

**CAREER TECHNOLOGY CENTER OF
LACKAWANNA COUNTY
INDEPENDENT AUDITORS' REPORT
JUNE 30, 2017**

CAREER TECHNOLOGY CENTER OF LACKAWANNA COUNTY
INDEX TO FINANCIAL STATEMENTS, SUPPLEMENTAL SCHEDULES
AND SINGLE AUDIT ATTACHMENTS
YEAR ENDED JUNE 30, 2017

	<u>PAGE</u>
Table of Contents	2-4
Transmittal Letter	5
Report Distribution List	6
Independent Auditors' Report	7-9
Required Supplementary Information:	
Management Discussion and Analysis	10-20
Basic Financial Statements:	
Government-Wide Financial Statements:	
Statement of Net Position	21-22
Statement of Net Activities	23
Fund Financial Statements:	
Balance Sheet - Governmental Funds	24
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position	25
Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	26
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances to the Statement of Activities	27-28
Statement of Net Position - Proprietary Fund - Food Service Fund	29
Statement of Revenues, Expenses and Change in Fund Net Position - Proprietary Fund - Food Service Fund	30

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INDEX TO FINANCIAL STATEMENTS, SUPPLEMENTAL SCHEDULES
AND SINGLE AUDIT ATTACHMENTS
YEAR ENDED JUNE 30, 2017

	<u>PAGE</u>
Statement of Cash Flows - Proprietary Fund - Food Service Fund	31
Statement of Net Position - Fiduciary Fund - Agency Fund	32
Notes to Basic Financial Statements	33-58
Required Supplementary Information:	
Statement of Revenues, Expenditures & Changes in Fund Balances - Budget and Actual	59-60
Other Supplementary Information:	
Supplemental Schedule I - Statement of Changes in Net Position - Fiduciary Funds - Agency Fund	61
Supplemental Schedule II - Statement of Additions and Deductions - Classes and Clubs	62
Supplemental Schedule III - Statement of Revenue, Expenditures, and Change in Reserve for Capital Improvements	63
Supplemental Schedule IV - Statement of Revenue, Expenditures, and Change in Reserve for Capital Projects	64
Single Audit Attachments:	
Schedule of Expenditures of Federal Awards for the Year Ended June 30, 2017	65-68
Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters, Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards	69-70
Independent Auditors' Report on Compliance for each Major Program and Internal Control over Compliance Required by Uniform Guidance	71-72

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INDEX TO FINANCIAL STATEMENTS, SUPPLEMENTAL SCHEDULES
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YEAR ENDED JUNE 30, 2017

	<u>PAGE</u>
Schedule of Findings and Questioned Costs	73
Summary Schedule of Prior Audit Findings and Internal Control Weaknesses	74

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February 13, 2018

Board of Directors
Career Technology Center of
Lackawanna County

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Career Technology Center of Lackawanna County for the year ended June 30, 2017, and have issued our report thereon dated February 13, 2018. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility under U.S. Generally Accepted Auditing Standards and Uniform Guidance

As stated in our engagement letter dated February 1, 2017 our responsibility, as described by professional standards, is to express opinions about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities.

In planning and performing our audit, we considered Career Technology Center of Lackawanna County's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide assurance on the internal control over financial reporting. We also considered internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with Uniform Guidance.

As part of obtaining reasonable assurance about whether Career Technology Center of Lackawanna County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, 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. Also in accordance with Uniform Guidance, we examined, on a test basis, evidence about Career Technology Center of Lackawanna County's compliance with the types of compliance requirements described in the "U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement" applicable to each of its major federal programs for the purpose of expressing an opinion on Career Technology Center of Lackawanna County's compliance with those requirements. While our audit provides a reasonable basis for our opinion, it does not provide a legal determination on Career Technology Center of Lackawanna County's compliance with those requirements.

Planned Scope and Timing of the Audit

We performed the audit according to the planned scope and timing previously communicated.

Significant Audit Findings

There are no finding included in the report.

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting polices used by Career Technology Center of Lackawanna County are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing was not changed during the year ended June 30, 2017. We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. There were no sensitive estimates affecting the financial statements.

The disclosures in the financial statements are neutral, consistent, and clear. Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatement identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements as a whole.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated _____.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

The Bond documents require that the School or its member districts must deposit the required bond payments thirty (30) days prior to due date. The member districts are making payments within thirty (30) days and in some instances the day of or immediately preceding. Deposits into the required sinking fund should be made in accordance with the Bond documents.

The School may want to consider looking into having an outside collection agency handle its billing and collecting of its LPN program as most other colleges and post-secondary schools use these services.

As discussed in Note 14 of the financial statements, there are several new accounting pronouncements that will be affecting the School in the next couple of years. The School should begin reviewing these pronouncements and the effect they will have on the School's financial statements.

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the governmental unit's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Matters

With respect to the supplementary information accompanying the financial statements, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from prior periods, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements themselves.

This information is intended solely for the use of the Board of Directors and management of Career Technology Center of Lackawanna County, and is not intended to be, and should not be used by anyone other than these specified parties.

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February 13, 2018

Board of Directors
Career Technology Center of
Lackawanna County

We have performed the Single Audit of the Career Technology Center of Lackawanna County for the fiscal year ended June 30, 2017 and have enclosed the single audit report package.

The single audit was done to fulfill the requirements of the Uniform Guidance. It entailed: 1. An audit of the basic financial statements and Supplementary Schedule of Expenditures of Federal Awards - Governmental Entity and our opinion thereon; 2. A review of Compliance and Internal Controls over Financial Reporting Based on an audit of Financial Statements performed in accordance with Governmental Auditing Standards and 3. A review of compliance with requirements applicable to each major program and internal controls over compliance in accordance with the Uniform Guidance.

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REPORT DISTRIBUTION LIST

Filed on-line with Office of the Budget Bureau of Audits	1 Copy
Filed on-line with Federal Audit Clearing House	1 Copy
Scranton Lackawanna Human Development Agency Attn: Ryan McKeown Head Start Office 321 Spruce Street Scranton, Pennsylvania 18503	1 Copy

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INDEPENDENT AUDITORS' REPORT

February 13, 2018

To the Board of Directors
Career Technology Center of Lackawanna County

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 Career Technology Center of Lackawanna County as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Career Technology Center of Lackawanna County'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 Career Technology Center of Lackawanna County 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.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, and the schedule of funding progress for other post-employment benefits, the schedule of proportionate share of PSERS net pension liability, the schedule of PSERS contributions analysis and budgetary comparison information on pages 10 thru 20 and 59 thru 60 to be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Career Technology Center of Lackawanna County's basic financial statements. The introductory section and non-major fund financial statement is presented for purposes of additional analysis and is not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, and is also not a required part of the basic financial statements.

The individual non-major fund financial statement schedule 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 individual non-major fund financial statement and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statement as a whole.

The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 13, 2018, on our consideration of Career Technology Center of Lackawanna County'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 Career Technology Center of Lackawanna County's internal control over financial reporting and compliance.

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Career Technology Center Of Lackawanna County

MANAGEMENT DISCUSSION AND ANALYSIS (MD&A)

June 30, 2017

The discussion and analysis of Career Technology Center of Lackawanna County's (CTC) financial performance provides an overall review of the CTC's financial activities for the fiscal year ended June 30, 2017. This discussion and analysis is intended to provide a narrative summary of the financial performance of the CTC as a whole. Readers should also review the notes to the basic financial statements to enhance their understanding of CTC'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 included in the MD&A.

OVERVIEW OF THE SCHOOL

The Career Technology Center of Lackawanna County is a joint venture of eight public school districts in Lackawanna County, Pennsylvania organized under the Public School Code of Pennsylvania. The school provides career and technical training programs for high school students who are residents of participating school districts, non-participating school districts on a tuition basis, and adults enrolled in various Continuing Education programs operated at the facility. CTC is located within the City of Scranton, and is governed by its Joint Operating Committee consisting of one member from each of eight participating member school districts. The participating districts include: Carbondale Area, Dunmore, Forest City Regional, Mid Valley, Lakeland, North Pocono, Scranton City and Valley View. The school also trains students from non-participating school districts which include: Abington Heights and Lackawanna Trail.

MISSION STATEMENT

It is the mission of the Career Technology Center of Lackawanna County to provide those who have a specific career objective, and have expressed a desire for career and technical education, with the skills and knowledge needed for entry level employment commensurate with the requirements of industry or a post-secondary educational experience. Further, as a continuing education resource, we at the Career Technology Center shall maintain, develop, augment and pioneer programs to benefit those who can profit from life-long learning. An educated workforce is the key to a successful and productive society. The Career Technology Center of Lackawanna County (CTCLC) is dedicated to developing that workforce.

FINANCIAL HIGHLIGHTS

General Fund

The School's net position decreased by \$10,263 as a result of this year's operations. The net position of our Governmental activities decreased by \$ 23,196 and the net position of our business type activities increased by \$12,933. The largest source of revenue comes from the school districts to support the secondary education programs and totaled \$4,919,528 for 2016-2017, a decrease of \$790,985 from 2015-2016. The following formula is used to calculate member and non-member district costs:

Career Technology Center Of Lackawanna County

MANAGEMENT DISCUSSION AND ANALYSIS (MD&A)

FINANCIAL HIGHLIGHTS (Continued)

“Current operating expenditures shall be allocated to and paid by each of the participating school districts based upon the district average of the last 4 years of ADM as compared to the total 4 year average of ADM's of all participating school districts. The 4 years will begin with the year immediately prior to the ensuing budget year, and backwards 3 years beyond that year. The ADM's of the year immediately prior will be based upon estimated ADM's as of April 1 of that year, and the other 3 years will be based upon audited ADM's. No adjustments will be made to the payments of the districts once the budget is approved, and the amount calculated will be the maximum payment each district will make for that budget year. The net per pupil cost for nonmember districts will be based on the average ADM's as calculated by this formula utilizing the actual ADM's of the non-participating district. Non participating districts may also be charged additional tuition.”

Capital Reserve Funds – The CTC operates a Capital Reserve Fund for the purpose of funding capital projects, equipment purchases and equipment upgrades to the facility and instructional programs. The largest revenue in this fund is from the retention of operating fund balances, and other revenue is derived from the sale of school assets. This fund is set up in order to alleviate additional charge-backs to the districts for funding of capital projects at the CTC.

Capital Project Fund-The CTC operates a Capital Projects Fund for the purpose of funding the CTC renovation project. The revenue from the fund is derived from the CTC 2012 Bond issue and funds the current CTC construction project. Estimated cost of the project is \$18.1 million and includes a total renovation of the school. Payments to the contractors are made from this account which is under control of the trustee, Community Bank (First Liberty Bank) after application is made to the State Public Building Authority. The project has essentially been completed.

Debt Service Fund-The CTC Debt Service Fund is a fund required by our 2012 CTC Bond Issue agreement. Revenue from the fund is derived from the debt service payments made by eight participating school districts of the Joint Operating Committee. These payments are made to the fund semi-annually before February 15 and August 15 of each year through 2032 to the Community Bank (First Liberty Bank), the bond trustee. The trustee makes payments to the bond holders on February 15 and August 15 of each year through 2032.

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 CTC 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 CTC's overall financial status.

Career Technology Center Of Lackawanna County

MANAGEMENT DISCUSSION AND ANALYSIS (MD&A)

OVERVIEW OF THE FINANCIAL STATEMENTS (Continued)

- The remaining basic financial statements consist of fund financial statements. These statements focus on individual components, or funds, of CTC and provide a more detailed presentation of CTC's operations. The governmental funds statements present how general CTC services were financed in the short-term as well as what remains for future spending.
- The proprietary funds statements present both short-term and long-term information about the activities that CTC operates similar to a business. For CTC, this is our Food Service Fund. Fiduciary fund statements provide information about financial relationships where the CTC 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 CTC'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:

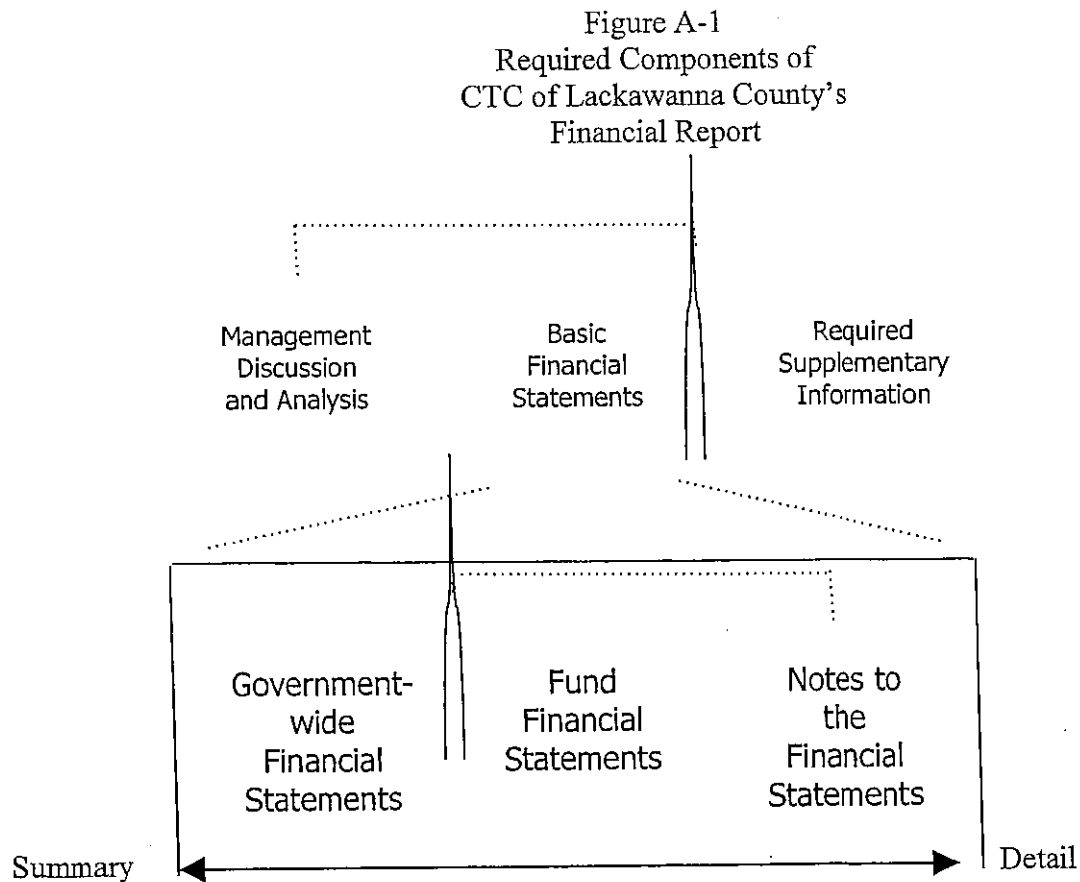


Figure A-2 summarizes the major features of CTC's financial statements, including the portion of CTC they cover and the types of information they contain. The remainder of this overview section of management discussion and analysis explains the structure and contents of each of the statements.

Career Technology Center Of Lackawanna County

MANAGEMENT DISCUSSION AND ANALYSIS (MD&A)

Figure A-2
Major Features of CTC of Lackawanna County's
Government-wide and Fund Financial Statements

	<u>Government Wide Statements</u>	<u>Fund Financial Statements</u>		
		<u>Governmental Funds</u>	<u>Proprietary Funds</u>	<u>Fiduciary Funds</u>
Scope	Entire CTC (except fiduciary funds)	The activities of CTC that are not proprietary or fiduciary, such as education, administration, and community services	Activities CTC operates similar to private business – Food Service	Instances in which CTC is the trustee or agent to someone else's resources – Student Activities Classes and Clubs
Required financial statements	Statement of net assets Statement of activities	Balance Sheet Statement of revenues, expenditures, and changes in fund balance	Statement of net assets Statement of revenues, expenses and changes in net assets Statement of cash flows	Statement of fiduciary net assets Statement of changes in fiduciary net assets
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	Modified accrual accounting and current 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	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

Career Technology Center Of Lackawanna County

MANAGEMENT DISCUSSION AND ANALYSIS (MD&A)

Reporting the School as a Whole – Government Wide Statements

Statement of Net Position and the Statement of Activities

The government-wide statements report financial information about CTC of Lackawanna County using accounting methods similar to the accounting used by private-sector companies. The *Statement of Net Position* includes all of CTC's assets and liabilities utilizing the full accrual basis of accounting. The *Statement of Activities* accounts for all of CTC's revenues and expenses, regardless of when cash is received or paid.

These two statements report CTC of Lackawanna County's net position and changes in them. CTC's net position represents the difference between its assets and liabilities. CTC's net position is one way to measure its financial position, or financial health, over time. Increases or decreases in CTC's net position are one indicator of whether its financial health is improving or deteriorating, respectively. In assessing CTC'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 CTC are divided into two categories:

- *Governmental Activities* - Most of CTC's basic services are reported here, such as instruction, administration, support services, depreciation and debt service fund. 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* - CTC operates a food service operation and charges fees to students and staff to help it cover all or most of the cost of the food services it provides.

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 CTC – not CTC as a whole. Some funds are required to be reported as major funds by State law and by other requirements. CTC has three types of funds that use different accounting approaches are:

- *Governmental funds* – Most of CTC'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 CTC's operations and the basic services it provides. The information reported in the governmental funds help the reader determine whether there are more or fewer financial resources that can be spent in the near future to finance CTC's operations. The relationship (or differences) between

Career Technology Center Of Lackawanna County

MANAGEMENT DISCUSSION AND ANALYSIS (MD&A)

Reporting the School's Most Significant Funds (Continued)

the governmental activities (reported in the Statement of Net Position and the Statement of activities) and the governmental funds are described in a reconciliation included in the financial statements.

The governmental funds that are considered to be major funds of CTC are the General Fund (required by GASB Statement No. 34 to be reported as a major fund), the Capital Reserve Fund, and the Capital Projects Fund. The Debt Service Fund is considered to be a non-major fund

- *Proprietary funds* – These funds account for CTC's activities that are similar to private sector business operations, and focus on the determination of net income and financial position. When CTC charges customers for services it provides – whether to outside customers or to other units in CTC – these services are generally reported in proprietary funds. CTC has the Food Service Fund as a proprietary fund, which is considered an enterprise funds. The information reported for this enterprise fund 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 Food Service 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* - CTC is the trustee, or fiduciary, for some student activity funds. All of CTC's fiduciary activities are reported in separate Statements of Fiduciary Net Position. We exclude these activities from CTC's government-wide financial statement because CTC cannot use these assets to finance its operations.

Career Technology Center Of Lackawanna County

MANAGEMENT DISCUSSION AND ANALYSIS (MD&A)

FINANCIAL ANALYSIS OF THE CTC AS A WHOLE

Table A-1
Fiscal Year Ending June 30, 2017
Net Assets

	Governmental Activities		Business Type Activities		Total Primary Government		% Chg
	2017	2016	2017	2016	2017	2016	
Current Assets	\$ 2,157,447	\$ 2,015,526	\$ 2,267	\$ (14,077)	\$ 2,159,714	\$ 2,001,449	7.9%
Restricted Assets	257,618	706,748	0	0	257,618	706,748	-63.5%
Capital Assets	<u>22,088,657</u>	<u>21,964,852</u>	<u>10,939</u>	<u>14,359</u>	<u>22,099,596</u>	<u>21,979,211</u>	<u>0.5%</u>
Total Assets	\$ <u>24,503,722</u>	\$ <u>24,687,126</u>	\$ <u>13,206</u>	\$ <u>282</u>	\$ <u>24,516,928</u>	\$ <u>24,687,408</u>	<u>-0.7%</u>
Deferred Outflow of Resources	\$ 2,481,865	\$ 1,144,310	\$ 0	\$ 0	\$ 2,481,865	\$ 1,144,310	116.9%
Current Liabilities	\$ 2,611,599	\$ 2,106,355	\$ 202	\$ 211	\$ 2,611,801	\$ 2,106,566	24.0%
Restricted Liabilities	3,000	47,137	0	0	3,000	47,137	-93.6%
Long Term Liabilities	<u>26,571,230</u>	<u>25,737,940</u>	<u>0</u>	<u>0</u>	<u>26,571,230</u>	<u>25,737,940</u>	<u>3.2%</u>
Total Liabilities	\$ <u>29,185,829</u>	\$ <u>27,891,432</u>	\$ <u>202</u>	\$ <u>211</u>	\$ <u>29,186,031</u>	\$ <u>27,891,643</u>	<u>4.6%</u>
Deferred Inflow of Resources	\$ 424,963	\$ 542,013	\$ 0	\$ 0	\$ 424,963	\$ 542,013	-21.6%
Net Position							
Invested In Capital Assets	\$ 7,226,310	\$ 6,578,413	\$ 10,939	\$ 14,359	\$ 7,237,249	\$ 6,592,772	9.8%
Restricted for Capital Repl	557,491	614,120	0	0	557,491	614,120	-9.2%
Restricted for Capital Project	219,482	911,791	0	0	219,482	911,791	-75.9%
Restricted for Debt Service	287	80	0	0	287	80	258.8%
Unrestricted	<u>(10,628,775)</u>	<u>(10,706,413)</u>	<u>2,065</u>	<u>(14,288)</u>	<u>(10,626,710)</u>	<u>(10,720,701)</u>	<u>-0.9%</u>
Total Net Position	\$ <u>(2,625,205)</u>	\$ <u>(2,602,009)</u>	\$ <u>13,004</u>	\$ <u>71</u>	\$ <u>(2,612,201)</u>	\$ <u>(2,601,938)</u>	<u>0.4%</u>

Changes in Entity-wide Net Position

The results of this year's operations are presented in CTC'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 CTC's activities that are supported by other general revenues.

Career Technology Center Of Lackawanna County

MANAGEMENT DISCUSSION AND ANALYSIS (MD&A)

Changes in Entity-wide Net Position (continued)

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
Fiscal Year Ending June 30, 2017
Changes in Net Position

	Governmental Activities		Business Type Activities		Total Primary Government	
	2017	2016	2017	2016	2017	2016
Revenues						
Program Revenues:						
Charges for services	\$ 1,020,068	\$ 971,489	\$ 65,578	\$ 48,346	\$ 1,085,646	\$ 1,019,835
Operating grants and contributions	1,237,182	1,137,198	110,661	75,700	1,347,843	1,212,898
Capital grants and contributions	76,894	85,047	0	0	76,894	85,047
General Revenues:						
State grants and subsidies	494,933	471,183	0	0	494,933	471,183
Investment earnings	6,906	2,535	207	69	7,113	2,604
Receipts From Member Districts AVTS	4,919,528	5,710,513	0	0	4,919,528	5,710,513
Refund of Prior Year Expenditures	341,895	0	0	0	341,895	0
Rentals and Miscellaneous	79,781	23,340	0	0	79,781	23,340
Total Revenues	\$ 8,177,187	\$ 8,401,305	\$ 176,446	\$ 124,115	\$ 8,353,633	\$ 8,525,420
Expenses						
Instruction	\$ 4,066,079	\$ 3,517,779	\$ 0	\$ 0	\$ 4,066,079	\$ 3,517,779
Support services	2,814,379	2,728,162	0	0	2,814,379	2,728,162
Unallocated Depreciation	787,853	557,683	0	0	787,853	557,683
Interest on Long Term Debt	448,248	465,069	0	0	448,248	465,069
Facility Acquisition, Construction, Improvement Services	23,937	10,501	0	0	23,937	10,501
Other Administrative	59,887	68,004	0	0	59,887	68,004
Food/Production services	0	0	163,513	144,768	163,513	144,768
Total Expenses	\$ 8,200,383	\$ 7,347,198	\$ 163,513	\$ 144,768	\$ 8,363,896	\$ 7,491,966
Increase (Decrease) in Net Assets Before Transfers	\$ (23,196)	\$ 1,054,107	\$ 12,933	\$ (20,653)	\$ (10,263)	\$ 1,033,454
Transfers	0	(20,602)	0	20,602	0	0
Increase (Decrease) in Net Assets	\$ (23,196)	\$ 1,033,505	\$ 12,933	\$ (51)	\$ (10,263)	1,033,454
Net Position Beginning	(2,602,009)	(3,635,514)	71	122	(2,601,938)	(3,635,392)
Change in Accounting Principle	0	0	0	0	0	0
Net Position Ending	\$ (2,625,205)	\$ (2,602,009)	\$ 13,004	\$ 71	\$ (2,612,201)	\$ (2,601,938)

The largest source of program revenues for the CTC consists of charges for services and operating grants and contributions for operation of its continuing education class to adults of \$619,460 in 2016-2017 compared to \$588,888 in 2015-2016, contributions from non-member districts of \$400,608 in 2016-2017 compared to \$382,601 in 2015-2016, and operating grants and subsidies, the largest of which represents federal funding from the Carl D. Perkins Vocational and Technical Education grant totaling \$408,886 in 2016-2017 compared to \$416,127 in 2015-2016 and state funding for social security and retirement subsidies of \$704,204 in 2016-2017 compared to \$594,778 in 2015-2016.

Career Technology Center Of Lackawanna County

MANAGEMENT DISCUSSION AND ANALYSIS (MD&A)

Changes in Entity-wide Net Position (continued)

The largest source of general revenue for CTC consists of contributions from eight member districts of \$4,919,528. Included in the revenue figure is \$1,331,662, which represents the sixth and seventh payments on the CTC 2012 Bond Issue. The payments were made by eight participating districts to the Debt Service Account. The \$4,919,528 amount accounts for approximately 60% of total governmental activities revenues. This percentage demonstrates the reliance that CTC places on the contributions received from its member districts.

The second largest source of general revenues for CTC consists of State grants and subsidies, which is \$494,933 for the State Vocational Subsidy for Secondary Programs. This is an increase from the prior year of \$23,750.

FINANCIAL ANALYSIS OF THE SCHOOL'S FUNDS

As of June 30, 2017, CTC's General Fund reported a fund balance of \$418,835 which is shown as net in Due from Other Governmental Units in the Notes to Financial Statements.

In Government Activities, Instruction Expenses increased from \$3,517,779 in 2016 to \$4,066,079 while Support Services increased \$86,217 to \$2,814,379.

Historically, the Joint Operating Committee of the CTC allows for the transfer of fund balances to the Capital Reserve Fund. As stated earlier, this fund is set up for capital projects, equipment upgrades and equipment purchases for the school. By transferring the funds to reserve, school districts avoid being periodically assessed for capital improvements at the CTC.

General Fund Budgetary Highlights

The Statement of Revenue and Expenditures, Budget and Actual show a comparison of budget vs. actual and include a column for Variance with Budget. Total Revenue received in the General Fund was \$375,668 over budget, while total Expenditures in the General Fund were \$271,427 over budget.

Vocational Education Programs ended with a negative expenditure budgetary variance of \$265,344. The categories included in this total cover instructional costs for secondary students served by the CTC. Adult Education programs ended with a negative expenditure variance of \$35,388. Total Support Services showed a positive expenditure variance of \$26,566.

CAPITAL ASSETS

As of June 30, 2017, CTC had \$30,521,720 invested in capital assets for governmental activities compared to \$29,610,062 as of June 30, 2016, and \$135,166 invested in capital assets for business activities as of June 30, 2017 and June 30, 2016.

Career Technology Center Of Lackawanna County

MANAGEMENT DISCUSSION AND ANALYSIS (MD&A)

Table A-5
Fiscal Year Ending June 30, 2017
Capital Assets Net of Depreciation

	Total Assets	Accumulated Depreciation	Balance Net of Depreciation
Governmental Activities			
Land	\$ 195,444	\$ 0	\$ 195,444
Land Improvements	124,447	14,953	109,494
Buildings	25,401,662	5,679,816	19,721,846
Fixtures and Equipment	<u>4,800,167</u>	<u>2,738,294</u>	<u>2,061,873</u>
Total Governmental Activities	<u>\$ 30,521,720</u>	<u>\$ 8,433,063</u>	<u>\$ 22,088,657</u>
Business Activities			
Fixtures and Equipment	<u>135,166</u>	<u>124,227</u>	<u>10,939</u>
Total Business Activities	<u>\$ 135,166</u>	<u>\$ 124,227</u>	<u>\$ 10,939</u>

LONG TERM DEBT

	Balance July 1, 2016	Additions	Amortization (Accretion)	Retirements	Balance June 30, 2017	Due Within One Year
Lease Revenue Bonds	\$ 15,225,000	\$ 0	\$ 0	\$ 735,000	\$ 14,490,000	\$ 750,000
Amortization / Accretion	599,931	0	(154,255)	0	445,676	0
Capitalized Lease	<u>175,627</u>	<u>0</u>	<u>0</u>	<u>29,474</u>	<u>146,153</u>	<u>30,522</u>
TOTALS	<u>\$ 16,000,558</u>	<u>\$ 0</u>	<u>\$ (154,255)</u>	<u>\$ 764,474</u>	<u>\$ 15,081,829</u>	<u>\$ 780,522</u>

CTC of Lackawanna County entered into a lease agreement with the State Public Building Authority (SPBA) as lessee in order to finance the planning and construction of a renovation project for the CTC Building project. Principal Amount on the bond is \$17,170,000, 1 to 5% aggregate principal amount. Interest is payable On February 15 and August 15 each year from 2013 through 2032. Detailed information on the bond issue can be found in Note 8 of the Notes to the Financial Statement.

Career Technology Center Of Lackawanna County

MANAGEMENT DISCUSSION AND ANALYSIS (MD&A)

ECONOMIC FACTORS AND THE 2017-2018 BUDGET

CTC has a prepared General Fund Operating Budget for the next school year, or the fiscal year ending June 30, 2018. The total 2017-2018 General Operating Budget represents an increase of \$604,951 or 9.4% from the total 2016-2017 General Operating Budget, primarily due to expected increases in salaries and corresponding employee benefits. The member district's costs for 2017-2018 increased by \$61,644 over 2016-2017. The member district increase differs from the budgetary level due to differences in revenue from non-member districts, state/federal revenue, and self-sustaining program changes.

The 2017-2018 General Operating Budget represents a sincere effort of the Joint Operating Committee and the administrative staff to provide a quality program of career and technical education, and to demonstrate fiscal responsibility in an era of constrained resources.

CONTACTING THE CTC 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 CTC 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 James McHale, Chief Financial Officer, Career Technology Center of Lackawanna County, 3201 Rockwell Avenue, Scranton, PA 18508; Telephone: 570-346-8471 EXT 194, Fax: 570-342-4251 or E-mail: jmchale@ctclc.edu.

Respectfully submitted:

James McHale, Chief Financial Officer

CAREER TECHNOLOGY CENTER OF LACKAWANNA COUNTY
STATEMENT OF NET POSITION
JUNE 30, 2017

	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
ASSETS			
Cash	\$ 1,713,858	\$ 51,894	\$ 1,765,752
State Subsidy Receivable	246,467	702	247,169
Federal Subsidy Receivable	78,769	15,572	94,341
Interfund Receivables	71,215	(68,492)	2,723
Inventory	0	2,591	2,591
Other Receivables	47,138	0	47,138
Restricted Assets			
Cash	257,478	0	257,478
Accrued Interest Receivable	140	0	140
Capital Assets:			
Land & Land Improvements	319,891	0	319,891
Buildings	25,401,662	0	25,401,662
Furniture and Equipment	4,800,167	135,166	4,935,333
Accumulated Depreciation	(8,433,063)	(124,227)	(8,557,290)
TOTAL ASSETS	\$ 24,503,722	\$ 13,206	\$ 24,516,928
DEFERRED OUTFLOW OF RESOURCES			
Deferred Outflows Related to Pensions	\$ 2,375,074	\$ 0	\$ 2,375,074
Prepaid Bond Insurance Cost	106,791	0	106,791
TOTAL DEFERRED OUTFLOW OF RESOURCES	\$ 2,481,865	\$ 0	\$ 2,481,865

"See Accompanying Notes and Independent Auditors' Report"

CAREER TECHNOLOGY CENTER OF LACKAWANNA COUNTY
STATEMENT OF NET POSITION
JUNE 30, 2017

	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
LIABILITIES			
Accrued Salary and Benefits	\$ 630,795	\$ 0	\$ 630,795
Accounts Payable	191,751	202	191,953
Intergovernmental Payable	642,067	0	642,067
Payroll Deductions Payable	34,368	0	34,368
RACP Grant Temporary Funding Member Districts	113,861	0	113,861
Accrued Interest Expense	218,235	0	218,235
Current Portion Capitalized Lease Payable	30,522	0	30,522
Current Portion Lease Revenue Bonds Payable	750,000	0	750,000
Payable From Restricted Assets:			
Construction Payables	3,000	0	3,000
Noncurrent Liabilities:			
Post Employment Retirement Benefits	715,010	0	715,010
Pension Obligation Payable	11,348,513	0	11,348,513
Capitalized Lease Payable	115,631	0	115,631
Lease Revenue Bonds Payable	14,185,676	0	14,185,676
Accumulated Compensated Absences	206,400	0	206,400
	<u>\$ 29,185,829</u>	<u>\$ 202</u>	<u>\$ 29,186,031</u>
DEFERRED INFLOW OF RESOURCES			
Deferred Inflows Related to Pensions	\$ 403,000	\$ 0	\$ 403,000
Unearned Revenue	21,963	0	21,963
	<u>\$ 424,963</u>	<u>\$ 0</u>	<u>\$ 424,963</u>
COMMITMENTS			
NET POSITION			
Investment in Capital Assets, Net of Related Debt	\$ 7,226,310	\$ 10,939	\$ 7,237,249
Restricted For:			
Reserve For Capital Project	219,482	0	219,482
Reserve For Capital Replacement	557,491	0	557,491
Reserve For Debt Service	287	0	287
Unreserved	(10,628,775)	2,065	(10,626,710)
	<u>\$ (2,625,205)</u>	<u>\$ 13,004</u>	<u>\$ (2,612,201)</u>

"See Accompanying Notes and Independent Auditors' Report"

CAREER TECHNOLOGY CENTER OF LACKAWANNA COUNTY
STATEMENT OF NET ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2017

FUNCTIONS/PROGRAMS	EXPENSES	PROGRAM REVENUES			NET (EXPENSES) REVENUES AND CHANGES IN NET ASSETS		
		CHARGE FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
Governmental Activities:							
Instruction:							
Vocational Education Programs	\$ 3,205,004	\$ 400,608	\$ 630,584	\$ 76,894	\$ (2,096,918)	\$ 0	\$ (2,096,918)
Adult Education Programs	861,075	619,460	225,913	0	(15,702)	0	(15,702)
TOTAL INSTRUCTIONAL EXPENDITURES	\$ 4,066,079	\$ 1,020,068	\$ 856,497	\$ 76,894	\$ (2,112,620)	\$ 0	\$ (2,112,620)
Support Services							
Guidance	\$ 189,687	\$ 0	\$ 22,299	\$ 0	\$ (167,388)	\$ 0	\$ (167,388)
Instructional Support	316,809	0	149,991	0	(166,818)	0	(166,818)
Administrative Services	799,354	0	90,828	0	(708,526)	0	(708,526)
Pupil Health Services	86,396	0	8,482	0	(77,914)	0	(77,914)
Business Services	371,476	0	33,185	0	(338,291)	0	(338,291)
Operation & Maintenance of Plant Services	1,050,657	0	75,900	0	(974,757)	0	(974,757)
TOTAL SUPPORT SERVICES	\$ 2,814,379	\$ 0	\$ 380,685	\$ 0	\$ (2,433,694)	\$ 0	\$ (2,433,694)
Other Expenditures							
Unallocated Depreciation	\$ 787,853	\$ 0	\$ 0	\$ 0	\$ (787,853)	\$ 0	\$ (787,853)
Facility Acquisition, Construction, Improvement Services	23,937	0	0	0	(23,937)	0	(23,937)
Interest on Long - Term Debt	448,248	0	0	0	(448,248)	0	(448,248)
Other Administrative-	59,887	0	0	0	(59,887)	0	(59,887)
TOTAL SUPPORT SERVICES	\$ 1,319,925	\$ 0	\$ 0	\$ 0	\$ (1,319,925)	\$ 0	\$ (1,319,925)
TOTAL GOVERNMENTAL ACTIVITIES	\$ 8,200,383	\$ 1,020,068	\$ 1,237,182	\$ 76,894	\$ (5,866,239)	\$ 0	\$ (5,866,239)
Business-Type Activities:							
Food Service	\$ 163,513	\$ 65,578	\$ 110,661	\$ 0	\$ 0	\$ 12,726	\$ 12,726
TOTAL PRIMARY GOVERNMENT	\$ 8,363,896	\$ 1,085,646	\$ 1,347,843	\$ 76,894	\$ (5,866,239)	\$ 12,726	\$ (5,853,513)
General Revenues:							
Grants, Subsidies, and Contributions Not Restricted	\$ 494,933	\$ 0	\$ 0	\$ 494,933	\$ 0	\$ 0	\$ 494,933
Receipts From Member District - AVTS	4,919,528	0	0	4,919,528	0	0	4,919,528
Investment Earnings	6,906	0	207	6,906	207	0	7,113
Rent of School Facilities	3,000	0	0	3,000	0	0	3,000
Miscellaneous Income	76,781	0	0	76,781	0	0	76,781
Refund of Prior Year Expenditure	341,895	0	0	341,895	0	0	341,895
TOTAL GENERAL REVENUES, SPECIAL ITEMS, AND TRANSFERS	\$ 5,843,043	\$ 0	\$ 207	\$ 5,843,250	\$ 207	\$ 0	\$ 5,843,250
Change in Net Position	\$ (23,196)	\$ 12,933	\$ 71	\$ (10,263)	\$ 12,933	\$ 71	\$ (10,263)
Net Position - Beginning of Year	(2,602,009)	0	0	(2,602,009)	0	0	(2,602,009)
NET POSITION - END OF YEAR	\$ (2,625,205)	\$ 13,004	\$ 0	\$ (2,612,201)	\$ 13,004	\$ 0	\$ (2,612,201)

"See Accompanying Notes and Independent Auditors' Report"

CAREER TECHNOLOGY CENTER OF LACKAWANNA COUNTY
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2017

	GENERAL FUND	CAPITAL PROJECTS FUND	CAPITAL RESERVE FUND	NON-MAJOR FUND	TOTAL GOVERNMENTAL FUNDS
ASSETS					
Cash	\$ 1,260,842	\$ 0	\$ 453,016	\$ 0	\$ 1,713,858
State Subsidy Receivable	246,467	0	0	0	246,467
Federal Subsidy Receivable	78,769	0	0	0	78,769
Interfund Receivables	71,215	0	217,023	0	288,238
Other Receivables	47,138	0	0	0	47,138
Restricted Assets:					
Cash	0	222,342	34,849	287	257,478
Accrued Interest Receivable	0	140	0	0	140
TOTAL ASSETS	<u>\$ 1,704,431</u>	<u>\$ 222,482</u>	<u>\$ 704,888</u>	<u>\$ 287</u>	<u>\$ 2,632,088</u>
LIABILITIES & FUND BALANCE					
Accrued Salary and Benefits	\$ 630,795	\$ 0	\$ 0	\$ 0	\$ 630,795
Accounts Payable	158,215	0	33,536	0	191,751
Interfund Payables	217,023	0	0	0	217,023
Intergovernmental Payable	642,067	0	0	0	642,067
Unearned Revenue	21,963	0	0	0	21,963
Payroll Deductions Payable	34,368	0	0	0	34,368
RACP Grant Temporary Funding Member Districts Payable From Restricted Assets:	0	0	113,861	0	113,861
Construction Payables	0	3,000	0	0	3,000
TOTAL LIABILITIES	<u>\$ 1,704,431</u>	<u>\$ 3,000</u>	<u>\$ 147,397</u>	<u>\$ 0</u>	<u>\$ 1,854,828</u>
FUND BALANCE					
Restricted For					
Capital Projects Fund	\$ 0	\$ 219,482	\$ 0	\$ 0	\$ 219,482
Capital Reserve Fund	0	0	557,491	0	557,491
Debt Service	0	0	0	287	287
TOTAL FUND BALANCE	<u>\$ 0</u>	<u>\$ 219,482</u>	<u>\$ 557,491</u>	<u>\$ 287</u>	<u>\$ 777,260</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 1,704,431</u>	<u>\$ 222,482</u>	<u>\$ 704,888</u>	<u>\$ 287</u>	<u>\$ 2,632,088</u>

"See Accompanying Notes and Independent Auditors' Report"

CAREER TECHNOLOGY CENTER OF LACKAWANNA COUNTY
 RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
 TO THE STATEMENT OF NET POSITION
 JUNE 30, 2017

Total Fund Balance - Total Governmental Funds		\$ 777,260
Amount reported for governmental activities in the statement of net position differs because:		
Capital assets used in governmental activities are not reported as assets in governmental funds.		
The total cost of the assets is	\$ 30,521,720	
and the accumulated depreciation is	<u>(8,433,063)</u>	22,088,657
Governmental funds report the effects of bond insurance cost when the debt is first issued, whereas these amounts are deferred and amortized		
		106,791
Deferred outflows and inflows of resources related to pensions are applicable to future reporting periods and, therefore, are not reported in the funds.		
		1,972,074
Long-Term liabilities are not due and payable in the current period and are not reported as liabilities in the funds. Long-Term liabilities at June 30, 2017 consist of		
Post retirement employment benefits	\$ (715,010)	
Pension obligation payable	(11,348,513)	
Capitalized lease payable	(146,153)	
Lease revenue bonds payable	(14,935,676)	
Accrued interest expense	(218,235)	
Compensated absences	<u>(206,400)</u>	<u>(27,569,987)</u>
NET POSITION OF GOVERNMENTAL ACTIVITIES		<u>\$ (2,625,205)</u>

"See Accompanying Notes and Independent Auditors' Report"

CAREER TECHNOLOGY CENTER OF LACKAWANNA COUNTY
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2017

REVENUE	GENERAL FUND	CAPITAL PROJECTS FUND	CAPITAL RESERVE FUND	NON-MAJOR FUND	TOTAL GOVERNMENTAL FUNDS
Local Sources	\$ 4,528,616	\$ 1,353	\$ 2,345	\$ 1,331,870	\$ 5,864,184
State Sources	1,400,123	0	0	0	1,400,123
Federal Sources	912,880	0	0	0	912,880
TOTAL REVENUE	\$ 6,841,619	\$ 1,353	\$ 2,345	\$ 1,331,870	\$ 8,177,187
EXPENDITURES					
Instruction					
Vocational Education Programs	\$ 3,141,549	\$ 0	\$ 247,688	\$ 0	\$ 3,389,237
Adult Education Programs	812,729	0	2,224	0	814,953
TOTAL INSTRUCTIONAL EXPENDITURES	\$ 3,954,278	\$ 0	\$ 249,912	\$ 0	\$ 4,204,190
Support Services					
Guidance	\$ 179,021	\$ 0	\$ 0	\$ 0	\$ 179,021
Instructional Support	308,725	0	0	0	308,725
Administrative Services	778,977	0	0	1,000	779,977
Pupil Health Services	71,102	0	0	0	71,102
Business Services	349,616	0	0	0	349,616
Operation & Maintenance of Plant Services	1,012,278	0	196,546	0	1,208,824
Other Administrative	48,230	0	12,000	0	60,230
TOTAL SUPPORT SERVICES	\$ 2,747,949	\$ 0	\$ 208,546	\$ 1,000	\$ 2,957,495
Other Expenditures					
Facility Acquisition, Construction, Improvement Services	\$ 0	\$ 397,341	\$ 78	\$ 0	\$ 397,419
Debt Service	35,151	0	0	1,331,663	1,366,814
TOTAL OTHER EXPENDITURES	\$ 35,151	\$ 397,341	\$ 78	\$ 1,331,663	\$ 1,764,233
TOTAL EXPENDITURES	\$ 6,737,378	\$ 397,341	\$ 458,536	\$ 1,332,663	\$ 8,925,918
EXCESS OF REVENUES (UNDER)/OVER EXPENDITURES	\$ 104,241	\$ (395,988)	\$ (456,191)	\$ (793)	\$ (748,731)
Other Financing Sources (Uses)					
Operating Transfer In (Out)	\$ (104,241)	\$ 1,350	\$ 101,891	\$ 1,000	\$ 0
TOTAL OTHER FINANCING SOURCES (USES)	\$ (104,241)	\$ 1,350	\$ 101,891	\$ 1,000	\$ 0
Excess of Revenue and Other Financing Sources (Under)/Over Expenditures and Other Financing Uses	\$ 0	\$ (394,638)	\$ (354,300)	\$ 207	\$ (748,731)
Fund Balance, Beginning of Year	0	614,120	911,791	80	1,525,991
FUND BALANCE, END OF YEAR	\$ 0	\$ 219,482	\$ 557,491	\$ 287	\$ 777,260

"See Accompanying Notes and Independent Auditors' Report"

CAREER TECHNOLOGY CENTER OF LACKAWANNA COUNTY
 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

Net Change in Fund Balances - Total Governmental Funds \$ (748,731)

Amount reported for governmental activities in the statement of activities differs because:

Capital outlays are reported in government funds as expenditures. However, in the statement of activities, the cost of these assets is allocated over their estimated useful lives as depreciation expense. The amount by which capital outlays exceeds depreciation in the period is as follows:

Capital Outlays	\$ 911,658	
Depreciation	<u>(787,853)</u>	123,805

In the statement of activities, post employment benefits are provided for when the liability is incurred at its net present value. In governmental funds however, the actual amount paid during the year is reported as an expenditure. This amount represents the change in the net present value calculation of GASB 45 & 47 Post Employment Retirement Benefits.

(67,316)

District pension contributions are reported as expenditures in the governmental funds when made. However, they are reported as deferred outflows of resources in the Statement of Net Position because the reported net pension liability is measured a year before the School's report date. Pension expense, which is the change in the net pension liability adjusted for changes in deferred outflows and inflows of resources related to pensions, is reported in the Statement of Activities.

Pension Expense	\$ (1,132,041)	
Pension Contributions	<u>894,074</u>	(237,967)

Issuance of long-term debt 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. Also governmental funds report the effects of issuance cost, premiums, and discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. The effect of these transactions in the statement of activities is shown below:

Bond Premium Accretion	\$ 154,256	
Lease Revenue Bond Principal Payments	735,000	
Prepaid Bond Insurance Cost Amortization	(5,677)	
Capitalized Lease Principal Payments	<u>29,474</u>	913,053

"See Accompanying Notes and Independent Auditors' Report"

CAREER TECHNOLOGY CENTER OF LACKAWANNA COUNTY
 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

In the statement of activities, accrued interest expense is recognized as the interest accrues, regardless of when it is due. Whereas, in the governmental funds interest expense is recognized as an expenditure when it is due. The additional interest accrued in the statement of activities over the amount due is shown here. 5,513

In the statement of activities, compensated absences are measured by the amounts earned during the year. In governmental funds however, expenditures for these items are measured by the amount of financial resources used. This amount represents the difference between the amount earned versus the amount used. (11,553)

CHANGE IN NET POSITION - GOVERNMENTAL ACTIVITIES \$ (23,196)

"See Accompanying Notes and Independent Auditors' Report"

CAREER TECHNOLOGY CENTER OF LACKAWANNA COUNTY
STATEMENT OF NET POSITION
PROPRIETARY FUND - FOOD SERVICE FUND
BUSINESS-TYPE ACTIVITIES
JUNE 30, 2017

ASSETS

Cash	\$	51,894
State Subsidy Receivable		702
Federal Subsidy Receivable		15,572
Inventory		2,591
Capital Assets:		
Furniture And Equipment		135,166
Accumulated Depreciation		<u>(124,227)</u>

TOTAL ASSETS		\$ <u>81,698</u>
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LIABILITIES

Accounts Payable	\$	202
Interfund Payables		<u>68,492</u>

TOTAL LIABILITIES		\$ <u>68,694</u>
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NET POSITION

Investment in Capital Assets, Net of Related Debt	\$	10,939
Unreserved - Undesignated		<u>2,065</u>

TOTAL NET POSITION		\$ <u>13,004</u>
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"See Accompanying Notes and Independent Auditors' Report"

CAREER TECHNOLOGY CENTER OF LACKAWANNA COUNTY
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGE IN FUND NET POSITION
PROPRIETARY FUND - FOOD SERVICE FUND
BUSINESS-TYPE ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2017

REVENUE		
Food Sales	\$	64,102
Other Food Service Revenue		<u>1,476</u>
 TOTAL REVENUE		 \$ 65,578
EXPENSES		
Food Costs	\$	79,764
Salaries and Wages		61,220
Employee Benefits		9,056
Contracted Services		9,880
Other Expenses		173
Depreciation Expense		<u>3,420</u>
 TOTAL EXPENSES		 <u>163,513</u>
NET OPERATING LOSS		\$ (97,935)
NON-OPERATING REVENUES		
Federal and State Subsidies	\$	110,661
Interest Income		<u>207</u>
 TOTAL NON-OPERATING REVENUE		 <u>110,868</u>
NET INCOME		\$ 12,933
Net Position at Beginning of Year		<u>71</u>
NET POSITION AT END OF YEAR		<u><u>\$ 13,004</u></u>

"See Accompanying Notes and Independent Auditors' Report"

CAREER TECHNOLOGY CENTER OF LACKAWANNA COUNTY
STATEMENT OF CASH FLOWS
PROPRIETARY FUND - FOOD SERVICE FUND
BUSINESS-TYPE ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2017

CASH FLOWS FROM OPERATING ACTIVITIES:

Cash Received From Users	\$	65,568	
Cash Payments To Employees For Service		(61,220)	
Cash Payments To Suppliers For Goods And Services		<u>(97,727)</u>	
Net Cash Used In Operating Activities	\$		(93,379)

CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:

Federal and State Subsidies	\$	<u>94,803</u>	
Net Cash Provided By Non-Capital Financing Activities			94,803

CASH FLOW FROM INVESTING ACTIVITIES:

Earnings On Investments	\$	<u>207</u>	
Net Cash Used In Investing Activities			<u>207</u>

Net Increase in Cash	\$		1,631
Cash at Beginning of Year			<u>50,263</u>
CASH AT END OF YEAR	\$		<u><u>51,894</u></u>

RECONCILIATION OF OPERATING INCOME TO NET CASH
USED IN OPERATING ACTIVITIES:

Operating Loss	\$		(97,935)
Adjustments to Reconcile Operating Loss To Net Cash Used In Operating Activities			
Depreciation			3,420
Donated Commodities			7,335
Changes in assets and liabilities			
(Increase)/Decrease in Inventory			533
Increase/(Decrease) In Accounts Payable			(9)
Increase/(Decrease) in Interfund Payables			<u>(6,723)</u>
Net Cash Used In Operating Activities	\$		<u><u>(93,379)</u></u>

"See Accompanying Notes and Independent Auditors' Report"

CAREER TECHNOLOGY CENTER OF LACKAWANNA COUNTY
STATEMENT OF NET POSITION
FIDUCIARY FUND - AGENCY FUND
JUNE 30, 2017

ASSETS

Cash \$ 29,292

TOTAL ASSETS \$ 29,292

LIABILITIES

Due To Specific Student Activity \$ 26,569
Groups

Interfund Payables 2,723

TOTAL LIABILITIES \$ 29,292

"See Accompanying Notes and Independent Auditors' Report"

CAREER TECHNOLOGY CENTER OF LACKAWANNA COUNTY
NOTES TO FINANCIAL STATEMENTS

Note 1 - Summary of Significant Accounting Policies

The accounting and reporting policies of the School District relating to the funds included in the accompanying basic financial statements conform to accounting principles generally accepted in the United States of America (GAAP) applicable to state and local governments. Generally accepted accounting principles for local governments include those principles prescribed by the Governmental Accounting Standards Board (GASB), the American Institute of Certified Public Accountants in the publication entitled *State and Local Governments – Audit and Accounting Guide* and by the Financial Accounting Standards Board (when applicable). The significant accounting policies of the School are described below.

Reporting Entity: Career Technology Center of Lackawanna County is the basic level of government which has financial accountability and control over all activities relating to the vocational-technical education in Lackawanna County. The Board receives funding from local, state, federal government and other sources and must comply with the requirements of these funding sources. However, the Board is not included in any other governmental "reporting entity" as defined by the GASB pronouncement. Each member district appoints one of their elected board members to the Board. The board has decision making authority, revenue setting authority, the power to designate management, the ability to significantly influence operations and primary accountability for fiscal matters. In addition, there are no component units as defined in Governmental Accounting Standards Board Statement No. 14 which are included in the School's reporting entity.

The reporting entity of the School is based upon criteria set forth by GASB Statement 14, *The Financial Reporting Entity*, as amended by GASB Statement 39, *Determining Component Unit* and GASB Statement No. 61. The accompanying basic financial statements comply with the provisions of GASB Statement No. 61, *The Financial Reporting Entity Omnibus*: which amends GASB Statement 14 and 34 in that the financial statements include all organizations, activities and functions for which the District is financially accountable. Financial accountability is defined as the appointment of a voting majority of a component unit or (2) the possibility that the component unit will provide a financial benefit or impose a financial burden on the District. In addition, component units can be other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading. This report presents the activities of the Career Technology Center of Lackawanna County. The District is not a component unit of another reporting entity nor does it have any component units.

Basis of Presentation: Government-wide Financial Statements: The Statement of Net Position and Statement of Activities display information about the reporting government as a whole. They include all funds of the reporting entity except for fiduciary funds. The statements distinguish between governmental and business-type activities. Governmental activities generally are financed through intergovernmental revenues and other non-exchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

CAREER TECHNOLOGY CENTER OF LACKAWANNA COUNTY
NOTES TO FINANCIAL STATEMENT

Note 1 Summary of Significant Accounting Policies (Continued)

The statement of activities demonstrates the degree to which the direct expenses of a given program are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific program. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given program and 2) operating or capital grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Other items not properly included among program revenues are reported instead as general revenues.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues result from providing goods and services in connection with a proprietary fund's principal ongoing operations; they usually come from exchange or exchange-like transactions. All other revenues are non-operating. Operating expenses can be tied specifically to the production of the goods and services, such as materials and labor and direct overhead. Other expenses are non-operating.

Fund Financial Statements: Fund financial statements of the reporting entity are organized into funds, each of which is considered to be separate accounting entities. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues, and expenditure/expenses. Funds are organized into three major categories: governmental, proprietary, and fiduciary. An emphasis is placed on major funds within the governmental and proprietary categories. A fund is considered major if it is the primary operating fund of the School or meets the following criteria:

- a. Total assets, liabilities, revenues, or expenditures/expenses of that individual governmental or enterprise fund are at least 10 percent of the corresponding total for all funds of that category or type; and
- b. Total assets, liabilities, revenues, or expenditures/expenses of the individual governmental fund or enterprise fund are at least 5 percent of the corresponding total for all governmental and enterprise funds combined.

The funds of the financial reporting entity are described below:

1. Governmental Fund Type
 - a. The General Fund is the General Operating Fund of the School and accounts for all revenues and expenditures of the School not encompassed within other funds. This is a budgeted fund, and any fund balance/ (deficit) is reimbursed to/due from various school districts. The General Fund is always classified as a major fund.

CAREER TECHNOLOGY CENTER OF LACKAWANNA COUNTY
NOTES TO FINANCIAL STATEMENT

Note 1 Summary of Significant Accounting Policies (Continued)

- b. The Capital Reserve Fund, an unbudgeted fund, accounts for specific sales and purchases of capital projects. The School has classified this fund as a major fund.
 - c. The Capital Project Fund, an unbudgeted fund, accounts for the planning and construction of the Schools 2012 Capital Building Project as described in Note 8. The School has classified this fund as a major fund.
 - d. The Debt Service Fund, an unbudgeted fund, is used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest, and related costs, and is classified as a non-major fund.
2. Proprietary Fund Type - The Food Service Fund, an unbudgeted fund, is used to account for the operations of a School cafeteria that provides lunches to students for the purpose of making a profit. The Pennsylvania Department of Education has mandated that the Food Service Fund is always classified as a major fund.
3. Fiduciary Fund Type - The Student Activities Fund, an unbudgeted agency fund, is used to account for activities of student groups and other types of activities requiring clearing accounts. This fund has no equity, assets equal liabilities, and does not include revenues and expenditures for general operation of the School. Since the resources in the Fiduciary Funds cannot be used for school operations, they are not included in the Government-wide financial statements.

Measurement Focus: On the government-wide Statement of Net Position and the Statement of Activities, both governmental and business-like activities are presented using the economic resources measurement focus.

In the fund financial statements, the "current financial resources" measurement focus or the "economic resources" measurement focus is used as appropriate:

- a. All governmental funds utilize a "current financial resources" measurement focus. Only current financial assets and liabilities are generally included on their balance sheets. Their operating statements present sources and uses of available spendable financial resources during a given period. These funds use fund balance as their measure of available spendable financial resources at the end of the period.

CAREER TECHNOLOGY CENTER OF LACKAWANNA COUNTY
NOTES TO FINANCIAL STATEMENT

Note 1 Summary of Significant Accounting Policies (Continued)

- b. The proprietary fund utilizes an "economic resources" measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net position (or cost recovery), financial position, and cash flows. All assets and liabilities (whether current or noncurrent) associated with their activities are reported. Proprietary fund equity is classified as net position.

- c. Agency funds are not involved in the measurement of results of operations; therefore, measurement focus is not applicable to them.

Basis of Accounting: In the government-wide Statement of Net Position and Statement of Activities, both governmental and business-like activities are presented using the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place.

In the fund financial statements, governmental funds and agency funds are presented on the modified accrual basis of accounting. Under this modified accrual basis of accounting, revenues are recognized when "measurable and available". Measurable means knowing or being able to reasonably estimate the amount. Available means collectible within the current period or within sixty days after year end. Expenditures (including capital outlay) are recorded when the related fund liability is incurred, except for general obligation bond principal and interest which are reported when due.

All proprietary funds utilize the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used. The School does not attempt to allocate "overhead" costs to the food service fund such as utilities, janitorial service and insurance, etc., nor does the Food Service Fund recognize a cost for the building space it occupies.

Grant Funds: Grant Funds are considered earned to the extent of expenditures made under the provision of the Grant. Accordingly, when such funds are received they are recorded as unearned revenue until earned.

Inventories: The cost of donated commodities in the food service inventory represents the value assigned by the United States Department of Agriculture. Purchased inventories in the Food Service Fund are stated at cost on a first-in, first-out basis.

CAREER TECHNOLOGY CENTER OF LACKAWANNA COUNTY
NOTES TO FINANCIAL STATEMENT

Note 1 Summary of Significant Accounting Policies (Continued)

Investment in Capital Assets: The accounting treatment over property, plant, and equipment (fixed assets) depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements.

Government-wide Statements

In the government-wide financial statements, fixed assets are accounted for as capital assets. All fixed assets are valued at historical cost or estimated historical cost if actual is unavailable, except for donated fixed assets which are recorded at their estimated fair value at the date of donation. Estimated historical cost was used to value the majority of the assets acquired prior to June 30, 2003.

Depreciation of all exhaustible fixed assets is recorded as an expense in the Statement of Activities, with accumulated depreciation reflected in the Statement of Net Position. Depreciation is provided over the assets' estimated useful lives using the straight-line method of depreciation. The range of estimated useful lives by type of asset is as follows:

- Buildings & Improvements 20-50 years
- Site Improvements 20 years
- Machinery and Equipment 5-20 years

Fund Financial Statements

In the fund financial statements, fixed assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition. Fixed assets used in proprietary fund operations are accounted for the same as in the government-wide statements.

Long-Term Debt: The accounting treatment of long-term debt depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements.

Government-Wide Statements

All long-term debt to be repaid from governmental and business-type resources are reported as liabilities in the government-wide statements. The long-term debt consists primarily of bonds payable and accrued compensated absences.

CAREER TECHNOLOGY CENTER OF LACKAWANNA COUNTY
NOTES TO FINANCIAL STATEMENT

Note 1 Summary of Significant Accounting Policies (Continued)

Fund Financial Statements

Long-term debt for governmental funds is not reported as liabilities in the fund financial statements. The debt proceeds are reported as other financing sources and payment of principal and interest reported as expenditures. The accounting for proprietary fund is the same in the fund statements as it is in the government-wide statements.

Bond Insurance costs are amortized over the terms of the respective bonds using the straight line method. Bond discounts are amortized over the terms of the respective bonds using a method that approximates the effective interest method.

Budgets: Budgets are adopted on a basis consistent with generally accepted accounting principles. The official budget for the General Fund was formally adopted by the School Board Joint Committee on August 25, 2016 at a duly advertised meeting.

Once the budget is approved, it can be amended at the Function and Fund level only by approval of a majority of the members of the Board. Amendments are presented to the board at their regular meetings. Each amendment must have Board approval. Such amendments are made before the fact, are reflected in the official minutes of the Board, and are not made after fiscal year-end as dictated by law.

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

Interfund Receivables and Payables: During the course of operations, numerous transactions occur between individual funds that may result in amounts owed between funds. Those related to goods and services type transactions are classified as "due to and from other funds". Short-term interfund loans are reported as "interfund receivables and payables". Long-term interfund loans (noncurrent portion) are reported as "advances from and to other funds". Interfund receivables and payables between funds within governmental activities are eliminated in the Statement of Net Position.

Use of Estimates: The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Net Position: Net position represents the difference between assets and deferred outflow of resources and deferred inflows of resources, and liabilities. Net position

CAREER TECHNOLOGY CENTER OF LACKAWANNA COUNTY
NOTES TO FINANCIAL STATEMENTS

Note 1 Summary of Significant Accounting Policies (Continued)

invested in capital assets, net of related debt, consists of capital assets, net of accumulated depreciation, reduced by outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net position invested in capital assets, net of related debt excludes unspent debt proceeds. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the School or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

GASB Statement No. 63, Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position and GASB Statement No. 65, Items Previously Reported as Assets and Liabilities were implemented during the year ended June 30, 2014. These statements incorporate deferred outflows of resources and deferred inflows of resources, as defined by GASB Concepts Statement No. 4, into the definitions of the required components of the residual measure of net position, formerly net assets. The Statement of Net Position now reports the following components: assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position, when applicable.

Pensions: For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, 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.

Equity Classifications:

Government-wide Statements

Equity is classified as net position and displayed in three components:

- a. Invested in capital assets, net of related debt - Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- b. Restricted net position - Consists of net position with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.
- c. Unrestricted net position - All other net position that do not meet the definition of "restricted" or "invested in capital assets, net of related debt."

CAREER TECHNOLOGY CENTER OF LACKAWANNA COUNTY
NOTES TO FINANCIAL STATEMENT

Note 1 Summary of Significant Accounting Policies (Continued)

Fund Equity

Beginning with fiscal year 2011, Career Technology Center of Lackawanna County implemented GASB Statement 54 "Fund Balance Reporting and Governmental Fund Type Definitions This Statement provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on a government's fund balance more transparent. The following classifications describe the relative strength of the spending constraints placed on the purposes for which resources can be used:

- Nonspendable fund balance – amounts that are not in a spendable form (such as inventory) or are required to be maintained intact;
- Restricted fund balance – amounts constrained to specific purposes by their providers (such as grantors, bondholders, and high levels of government), through constitutional provisions, or by enabling legislation;
- Committed fund balance – amounts constrained to specific purposes by a government itself, using its highest level of decision-making authority; to be reported as committed, amounts cannot be used for any other purpose unless the government takes the same highest level action to remove or change the constraint;
- Assigned fund balance – amounts a government intends to use for a specific purpose; intent can be expressed by the governing body or by an official or body to which the governing body delegates the authority;
- Unassigned fund balance – amounts that are available for any purpose; positive amounts are reported only in the general fund.

Interfund Transfers

Permanent reallocation of resources between funds of the reporting entity are classified as interfund transfers. For the purposes of the Statement of Activities, all interfund transfers between individual governmental funds have been eliminated.

Note 2 - Cash and Investments

The Public School Code authorizes the School to invest in U.S. Treasury bills, short-term obligations of the U.S. Government or its agencies or instrumentalities, savings or time deposit accounts provided such deposits are insured or collateralized by obligations of the United States of America, Commonwealth of Pennsylvania or their agencies or instrumentalities provided such deposits are backed by the full faith and credit of such entities.

CAREER TECHNOLOGY CENTER OF LACKAWANNA COUNTY
NOTES TO FINANCIAL STATEMENT

Note 2 - Cash and Investments (Continued)

Custodial Credit Risk

All school funds except for the Capital Project Fund described below are invested in Pennsylvania School District Liquid Asset Fund. All assets contained in the fund are invested in accordance with Title 24 of the Pennsylvania Statutes Article 4, Section 440.1 (2001). Each school district or government agency owns shares of the fund, which invests the pooled assets. Since the fund has the characteristics of a mutual fund, it would not be reported by risk category in accordance with Governmental Accounting Standards Board Statement.

Capital Project Custodial Credit Risk

In connection with the Career Technology Center of Lackawanna County Lease Revenue Bonds, Series of 2012 as discussed in Note 8, the Trust Indenture between the State Public School Building Authority (SPSBA) and Community Bank, National Association established a Project Fund into which shall be deposited the amount of proceeds from the sale of the Bonds for the purpose of paying the Cost of the Capital Project. The monies in the Project Fund are to be held by the Trustee in trust, and secured and invested in securities meeting the requirement of clause (a), (b), or (c) of the definition of qualified Investments, or secured as provided by law for trust deposits. After completion of the Capital Project funds shall be retained in or transferred to the Revenue Fund and credited against the payment obligations of the School under its Sublease agreement. As the project is winding down, the monies are in Federated Treasury Obligations Fund.

Credit Risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligation.

Interest Rate Risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Investments held for longer periods are subject to increased risk of adverse interest rate changes. To extent practical, investments are matched with anticipated cash flows.

Concentration of Credit Risk is the risk of loss attributed to the magnitude of the School's investments in a single issuer.

For investments, custodial credit risk is the risk that in the event of the failure of the counterparty the School will not be able to recover the value of its investments or collateral securities in the possession of an outside party.

CAREER TECHNOLOGY CENTER OF LACKAWANNA COUNTY
NOTES TO FINANCIAL STATEMENT

Note 3 - Federal and State Subsidy Receivable

Federal and State Subsidy Receivable at June 30, 2017 consists of federal and state sponsored subsidy programs in which the expenditure was made but the corresponding receipts were not received or the receipt was received and the corresponding expenditure was not made as of June 30, 2017.

	FEDERAL	STATE	TOTAL
GENERAL FUND:			
Perkins, Federal	\$ 69,009	\$ 0	\$ 69,009
LPN FSEOG	9,760	0	9,760
Retirement Subsidy	0	190,090	190,090
State Training Subsidy, LPN	0	7,889	7,889
Social Security Subsidy	0	48,488	48,488
Sub Total	\$ 78,769	\$ 246,467	\$ 325,236
FOOD SERVICE FUND:			
National School Lunch Program	\$ 15,572	\$ 702	\$ 16,274
TOTAL FEDERAL AND STATE SUBSIDY RECEIVABLE AT JUNE 30, 2017			
	\$ 94,341	\$ 247,169	\$ 341,510

Note 4 - Inventories

Inventories at June 30, 2017 are summarized as follows:

Food Service: Inventories at June 30, 2017 consist of the following:

Purchased Food	\$ 1,485
Donated Commodities	1,106
Total	\$ 2,591

CAREER TECHNOLOGY CENTER OF LACKAWANNA COUNTY
NOTES TO FINANCIAL STATEMENT

Note 5 – Capital Assets

Capital asset activity for the year ended June 30, 2017 was as follows:

	Balance	Additions	Deletions	Balance
Governmental Activities				
Historical Cost				
Land	\$ 195,444	\$ 0	\$ 0	\$ 195,444
Total At Historical Cost Not Being Depreciated	<u>\$ 195,444</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 195,444</u>
Site Improvements	\$ 103,456	\$ 20,991	\$ 0	\$ 124,447
Building & Improvements	24,881,176	520,486	0	25,401,662
Furniture & Equipment	4,429,986	370,181	0	4,800,167
Total At Historical Cost Being Depreciated	<u>\$ 29,414,618</u>	<u>\$ 911,658</u>	<u>\$ 0</u>	<u>\$ 30,326,276</u>
TOTAL HISTORICAL COST	<u>\$ 29,610,062</u>	<u>\$ 911,658</u>	<u>\$ 0</u>	<u>\$ 30,521,720</u>
Less Accumulated Depreciation:				
Site Improvements	\$ (8,122)	\$ (6,831)	\$ 0	\$ (14,953)
Building & Improvements	(5,165,714)	(514,102)	0	(5,679,816)
Furniture & Equipment	(2,471,374)	(266,920)	0	(2,738,294)
TOTAL ACCUMULATED DEPRECIATION	<u>\$ (7,645,210)</u>	<u>\$ (787,853)</u>	<u>\$ 0</u>	<u>\$ (8,433,063)</u>
GOVERNMENTAL ACTIVITIES, CAPITAL ASSETS NET	<u>\$ 21,964,852</u>	<u>\$ 123,805</u>	<u>\$ 0</u>	<u>\$ 22,088,657</u>
Business Activities				
Historical Cost				
Machinery & Equipment	\$ 135,166	\$ 0	\$ 0	\$ 135,166
TOTAL HISTORICAL COST	<u>\$ 135,166</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 135,166</u>
Less Accumulated Depreciation:				
Machinery & Equipment	\$ (120,807)	\$ (3,420)	\$ 0	\$ (124,227)
TOTAL ACCUMULATED DEPRECIATION	<u>\$ (120,807)</u>	<u>\$ (3,420)</u>	<u>\$ 0</u>	<u>\$ (124,227)</u>
TOTAL CAPITAL ASSETS, NET	<u>\$ 21,979,211</u>	<u>\$ 120,385</u>	<u>\$ 0</u>	<u>\$ 22,099,596</u>

Depreciation expense was charged to Governmental Activities as follows:

Unallocated	<u>\$ 787,853</u>
Total Depreciation Expense	<u>\$ 787,853</u>

Note 6 - Compensated Absences

The School is obligated to accumulate unused sick days for each employee covered under the terms of a union contract. The total allowable sick days per school year which can be accumulated to the extent unused is twelve (12). The maximum allowable number of sick days accumulated for compensation and payable upon termination is 150 days for professional, support staff and maintenance staff and 180 days for administration. As provided in the current union agreement, compensation will be at a rate of \$65 per day for professional employees, \$35 per day for clerical, and \$70 per day for maintenance employees. Administrative employees are compensated for unused sick days based upon the terms of their respective employment contracts. The provision for compensated absences represents the total accumulated sick days unpaid as of June 30, 2017 based on the applicable per day rate. At June 30, 2017 aggregate liability for unused sick pay is \$206,400.

CAREER TECHNOLOGY CENTER OF LACKAWANNA COUNTY
NOTES TO FINANCIAL STATEMENT

Note 7 - Inter-Government Receivable/(Payable)

The School currently is receiving payments from eight (8) area school districts participating in the Lackawanna County Area-Vocational Technical Program. The School is also receiving payments from various non-participating school districts for such programs in the form of tuition. Such payments received are used to fund the various vocational-technical programs offered by the School.

The amounts charged to individual school districts are computed annually based on budgeted revenues and expenditures and are billed based on the average of the four prior years actual enrollments. The amount of such billings charged to the member school districts during the fiscal year ended June 30, 2017 amounted to \$3,904,809 of which \$65,815 was due and reflected as a receivable at June 30, 2017 and is reflected in the accompanying Balance Sheet under the heading Inter-Governmental Receivable/(Payable) in the General Fund.

The amount of any excess of actual revenues over/under actual expenditures are billed/reimbursed to the various school districts based on actual enrollment. For the fiscal year ended June 30, 2017 actual revenues exceeded actual expenditures in the amount of \$418,835 which is to be reimbursed to the member districts. For the fiscal year ended June 30, 2016, a balance of \$300,000 remained to be reimbursed to the member districts as of June 30, 2017, which pursuant to the 2017-2018 budget will be used to reduce the member contributions.

At June 30, 2017 the balance of the amounts due to other governmental units consists of the following

	DUE (TO) / FROM OTHER GOVERNMENTAL UNIT		
	MEMBER DISTRICTS	NON- MEMBER DISTRICTS	TOTAL
Accrued & Unpaid from June 30, 2017	\$ 65,815	\$ 10,953	\$ 76,768
Amount of Excess Actual Revenue			
Over Expenditures at June 30, 2017			
Due to School Districts Based on			
Actual Enrollment To Be Used To			(300,000)
Reduce Member Contributions For The			
2017 - 2018 School Year			
Amount of Excess Actual Revenue			
Over Expenditures at June 30, 2017			
Due to School Districts Based on			
Actual Enrollment			(418,835)
Total Inter-Governmental Receivables/(Payable)			
at June 30, 2017			\$ (642,067)

CAREER TECHNOLOGY CENTER OF LACKAWANNA COUNTY
NOTES TO FINANCIAL STATEMENT

Note 8 – Long Term Debt

Capital Lease: In 2011 the School entered into an Equipment Lease Agreement to purchase a printing press. The lease requires monthly payments of \$2,929. The lease rate is 3.50%, maturity December 2021.

Minimum future lease payments under capital lease as of June 30, 2017.

	<u>June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 30,522	\$ 4,629	\$ 35,151	\$ 35,151
2019	31,607	3,544	35,151	35,151
2020	32,732	2,419	35,151	35,151
2021	33,896	1,255	35,151	35,151
2022	17,396	179	17,575	17,575
Total Future Minimum Lease Payments	\$ 146,153	\$ 12,026	\$ 158,179	\$ 158,179
Amount Representing Interest			(12,026)	(12,026)
Present Value of Future Minimum Lease Payments			\$ 146,153	\$ 146,153
The Cost of the Asset			\$ 296,222	\$ 296,222
The Accumulated Depreciation through June 30, 2017			(108,614)	(108,614)
The Net Book Value			\$ 187,608	\$ 187,608

In October 2012, the School as owner and lessor entered into a lease agreement with the State Public School Building Authority (SPSBA) as lessee in order to finance the planning, construction, and purchase of the Capital Project and has developed a plan of financing which will include the following:

- a.) The leasing by the School to the SPSBA pursuant to the lease of the Premise and existing educational facilities, together with the Capital Projects collectively referred to as the leased property.
- b.) The issuance of State Public School Building Authority Career Technology Center of Lackawanna County Lease Revenue Bonds, Series of 2012 by the SPSBA in the principal amounts of \$ 17,170,000 to finance the cost of the Capital Project. The Bonds are to be secured under and pursuant to a Trust Indenture between the SPSBA and Community Bank National Association D/B/A First Liberty Bank & Trust, as Trustee, and the scheduled payments of the principal of and interest on such 2012 Bonds when due to be guaranteed by Assured Guaranty Municipal Corp.
- c.) The subleasing of the Leased Property by the SPSBA to the School and Participating Member Districts. Eight (8) out of nine (9) of the Member Districts entered into the Sublease Agreement. The sublease provides for the payment of rentals adequate to meet the debt service requirements and assigned the Sublease by SPSBA to the Trustee as security under the Indenture.

CAREER TECHNOLOGY CENTER OF LACKAWANNA COUNTY
NOTES TO FINANCIAL STATEMENT

Note 8 – Long Term Debt (Continued)

- d.) The proceeds of the sale of the 2012 Bonds, after payment of all expenses of issuance and other expenses relating to the transaction, shall be made available to the School, the same constituting rent due from SPSBA under the Lease to enable the School to carry out the Capital Project. All cost, expenses, and charges whatsoever arising in respect to the Leased Property after the payment of rent to the Trustee shall be the sole and complete responsibility of the School for the term of the lease.

The SPSBA issued \$17,170,000, 1.0% to 5.0% aggregate principal amount, State Public School Building Authority, Career Technology Center of Lackawanna County Lease Revenue Bonds, Series of 2012. The Bonds are dated the date of delivery thereof maturing or subject to mandatory sinking fund redemption, in various principal amounts on February 15 of the years 2013 through 2032. Interest is payable on February 15 and August 15, beginning February 15, 2013. The Bonds are subject to mandatory and optional redemption prior to their stated dates of maturity as follows:

OPTIONAL REDEMPTION

In the manner and upon the terms and conditions provided in the Indenture, the Bonds stated to mature on and after February 21, 2021 are subject to redemption prior to maturity at the option of the SPSBA, at the direction of the School, in any order of maturity either as a whole, or in part, at any times on or after August 15, 2020, and, if in part, by lot within a maturity, at a redemption price equal to one hundred percent (100%) of the principal amount thereof together with accrued interest to the date fixed for redemption.

MANDATORY REDEMPTION

In the manner and upon the terms and conditions provided in the Indenture, the Bonds stated to mature on February 15, 2032 are subject to mandatory redemption, in part, prior to maturity, by lot within a maturity, at a redemption price equal to one hundred percent (100%) of the principal amount thereof together with accrued interest thereon, to the dates fixed for redemption, on August 1 of the years and amounts set forth in the Indenture.

EXTRAORDINARY OPTIONAL REDEMPTION

The Bonds shall be subject to redemption prior to maturity, in whole or in part at any time, in any order of maturity selected by the School, and within any maturity by lot, upon payment of a redemption price equal to one hundred percent (100%) of the principal amount, plus accrued interest to date of redemption but only in the event that all or a portion of the School Facilities financed or refinanced with the proceeds of the Bonds are condemned, sold under threat of condemnation, damaged, or destroyed and it is

CAREER TECHNOLOGY CENTER OF LACKAWANNA COUNTY
NOTES TO FINANCIAL STATEMENTS

Note 8 – Long Term Debt (Continued)

determined by the School that repair or reconstruction is not desirable, practical, or financially feasible from and to the extent of insurance proceeds, condemnation award, or proceeds of sale in lieu of condemnation payable to the School and deposited for such purposes with the Trustee.

Minimum Future Payments Under Lease Revenue Bonds as of June 30, 2017.

	<u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 750,000	\$ 581,963	\$ 1,331,963	\$ 1,331,963
2019	770,000	563,213	1,333,213	1,333,213
2020	795,000	540,113	1,335,113	1,335,113
2021	820,000	516,263	1,336,263	1,336,263
2022	835,000	497,813	1,332,813	1,332,813
2023 - 2027	4,725,000	1,949,025	6,674,025	6,674,025
2028 - 2032	5,795,000	873,950	6,668,950	6,668,950
	<u>\$ 14,490,000</u>	<u>\$ 5,522,340</u>	<u>\$ 20,012,340</u>	<u>\$ 20,012,340</u>

The following summarizes the changes in long-term debt for the year ended June 30, 2017.

	<u>Balance July</u> <u>1, 2016</u>	<u>Additions</u>	<u>Amortization</u> <u>(Accretion)</u>	<u>Retirements</u>	<u>Balance June</u> <u>30, 2017</u>	<u>Due Within</u> <u>One Year</u>
Lease Revenue Bonds	\$ 15,225,000	\$ 0	\$ 0	\$ 735,000	\$ 14,490,000	\$ 750,000
Amortization / Accretion	599,931	0	(154,255)	0	445,676	0
Capitalized Lease	175,627	0	0	29,474	146,153	30,522
TOTALS	<u>\$ 16,000,558</u>	<u>\$ 0</u>	<u>\$ (154,255)</u>	<u>\$ 764,474</u>	<u>\$ 15,081,829</u>	<u>\$ 780,522</u>

Note 9 – RACP Grant Temporary Funding Member Districts

The School entered into a contract with Lackawanna County for a roof replacement and masonry restoration project. The funding for this project was received from the nine Member Districts and a Redevelopment Assistance Grant Agreement RACP Grant in the amounts of \$1,015,002 and \$1,000,000 respectively. The permanent funding from the Member Districts of \$1,015,002 was received in fiscal year 2011-2012. The temporary funding from the Member Districts is recorded as a current liability in the Statement of Net Position. The temporary funds will be returned to the Member Districts when the grant is received. The cash for the RACP Grant is held in escrow by Lackawanna County on behalf of the School and is disbursed by Lackawanna County directly to the vendors. In September 2013, eighty eight percent (88%) of the temporary funding was returned to the member districts. The grant is the final stages and is awaiting final audit and approval by the Commonwealth of Pennsylvania.

CAREER TECHNOLOGY CENTER OF LACKAWANNA COUNTY
NOTES TO FINANCIAL STATEMENT

Note 10 – Commitments

General information about the Pension Plan

Plan Description: PSERS is a governmental cost-sharing multi-employer defined benefit plan that provides retirement benefits to public school employees of the Commonwealth of Pennsylvania. The members eligible to participate in the System include all full-time public school employees, part-time hourly public school employees who render at least 500 hours of service in the school year, and part-time per diem public school employees who render at least 80 days of service in the school year in any of the reporting entities in Pennsylvania. PSERS issues a publicly available financial report that can be obtained at www.psers.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 1 year of credited service; (b) age 60 with 30 or more years credited service; or (c) 35 or more years of service regardless of age. Act 120 of 2010 (Act 120) preserves the benefits of existing members and introduced benefit reductions for individuals who become new members on or after July 1, 2011. Act 120 created two new membership classes, Membership Class T-E (Class T-E) and Membership Class T-F (Class T-F). To qualify for normal retirement, Class T-E and Class T-F members must work until age 65 with a minimum of 3 years of service or attain a total combination of age and service that is equal to or greater than 92 with a minimum of 35 years of service. Benefits are generally equal to 2% or 2.5%, depending upon membership class, of the member's final average salary (as defined in the Code) multiplied by the number of years of credited service. For members whose membership started prior to July 1, 2011, after completion of five years of service, a member's right to the defined benefits is vested and early retirement benefits may be elected. For Class T-E and Class T-F members, the right to benefits is vested after ten years of service.

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

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

CAREER TECHNOLOGY CENTER OF LACKAWANNA COUNTY
NOTES TO FINANCIAL STATEMENT

Note 10 – Commitments (Continued)

Contributions:

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

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

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

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

Employer Contributions: The school districts' contractually required contribution rate for fiscal year ended June 30, 2017 was 30.03% of covered payroll, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the District were \$864,132 for the year ended June 30, 2017.

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

At June 30, 2017, the District reported a liability of \$11,348,513 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. The District's proportion of the new 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, the District's proportion was .0229 percent which was an increase of .0006 from its proportion measured as of June 30, 2015.

CAREER TECHNOLOGY CENTER OF LACKAWANNA COUNTY
NOTES TO FINANCIAL STATEMENT

Note 10 – Commitments (Continued)

For the year ended June 30, 2017, the District recognized pension expense of \$2,154,041. At June 30, 2017, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Outflows of Resources
Changes in assumptions	\$ 410,000	\$ 0
Difference between expected and actual experience	0	95,000
Net difference between projected and actual investment earnings	633,000	0
Changes in proportions	438,000	308,000
Contributions subsequent to the measurement date	894,074	0
	\$ 2,375,074	\$ 403,000

\$894,074 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:

2017	\$168,000
2018	168,000
2019	452,000
2020	290,000
2021	0
Thereafter	0

Actuarial assumptions: The total pension liability as of June 30, 2017 was determined by rolling forward the System's total pension liability as of the June 30, 2016 actuarial valuation to June 30, 2107 using the following actuarial assumptions, applies to all periods included in the measurement:

Change 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 3.00% 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 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 Table for Males and Females, adjusted to

CAREER TECHNOLOGY CENTER OF LACKAWANNA COUNTY
NOTES TO FINANCIAL STATEMENT

Note 10 – Commitments (Continued)

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 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.

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 maintain 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>
Global public equity	22.5%	5.3%
Alternative investments	15.0%	6.6%
Private real estate	12.0%	4.0%
Fixed Income	28.5%	2.1%
Cash	3.0%	0.2%
Absolute Return	10.0%	3.3%
Risk Parity	10.0%	3.9%
MLPs/Infrastructure	5.0%	4.8%
Commodities	8.0%	2.5%
Financing (LIBOR)	(14.0%)	0.5%
	<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, 2016.

CAREER TECHNOLOGY CENTER OF LACKAWANNA COUNTY
NOTES TO FINANCIAL STATEMENT

Note 10 – Commitments (Continued)

Discount Rate:

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

Sensitivity of the District’s proportionate share of the net pension liability to changes in the discount rate:

The following presents the net pension liability, calculated using the discount rate of 7.25%, as well as what the net pension liability would be if it were calculated using a discount rate that is 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%
District’s proportionate share of the net pension liability	\$13,882,000	\$11,349,000	\$9,219,000

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.

Operating Leases: The School had entered into various leases for copiers for terms of 63 months and 48 months and maturities to January 2017. The leases required monthly payments of \$2,805 and \$113 and required the lessor to be responsible for all repairs. Total rent expense for the year ended June 30, 2017 was \$17,971.

Termination Benefit Payable: For the year ended June 30, 2017 the school has adopted GASB-47 accounting for termination benefits.

The school is providing group insurance healthcare termination benefits to one employee. The termination benefits end April, 2026.

CAREER TECHNOLOGY CENTER OF LACKAWANNA COUNTY
NOTES TO FINANCIAL STATEMENT

Note 10 – Commitments (Continued)

Annual termination benefits of \$9,377 have been projected to increase at an annual rate of 5.00% and have been discounted to 4.25% estimated yield on investments expected to be used to figure the benefits.

Beginning of year net present value	\$ 70,684
Payment benefits made during school year	(9,377)
Change in present value of benefits	<u>5,636</u>
End of year net present value	<u>\$ 66,943</u>

Post - Employment Healthcare Plan:

Plan description: The School administers a Single-Employer Plan that covers current and former employees as follows:

Professional employees retiring under any of the retirement provisions of PSERS and have at least twenty (20) years of service with the Career Technology Center of Lackawanna County and/or Lackawanna County Area Vocational-Technical School are eligible for benefits. Health insurance benefits are paid in full from age 55 until eligible for Medicare (generally age 65). Spousal benefits are available at his or her own expense. Before age 55, coverage is provided but at employees own expense. No dental or vision coverage is available.

Act 93 administrators and Non-Contracted personnel retiring under any of the retirement provisions of PSERS are eligible for benefits. Medical, dental and vision benefits are paid by Plan Sponsor if elect PPO coverage, otherwise, must pay the difference. Spousal coverage is provided at no charge while the retiree is eligible.

The former Administrative Director and former Chief Financial Officer upon meeting the terms of their respective individual contracts are eligible for benefits. Medical, dental, and vision benefits are paid in full until Medicare eligible. Spouse coverage is provided. Coverage is based on the terms of the current active coverage as described in the teacher's agreement and any other administrative agreements.

Administrative Director: Same as coverage for Administrators. Coverage paid in full, except there is maximum family vision reimbursement of \$500, and out-of-pocket medical, vision, and dental expenses up to \$2,000 per year are reimbursed.

All other employees not included in the above groups or those employees who are included but do not meet the eligibility requirements may be eligible for continued health coverage at his or her own expense under Acts 110 and 43, until reaching Medicare eligibility or until covered by other insurance.

Funding Policy: The required contributions are based upon the pay as you go financing requirements.

CAREER TECHNOLOGY CENTER OF LACKAWANNA COUNTY
NOTES TO FINANCIAL STATEMENT

Note 10 – Commitments (Continued)

Annual OPEB Cost and Net OPEB Obligation: The School's annual post-employment benefit (OPEB) cost (expense) is calculated based upon 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 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 tables shows the components of the School's annual OPEB cost for the year, the amount contributed to the Plan in relation to the ARC, and changes in the School's net OPEB obligation.

Annual Required Contribution	\$ 189,288
Interest on Net OPEB Obligation	23,080
Adjustment to Annual Required Contribution	<u>(57,408)</u>
Annual OPEB Cost (Expense)	\$ 154,960
Contributions Made	<u>(83,903)</u>
Increase in Net OPEB Obligation	\$ 71,057
Net OPEB Obligation - Beginning of Year	<u>577,010</u>
Net OPEB Obligation - End of Year	<u><u>\$ 648,067</u></u>

Fiscal Year Ending	Annual OPEB Cost	Percentage Contributed	Net OPEB Obligation or (Asset)
06/30/15	\$ 126,817	27.20%	\$ 506,849
06/30/16	\$ 162,035	56.70%	\$ 577,010
06/30/17	\$ 154,960	54.14%	\$ 648,067

Schedule of Funding Process

Actuarial Valuation Date	Actuarial Value of Plan Assets	Actuarial Accrued Liability	Unfunded Actuarial Liability (UAL)	Funded Ratio	Annual Covered Payroll	Ratio of UAL to Payroll
04/30/16	\$ 0	\$ 995,456	\$ 995,456	0.00%	\$ 2,381,079	41.81%

The projection of future benefit payments for an ongoing plan involves estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about 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.

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.

CAREER TECHNOLOGY CENTER OF LACKAWANNA COUNTY
NOTES TO FINANCIAL STATEMENT

Note 10 – Commitments (Continued)

The following assumptions were made:

Post Retirement Mortality for Healthy and Disabled: The RP-2000 Healthy Annuitant Mortality Table, sex-distinct fully generational projected using scale BB2D. For disabled lives, the RP-2000 Disabled Retiree Mortality Table without projection is used.

Pre-Retirement Mortality: The RP-2000 Non-Annuitant Mortality Table, sex-distinct, fully generational projected using scale BB2D.

Discount rate 4.0%

Marital Status: 75% of active participants are assumed to have a covered spouse at retirement. The husband is assumed to be two years older than wife.

Participation: 100% of teachers, Administrators, and Non-Contracted personnel who would meet the retirement criteria for continued medical coverage are assumed to elect the coverage. Of those assumed to be married, 50% are assumed to cover their spouse. 0% of active employees who have waived coverage are assumed to opt back in before retirement. 0% of retirees who waived coverage are assumed to opt back in. 0% of employees and spouses eligible for Act 110/Act 43 only are assumed to elect coverage.

Trend: Blended rates for future inflation for medical and prescription drug benefits range from 8.0% for the current year down to 4.0% for years after 2082.

Aging Factors: Actual gross starting cost for medical and prescription drugs are developed at each age by taking the claims cost and spreading it using age factors between 2.0% for participant's age 20-30 years old and to a high of 4.0% for participants aged 41-60 years old. Dental and vision cost will increase 4.0% per year.

Amortization Period: Average future working lifetime of active members in the plan (14 years for actuarial accrued liability established on April 1, 2013)

Amortization Method: Level dollar, closed amortization

Amortization Cost Method: Entry age normal, level dollar

Actuarial Value of Plan Assets: The School does not accumulate assets in a dedicated trust, or an equivalent arrangement, therefore the actuarial value of plan assets is zero.

Administrative Expenses: Estimated administrative expenses are included in the development of per capita claims costs.

CAREER TECHNOLOGY CENTER OF LACKAWANNA COUNTY
NOTES TO FINANCIAL STATEMENT

Note 11 - Interfund Receivable/Payable

Interfund balances at June 30, 2017 consist of the following individual fund Receivables and Payables:

	<u>Receivable</u>	<u>Payable</u>
General Fund:		
Food Service Fund	\$ 68,492	\$ 0
Student Activity Fund	2,723	0
Capital Reserve	0	217,023
Student Activity Fund		
General Fund	0	2,723
Capital Reserve Fund		
General Fund	217,023	0
Food Service Fund:		
General Fund	0	68,492
	<u>\$288,238</u>	<u>\$288,238</u>

Note 12 Operating Transfer In/Out

Operating transfer at June 30, 2017 consist of the following individual operating transfers in and out:

	<u>Transfer In</u>	<u>Transfer Out</u>
General Fund:		
Capital Reserve Fund	\$ 0	\$101,891
Capital Projects Fund	0	1,350
Debt Service Fund	0	1,000
Capital Project Fund		
General Fund	1,350	0
Debt Service Fund		
General Fund	1,000	0
Capital Reserve Fund:		
General Fund	101,891	0
	<u>\$104,241</u>	<u>\$104,241</u>

CAREER TECHNOLOGY CENTER OF LACKAWANNA COUNTY
NOTES TO FINANCIAL STATEMENT

Note 13 Subsequent Events

Pursuant to ASC 955, subsequent events were evaluated through February 13, 2018, which is the date the financial statements were available to be issued.

Note 14 New Accounting Pronouncements

Statement No. 74 of the Governmental Accounting and Standards Board Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans and Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, establishes new accounting and financial reporting requirements for governments whose employees are provided with OPEB, as well as for certain nonemployee governments that have a legal obligation to provide financial support for OPEB provided to the employees of other entities. This Statement replaces Statements No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, as amended, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*. It also includes requirements for defined contribution OPEB plans that replace the requirements for those OPEB plans in Statement No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans*, as amended, Statement 43, and Statement No. 50, *Pension Disclosures*. Statement No. 74 is effective for financial statements for fiscal years beginning after June 15, 2016. Earlier application is encouraged. Statement No. 75 is effective for fiscal years beginning after June 15, 2017. Earlier application is encouraged. Statement No. 74 is effective for fiscal year ending June 30, 2017 and Statement No. 75 will be effective for fiscal year ending June 30, 2018.

Statement No. 82 of the Governmental Accounting Standards Board Pension Issues an amendment of GASB Statements No. 67, No. 68, and No. 73. The objective of this Statement is to address certain issues that have been raised with respect to Statements No. 67, *Financial Reporting for Pension Plans*, No. 68, *Accounting and Financial Reporting for Pensions*, and no. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*. Specifically, this Statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements. The requirements of this Statement are effective for reporting periods beginning after June 15, 2016, except for the requirements of this Statement for the selection of assumptions in a circumstance in which an employer's pension liability is measured as a date other than the employer's most recent fiscal year-end. In that circumstance, the requirements for the selection of assumptions are effective for that employer in the first reporting period in which the measurement date of the pension liability is on or after June 15, 2017. Earlier application is encouraged. Statement No. 82 will be effective for fiscal year ending June 30, 2018.

CAREER TECHNOLOGY CENTER OF LACKAWANNA COUNTY
NOTES TO FINANCIAL STATEMENT

Note 14 New Accounting Pronouncements (Continued)

Statement No. 83 of the Governmental Accounting Standards Board Certain Asset Retirement Obligations (AROs): This Statement established criteria for determining the timing and pattern of recognition of a liability and a corresponding deferred outflow of resources for AROs. This Statement requires that recognition occur when the liability is both incurred and reasonably estimated and for the measurement of an ARO to be based on the best estimate of the current value of outlays expected to be incurred. The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2018. Earlier application is encouraged. Statement No. 83 will be effective for fiscal year ending June 30, 2019.

Statement No. 85 of the Governmental Accounting Standards Board Omnibus 2017: This Statement addresses a variety of issues related to pensions and other post-employment benefit (OPEB) including timing of the measurement of pension or OPEB liabilities and expenditures recognized in financial statements. The requirements of this statement will enhance consistency in the application of accounting and financial reporting requirements and are effective for periods beginning after June 15, 2017. Earlier application is encouraged. Statement No. 85 will be effective for fiscal year ending June 30, 2018.

Statement No. 86 of the Governmental Accounting Standards Board Certain Debt Extinguishment Issue: The objective of this Statement is to improve consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources are placed in an irrevocable trust for the sole purpose of extinguishing debt. It also improves accounting and financial reporting for prepaid insurance or debt that is extinguished and notes to financial statements for debt that is defeased in substance. The requirement of this Statement are effective for financial statements for periods beginning after June 15, 2017. Earlier application is encouraged. Statement No. 86 will be effective for fiscal year ending June 30, 2018.

Statement No. 87 of the Governmental Accounting Standard Board Leases: Under this Statement, a lessee is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments leasing activities. This Statement will increase the usefulness of government's financial statements by requiring reporting of certain lease liabilities that currently are not reported. It will enhance comparability of financial statements among governments by requiring lessees and lessors to report leases under a single model. The requirements of this Statement are effective for financial statements for periods beginning after December 15, 2019. Earlier application is encouraged. Statement No. 87 will be effective for fiscal year ending June 30, 2021.

The School has not yet determined the effect of the adoption of the aforementioned GASB Statements on its Financial Statements.

CAREER TECHNOLOGY CENTER OF LACKAWANNA COUNTY
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2017

	BUDGET ORIGINAL & FINAL	ACTUAL (BUDGETARY BASIS)	VARIANCE WITH BUDGET
REVENUE			
Local Sources	\$ 4,516,901	\$ 4,528,616	\$ 11,715
State Sources	1,068,792	1,400,123	331,331
Federal Sources	<u>880,258</u>	<u>912,880</u>	<u>32,622</u>
TOTAL REVENUE	<u>\$ 6,465,951</u>	<u>\$ 6,841,619</u>	<u>\$ 375,668</u>
EXPENDITURES			
Instruction			
Vocational Education Programs	\$ 2,876,205	\$ 3,141,549	\$ (265,344)
Adult Education Programs	<u>777,341</u>	<u>812,729</u>	<u>(35,388)</u>
TOTAL INSTRUCTIONAL EXPENDITURES	<u>\$ 3,653,546</u>	<u>\$ 3,954,278</u>	<u>\$ (300,732)</u>
Support Services			
Guidance	\$ 201,339	\$ 179,021	\$ 22,318
Instructional Support	281,888	308,725	(26,837)
Administrative Services	814,028	778,977	35,051
Pupil Health Services	116,149	71,102	45,047
Business Services	310,459	349,616	(39,157)
Operation & Maintenance of Plant Services	985,642	1,012,278	(26,636)
Other Administrative	<u>65,000</u>	<u>48,230</u>	<u>16,770</u>
TOTAL SUPPORT SERVICES	<u>\$ 2,774,505</u>	<u>\$ 2,747,949</u>	<u>\$ 26,556</u>
Other Expenditures			
Debt Service	\$ 37,900	\$ 35,151	\$ 2,749
TOTAL OTHER EXPENDITURES	<u>\$ 37,900</u>	<u>\$ 35,151</u>	<u>\$ 2,749</u>
TOTAL EXPENDITURES	<u>\$ 6,465,951</u>	<u>\$ 6,737,378</u>	<u>\$ (271,427)</u>
EXCESS OF REVENUES OVER EXPENDITURES	<u>\$ 0</u>	<u>\$ 104,241</u>	<u>\$ 104,241</u>
Other Financing Uses			
Operating Transfer Out	\$ 0	\$ 104,241	\$ 104,241
TOTAL OTHER FINANCING USES	<u>\$ 0</u>	<u>\$ 104,241</u>	<u>\$ 104,241</u>
Excess of Expenditures and Other Financing Uses over Revenues	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
Fund Balance, Beginning of Year	<u>0</u>	<u>0</u>	<u>0</u>
FUND BALANCE, END OF YEAR	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>

"See Accompanying Independent Auditors' Report"

CAREER TECHNOLOGY CENTER OF LACKAWANNA COUNTY
 REQUIRED SUPPLEMENTARY INFORMATION
 (UNAUDITED)
 FOR THE YEAR ENDED JUNE 30, 2017

Schedule of Funding Process For Other Postemployment Benefits
 Most Recent Valuation and Two (2) Preceding Valuations

Actuarial Valuation Date	Actuarial Value of Plan Assets	Actuarial Accrued Liability	Unfunded Actuarial Liability (UAL)	Funded Ratio	Annual Covered Payroll	Ratio of UAL to Payroll
30-Apr-16	\$ 0	\$ 995,456	\$ 995,456	0.00%	\$ 2,381,079	41.81%
30-Apr-13	\$ 0	\$ 868,174	\$ 868,174	0.00%	\$ 2,225,809	39.00%
30-Jun-10	\$ 0	\$ 1,013,995	\$ 1,013,995	0.00%	\$ 2,939,985	34.49%

Schedule of Proportionate Share of PSERS Net Pension Liability (NPL)
 A Ten (10) Year Schedule Determined As of The Measurement Date

Fiscal Year Ended Measurement Date One (1) Year Prior Than Fiscal Year	The Employer's Proportion (Percentage) of the Collective NPL	The Employer's Proportion (Amount) of the Collective NPL	The Employer's Covered-Employee Payroll	The Employer's Proportionate Share (Amount) Of The Collective NPL as a Percentage Of The Employer's Covered-Employee Payroll	The Plan's Fiduciary Net Position As A Percentage of the Total Pension Liability
30-Jun-16	0.0229%	\$ 11,349,000	\$ 2,967,350	382.4625%	50.1385%
30-Jun-15	0.0223%	\$ 9,659,000	\$ 2,873,695	336.1178%	54.3573%

Schedule Of PSERS Contribution

A Ten (10) Year Schedule Determined As of The Employer's Most Recent Fiscal Year End

Fiscal Year End	The Statutorily Or Contractually Required Employer Contributions	The Amount Of Contributions Recognized By the Plan In Relation To The Statutorily Or Contractually Required Employer Contributions	The Difference Between Statutorily Or Contractually Required Contributions and The Amount of Contributions Recognized By The Plan	The Employer's Covered-Employee Payroll	The Amount of Contributions Recognized By The Plan In Relation To the Statutorily Or Contractually Required Contribution As A Percentage Of The Employer's Covered-Employee Payroll
30-Jun-17	\$ 864,132	\$ 864,132	\$ 0	\$ 2,967,350	29.1213%
30-Jun-16	\$ 726,842	\$ 726,842	\$ 0	\$ 2,907,368	25.0000%

"See Accompanying Independent Auditors' Report"

CAREER TECHNOLOGY CENTER OF LACKAWANNA COUNTY
SUPPLEMENTAL SCHEDULE I - STATEMENT OF CHANGES IN NET POSITION
FIDUCIARY FUND - AGENCY FUND
FOR THE YEAR ENDED JUNE 30, 2017

ADDITIONS:

Activity Revenues		
Supplemental Schedule II	\$	37,698
Interest Income		<u>150</u>

TOTAL ADDITIONS		\$	37,848
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DEDUCTIONS:

Activity Expenditures		
Supplemental Schedule II	\$	<u>46,084</u>

TOTAL DEDUCTIONS		<u>46,084</u>
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DEFICIENCY OF ADDITIONS UNDER DEDUCTIONS		\$	<u>(8,236)</u>
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"See Accompanying Independent Auditors' Report"

CAREER TECHNOLOGY CENTER OF LACKAWANNA COUNTY
 SUPPLEMENTAL SCHEDULE II - STATEMENT OF ADDITIONS AND DEDUCTIONS
 CLASSES AND CLUBS
 FOR THE YEAR ENDED JUNE 30, 2017

<u>CLUB NAME OR ACTIVITY</u>	<u>REVENUES</u>	<u>INTER-CLUB TRANSFERS IN</u>	<u>INTER-CLUB TRANSFERS OUT</u>	<u>EXPENDITURES</u>
Ambassador	\$ 3,198	\$ 0	\$ 0	\$ 2,631
Auto Technology	1,567	0	0	1,622
Building Trades	16	0	0	16
Carpentry	351	0	0	29
Child Care	538	0	0	382
Collision Repair	436	0	0	394
Commercial Art	1,121	0	0	646
Computer Information Technology	197	0	0	154
Cosmetology	8,124	0	0	7,239
Culinary Arts	1,167	0	0	1,118
Electricity	1,218	0	0	632
Graphic Communication	1,572	0	0	1,509
Health Occupations	2,197	0	0	2,397
LPN	12,456	0	0	23,650
Plumbing/Heating	0	0	0	40
Service Occupation	638	0	0	319
Scholarship	80	0	0	600
Skills USA	2,620	0	0	2,623
Trowel Trade	55	0	0	36
Welding	147	0	0	47
	<u>\$ 37,698</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 46,084</u>

"See Accompanying Independent Auditors' Report"

CAREER TECHNOLOGY CENTER OF LACKAWANNA COUNTY
 SUPPLEMENTAL SCHEDULE III - STATEMENT OF REVENUE, EXPENDITURES,
 AND CHANGE IN RESERVE FOR CAPITAL IMPROVEMENTS
 FOR THE YEAR ENDED JUNE 30, 2017

REVENUES AND OTHER FINANCING SOURCES

Local Sources:

Interest Income	\$ <u>2,345</u>	
Total Revenue, Local Sources		\$ 2,345

Other Financing Sources:

Operating Transfer from General Fund	\$ <u>101,891</u>	
Total Revenue, Other Financing Sources		<u>101,891</u>

TOTAL REVENUES AND OTHER FINANCING SOURCES		\$ 104,236
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EXPENDITURES

Equipment Purchases, Health Occupations	\$ 16,186
Equipment Purchases, Home Economics	2,290
Equipment Purchases, Technical Programs	46,415
Equipment Purchases, Trade & Ind. Programs.	182,797
Equipment Purchases, Adult LPN Programs.	2,224
Equipment Purchase, Operation & Maintenance of Plant Services	196,546
Equipment Purchases, Other	12,000
Equipment Purchases, RACP Grant	<u>78</u>

TOTAL EXPENDITURES	\$ <u>458,536</u>
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REVENUE AND OTHER FINANCING SOURCES UNDER EXPENDITURES AND OTHER FINANCING USES	\$ (354,300)
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Reserve For Capital Improvements, Beginning of Year	<u>911,791</u>
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RESERVE FOR CAPITAL IMPROVEMENTS, END OF YEAR	<u>\$ 557,491</u>
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"See Accompanying Independent Auditors' Report"

CAREER TECHNOLOGY CENTER OF LACKAWANNA COUNTY
 SUPPLEMENTAL SCHEDULE IV - STATEMENT OF REVENUE, EXPENDITURES,
 AND CHANGE IN RESERVE FOR CAPITAL PROJECTS
 FOR THE YEAR ENDED JUNE 30, 2017

REVENUES AND OTHER FINANCING SOURCES

Local Sources:

Interest Income	\$ <u>1,353</u>	
Total Revenue, Local Sources		\$ 1,353

Other Financing Sources:

Operating Transfers From General Fund	\$ <u>1,350</u>	
Total Revenue, Other Financing Sources		<u>1,350</u>

TOTAL REVENUES AND OTHER FINANCING SOURCES		\$ 2,703
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EXPENDITURES

Facility Acquisition, Construction, Improvement Services	\$ <u>397,341</u>	
TOTAL EXPENDITURES		<u>397,341</u>

REVENUE AND OTHER FINANCING SOURCES UNDER EXPENDITURES AND OTHER FINANCING USES		\$ (394,638)
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Reserve For Capital Projects, Beginning of Year		<u>614,120</u>
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RESERVE FOR CAPITAL PROJECTS, END OF YEAR		<u><u>\$ 219,482</u></u>
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"See Accompanying Independent Auditors' Report"

CAREER TECHNOLOGY CENTER OF LACKAWANNA COUNTY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

FEDERAL		PASS-THRU	GRANT PERIOD	PROGRAM OR	TOTAL	ACCRUED OR	REVENUE	EXPEND.	ACCRUED OR
SRC.	CFDA	GRANTOR'S	BEGINNING/ ENDING	AWARD AMT.	RECEIVED FOR THE YEAR	(DEFERRED) REVENUE AT JULY 1, 2016	RECOGNIZED	AMOUNT	(DEFERRED) REVENUE AT JUNE 30, 2017
CODE	NUMBER	NUMBER							
U.S. DEPARTMENT OF EDUCATION									
STUDENT FINANCIAL ASSISTANCE PROGRAMS CLUSTER									
	D	84-007	07/01/2016 - 06/30/2017	\$	\$ 9,840	\$ 9,840	\$ 9,760	\$ 9,760	\$ 9,760
	D	84-063	07/01/2016 - 06/30/2017	0	286,196	9,317	282,694	282,694	(1)(6)
	D	84-268	07/01/2016 - 06/30/2017	0	634,530	18,337	616,193	616,193	(1)
				\$	\$ 930,566	\$ 37,494	\$ 908,647	\$ 908,647	\$ 15,575
TOTAL STUDENT FINANCIAL ASSISTANCE PROGRAMS CLUSTER									
U.S. DEPARTMENT OF EDUCATION									
Passed Through the Pennsylvania									
Department of Education:									
	I	84-048	07/01/2015 - 06/30/2016	\$	\$ 63,304	\$ 63,304	\$ 0	\$ 0	\$ 0
	I	84-048	07/01/2016 - 06/30/2017	419,458	345,692	0	408,886	408,886	63,194
				\$	\$ 1,339,562	\$ 100,798	\$ 1,317,533	\$ 1,317,533	\$ 78,769
TOTAL DEPARTMENT OF EDUCATION									
U.S. DEPARTMENT OF AGRICULTURE									
CHILD NUTRITION CLUSTER									
Passed Through the Pennsylvania									
Department of Education:									
	I	10-553	07/01/2016 - 06/30/2017	N/A	\$ 8,659	\$ 725	\$ 9,435	\$ 9,435	\$ 1,501
	I	10-555	07/01/2016 - 06/30/2017	N/A	88,822	6,652	96,241	96,241	14,071
	I	10-555	07/01/2016 - 06/30/2017	N/A	7,335	(1,227)	7,456	7,456	(1,106)
				N/A	\$ 104,816	\$ 6,150	\$ 113,132	\$ 113,132	\$ 14,466
TOTAL DEPARTMENT OF AGRICULTURE AND CHILD NUTRITION CLUSTER									

"See Accompanying Independent Auditors' Report."

CAREER TECHNOLOGY CENTER OF LACKAWANNA COUNTY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

U.S. DEPARTMENT OF LABOR	WIA CLUSTER	SRC. CODE	FEDERAL CFDA NUMBER	PASS-THRU GRANTOR'S NUMBER	GRANT PERIOD BEGINNING/ ENDING	PROGRAM OR AWARD AMT.	TOTAL RECEIVED FOR THE YEAR	ACCRUED OR (DEFERRED) REVENUE AT JULY 1, 2016	REVENUE RECOGNIZED	EXPEND. AMOUNT	ACCRUED OR (DEFERRED) REVENUE AT JUNE 30, 2017
		I	17.258		11/30/2016 - 03/02/2017	\$ 648	\$ 648	\$ 0	\$ 648	\$ 648	\$ 0
		I	17.258		03/06/2017 - 06/02/2017	2,045	2,045	0	2,045	2,045	0
		I	17.258	15-AD-10	08/25/2015 - 12/31/2016	\$ 5,000	\$ 2,693	\$ 0	\$ 2,693	\$ 2,693	\$ 0
		I	17.258	15-AD-11	08/25/2015 - 12/31/2016	5,000	648	0	648	648	0
		I	17.258	15-AD-16	08/25/2015 - 12/31/2016	5,000	648	0	648	648	0
		I	17.258	16-AD-28	11/29/2016 - 03/31/2018	5,000	1,327	0	1,327	1,327	0
		I	17.258	16-AD-29	11/29/2016 - 03/31/2018	5,000	1,327	0	1,327	1,327	0
		I	17.258	16-AD-30	11/29/2016 - 03/31/2018	5,000	1,327	0	1,327	1,327	0
		I	17.258	16-AD-34	11/29/2016 - 03/31/2018	5,000	1,327	0	1,327	1,327	0
		I	17.258	16-AD-35	11/29/2016 - 03/31/2018	5,000	3,302	0	3,302	3,302	0
		I	17.258	16-AD-36	11/29/2016 - 03/31/2018	5,000	1,327	0	1,327	1,327	0
		I	17.258	16-AD-37	11/29/2016 - 03/31/2018	5,000	1,427	0	1,427	1,427	0
		I	17.258	16-AD-38	11/29/2016 - 03/31/2018	5,000	1,327	0	1,327	1,327	0
		I	17.258	16-AD-40	11/29/2016 - 03/31/2018	5,000	1,327	0	1,327	1,327	0
		I	17.258	15-AD-52	03/07/2016 - 06/30/2017	5,000	2,693	0	2,693	2,693	0
		I	17.258	15-AD-54	03/07/2016 - 06/30/2017	5,000	2,693	0	2,693	2,693	0
		I	17.258	15-AD-58	03/07/2016 - 06/30/2017	5,000	2,835	0	2,835	2,835	0
		I	17.258	15-AD-60	03/07/2016 - 06/30/2017	5,000	2,693	0	2,693	2,693	0
		I	17.258	15-AD-63	03/07/2016 - 06/30/2017	5,000	849	0	849	849	0
		I	17.258	15-AD-67	03/07/2016 - 06/30/2017	5,000	1,812	0	1,812	1,812	0
		I	17.259	OSY-15-05	08/25/2015 - 12/31/2016	5,000	648	0	648	648	0
		I	17.259	OSY-15-08	08/25/2015 - 12/31/2016	5,000	748	0	748	748	0
		I	17.259	OSY-15-10	08/25/2015 - 12/31/2016	5,000	648	0	648	648	0
		I	17.259	OSY-15-17	03/07/2016 - 06/30/2017	5,000	849	0	849	849	0
		I	17.259	OSY-15-20	03/07/2016 - 06/30/2017	5,000	775	775	0	0	0
		I	17.259	OSY-15-22	03/07/2016 - 06/30/2017	5,000	849	0	849	849	0
		I	17.259	OSY-15-24	03/07/2016 - 06/30/2017	5,000	2,693	0	2,693	2,693	0
		I	17.259	OSY-16-02	08/29/2016 - 06/30/2017	5,000	4,396	0	4,396	4,396	0
		I	17.259	OSY-16-13	11/29/2016 - 03/31/2018	5,000	1,327	0	1,327	1,327	0
		I	17.259	OSY-16-20	11/29/2016 - 03/31/2018	5,000	4,335	0	4,335	4,335	0
		I	17.259	OSY-16-23	11/29/2016 - 03/31/2018	5,000	5,000	0	5,000	5,000	0
		I	17.259	OSY-16-24	11/29/2016 - 03/31/2018	5,000	1,327	0	1,327	1,327	0
		I	17.259	OSY-16-33	11/29/2016 - 03/31/2018	5,000	1,327	0	1,327	1,327	0
		I	17.278	15-DW-71	03/07/2016 - 06/30/2017	5,000	1,462	0	1,462	1,462	0
		I	17.278	15-DW-77	03/07/2016 - 06/30/2017	5,000	849	0	849	849	0
		I	17.278	16-DW-22	11/29/2016 - 03/31/2018	5,000	1,327	0	1,327	1,327	0
		I	17.278	16-DW-26	11/29/2016 - 03/31/2018	5,000	5,000	0	5,000	5,000	0

CAREER TECHNOLOGY CENTER OF LACKAWANNA COUNTY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

FEDERAL PASS-THRU GRANTOR'S		GRANT PERIOD BEGINNING/ ENDING	PROGRAM OR AWARD AMT.	TOTAL RECEIVED FOR THE YEAR	ACCRUED OR (DEFERRED) REVENUE AT JULY 1, 2016	REVENUE RECOG- NIZED	EXPEND. AMOUNT	ACCRUED OR (DEFERRED) REVENUE AT JUNE 30, 2017
SRC. CODE	CFDA NUMBER							
I	17.258	W16-001	08/29/2016 - 12/08/2016	1,950	648	648	648	0
I	17.258	W16-021	03/06/2017 - 06/02/2017	2,900	2,693	2,693	2,693	0
I	17.259	MC16-080	11/29/2016 - 03/03/2017	3,500	1,327	1,327	1,327	0
I	17.259	MC16-086	11/29/2016 - 03/03/2017	3,500	1,327	1,327	1,327	0
I	17.259	P16-015-ITA	11/29/2016 - 03/31/2018	4,000	1,327	1,327	1,327	0
TOTAL WIA CLUSTER			\$ 193,543	\$ 75,157	\$ 74,382	\$ 74,382	\$ 74,382	\$ 0
TOTAL DEPARTMENT OF LABOR			\$ 193,543	\$ 75,157	\$ 74,382	\$ 74,382	\$ 74,382	\$ 0
TOTAL FEDERAL ASSISTANCE			\$ 1,027,831	\$ 1,519,535	\$ 107,723	\$ 1,505,047	\$ 1,505,047	\$ 93,235

Passed Through the Pocono Counties
Workforce Investment Act:

WORKFORCE INVESTMENT ACT
WIA Adult Program
WIA Adult Program
WIA Youth Activities
WIA Youth Activities
WIA Youth Activities

TOTAL WIA CLUSTER
TOTAL DEPARTMENT OF LABOR
TOTAL FEDERAL ASSISTANCE

CAREER TECHNOLOGY CENTER OF LACKAWANNA COUNTY
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 FOR THE FISCAL YEAR-ENDED JUNE 30, 2017

SRC. CODE	FEDERAL CFDA NUMBER	PASS-THRU GRANITOR'S NUMBER	GRANT PERIOD BEGINNING/ ENDING	PROGRAM OR AWARD AMT.	TOTAL RECEIVED FOR THE YEAR	ACCRUED OR (DEFERRED) REVENUE AT JULY 1, 2016	REVENUE RECOGNIZED	EXPEND. AMOUNT	ACCRUED OR (DEFERRED) REVENUE AT JUNE 30, 2017
		N/A	07/01/2016 - 06/30/2017	N/A	\$ 4,657	\$ 374	\$ 4,985	\$ 4,985	\$ 702
PENNSYLVANIA DEPARTMENT OF EDUCATION School Lunch Program									
TOTAL SCHOOL LUNCH PROGRAM FROM PENNSYLVANIA DEPARTMENT OF EDUCATION									
		N/A		N/A	\$ 4,657	\$ 374	\$ 4,985	\$ 4,985	\$ 702
TOTAL PENNSYLVANIA ASSISTANCE									

FOOTNOTES:

- (1) Identification of 40% rule:
 Total Federal Expenditures: \$ 1,505,047
 x 40%
\$ 602,019
- Programs selected for test:
 SEOG Grants, CFDA #84.007 \$ 9,760
 PELL Grants, CFDA #84.063 282,694
 Direct Student Loans, CFDA #84.268 616,193
\$ 908,647 / 1,505,047 - 60.37%

- (2) Total amount of commodities received from the Department of Agriculture.
 (3) Beginning inventory at July 1, 2016
 (4) Total amount of commodities used.
 (5) Ending inventory at June 30, 2017
 (6) Includes -0- in Administrative Allowance expense.
 (7) BASIS OF PRESENTATION - The accompanying schedule of federal awards (the Schedule) includes the federal grant activity of the Career Technology 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 operations of the Career Technology center of Lackawanna County, it is not intended to and does not present the financial position, changes in net position, or cash flows of the Career Technology Center of Lackawanna
- (8) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.
- (9) The Career Technology Center of Lackawanna County has elected not to use the ten (10%) percent de minimis indirect cost rate as allowed under the Uniform Guidance. The Career Technology Center of Lackawanna County did not use any indirect cost in fiscal year ended June 30, 2017.

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

February 13, 2018

Board of Directors
Career Technology Center of
Lackawanna County

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Career Technology Center of Lackawanna County, as of and for the year ended June 30, 2017, and the related notes to the financial statements which collectively comprise the Career Technology Center of Lackawanna County's basic financial statements, and have issued our report thereon dated February 13, 2018.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Career Technology Center of Lackawanna County'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 Career Technology Center of Lackawanna County's internal control. Accordingly, we do not express an opinion on, the effectiveness of Career Technology Center of Lackawanna County'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 combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Career Technology Center of Lackawanna County'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 the 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 those 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 Career Technology Center of Lackawanna County'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 over compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Career Technology Center of Lackawanna County'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 Career Technology Center of Lackawanna County's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

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

February 13, 2018

Board of Directors
Career Technology Center of
Lackawanna County

Report on Compliance for Each Major Federal Program

We have audited Career Technology Center of Lackawanna County'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 Career Technology Center of Lackawanna County's major federal programs for the year ended June 30, 2017. Career Technology Center of Lackawanna County'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 to its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Career Technology Center of Lackawanna County'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 audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for the Federal Awards (Uniform Guidance), and 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 Career Technology Center of Lackawanna County'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 Career Technology Center of Lackawanna County's compliance.

Opinion on Each Major Federal Program

In our opinion, Career Technology Center of Lackawanna County, 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 Career Technology Center of Lackawanna County 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 Career Technology Center of Lackawanna County'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 Career Technology Center of Lackawanna County'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.

Robert Rossi + Co

CAREER TECHNOLOGY CENTER OF LACKAWANNA COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2017

Section 1- Auditors' Result Section

- (1) An unmodified opinion was expressed on the financial statements of the auditee.
- (2) The audit did not disclose, identify any deficiency in internal control over compliance that was considered to be a material weakness.
- (3) The audit did not disclose any noncompliance which is material to the financial statements of the auditee, as required to be reported in accordance with Government Auditing Standards.
- (4) The audit did not disclose a deficiency in internal control over major programs that was considered to be a material weakness.
- (5) An unmodified opinion was expressed on the auditee compliance for major programs.
- (6) The audit disclosed no audit findings that the auditor is required to report under section 510 (A) of OMB Circular A-133.
- (7) Identification of Major Programs is as follows:
 - (1) SEOG Grants CFDA #84.007
 - (2) Pell Grants CFDA #84.063
 - (3) Direct Student Loans CFDA #84.268
- (8) The dollar threshold used to distinguish Type A and Type B Programs as described in 2 CFR 2—Section 518 of the Uniform Guidance was \$750,000.
- (9) The auditee did not qualify as a low-risk auditee under section 2 CFR Section 520 of the Uniform Guidance.

Section 2- Findings relating to the financial statements which are required to be reported in accordance with Generally Accepted Governmental Auditing Standards is as follows:

None

Section 3- Findings and questioned costs for Federal Awards as defined in Section 310 (A) of OMB Circular A-133.

None

CAREER TECHNOLOGY CENTER OF LACKAWANNA COUNTY
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
AND INTERNAL CONTROL WEAKNESSES

INTERNAL CONTROLS RELATED TO FINDING AND QUESTIONED COST FOR
FEDERAL AWARDS AS DEFINED IN SECTION 310A OF OMB CIRCULAR A-133

2015-1 Reporting of Final Completion Expenditure Report

The audit for the year ended June 30, 2015 noted that

- a.) The School is submitting its Final Expenditure Report based salary information upon current salary level but did not take into consideration what salaries were actual paid and eligible for reimbursement.
- b.) Benefits were based upon salary information used in item a above and not based upon actual salaries paid and eligible for reimbursement.
- c.) The School did not properly communicate with the PA Department of Education and in a timely fashion to obtain an extension of time to pay for eligible equipment and file a Final Expenditure Report.

The School has entered into an installment agreement with the Pennsylvania Department of Education to repay the disallowed Cost. As of June 30, 2016, the School owed the Pennsylvania Department of Education \$ 27,275 and such amount was repaid in the 2016 – 2017 school year.