>	97,769
<b>NET POSITION - END OF YEAR</b>	\$ 92,763

## LEHIGH CAREER & TECHNICAL INSTITUTE

### NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2017

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 an acting superintendent from among the participating school districts, who assists the 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

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##### 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.

LCTI used guidance contained in generally accepted accounting principles to evaluate the possible inclusion of related entities (authorities, boards, etc.) within its reporting entity. The criteria used by LCTI for inclusion are financial accountability and the nature and significance of the relationships. In determining financial accountability in a given case, LCTI reviews the applicability of the following criteria. LCTI is financially accountable for:

- Organizations that make up the legal entity.
- Legally separate organizations if LCTI officials appoint a voting majority of the organization’s governing body and LCTI is able to impose its will on the organization, or if there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on LCTI as defined below.

**Impose its will** - If LCTI can significantly influence the programs, projects or activities of, or the level of services performed or provided by the organization.

LEHIGH CAREER & TECHNICAL INSTITUTE

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

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**A. Reporting Entity - continued**

**Financial benefit or burden** - Exists if LCTI (1) is entitled to the organization's resources; (2) is legally obligated or has otherwise assumed the obligation to finance the deficits of, or provide support to, the organization; or (3) is obligated in some manner for the debt of the organization.

- Organizations that are fiscally dependent on LCTI. Fiscal dependency is established if the organization is unable to adopt its budget, levy taxes, set rates or charges, or issue bonded debt without approval by LCTI.

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

The Lehigh County Area Vocational-Technical Authority is considered to be a component unit of the 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, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

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**B. Basis of Presentation - Government-Wide Financial Statements**

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

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

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

**C. Basis of Presentation - Fund Financial Statements**

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

**LCTI Reports the Following Major Governmental Funds:**

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

LEHIGH CAREER & TECHNICAL INSTITUTE

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

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C. Basis of Presentation - Fund Financial Statements - continued

LCTI Reports the Following Major Governmental Funds: - continued

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

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

LCTI has the Following Major Enterprise Funds:

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

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

Additionally, LCTI Reports the Following Fund Types:

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

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



LEHIGH CAREER & TECHNICAL INSTITUTE

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

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**C. Basis of Presentation - Fund Financial Statements - continued**

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

**D. Measurement Focus and Basis of Accounting**

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

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

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

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

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

LEHIGH CAREER & TECHNICAL INSTITUTE

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

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**E. Budgetary Process**

An operating budget is adopted prior to the beginning of each year for the General Fund on the modified accrual basis of accounting. The General Fund is the only fund for which a budget is legally required.

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

Legal budgetary control is maintained at the sub-function/major object level. The PA School Code allows the Joint Operating Committee to make budgetary transfers between major function and major object codes only within the last nine months of the fiscal year, unless there is a two-thirds majority of the Joint Operating Committee approving the transfer. Appropriations lapse at the end of the fiscal period. Budgetary information reflected in the financial statements is presented at or below the level of budgetary control and includes the effect of approved budget amendments.

The amounts reported as the original budgeted amounts in the budgetary statements reflect the amounts in the PDE 2028 when the original appropriations were adopted. The amounts reported as the final budgeted amounts in the budgetary statements reflect the amounts after all 2016/2017 budget transfers.

**F. Assets, Liabilities, Deferred Inflows/Outflows of Resources, and Net Position/Fund Balance**

**1. Cash and Investments**

For purposes of the statement of cash flows, the proprietary fund type considers all highly-liquid investments with a maturity of three months or less when purchased to be cash equivalents.

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.

**LEHIGH CAREER & TECHNICAL INSTITUTE**

**NOTES TO BASIC FINANCIAL STATEMENTS**

**June 30, 2017**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

**F. Assets, Liabilities, Deferred Inflows/Outflows of Resources, and Net Position/Fund Balance - continued**

**2. Receivables/Payables**

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."

**3. Inventories and Prepaid Items**

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

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

Inventories of the Enterprise Funds consisting of food and production services inventory are carried at cost, using the first-in, first-out method. Federal donated commodities are valued at their fair market value as determined by the U.S. Department of Agriculture at the date of donation. The inventories on hand at June 30, 2017, consist of the following:

	Business-Type		Total
	Cafeteria Fund	Production Fund	
Food	\$ 13,963	\$ -	\$ 13,963
Commodities	2,986	-	2,986
Supplies - School Store	-	3,554	3,554
Land - House Projects	-	95,664	95,664
Supplies - Distribution Center	-	227,814	227,814
	<u>\$ 16,949</u>	<u>\$ 327,032</u>	<u>\$ 343,981</u>

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.

LEHIGH CAREER & TECHNICAL INSTITUTE

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

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F. Assets, Liabilities, Deferred Inflows/Outflows of Resources, and Net Position/Fund Balance - continued

4. Capital Assets, Depreciation, and Amortization

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. Capital assets, including those of component units, are depreciated using the straight-line method. When capital assets are disposed, the cost and applicable accumulated depreciation are removed from the respective accounts, and the resulting gain or loss is recorded in operations.

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

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

Buildings and building improvements	25 years
Equipment	5 - 7 years

Interest costs incurred during the construction phase of capital assets are capitalized when incurred by proprietary funds and similar component units on debt where proceeds were used to finance the construction of assets.

LEHIGH CAREER & TECHNICAL INSTITUTE

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

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**F. Assets, Liabilities, Deferred Inflows/Outflows of Resources, and Net Position/Fund Balance - continued**

**5. 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 (expense/expenditure) until then. LCTI has three items that qualify for reporting in this category, which are *a deferred charge on bond refunding, a deferred pension contribution, and deferred outflows of resources for pension* which are reported in the government-wide statement of net position. *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. *A deferred pension contribution* results from contributions made to the pension plan subsequent to the measurement date and prior to the 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 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. These amounts are deferred and amortized over either a closed five-year period or the average remaining service life of all employees depending on what gave rise to the deferred outflow.

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 one item that qualifies for reporting in this category. *Deferred inflows 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, or differences between employer contributions and the proportionate share of total contributions reported by the pension plan. These amounts are deferred and amortized over either a closed five-year period or the average remaining service life of all employees depending on what gave rise to the deferred inflow.

**6. Unearned Revenues**

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

LEHIGH CAREER & TECHNICAL INSTITUTE

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

---

**F. Assets, Liabilities, Deferred Inflows/Outflows of Resources, and Net Position/Fund Balance - continued**

**7. 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.

**8. 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 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 percent 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 five percent of the following year's projected budgeted expenditures.

LEHIGH CAREER & TECHNICAL INSTITUTE

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

---

**F. Assets, Liabilities, Deferred Inflows/Outflows of Resources, and Net Position/Fund Balance - continued**

**8. Fund Balance Policies and Flow Assumptions - continued**

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

**G. Revenues and Expenditures/Expense**

**1. Program Revenues**

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

**2. Compensated Absences**

**Sick Pay**

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

**Vacation Leave**

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

LEHIGH CAREER & TECHNICAL INSTITUTE

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

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**G. Revenues and Expenditures/Expense - continued**

**3. Proprietary Funds Operating and Nonoperating Revenues and Expenses**

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

**H. Other Use of Estimates**

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

NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

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**A. Compliance with Finance Related Legal and Contractual Provisions**

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

**B. Deficit Fund Balance or Net Position of Individual Funds**

**Deficit Net Position - Proprietary Fund - Cafeteria Fund**

For the year ended June 30, 2017, the accounting under GASB No. 68, *Accounting and Financial Reporting for Pensions*, and GASB No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*, created a deficiency in net position at year end of \$223,259. LCTI will fund this deficiency in future years through contributions to the Pennsylvania Public School Employees' Retirement Plan (PSERS) at a rate required by the PSERS.

**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.



**LEHIGH CAREER & TECHNICAL INSTITUTE**

**NOTES TO BASIC FINANCIAL STATEMENTS**

**June 30, 2017**

**NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY - CONTINUED**

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**D. Budgetary compliance**

LCTI's only legally adopted budget is for the General Fund. All budgetary transfers were made within the last nine months of the fiscal year. LCTI cancels all purchase orders open at year end; therefore, it does not have any outstanding encumbrances at June 30, 2017.

**NOTE 3 - CASH AND INVESTMENTS**

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The carrying amount of cash and investments at June 30, 2017, consists of the following:

Cash on hand	\$	300
Cash		37
Pooled cash		8,668,416
Investments		<u>7,100,552</u>
		<u>\$ 15,769,305</u>

**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, 2017, LCTI did not have any accounts subject to this risk.

**Pooled Cash**

As of June 30, 2017, LCTI had the following pooled cash:

	<u>Fair Value</u>	<u>Reconciling Items</u>	<u>Carrying Value</u>
PA Local Government Investment Trust (PLGIT)	\$ 80,878	\$ (42)	\$ 80,836
PA School District Liquid Asset Fund (PSDLAF):			
Max Account Balance	4,217,522	(1,189,942)	3,027,580
Fixed Income	<u>5,560,000</u>	<u>-</u>	<u>5,560,000</u>
 Total Pooled Cash	 <u>\$ 9,858,400</u>	 <u>\$ (1,189,984)</u>	 <u>\$ 8,668,416</u>

**LEHIGH CAREER & TECHNICAL INSTITUTE**

**NOTES TO BASIC FINANCIAL STATEMENTS**

**June 30, 2017**

**NOTE 3 - CASH AND INVESTMENTS - CONTINUED**

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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 PSDLAF and PLGIT, at amortized cost. There are no limitations or restrictions on withdrawals from these accounts.

A portion of LCTI's deposits are in the Pennsylvania Local Government Investment Trust (PLGIT) and the Pennsylvania School District Liquid Asset Fund (PSDLAF). Although not registered with the Securities and Exchange Commission and not subject to regulatory oversight, the funds 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.

LCTI's cash equivalent investments in PLGIT and PSDLAF cannot be classified by risk category because they are not evidenced by securities that exist in physical or book entry form. The fair value of LCTI's position in the external investment pool is the same as the value of the pool shares. 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.

As of June 30, 2017, the entire book balance of pooled cash of \$8,668,415 is considered to be a cash equivalent for presentation on the government-wide and fund financial statements.

**Investments**

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

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

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

Pennsylvania Act 10 of 2016 became effective May 25, 2016, and expanded the permitted investment types to include commercial paper, bankers' acceptances, negotiable certificates of deposit, and insured bank deposit reciprocals as long as certain safeguards related to credit quality and maturity are met. At this time, LCTI does not have any investments related to Act 10.

**LEHIGH CAREER & TECHNICAL INSTITUTE**

**NOTES TO BASIC FINANCIAL STATEMENTS**

**June 30, 2017**

**NOTE 3 - CASH AND INVESTMENTS - CONTINUED**

As of June 30, 2017, LCTI had the following investments:

	Fair Value	< 1 year	> 1 year	Level
First American Government Obligation Fund	\$ 927,552	\$ 927,552	\$ -	NA
U.S. Treasury Bonds	1,382,028	1,382,028	-	NA
U.S. Treasury Notes	4,790,972	3,920,105	870,767	2
<b>Total Investments</b>	<b>\$ 7,100,552</b>	<b>\$ 6,229,685</b>	<b>\$ 870,767</b>	

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; and Level 3 inputs are significant unobservable inputs. Investments above are level 2 investments and are valued based on comparable securities.

**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, 2017, LCTI's investments were rated as:

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

**Concentration of Credit Risk**

LCTI places no limit on the amount that LCTI may invest in any one issuer. As of June 30, 2017, 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.

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**NOTES TO BASIC FINANCIAL STATEMENTS**

**June 30, 2017**

**NOTE 4 - INTERGOVERNMENTAL RECEIVABLES/PAYABLES**

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**Intergovernmental Receivables**

The following amounts were intergovernmental receivables as of June 30, 2017:

Name of Governmental Unit	General Fund	Proprietary Fund		
		Cafeteria	Production	Total
Pennsylvania Department of Education	\$ 836,579	\$ 13,208	\$ -	\$ 13,208
Pennsylvania Department of Labor & Industry	117,268	-	-	-
Member Schools	-	-	9,637	9,637
Nonmember Schools	51,311	-	-	-
Other	53,951	-	419	419
	<u>\$ 1,059,109</u>	<u>\$ 13,208</u>	<u>\$ 10,056</u>	<u>\$ 23,264</u>

**Intergovernmental Payables**

The following amounts were intergovernmental payables as of June 30, 2017:

Name of Governmental Unit	General Fund
Pennsylvania School Employees Retirement System	\$ 1,141,059
Member Schools	657,056
	<u>\$ 1,798,115</u>

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**NOTES TO BASIC FINANCIAL STATEMENTS**

**June 30, 2017**

**NOTE 5 - INTERFUND BALANCES AND TRANSFERS**

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The following schedule represents the interfund receivables and payables at June 30, 2017:

Funds	Interfund Receivables	Interfund Payables
General Fund	\$ 65,867	\$ 155,137
Capital Projects Fund	71,269	-
Proprietary Funds:		
Cafeteria	21,609	37,572
Production	69,025	34,576
Agency Fund - Payroll Fund	-	485
	\$ 227,770	\$ 227,770

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, 2017:

Fund	Transfers In	Transfers Out
General Fund	\$ 15	\$ 3,355,827
Capital Projects Fund	369,774	-
Debt Service Fund	2,986,053	15
	\$ 3,355,842	\$ 3,355,842

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

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**NOTES TO BASIC FINANCIAL STATEMENTS**

**June 30, 2017**

**NOTE 6 - CHANGES IN CAPITAL ASSETS**

Capital asset balances and activity for the year ended June 30, 2017, were as follows:

**Governmental Activities**

	Beginning Balance	Increase	Reclass/ Decrease	Ending Balance
Capital assets not being depreciated:				
Land	\$ 95,302	\$ -	\$ -	\$ 95,302
Capital assets being depreciated:				
Buildings and building improvements	59,984,561	124,042	-	60,108,603
Furniture and fixtures	2,536,240	82,706	(3,267)	2,615,679
Equipment	24,179,322	1,225,909	(932,308)	24,472,923
Vehicles	1,478,383	319,500	-	1,797,883
Textbooks	551,051	34,254	(18,316)	566,989
Total being depreciated	<u>88,729,557</u>	<u>1,786,411</u>	<u>(953,891)</u>	<u>89,562,077</u>
Less accumulated depreciation for:				
Buildings and building improvements	24,820,895	2,089,202	-	26,910,097
Furniture and fixtures	1,798,926	140,984	(3,045)	1,936,865
Equipment	16,619,953	1,639,946	(903,408)	17,356,491
Vehicles	1,007,136	122,624	-	1,129,760
Textbooks	449,463	42,379	(18,316)	473,526
Total accumulated depreciation	<u>44,696,373</u>	<u>4,035,135</u>	<u>(924,769)</u>	<u>47,806,739</u>
<b>TOTAL CAPITAL ASSETS BEING DEPRECIATED, NET</b>	<u>44,033,184</u>	<u>(2,248,724)</u>	<u>(29,122)</u>	<u>41,755,338</u>
<b>GOVERNMENTAL ACTIVITIES, CAPITAL ASSETS, NET</b>	<u>\$ 44,128,486</u>	<u>\$ (2,248,724)</u>	<u>\$ (29,122)</u>	<u>\$ 41,850,640</u>
<b>Business-Type Activities</b>				
Capital assets being depreciated:				
Buildings and building improvements	\$ 344,463	\$ -	\$ -	\$ 344,463
Equipment	547,926	27,219	(28,690)	546,455
Total being depreciated	<u>892,389</u>	<u>27,219</u>	<u>(28,690)</u>	<u>890,918</u>
Accumulated depreciation for:				
Buildings and building improvements	121,368	5,717	-	127,085
Equipment	389,739	36,533	(28,690)	397,582
Total accumulated depreciation	<u>511,107</u>	<u>42,250</u>	<u>(28,690)</u>	<u>524,667</u>
<b>BUSINESS-TYPE ACTIVITIES, CAPITAL ASSETS, NET</b>	<u>\$ 381,282</u>	<u>\$ (15,031)</u>	<u>\$ -</u>	<u>\$ 366,251</u>

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NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2017

NOTE 6 - CHANGES IN CAPITAL ASSETS - CONTINUED

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

Instructional Services:	
Regular Programs	\$ 72,005
Special Programs	3,509
Vocational Education Programs	2,326,919
Other Instructional Programs	129,423
Adult Education Programs	490,916
Support Services:	
Student Services	11,033
Instructional Staff Services	41,655
General Administration Services	17,449
Pupil Health Services	3,858
Business Services	15,796
Operation of Plant and Maintenance Services	761,948
Central Support Services	158,586
Community Services	<u>2,038</u>
<b>TOTAL DEPRECIATION EXPENSE - GOVERNMENTAL ACTIVITIES</b>	<b>\$ <u><u>4,035,135</u></u></b>

LEHIGH CAREER & TECHNICAL INSTITUTE

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2017

NOTE 7 - LONG-TERM LIABILITIES

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Bonds payable are summarized as follows at June 30, 2017:

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.

\$ 38,600,000

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.

7,010,000

\$ 45,610,000



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**NOTES TO BASIC FINANCIAL STATEMENTS**

**June 30, 2017**

**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>
2018	\$ 880,000	\$ 300,000	\$ 1,180,000	\$ 1,782,611
2019	885,000	310,000	1,195,000	1,766,219
2020	900,000	320,000	1,220,000	1,738,731
2021	930,000	330,000	1,260,000	1,700,131
2022	965,000	340,000	1,305,000	1,654,681
2023 - 2027	7,930,000	25,000	7,955,000	7,236,131
2028 - 2032	10,010,000	25,000	10,035,000	5,155,444
2033 - 2037	12,105,000	25,000	12,130,000	3,063,181
2038 - 2040	3,995,000	5,335,000	9,330,000	695,110
	<u>\$ 38,600,000</u>	<u>\$ 7,010,000</u>	<u>\$ 45,610,000</u>	<u>\$ 24,792,239</u>

**Compensated Absences**

*Sick-Pay*

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

LCTI maintains records of each employee's accumulated sick days that are vested with eligible employees. The sick leave termination benefit of \$617,394, including FICA tax (net of reimbursement), is recorded as a long-term liability in the governmental activities column of the government-wide financial statements.

*Vacation Leave*

Unused vacation leave is paid upon an employee's termination. LCTI maintains records of each employee's accumulated vacation days. Vacation leave earned of \$368,387, which includes the employer's share of FICA tax, is recorded as a long-term liability in the governmental activities column of the government-wide financial statement. The liability recorded in the Cafeteria Fund and in the business-type activity column of the government-wide financial statements is \$3,969 at June 30, 2017.

**LEHIGH CAREER & TECHNICAL INSTITUTE**

**NOTES TO BASIC FINANCIAL STATEMENTS**

**June 30, 2017**

**NOTE 7 - LONG-TERM LIABILITIES - CONTINUED**

Long-term liability balance and activity, except for the net pension liability and other postemployment benefits obligation, for the year ended June 30, 2017, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
<b>Governmental Activities</b>					
General Obligation Debt:					
Bonds payable	\$ 40,585,000	\$ 45,865,000	\$ (40,840,000)	\$ 45,610,000	\$ 1,180,000
Less deferred amounts:					
Bond discounts	(270,772)	(44,845)	271,405	(44,212)	-
Bond premiums	-	1,649,583	(25,476)	1,624,107	-
Subtotal	<u>40,314,228</u>	<u>47,469,738</u>	<u>(40,594,071)</u>	<u>47,189,895</u>	<u>1,180,000</u>
Other Liabilities:					
Compensated absences	<u>977,507</u>	<u>334,879</u>	<u>(326,605)</u>	<u>985,781</u>	<u>-</u>
Total Governmental Long-Term Liabilities	<u>\$ 41,291,735</u>	<u>\$ 47,804,617</u>	<u>\$ (40,920,676)</u>	<u>\$ 48,175,676</u>	<u>\$ 1,180,000</u>
<b>Business-Type Activities</b>					
Other Liabilities:					
Compensated absences	<u>\$ 3,851</u>	<u>\$ 2,373</u>	<u>\$ (2,255)</u>	<u>\$ 3,969</u>	<u>\$ 3,969</u>

Payments on the bonds are made by the debt service fund and the capital projects 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, 2017, was \$1,810,072.

LEHIGH CAREER & TECHNICAL INSTITUTE

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2017

NOTE 8 - EMPLOYEE RETIREMENT PLANS

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**Employee Defined Benefit Pension Plan**

***Summary of Significant Accounting Policies***

Pension Plan

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

***General Information about the Pension Plan***

Plan Description

PSERS is a governmental cost-sharing multi-employer defined benefit pension plan that provides retirement benefits to public school employees of the Commonwealth of Pennsylvania under Title 24 Part IV of the Pennsylvania General Assembly. 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.state.pa.us](http://www.psers.state.pa.us).

Benefits Provided

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

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NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2017

NOTE 8 - EMPLOYEE RETIREMENT PLANS - CONTINUED

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**Employee Defined Benefit Pension Plan - continued**

***General Information about the Pension Plan - continued***

Participants are eligible for disability retirement benefits after completion of five years of credited service. Such benefits are generally equal to 2 percent or 2.5 percent, 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 the 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 percent (Membership Class T-C) or at 6.50 percent (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 percent (Membership Class T-C) or at 7.50 percent (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 percent (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 percent (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 percent (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 percent and 9.5 percent and Membership Class T-F contribution rate to fluctuate between 10.3 percent and 12.3 percent.

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NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2017

NOTE 8 - EMPLOYEE RETIREMENT PLANS - CONTINUED

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**Employee Defined Benefit Pension Plan - continued**

***General Information about the Pension Plan - continued***

Employer Contributions:

LCTI's contractually required contribution rate for fiscal year ended June 30, 2017, was 29.20 percent 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. The rate was certified by the PSERS Board of Trustees. Contributions to the pension plan from LCTI for the years ended June 30, 2017, 2016, and 2015 were \$3,622,009; \$3,108,643; and \$2,591,775; respectively.

LCTI is also required to contribute a percentage of covered payroll to PSERS for healthcare insurance premium assistance. For the year ended June 30, 2017, the contribution rate was 0.83 percent of covered payroll and LCTI contributed \$102,954; \$104,450; and \$113,785; for the years ended June 30, 2017, 2016, and 2015, respectively.

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 position liabilities and related pension expense represent 100 percent of the LCTI's share of these amounts. The total reimbursement recognized by LCTI for the years ended June 30, 2017, 2016, and 2015 was \$1,938,165; \$1,644,187; and \$1,335,426; respectively.

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

At June 30, 2017, LCTI reported a liability of \$48,367,000 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016, 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, 2015 to June 30, 2016. 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, 2016, LCTI's proportion was 0.0976 percent, which was an increase of 0.0003 percent from its proportion measured as of June 30, 2015.

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**NOTES TO BASIC FINANCIAL STATEMENTS**

**June 30, 2017**

**NOTE 8 - EMPLOYEE RETIREMENT PLANS - CONTINUED**

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**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, 2017, LCTI recognized pension expense of \$5,032,054. At June 30, 2017, LCTI reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual investment earnings	\$ 2,696,000	\$ -
Difference between expected and actual experience	-	402,000
Change in assumptions	1,746,000	-
Change in proportion - Plan Level	429,000	204,000
Change in proportion - Internal	30,119	30,119
Difference between employer contributions and proportionate share of total contributions	69,518	-
Contributions subsequent to the measurement date	3,622,009	-
	\$ 8,592,646	\$ 636,119

The \$3,622,009 reported as deferred outflows of resources resulting from LCTI pension contributions made subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2018. 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:

2018	\$ 913,054
2019	913,058
2020	1,465,679
2021	1,042,727
	\$ 4,334,518

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NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2017

NOTE 8 - EMPLOYEE RETIREMENT PLANS - CONTINUED

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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 as of June 30, 2016, was determined by rolling forward the System's total pension liability as of the June 30, 2015 actuarial valuation to June 30, 2016, using the following actuarial assumptions, applied to all periods included in the measurement:

Changes in assumptions used in measurement of the Total Pension Liability beginning June 30, 2016:

- The investment rate of return was adjusted from 7.50% to 7.25%.
- The inflation assumption was decreased from 3.0% to 2.75%.
- Salary growth changed from an effective average of 5.50%, which was comprised of inflation of 3.00%, real wage growth and for merit or seniority increases of 2.50%, to an 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 modified from the RP-2000 Combined Healthy Annuitant Tables (male and female) with age set back 3 years for both males and females to 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. For disabled annuitants the RP-2000 Combined Disabled Tables (male and female) with age set back 7 years for males and 3 years for females to 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, 2016 valuation were based on the experience study that was performed for the five-year period ending June 30, 2015. The recommended assumption changes based on this experience study were adopted by the PSERS Board at its June 10, 2016 board meeting, and were effective beginning with the June 30, 2016 actuarial valuation.

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.

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**NOTES TO BASIC FINANCIAL STATEMENTS**

**June 30, 2017**

**NOTE 8 - EMPLOYEE RETIREMENT PLANS - CONTINUED**

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**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.

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Global public equity	22.5%	5.3%
Fixed income	28.5%	2.1%
Commodities	8.0%	2.5%
Absolute return	10.0%	3.3%
Risk parity	10.0%	3.9%
Infrastructure/MLPs	5.0%	4.8%
Real estate	12.0%	4.0%
Alternative investments	15.0%	6.6%
Cash	3.0%	0.2%
Financing (LIBOR)	(14.0%)	0.5%
	100.0%	

The above was the PSERS Board's adopted asset allocation policy and best estimates of geometric real rates of return for each major asset class as of June 30, 2016.

Discount Rate

The discount rate used to measure the total pension liability was 7.25 percent. 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.



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**NOTES TO BASIC FINANCIAL STATEMENTS**

**June 30, 2017**

**NOTE 8 - EMPLOYEE RETIREMENT PLANS - CONTINUED**

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**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 percent, as well as what the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (6.25%) or 1-percentage point higher (8.25%) than the current rate:

	1% Decrease 6.25%	Current Discount Rate 7.25%	1% Increase 8.25%
LCTI's proportionate share of the net pension liability	\$ 59,166,000	\$ 48,367,000	\$ 39,293,000

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.state.pa.us](http://www.psers.state.pa.us).

Payables to the Pension Plan

At June 30, 2017, LCTI had an accrued balance due to PSERS of \$1,141,059. This amount represents LCTI's contractually obligated contributions for wages earned in April 2017 through June 2017. The balance will be paid in September 2017.

**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, 2017**

**NOTE 9 - OTHER POSTEMPLOYMENT HEALTH CARE BENEFITS**

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**Plan Description**

LCTI administers a single-employer defined benefit healthcare plan (the Retiree Health Plan). The Plan provides certain healthcare insurance for eligible retirees and their spouses through LCTI's health insurance plan, which covers both active and retired members. Benefit provisions are established through negotiation with LCTI and the unions representing LCTI's employees. The Retiree Health Plan does not issue a publicly available financial report.

**Funding Policy**

Contribution requirements also are negotiated between LCTI and union representatives. The required contribution is based on pay as you go financing. For teachers who are eligible for PSERS retirement, with at least 15 years of service with LCTI and at least age 53, LCTI pays full medical, prescription drug, and dental coverage for the retired plan member. The retired plan member contributes 100 percent of the premiums for its dependents, spouse and family included. For administrators who are eligible for PSERS retirement, with at least seven years of service with LCTI and at least age 45, an account balance is determined at retirement based on the retired plan member's salary in the prior year. The account balance is used to pay for the retired plan member and spouse coverage until the account is exhausted. LCTI provides an annual credit of \$1,000 to pay for medical, prescription drug, and dental for the retired plan member only. After account exhaustion, retired plan member contributes 100 percent of the premiums for its dependents, spouse, and family included. For confidential and nonclassified employees eligible for PSERS retirement, with at least 12 years of service with LCTI and at least age 55, LCTI provides an annual credit of \$1,000 to pay for medical, prescription drug, and dental for the retired plan member. The retired plan member contributes 100 percent of the premiums for its dependents, spouse, and family included. For support staff with at least 30 years of service with LCTI or superannuation retirement (age 60 with 30 years of service, age 62 with 1 year of service, or 35 years of service regardless of age), the retired plan member must provide payment equal to the premium determined for the purpose of COBRA for continued coverage under LCTI's health plan. Under all the plans described, coverage is generally provided until the retiree is eligible for Medicare or until retiree's death, whichever is earlier. For the fiscal year ended June 30, 2017, LCTI contributed \$172,482 to the Plan related to retirees.

**LEHIGH CAREER & TECHNICAL INSTITUTE**

**NOTES TO BASIC FINANCIAL STATEMENTS**

**June 30, 2017**

**NOTE 9 - OTHER POSTEMPLOYMENT HEALTH CARE BENEFITS - CONTINUED**

**Annual OPEB Cost and Net OPEB Obligation**

LCTI's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 30 years. The following table shows the components of LCTI's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in LCTI's net OPEB obligation:

Annual required contribution	\$ 301,293
Interest on net OPEB obligation	40,084
Adjustment to annual required contribution	<u>(54,686)</u>
Annual OPEB Cost	286,691
Contributions made	<u>(172,482)</u>
Increase in net OPEB obligation	114,209
Net OPEB obligation - beginning of year	<u>890,772</u>
 Net OPEB obligation - end of year	 <u><u>\$ 1,004,981</u></u>

LCTI's annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB obligation as of June 30 were as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
6/30/2017	\$ 286,692	60.2%	\$ 1,004,981
6/30/2016	288,387	64.1%	890,772
6/30/2015	289,820	69.8%	787,369

**Funded Status and Funding Progress**

As of July 1, 2014, the most recent actuarial valuation date, the Plan was unfunded. The actuarial accrued liability for benefits was \$2,457,928, and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability (UAAL) of \$2,457,928. The covered payroll (annual payroll of active employees covered by the Plan) was \$10,325,804, and the ratio of the UAAL to the covered payroll was 23.80 percent.

**LEHIGH CAREER & TECHNICAL INSTITUTE**

**NOTES TO BASIC FINANCIAL STATEMENTS**

**June 30, 2017**

**NOTE 9 - OTHER POSTEMPLOYMENT HEALTH CARE BENEFITS - CONTINUED**

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**Funded Status and Funding Progress - continued**

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the Plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents information about actuarial value of plan assets and actuarial accrued liabilities for benefits.

**Actuarial Methods and Assumptions**

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

In the July 1, 2014 actuarial valuation, the entry age actuarial cost method was used. The actuarial assumptions included a 4.5 percent investment rate of return (net of administrative expenses) and an annual healthcare cost trend rate of 6.5 percent in 2014, decreasing 0.5 percent per year to 5.5 percent in 2016. Rates gradually decrease from 5.3 percent in 2017 to 4.2 percent in 2089 and later. The unfunded actuarial accrued liability is being amortized at the end of the year based on level dollar and a 30-year open amortization period.

**NOTE 10 - FUND BALANCE**

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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.

**LEHIGH CAREER & TECHNICAL INSTITUTE**

**NOTES TO BASIC FINANCIAL STATEMENTS**

**June 30, 2017**

**NOTE 10 - FUND BALANCE - CONTINUED**

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, 2017, were as follows:

**General Fund**

The General Fund has nonspendable funds of \$9,217 for prepaid expenditures, committed funds of \$1,150,000 for future retirement costs, assigned funds of \$411,666 for the Academic Center, \$1,205,123 for Adult Education, and an unassigned fund balance of \$720,755. 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.

The classification of fund balances within the General Fund at June 30, 2017, is as follows:

	Operating Fund Retainage	Adult Education Retainage	Academic Center Retainage	Total
Fund Balance - July 1, 2016	\$ 1,739,490	\$ 1,101,699	\$ 365,391	\$ 3,206,580
2016 - 2017 Operating Fund	140,482	-	-	140,482
2016 - 2017 Academic Center Fund Balance Retainage	-	-	46,275	46,275
2016 - 2017 Revenues Over (Under) Expenditures on Reserved Operations	-	103,424	-	103,424
Fund Balance - June 30, 2017	<u>\$ 1,879,972</u>	<u>\$ 1,205,123</u>	<u>\$ 411,666</u>	<u>\$ 3,496,761</u>

The Operating Fund had excess revenues over expenditures for the 2016/2017 fiscal year of \$561,927, of which \$140,482 was retained in accordance with establishment of the general fund balance retainage policy. The remaining Operating Fund excess revenues over expenditures for the 2016/2017 fiscal year of \$421,445 has been charged against the participating districts' contributions to LCTI for the 2016/2017 fiscal year, and is included as a liability of the General Fund as of June 30, 2017.

**LEHIGH CAREER & TECHNICAL INSTITUTE**

**NOTES TO BASIC FINANCIAL STATEMENTS**

**June 30, 2017**

**NOTE 10 - FUND BALANCE - CONTINUED**

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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, 2017, was \$1,205,123. The current year's revenues exceeded expenditures for adult school operations by \$103,424.

The Academic Center Fund had excess revenues over expenditures for the 2016/2017 fiscal year of \$185,100, of which \$46,275 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 2016/2017 fiscal year of \$138,825 has been charged against the participating districts' contributions to LCTI for the 2016/2017 fiscal year, and is included as a liability of the General Fund as of June 30, 2017.

**Restricted Fund Balance**

The Capital Projects Fund has restricted funds of \$7,573,813 comprised of \$827,033 of monies transferred from the General Fund for the acquisition or construction of capital facilities and qualifying capital assets as authorized by Pennsylvania School Code Section 1850.4 and \$6,746,780 of unspent bond proceeds.

**NOTE 11 - CONTINGENCIES AND COMMITMENTS**

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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.

LEHIGH CAREER & TECHNICAL INSTITUTE

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2017

**NOTE 12 - RISK MANAGEMENT**

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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 significant reductions in insurance coverage for the 2016/2017 year. Settlement amounts have not exceeded insurance coverage for the current year or the three prior years.

**NOTE 13 - NEW ACCOUNTING PRONOUNCEMENTS**

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

- Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* - This statement replaces the requirements of Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. The scope of this statement addresses accounting and financial reporting for OPEB that is provided to the employees of state and local governmental employers. This statement establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. This statement is effective for LCTI's fiscal year ending June 30, 2018.
- 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.

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, 2017

	Budgeted Amounts		Actual (GAAP) Basis	Variances Final to Actual
	Original	Final		
<b>REVENUES</b>				
Local Sources	\$ 3,571,136	\$ 3,571,136	\$ 2,543,531	\$ (1,027,605)
Local Sources - Other LEAs	21,408,800	21,408,800	20,702,326	(706,474)
State Sources	5,441,950	5,441,950	5,337,115	(104,835)
Federal Sources	750,000	750,000	952,801	202,801
<b>TOTAL REVENUES</b>	<b>31,171,886</b>	<b>31,171,886</b>	<b>29,535,773</b>	<b>(1,636,113)</b>
<b>EXPENDITURES</b>				
<b>INSTRUCTIONAL SERVICES:</b>				
Regular Programs	2,302,093	2,325,293	2,163,551	161,742
Special Programs	1,266,454	1,117,866	1,115,602	2,264
Vocational Education Programs	9,899,348	9,745,215	9,403,305	341,910
Other Instructional Programs	1,397,738	1,370,888	1,332,038	38,850
Adult Education	3,417,070	3,417,070	2,755,122	661,948
<b>TOTAL INSTRUCTIONAL SERVICES</b>	<b>18,282,703</b>	<b>17,976,332</b>	<b>16,769,618</b>	<b>1,206,714</b>
<b>SUPPORT SERVICES:</b>				
Student Services	923,909	934,938	891,954	42,984
Instructional Staff Services	696,621	796,676	775,899	20,777
General Administration Services	1,730,557	1,710,507	1,651,342	59,165
Pupil Health Services	150,049	152,049	146,058	5,991
Business Services	767,352	792,252	786,644	5,608
Operation of Plant and Maintenance Services	2,686,759	2,828,109	2,773,563	54,546
Student Transportation Services	11,070	8,570	8,533	37
Central Support Services	2,053,795	2,081,835	2,003,755	78,080
<b>TOTAL SUPPORT SERVICES</b>	<b>9,020,112</b>	<b>9,304,936</b>	<b>9,037,748</b>	<b>267,188</b>
<b>OPERATION OF NONINSTRUCTIONAL SERVICES:</b>				
Student Activities	87,130	93,730	88,786	4,944
Community Services	14,151	14,151	4,854	9,297
<b>TOTAL OPERATION OF NONINSTRUCTIONAL SERVICES</b>	<b>101,281</b>	<b>107,881</b>	<b>93,640</b>	<b>14,241</b>
<b>TOTAL EXPENDITURES</b>	<b>27,404,096</b>	<b>27,389,149</b>	<b>25,901,006</b>	<b>1,488,143</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<b>3,767,790</b>	<b>3,782,737</b>	<b>3,634,767</b>	<b>(147,970)</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Sale of Capital Assets	25,000	25,000	11,226	(13,774)
Transfers In	-	-	15	15
Transfers Out	(3,503,890)	(3,518,837)	(3,355,827)	163,010
Budgetary Reserve	(198,000)	(198,000)	-	198,000
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>(3,676,890)</b>	<b>(3,691,837)</b>	<b>(3,344,586)</b>	<b>347,251</b>
<b>REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES</b>	<b>\$ 90,900</b>	<b>\$ 90,900</b>	<b>290,181</b>	<b>\$ 199,281</b>
<b>FUND BALANCE - BEGINNING OF YEAR</b>			<b>3,206,580</b>	
<b>FUND BALANCE - END OF YEAR</b>			<b>\$ 3,496,761</b>	

See note to required supplementary information.

**LEHIGH CAREER & TECHNICAL INSTITUTE**

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

**June 30, 2017**

	2017	2016	2015	2014
LCTI's proportion of the collective net pension liability	0.0976%	0.0973%	0.0981%	0.0962%
LCTI's proportionate share of the collective net pension liability	\$ 48,367,000	\$ 42,146,000	\$ 38,829,000	\$ 39,381,000
LCTI's covered employee payroll	\$ 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	382.57%	336.64%	310.15%	318.91%
Plan fiduciary net position as a percentage of the total pension liability	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 (June 30, 2016, 2015, 2014, and 2013).

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

**LEHIGH CAREER & TECHNICAL INSTITUTE**  
**SCHEDULE OF LCTI CONTRIBUTIONS - PENSION PLAN**

**LAST 10 FISCAL YEARS**

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Contractually required contribution	\$ 3,622,009	\$ 3,108,643	\$ 2,591,775	\$ 2,000,848	\$ 1,423,485	\$ 998,305	\$ 592,287	\$ 502,708	\$ 452,192	\$ 665,360
Contributions in relation to the contractually required contribution	<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>	<u>452,192</u>	<u>665,360</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	\$ 12,529,199	\$ 12,642,778	\$ 12,519,658	\$ 12,519,299	\$ 12,348,475					
Contributions as a percentage of covered employee payroll	28.91%	24.59%	20.70%	15.98%	11.53%					

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

**LEHIGH CAREER & TECHNICAL INSTITUTE**

**SCHEDULE OF FUNDING PROGRESS - OTHER POSTEMPLOYMENT BENEFITS PLAN**

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a / b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b - a) / c)
7/1/2014	\$ -	\$ 2,457,928	\$ 2,457,928	0.00%	\$ 10,325,804	23.80%
7/1/2012	-	2,441,341	2,441,341	0.00%	10,685,857	22.85%
7/1/2010	-	2,840,583	2,840,583	0.00%	10,505,108	27.04%

**LEHIGH CAREER & TECHNICAL INSTITUTE**

**NOTE TO REQUIRED SUPPLEMENTARY INFORMATION**

**June 30, 2017**

**BUDGETARY DATA**

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

**SUPPLEMENTARY INFORMATION**

LEHIGH CAREER & TECHNICAL INSTITUTE

SCHEDULE OF BUDGETED AND ACTUAL EXPENDITURES - OPERATING FUND

For the Year Ended June 30, 2017

	Final Budget	Actual	Variance Final to Actual
<b>INSTRUCTIONAL SERVICES</b>			
Regular Programs, Secondary:			
Salaries	\$ 535,918	\$ 534,188	\$ 1,730
Employee Benefits	388,530	387,972	558
Purchased Professional Services	250	17	233
Purchased Property Services	3,500	610	2,890
Other Purchased Services	1,000	297	703
Supplies	7,300	2,727	4,573
Property	20,300	1,260	19,040
	<u>956,798</u>	<u>927,071</u>	<u>29,727</u>
Special Education Programs, Secondary:			
Salaries	635,827	635,503	324
Employee Benefits	471,153	470,509	644
Purchased Professional Services	9,150	9,010	140
Other Purchased Services	666	416	250
Supplies	1,070	163	907
	<u>1,117,866</u>	<u>1,115,601</u>	<u>2,265</u>
Vocational Education Programs:			
Salaries	4,573,562	4,545,393	28,169
Employee Benefits	2,989,354	2,884,236	105,118
Purchased Professional Services	8,637	8,636	1
Purchased Property Services	183,000	182,408	592
Other Purchased Services	93,330	84,844	8,486
Supplies	565,400	564,523	877
Property	1,253,552	1,055,326	198,226
Other Objects	13,380	6,890	6,490
	<u>9,680,215</u>	<u>9,332,256</u>	<u>347,959</u>
Other Instructional Programs:			
Salaries	757,025	741,555	15,470
Employee Benefits	503,858	503,427	431
Purchased Property Services	1,000	415	585
Supplies	38,200	38,125	75
	<u>1,300,083</u>	<u>1,283,522</u>	<u>16,561</u>
<b>SUPPORT SERVICES</b>			
Student Services:			
Salaries	448,041	423,076	24,965
Employee Benefits	310,029	303,117	6,912
Purchased Professional Services	41,717	41,601	116
Purchased Property Services	12,950	12,103	847
Other Purchased Services	8,400	7,701	699
Supplies	13,370	13,325	45
Other objects	370	190	180
	<u>834,877</u>	<u>801,113</u>	<u>33,764</u>

LEHIGH CAREER & TECHNICAL INSTITUTE

SCHEDULE OF BUDGETED AND ACTUAL EXPENDITURES - OPERATING FUND - CONTINUED

For the Year Ended June 30, 2017

	Final Budget	Actual	Variance Final to Actual
<b>SUPPORT SERVICES (continued):</b>			
Instructional Staff Services:			
Salaries	197,158	196,131	1,027
Employee Benefits	233,683	222,400	11,283
Purchased Professional Services	32,715	30,543	2,172
Purchased Property Services	500	-	500
Other Purchased Services	3,000	2,138	862
Supplies	18,450	18,373	77
Property	19,040	17,448	1,592
Other Objects	450	448	2
	<u>504,996</u>	<u>487,481</u>	<u>17,515</u>
General Administration Services:			
Salaries	939,888	928,164	11,724
Employee Benefits	498,415	484,118	14,297
Purchased Professional Services	54,030	49,788	4,242
Purchased Property Services	2,840	2,753	87
Other Purchased Services	12,800	6,248	6,552
Supplies	56,720	56,656	64
Property	2,900	-	2,900
Other Objects	9,490	8,032	1,458
	<u>1,577,083</u>	<u>1,535,759</u>	<u>41,324</u>
Pupil Health Services:			
Salaries	89,997	89,862	135
Employee Benefits	56,882	54,348	2,534
Purchased Professional Services	200	-	200
Purchased Property Services	1,200	-	1,200
Other Purchased Services	870	-	870
Supplies	2,650	1,733	917
Other Objects	250	115	135
	<u>152,049</u>	<u>146,058</u>	<u>5,991</u>
Business Services:			
Salaries	366,723	366,492	231
Employee Benefits	234,264	232,382	1,882
Purchased Professional Services	90,486	90,450	36
Purchased Property Services	4,587	4,255	332
Other Purchased Services	60,352	60,255	97
Supplies	32,700	30,187	2,513
Property	800	778	22
Other Objects	2,340	1,846	494
	<u>792,252</u>	<u>786,645</u>	<u>5,607</u>
Operation and Maintenance of Plant Services:			
Salaries	875,487	869,884	5,603
Employee Benefits	581,559	567,992	13,567
Purchased Professional Services	71,520	71,502	18
Purchased Property Services	282,155	281,942	213
Other Purchased Services	164,392	157,402	6,990
Supplies	539,375	539,316	59
Property	281,900	281,853	47
Other Objects	3,510	2,792	718
	<u>2,799,898</u>	<u>2,772,683</u>	<u>27,215</u>



LEHIGH CAREER & TECHNICAL INSTITUTE

SCHEDULE OF BUDGETED AND ACTUAL EXPENDITURES - OPERATING FUND - CONTINUED

For the Year Ended June 30, 2017

	Final Budget	Actual	Variance Final to Actual
<b>SUPPORT SERVICES (continued):</b>			
Student Transportation Services:			
Other Purchased Services	8,200	8,111	89
Supplies	250	-	250
	<u>8,450</u>	<u>8,111</u>	<u>339</u>
Central Support Services:			
Salaries	918,921	898,410	20,511
Employee Benefits	663,536	646,537	16,999
Purchased Professional Services	63,540	58,749	4,791
Purchased Property Services	111,368	100,636	10,732
Other Purchased Services	49,990	33,943	16,047
Supplies	163,770	154,917	8,853
Property	101,000	100,957	43
Other Objects	710	607	103
	<u>2,072,835</u>	<u>1,994,756</u>	<u>78,079</u>
<b>OPERATION OF NONINSTRUCTIONAL SERVICES</b>			
Student Activities:			
Salaries	17,600	17,600	-
Employee Benefits	6,830	6,680	150
Purchased Professional Services	5,000	2,182	2,818
Other Purchased Services	36,100	36,027	73
Supplies	11,500	10,114	1,386
Other Objects	16,700	16,183	517
	<u>93,730</u>	<u>88,786</u>	<u>4,944</u>
Community Services:			
Salaries	6,537	2,125	4,412
Employee Benefits	614	178	436
Supplies	7,000	2,551	4,449
	<u>14,151</u>	<u>4,854</u>	<u>9,297</u>
<b>OTHER FINANCING USES</b>			
Interfund Transfers	3,502,070	3,355,827	146,243
Intrafund Transfers I.D.C.	14,947	14,865	82
Budget Reserve	185,000	-	185,000
	<u>3,702,017</u>	<u>3,370,692</u>	<u>331,325</u>
<b>TOTAL EXPENDITURES AND OTHER FINANCING USES</b>	<u><u>\$ 25,607,300</u></u>	<u><u>\$ 24,655,388</u></u>	<u><u>\$ 951,912</u></u>

LEHIGH CAREER & TECHNICAL INSTITUTE

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

For the Year Ended June 30, 2017

	Agriculture	Marketing/ Distributive Education	Home Economics	Summer Fun Camp	Trade and Industry	Total
<b>OPERATING REVENUES</b>						
Production Service Revenue	\$ 1,622	\$ 62,146	\$ 57,817	\$ 47,520	\$ 722,096	\$ 891,201
<b>TOTAL OPERATING REVENUES</b>	1,622	62,146	57,817	47,520	722,096	891,201
<b>OPERATING EXPENSES</b>						
Salaries	-	-	4,640	18,435	140,606	163,681
Employee Benefits	-	-	1,781	7,083	61,599	70,463
Pension Expense from GASB Statement Nos. 68 and 71	-	-	469	1,721	13,455	15,645
Purchased Property Services	-	-	-	-	234	234
Other Purchased Services	-	-	1,829	283	-	2,112
Supplies	308	44,615	48,748	1,932	509,318	604,921
Depreciation	-	-	-	-	10,946	10,946
Other Miscellaneous Expense	-	-	-	1,897	106	2,003
<b>TOTAL OPERATING EXPENSES</b>	308	44,615	57,467	31,351	736,264	870,005
<b>OPERATING INCOME (LOSS)</b>	1,314	17,531	350	16,169	(14,168)	21,196
<b>NONOPERATING REVENUES</b>						
Local Sources - Earnings on Investments	-	-	-	-	5,805	5,805
State Sources - FICA Reimbursement	-	-	177	705	5,355	6,237
State Sources - Retirement Reimbursement	-	-	697	2,768	20,807	24,272
Miscellaneous Income	-	-	-	-	315	315
<b>TOTAL NONOPERATING REVENUES</b>	-	-	874	3,473	32,282	36,629
<b>NET INCOME</b>	\$ 1,314	\$ 17,531	\$ 1,224	\$ 19,642	\$ 18,114	57,825
<b>NET POSITION - BEGINNING OF YEAR</b>						1,199,288
<b>NET POSITION - END OF YEAR</b>						\$ 1,257,113

LEHIGH CAREER & TECHNICAL INSTITUTE

COMBINING BALANCE SHEET - CAPITAL PROJECTS FUND

June 30, 2017

	Capital Reserve Fund	Technology Reserve Fund	2017 Construction Fund	Total Capital Projects Fund
<b>ASSETS</b>				
Cash and Investments	\$ 485,659	\$ 270,105	\$ 7,100,552	\$ 7,856,316
Interfund Receivables	71,269	-	-	71,269
<b>TOTAL ASSETS</b>	<u>\$ 556,928</u>	<u>\$ 270,105</u>	<u>\$ 7,100,552</u>	<u>\$ 7,927,585</u>
<b>LIABILITIES AND FUND BALANCES</b>				
<b>LIABILITIES</b>				
Accounts Payable	\$ -	\$ -	\$ 353,772	\$ 353,772
<b>TOTAL LIABILITIES</b>	-	-	353,772	353,772
<b>FUND BALANCES</b>				
Restricted for Capital Projects	556,928	270,105	6,746,780	7,573,813
<b>TOTAL FUND BALANCES</b>	<u>556,928</u>	<u>270,105</u>	<u>6,746,780</u>	<u>7,573,813</u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<u>\$ 556,928</u>	<u>\$ 270,105</u>	<u>\$ 7,100,552</u>	<u>\$ 7,927,585</u>

LEHIGH CAREER & TECHNICAL INSTITUTE

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

For the Year Ended June 30, 2017

	Capital Reserve Fund	Technology Reserve Fund	2017 Construction Fund	Total Capital Projects Fund
<b>REVENUES</b>				
Local Sources	\$ 2,917	\$ 331	\$ 6,554	\$ 9,802
<b>TOTAL REVENUES</b>	2,917	331	6,554	9,802
<b>EXPENDITURES</b>				
Current:				
Support Services			115,040	115,040
Capital Outlay	79,298	-	364,889	444,187
<b>TOTAL EXPENDITURES</b>	79,298	-	479,929	559,227
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	(76,381)	331	(473,375)	(549,425)
<b>OTHER FINANCING SOURCES (USES)</b>				
Issuance of Revenue Bonds	-	-	7,265,000	7,265,000
Bond Discount	-	-	(44,845)	(44,845)
Transfers In	100,000	269,774	-	369,774
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	100,000	269,774	7,220,155	7,589,929
<b>NET CHANGE IN FUND BALANCES</b>	23,619	270,105	6,746,780	7,040,504
<b>FUND BALANCES - BEGINNING OF YEAR</b>	533,309	-	-	533,309
<b>FUND BALANCES - END OF YEAR</b>	\$ 556,928	\$ 270,105	\$ 6,746,780	\$ 7,573,813

**LEHIGH CAREER & TECHNICAL INSTITUTE**

**COMBINING STATEMENT OF NET POSITION  
FIDUCIARY FUND TYPES - AGENCY**

**June 30, 2017**

	Student Activities Fund	Payroll	Total Agency Fund
<b>ASSETS</b>			
Cash	\$ 72,349	\$ 43,559	\$ 115,908
<b>TOTAL ASSETS</b>	<u>\$ 72,349</u>	<u>\$ 43,559</u>	<u>\$ 115,908</u>
<b>LIABILITIES</b>			
Interfund Payables	\$ -	\$ 485	\$ 485
Payroll Taxes and Withholdings	-	43,074	43,074
Other Current Liabilities	72,349	-	72,349
<b>TOTAL LIABILITIES</b>	<u>\$ 72,349</u>	<u>\$ 43,559</u>	<u>\$ 115,908</u>

**LEHIGH CAREER & TECHNICAL INSTITUTE**

**STATEMENT OF RECEIPTS AND DISBURSEMENTS - STUDENT ACTIVITIES FUND**

**For the Year Ended June 30, 2017**

	Balance 7/1/2016	Receipts	Disbursements	Balance 6/30/2017
DECA	\$ 27,754	\$ 42,132	\$ 42,714	\$ 27,172
FFA	13,572	2,062	501	15,133
HOSA	2,914	37,462	36,828	3,548
Skills USA	22,318	18,891	32,235	8,974
FCCLA	4,570	11,401	10,238	5,733
FBLA	8,535	39,512	37,982	10,065
NTHS	1,461	1,208	945	1,724
	<u>\$ 81,124</u>	<u>\$ 152,668</u>	<u>\$ 161,443</u>	<u>\$ 72,349</u>

**LEHIGH CAREER & TECHNICAL INSTITUTE**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

For the Year Ended June 30, 2017

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, 2016	Revenue Recognized	Expenditures	Accrued or (Unearned) Revenue at June 30, 2017
<b>U.S. Department of Education</b>										
Passed through the Commonwealth of Pennsylvania										
Department of Education:										
Career and Technical Education	I	84.048	380-17-0078	\$ 740,830	07/20/16-06/30/17	\$ 679,094	\$ -	\$ 740,830	\$ 740,830	\$ 61,736
Career and Technical Education	I	84.048	380-16-0073	823,744	07/01/15-06/30/16	68,645	68,645	-	-	-
<b>TOTAL U.S. DEPARTMENT OF EDUCATION</b>						747,739	68,645	740,830	740,830	61,736
<b>U.S. Department of Labor</b>										
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	07/20/16-06/30/17	98,033	-	211,971	211,971	113,938
<b>U.S. Department of Health and Human Services</b>										
Passed through the Lehigh Valley Workforce Development Board, Inc.										
LCTI/CareerFORCE 2017 Summer Jobs Program for Youth	I	93.558	1502 PATANF	40,313	05/15/17-09/30/17	-	-	20,056	20,056	20,056
LCTI/CareerFORCE 2016 Summer Jobs Program for Youth	I	93.558	1502 PATANF	35,358	06/02/16-09/30/16	33,326	14,867	18,459	18,459	-
<b>TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>						33,326	14,867	38,515	38,515	20,056
<b>U.S. Department of Agriculture</b>										
Passed through the Commonwealth of Pennsylvania										
Department of Education:										
National School Lunch Program	I	10.555	N/A	N/A	07/01/16-06/30/17	435,421	-	448,142	448,142	12,721
National School Lunch Program	I	10.555	N/A	N/A	07/01/15-06/30/16	13,223	13,223	-	-	-
Passed through PA Department of Agriculture:										
National School Lunch Program - USDA Commodities	I	10.555	N/A	N/A	07/01/16-06/30/17	60,282	(1,541)	58,837	58,837	(2,986)
<b>TOTAL U.S. DEPARTMENT OF AGRICULTURE</b>						508,926	11,682	506,979	506,979	9,735
<b>TOTAL FEDERAL AWARDS</b>						<u>\$ 1,388,024</u>	<u>\$ 95,194</u>	<u>\$ 1,498,295</u>	<u>\$ 1,498,295</u>	<u>\$ 205,465</u>

I = Indirect Source of Funding

NOTE: No funds were passed through to subrecipients in the year ended June 30, 2017.

**LEHIGH CAREER & TECHNICAL INSTITUTE**

**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

**For the Year Ended June 30, 2017**

**NOTE 1 - BASIS OF PRESENTATION**

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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, 2017. 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**

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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 MINIMUS RATE FOR INDIRECT COSTS**

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

**NOTE 4 - FOOD COMMODITIES**

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Nonmonetary assistance is reported in the Schedule at the fair market value of the commodities received and disbursed. At June 30, 2017, LCTI had \$2,986 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, 2017, 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 20, 2017.

**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 20, 2017**



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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, 2017. 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, 2017.

### **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 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 20, 2017**

LEHIGH CAREER & TECHNICAL INSTITUTE

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the Year Ended June 30, 2017

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**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>
10.555	National School Lunch Program

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

Auditee qualified as low-risk auditee?   X   yes        no

**LEHIGH CAREER & TECHNICAL INSTITUTE**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

**For the Year Ended June 30, 2017**

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**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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SCHNECKSVILLE, PENNSYLVANIA 18078

STATUS OF PRIOR AUDIT FINDINGS AND QUESTIONED COSTS

For the Year Ended June 30, 2017

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**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.