

**CAREER TECHNOLOGY CENTER OF  
LACKAWANNA COUNTY  
INDEPENDENT AUDITORS' REPORT  
JUNE 30, 2013**

CAREER TECHNOLOGY CENTER OF LACKAWANNA COUNTY  
 COUNTY  
 INDEX TO FINANCIAL STATEMENTS, SUPPLEMENTAL SCHEDULE  
 AND SINGLE AUDIT ATTACHMENTS  
 YEAR ENDED JUNE 30, 2013

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ROBERT ROSSI & CO.  
CERTIFIED PUBLIC ACCOUNTANTS

ROBERT L. ROSSI, C.P.A.  
ROBERT T. ARVONIO, C.P.A.  
PETER D. ARVONIO, JR., C.P.A.  
ROBERT A. HANIS, C.P.A.

299 MAIN ST. 2<sup>ND</sup> FLR  
OLYPHANT, PA 18447-2326  
TEL. (570) 876-2300 - FAX (570) 876-5153  
Website: www.rcco.net

SALVATORE A. NOLE, JR., C.P.A.  
JOSEPH E. ROSSI, C.P.A.  
SEAN J. GRASSI, C.P.A.  
RALPH R. MORRIS, III, C.P.A.

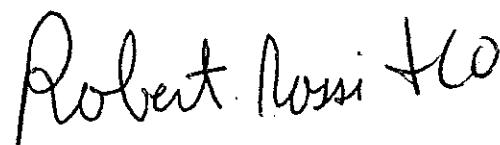
December 17, 2013

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, 2013, and have enclosed the single audit report package.

The single audit was done to fulfill the requirements of OMB Circular A - 133. 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 OMB Circular A - 133.

A management letter was not issued and therefore is not included as part of our report.

Handwritten signature of Robert Rossi in black ink, written in a cursive style.

## REPORT DISTRIBUTION LIST

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299 MAIN ST. 2<sup>ND</sup> FLR  
OLYPHANT, PA 18447-2326  
TEL. (570) 876-2300 - FAX (570) 876-5153  
Website: www.rroco.net

SALVATORE A. NOLE, JR., C.P.A.  
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RALPH R. MORRIS, III, C.P.A.

INDEPENDENT AUDITORS' REPORT

December 17, 2013

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, 2013, and the related notes to the financial statements, which collectively comprise the Career Technology Center of Lackawanna'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, 2013 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 budgetary comparison information on pages 10 thru 18 and 54 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 combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing



standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

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 December 17, 2013, 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.

Robert Rossi & CO

# Career Technology Center Of Lackawanna County

## MANAGEMENT DISCUSSION AND ANALYSIS (MD&A)

June 30, 2013

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, 2013. 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 nine 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 (JOC) consisting of one member from each of nine participating member school districts. The participating districts include: Carbondale Area, Dunmore, Forest City Regional, Mid Valley, Lakeland, North Pocono, Riverside, Scranton City and Valley View. The school also trains students from non-participating school districts which include: Mountain View, Abington Heights, and Lackawanna Trail.

At the time of this report, Riverside School District is seeking to withdraw as a participating member school of CTC of Lackawanna County. It has not paid its pro rata share of the CTC 2012-2013 budget. CTC has been successful in a non-jury trial in Lackawanna County Court. The decision has been appealed by the Riverside School District. Please refer to Note 14 of these financial statements for further information on this situation.

### 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. 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.

## **FINANCIAL HIGHLIGHTS**

### **General Fund**

The School's net position decreased by \$105,244 as a result of this year's operations. The net position of our Governmental activities decreased by \$105,490 and the net position of our business type activities increased by \$246. The largest source of revenue comes from the school districts to support the secondary education programs and totaled \$3,655,673 for 2012-2013, a decrease of \$3,684 over 2011-2012. However, the 2012-2013 amount has no revenue paid by Riverside School District due to the ongoing legal dispute with CTC. The Riverside revenue due to the CTC for 2012-2013 is shown as a Deferred Revenue on the Balance Sheet. The following formula is used to calculate member and non-member district costs: "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 is estimated to be completed in 18-24 months.

**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.
- 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-1  
Required Components of  
CTC of Lackawanna County's  
Financial Report

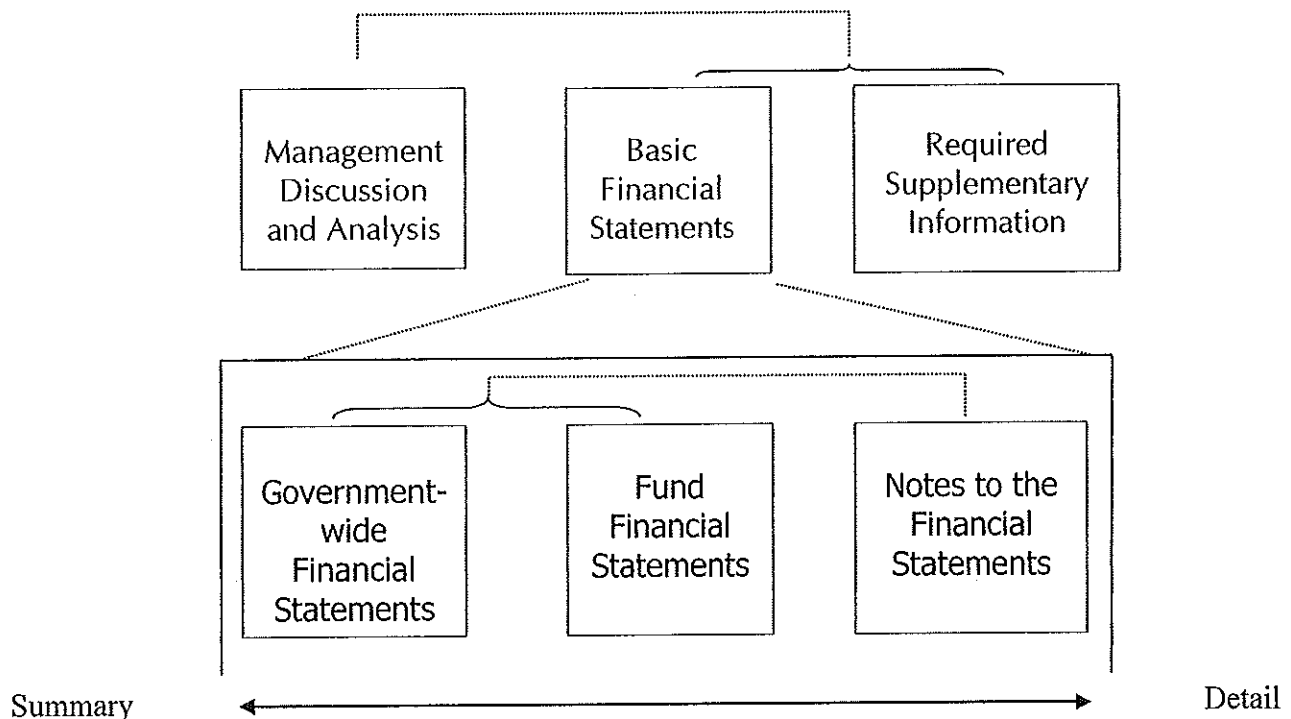


Figure A-2 summarizes the major features of CTC's financial statements, including the portion of CTC they cover and the types of information they contain. The remainder of this overview section of management discussion and analysis explains the structure and contents of each of the statements.

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 position Statement of activities	Balance Sheet Statement of revenues, expenditures, and changes in fund balance	Statement of net position Statement of revenues, expenses and changes in net position Statement of cash flows	Statement of fiduciary net position Statement of changes in fiduciary net position
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	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

## **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 is 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 interest on 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 helps 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 the governmental activities (reported in the Statement of Net Position and the Statement of Activities) and the governmental funds is described in a reconciliation included in the financial statements.

The governmental funds that are considered to be major funds of 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.

## FINANCIAL ANALYSIS OF THE CTC AS A WHOLE

Table A-1  
Fiscal Year Ending June 30, 2013  
Net Position

	Governmental Activities		Business Type Activities		Total Primary Government		% Chg
	2013	2012	2013	2012	2013	2012	
Current	\$ 1,569,757	\$ 938,397	\$ (11,808)	\$ (1,266)	\$ 1,557,949	\$ 937,131	66.2%
Restricted Assets	17,228,793	1,923,951	0	0	17,228,793	1,923,951	795.5%
Capital Assets	5,690,899	3,418,032	12,266	1,457	5,703,165	3,419,489	66.8%
Deferred Charges	353,720	0	0	0	353,720	0	100.0%
<b>Total Assets</b>	<b>\$ 24,843,169</b>	<b>\$ 6,280,380</b>	<b>\$ 458</b>	<b>\$ 191</b>	<b>\$ 24,843,627</b>	<b>\$ 6,280,571</b>	<b>295.6%</b>
Current Liabilities	\$ 2,523,874	\$ 1,728,805	\$ 73	\$ 52	\$ 2,523,947	\$ 1,728,857	46.0%
Long Term Liabilities	18,795,829	922,619	0	0	18,795,829	922,619	1937.2%
<b>Total Liabilities</b>	<b>\$ 21,319,703</b>	<b>\$ 2,651,424</b>	<b>\$ 73</b>	<b>\$ 52</b>	<b>\$ 21,319,776</b>	<b>\$ 2,651,476</b>	<b>704.1%</b>
Net Position							
Invested In Capital Assets	\$ 5,432,787	\$ 3,134,292	\$ 12,266	\$ 1,457	\$ 5,445,053	\$ 3,135,749	73.6%
Restricted for Capital Repl	(8,182)	1,159,171	0	0	(8,182)	1,159,171	-100.7%
Restricted for Capital Project	16,805,853	0	0	0	16,805,853	0	100.0%
Restricted for Debt Service	6	0	0	0	6	0	100.0%
Unrestricted	(18,706,998)	(664,507)	(11,881)	(1,318)	(18,718,879)	(665,825)	2711.4%
<b>Total Net Position</b>	<b>\$ 3,523,466</b>	<b>\$ 3,628,956</b>	<b>\$ 385</b>	<b>\$ 139</b>	<b>\$ 3,523,851</b>	<b>\$ 3,629,095</b>	<b>-2.9%</b>

### 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.

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, 2013  
Changes in Net Position

	Governmental Activities		Business Type Activities		Total Primary Government	
	2013	2012	2013	2012	2013	2012
<b>Revenues</b>						
<b>Program Revenues:</b>						
Charges for services	\$ 1,008,335	\$ 961,708	\$ 30,834	\$ 44,391	\$ 1,039,169	\$ 1,006,099
Operating grants and contributions	888,525	937,779	34,914	53,900	923,439	991,679
Capital grants and contributions	38,572	3,782	0	0	38,572	3,782
<b>General Revenues:</b>						
State grants and subsidies	495,862	466,898	0	0	495,862	466,898
Investment earnings	21,796	1,090	2	4	21,798	1,094
Receipts From Member Districts AVTS	4,099,109	3,659,357	0	0	4,099,109	3,659,357
RACP Grant Permanent Funding	0	1,015,002	0	0	0	1,015,002
Rentals and Miscellaneous	12,981	6,790	0	0	12,981	6,790
<b>Total Revenues</b>	<u>\$ 6,565,180</u>	<u>\$ 7,052,406</u>	<u>\$ 65,750</u>	<u>\$ 98,295</u>	<u>\$ 6,630,930</u>	<u>\$ 7,150,701</u>
<b>Expenses</b>						
Instruction	\$ 3,392,733	\$ 3,240,144	\$ 0	\$ 0	\$ 3,392,733	\$ 3,240,144
Support services	2,526,120	2,454,767	0	0	2,526,120	2,454,767
Unallocated Depreciation	336,078	274,808	0	0	336,078	274,808
Refund Prior Year Revenue	3,170	0	0	0	3,170	0
Interest on Long Term Debt	322,607	5,093	0	0	322,607	5,093
Other Administrative	48,138	77,779	0	0	48,138	77,779
Food/Production services	0	0	107,328	118,937	107,328	118,937
<b>Total Expenses</b>	<u>\$ 6,628,846</u>	<u>\$ 6,052,591</u>	<u>\$ 107,328</u>	<u>\$ 118,937</u>	<u>\$ 6,736,174</u>	<u>\$ 6,171,528</u>
<b>Increase (Decrease) in Net Assets Before Transfers</b>	\$ (63,666)	\$ 999,815	\$ (41,578)	\$ (20,642)	\$ (105,244)	\$ 979,173
<b>Transfers</b>	(41,824)	(18,850)	41,824	18,850	0	0
Transfers Decrease in Net Assets	\$ (105,490)	\$ 980,965	\$ 246	\$ (1,792)	\$ (105,244)	\$ 979,173
Net Position Beginning	3,628,956	2,647,991	139	1,931	3,629,095	2,649,922
<b>Net Position Ending</b>	<u>\$ 3,523,466</u>	<u>\$ 3,628,956</u>	<u>\$ 385</u>	<u>\$ 139</u>	<u>\$ 3,523,851</u>	<u>\$ 3,629,095</u>

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 \$919,057 in 2012-2013 compared to \$845,927 in 2011-2012, contributions from non-member districts of \$275,394 in 2012-2013 compared to \$303,329 in 2011-2012, and operating grants and subsidies, the largest of which represents federal funding from the Carl D. Perkins Vocational and Technical Education grant totaling \$414,040 in 2012-2013 compared to \$465,492 in 2011-2012.

The largest source of general revenue for CTC consists of contributions from eight of nine member districts of \$4,099,109. As explained previously, Riverside did not contribute revenue in this fiscal year as they are attempting to withdraw as a participating member of JOC. Included in the revenue figure is \$443,436, which represents the first payment on the CTC 2012 Bond Issue. The payment was made by eight participating districts to the Debt Service Account. The \$4,099,109 amount accounts for approximately 62% 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 \$495,862 for the State Vocational Subsidy for Secondary Programs. This is an increase from the prior year of \$28,964.

## FINANCIAL ANALYSIS OF THE SCHOOL'S FUNDS

As of June 30, 2013, CTC's General Fund reported a fund balance of \$118,295 which is shown as net in Due from Other Governmental Units in the Notes to Financial Statements.

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 shows a comparison of budget vs. actual and includes a column for Variance with Budget. Total Revenue received in the General Fund was \$43,015 under budget, while total Expenditures in the General Fund was \$279,435 under budget.

Vocational Education Programs ended with a positive expenditure budgetary variance of \$164,345. 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 \$8,437. Total Support Services showed a positive expenditure variance of \$161,847.

## CAPITAL ASSETS

As of June 30, 2013, CTC had \$5,690,899 invested in capital assets compared to \$3,418,032 as of June 30, 2012.

Table A-5  
Fiscal Year Ending June 30, 2013  
Capital Assets—Net of Depreciation

	Total Assets	Accumulated Depreciation	Balance Net of Depreciation
<b>Governmental Activities</b>			
Land	\$ 195,444	\$ 0	\$ 195,444
Construction in Progress	1,173,842	0	1,173,842
Land Improvements	45,527	40,770	4,757
Buildings	7,705,158	4,497,874	3,207,284
Fixtures and Equipment	3,748,215	2,638,643	1,109,572
<b>Total Governmental Activities</b>	<b>\$ 12,868,186</b>	<b>\$ 7,177,287</b>	<b>\$ 5,690,899</b>

## LONG TERM DEBT

Summary of CTC Long Term Debt for the year ended June 30, 2013

	<u>7/1/2012 Balance</u>	<u>Additions</u>	<u>Amortization (Accretion)</u>	<u>Retirements</u>	<u>Balance June 30, 2013</u>	<u>Due Within One Year</u>
Lease Revenue						
Bonds	\$ 0	\$ 17,170,000	\$ 0	\$ 250,000	\$ 16,920,000	\$ 260,000
Amortization						
(Accretion)	0	1,185,138	(116,812)	0	1,068,326	0
Capitalized Lease	<u>283,740</u>	<u>0</u>	<u>0</u>	<u>25,628</u>	<u>258,112</u>	<u>26,540</u>
Total	<u>\$ 283,740</u>	<u>\$ 18,355,138</u>	<u>\$ (116,812)</u>	<u>\$ 275,628</u>	<u>\$ 18,246,438</u>	<u>\$ 286,540</u>

CTC of Lackawanna County entered into a lease agreement with the State Public School Building Authority (SPSBA) as lessee in order to finance the planning and construction of a renovation project for the CTC Building project. Principal Amount on the bonds 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. Outstanding commitments for the project can be found in Note 5.

## ECONOMIC FACTORS AND THE 2013-2014 BUDGET

CTC has a prepared General Fund Operating Budget for the next school year, or the fiscal year ending June 30, 2014. The total 2013-2014 General Operating Budget represents an increase of \$68,645 or 1.12% from the total 2012-2013 General Operating Budget. The member district's costs for 2013-2014 increased by \$229,326 or 6.12% over 2012-2013. 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 2013-2014 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](mailto:jmchale@ctclc.edu).

Respectfully submitted:

James McHale, Chief Financial Officer

CAREER TECHNOLOGY CENTER OF LACKAWANNA COUNTY  
STATEMENT OF NET POSITION  
JUNE 30, 2013

	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
ASSETS			
Cash	\$ 1,009,979	\$ 32,981	\$ 1,042,960
State Subsidy Receivable	69,140	22	69,162
Federal Subsidy Receivable	99,840	360	100,200
Interfund Receivables	48,497	(48,497)	0
Intergovernmental Receivable	293,421	0	293,421
Inventory	0	3,326	3,326
Other Receivables	48,880	0	48,880
Restricted Assets			
Cash	1,725,602	0	1,725,602
Accrued Interest Receivable	6,270	0	6,270
Investments	15,496,921	0	15,496,921
Capital Assets:			
Land & Land Improvements	240,971	0	240,971
Construction In Progress	1,173,842	0	1,173,842
Buildings	7,705,158	0	7,705,158
Furniture and Equipment	3,748,215	124,426	3,872,641
Accumulated Depreciation	(7,177,287)	(112,160)	(7,289,447)
Prepaid Bond Financing Cost	353,720	0	353,720
<b>TOTAL ASSETS</b>	<b>\$ 24,843,169</b>	<b>\$ 458</b>	<b>\$ 24,843,627</b>

"See Accompanying Notes and Independent Auditors' Report"

CAREER TECHNOLOGY CENTER OF LACKAWANNA COUNTY  
STATEMENT OF NET POSITION  
JUNE 30, 2013

	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
<b>LIABILITIES</b>			
Accrued Salary and Benefits	\$ 370,419	\$ 0	\$ 370,419
Accounts Payable	385,583	73	385,656
Deferred Revenue	230,439	0	230,439
Payroll Deductions Payable	14,432	0	14,432
RACP Grant Temporary Funding Member Districts	1,000,000	0	1,000,000
Accrued Interest Expense	236,461		236,461
Current Portion Capitalized Lease Payable	26,540	0	26,540
Current Portion Lease Revenue Bonds Payable	260,000	0	260,000
Noncurrent Liabilities:			
Post Employment Retirement Benefits	501,567	0	501,567
Capitalized Lease Payable	231,572	0	231,572
Lease Revenue Bonds Payable	17,728,326		17,728,326
Accumulated Compensated Absences	334,364	0	334,364
<b>TOTAL LIABILITIES</b>	<b>\$ 21,319,703</b>	<b>\$ 73</b>	<b>\$ 21,319,776</b>
<b>COMMITMENTS</b>			
<b>NET POSITION</b>			
Investment in Capital Assets, Net of Related Debt	\$ 5,432,787	\$ 12,266	\$ 5,445,053
Restricted For:			
Reserve For Capital Project	16,805,853	0	16,805,853
Reserve For Capital Replacement	(8,182)	0	(8,182)
Reserve For Debt Service	6	0	6
Unreserved	(18,706,998)	(11,881)	(18,718,879)
<b>TOTAL NET POSITION</b>	<b>\$ 3,523,466</b>	<b>\$ 385</b>	<b>\$ 3,523,851</b>

"See Accompanying Notes and Independent Auditors' Report"

CAREER TECHNOLOGY CENTER OF LAGAWANNA COUNTY  
STATEMENT OF NET ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2013

FUNCTIONS/PROGRAMS	PROGRAM REVENUES				NET (EXPENSES) REVENUES AND CHANGES IN NET ASSETS		
	EXPENSES	CHARGE FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
Governmental Activities:							
Instructional:							
Vocational Education Programs	\$ 2,427,598	\$ 275,394	\$ 430,211	\$ 38,572	\$ (1,683,421)	\$ 0	\$ (1,683,421)
Adult Education Programs	865,135	732,941	215,663	0	(16,531)	0	(16,531)
<b>TOTAL INSTRUCTIONAL EXPENDITURES</b>	<b>\$ 3,292,733</b>	<b>\$ 1,008,335</b>	<b>\$ 645,874</b>	<b>\$ 38,572</b>	<b>\$ (1,699,952)</b>	<b>\$ 0</b>	<b>\$ (1,699,952)</b>
Support Services							
Guidance	\$ 183,477	\$ 0	\$ 10,723	\$ 0	\$ (172,754)	\$ 0	\$ (172,754)
Instructional Support	219,783	0	136,837	0	(82,946)	0	(82,946)
Administrative Services	717,981	0	39,128	0	(678,853)	0	(678,853)
Pupil Health Services	89,726	0	6,157	0	(83,569)	0	(83,569)
Business Services	333,906	0	18,072	0	(315,834)	0	(315,834)
Operation & Maintenance of Plant Services	981,247	0	31,734	0	(949,513)	0	(949,513)
<b>TOTAL SUPPORT SERVICES</b>	<b>\$ 2,526,120</b>	<b>\$ 0</b>	<b>\$ 242,651</b>	<b>\$ 0</b>	<b>\$ (2,283,469)</b>	<b>\$ 0</b>	<b>\$ (2,283,469)</b>
Other Expenditures							
Unallocated Depreciation	\$ 336,078	\$ 0	\$ 0	\$ 0	\$ (336,078)	\$ 0	\$ (336,078)
Refund of Prior Year Revenue	3,170	0	0	0	(3,170)	0	(3,170)
Facility Acquisition, Construction, Improvement Services	0	0	0	0	0	0	0
Interest on Long - Term Debt	322,607	0	0	0	(322,607)	0	(322,607)
Other Administrative	48,138	0	0	0	(48,138)	0	(48,138)
<b>TOTAL SUPPORT SERVICES</b>	<b>\$ 709,993</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ (709,993)</b>	<b>\$ 0</b>	<b>\$ (709,993)</b>
<b>TOTAL GOVERNMENTAL ACTIVITIES</b>	<b>\$ 6,628,846</b>	<b>\$ 1,008,335</b>	<b>\$ 888,525</b>	<b>\$ 38,572</b>	<b>\$ (4,693,414)</b>	<b>\$ 0</b>	<b>\$ (4,693,414)</b>
Business-Type Activities:							
Food Service	\$ 107,328	\$ 30,834	\$ 34,914	\$ 0	\$ 0	\$ (41,580)	\$ (41,580)
<b>TOTAL PRIMARY GOVERNMENT</b>	<b>\$ 6,736,174</b>	<b>\$ 1,039,169</b>	<b>\$ 923,439</b>	<b>\$ 38,572</b>	<b>\$ (4,693,414)</b>	<b>\$ (41,580)</b>	<b>\$ (4,734,994)</b>
General Revenues:							
Grants, Subsidies, and Contributions Not Restricted					\$ 495,862	\$ 0	\$ 495,862
Receipts From Member District - AVTS					4,099,109	0	4,099,109
Investment Earnings					21,796	2	21,798
Rent of School Facilities					0	0	0
RACP Grant Permanent Funding Member Districts					0	0	0
Miscellaneous Income					12,981	0	12,981
Transfers					(41,824)	41,824	0
<b>TOTAL GENERAL REVENUES, SPECIAL ITEMS, AND TRANSFERS</b>					<b>\$ 4,587,924</b>	<b>\$ 41,826</b>	<b>\$ 4,629,750</b>
Change in Net Position					\$ (105,490)	\$ 246	\$ (105,244)
Net Position - Beginning of Year					3,628,956	139	3,629,095
<b>NET POSITION - END OF YEAR</b>					<b>\$ 3,523,466</b>	<b>\$ 385</b>	<b>\$ 3,523,851</b>

\*See Accompanying Notes and Independent Auditors' Report\*

CAREER TECHNOLOGY CENTER OF LACKAWANNA COUNTY  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2013

	GENERAL FUND	CAPITAL PROJECTS FUND	CAPITAL RESERVE FUND	NON-MAJOR FUND	TOTAL GOVERNMENTAL FUNDS
<b>ASSETS</b>					
Cash	\$ 655,908	\$ 0	\$ 354,071	\$ 0	\$ 1,009,979
State Subsidy Receivable	69,140	0	0	0	69,140
Federal Subsidy Receivable	99,840	0	0	0	99,840
Interfund Receivables	48,497	0	459,051	0	507,548
Intergovernmental Receivable	293,421	0	0	0	293,421
Other Receivables	48,880	0	0	0	48,880
Restricted Assets:					
Cash	0	1,546,900	178,696	6	1,725,602
Accrued Interest Receivable	0	6,270	0	0	6,270
Investments	0	15,496,921	0	0	15,496,921
<b>TOTAL ASSETS</b>	<b>\$ 1,215,686</b>	<b>\$ 17,050,091</b>	<b>\$ 991,818</b>	<b>\$ 6</b>	<b>\$ 19,257,601</b>
<b>LIABILITIES &amp; FUND BALANCE</b>					
Accrued Salary and Benefits	\$ 370,419	\$ 0	\$ 0	\$ 0	\$ 370,419
Accounts Payable	141,345	244,238	0	0	385,583
Interfund Payables	459,051	0	0	0	459,051
Deferred Revenue	230,439	0	0	0	230,439
Payroll Deductions Payable	14,432	0	0	0	14,432
RACP Grant Temporary Funding Member Districts	0	0	1,000,000	0	1,000,000
<b>TOTAL LIABILITIES</b>	<b>\$ 1,215,686</b>	<b>\$ 244,238</b>	<b>\$ 1,000,000</b>	<b>\$ 0</b>	<b>\$ 2,459,924</b>
<b>FUND BALANCE</b>					
Restricted For					
Capital Projects Fund	\$ 0	\$ 16,805,853	\$ 0	\$ 0	\$ 16,805,853
Capital Reserve Fund	0	0	(8,182)	0	(8,182)
Debt Service	0	0	0	6	6
<b>TOTAL FUND BALANCE</b>	<b>\$ 0</b>	<b>\$ 16,805,853</b>	<b>\$ (8,182)</b>	<b>\$ 6</b>	<b>\$ 16,797,677</b>
<b>TOTAL LIABILITIES AND FUND BALANCE</b>	<b>\$ 1,215,686</b>	<b>\$ 17,050,091</b>	<b>\$ 991,818</b>	<b>\$ 6</b>	<b>\$ 19,257,601</b>

\*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, 2013

Total Fund Balance - Total Governmental Funds		\$ 16,797,677
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	\$ 12,868,186	
and the accumulated depreciation is	<u>(7,177,287)</u>	5,690,899
Governmental funds report the effects of bond issuance cost when the debt is first issued, whereas these amounts are deferred and amortized		
		353,720
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, 2013 consist of		
Post retirement employment benefits	\$ (501,567)	
Capitalized lease payable	(258,112)	
Lease revenue bonds payable	(17,988,326)	
Accrued interest expense	(236,461)	
Compensated absences	<u>(334,364)</u>	<u>(19,318,830)</u>
NET POSITION OF GOVERNMENTAL ACTIVITIES		<u>\$ 3,523,466</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, 2013

	GENERAL FUND	CAPITAL PROJECTS FUND	CAPITAL RESERVE FUND	NON-MAJOR FUND	TOTAL GOVERNMENTAL FUNDS
<b>REVENUE</b>					
Local Sources	\$ 4,196,325	\$ 21,224	\$ 497	\$ 443,442	\$ 4,661,488
State Sources	970,477	0	0	0	970,477
Federal Sources	933,215	0	0	0	933,215
<b>TOTAL REVENUE</b>	<b>\$ 6,100,017</b>	<b>\$ 21,224</b>	<b>\$ 497</b>	<b>\$ 443,442</b>	<b>\$ 6,565,180</b>
<b>EXPENDITURES</b>					
<b>Instruction</b>					
Vocational Education Programs	\$ 2,396,188	\$ 0	\$ 47,812	\$ 0	\$ 2,444,000
Adult Education Programs	940,316	0	0	0	940,316
<b>TOTAL INSTRUCTIONAL EXPENDITURES</b>	<b>\$ 3,336,504</b>	<b>\$ 0</b>	<b>\$ 47,812</b>	<b>\$ 0</b>	<b>\$ 3,384,316</b>
<b>Support Services</b>					
Guidance	\$ 176,790	\$ 0	\$ 0	\$ 0	\$ 176,790
Instructional Support	211,007	0	4,463	0	215,470
Administrative Services	677,799	0	5,076	0	682,875
Pupil Health Services	87,837	0	0	0	87,837
Business Services	319,666	0	2,940	0	322,606
Operation & Maintenance of Plant Services	963,921	0	0	0	963,921
Other Administrative	34,253	367,860	1,000	0	403,113
<b>TOTAL SUPPORT SERVICES</b>	<b>\$ 2,471,273</b>	<b>\$ 367,860</b>	<b>\$ 13,479</b>	<b>\$ 0</b>	<b>\$ 2,852,612</b>
<b>Other Expenditures</b>					
Refund of Prior Year Revenues	\$ 3,170	\$ 0	\$ 0	\$ 0	\$ 3,170
Facility Acquisition, Construction, Improvement Services	0	859,512	1,661,792	0	2,521,304
Debt Service	35,150	0	0	443,436	478,586
<b>TOTAL OTHER EXPENDITURES</b>	<b>\$ 38,320</b>	<b>\$ 859,512</b>	<b>\$ 1,661,792</b>	<b>\$ 443,436</b>	<b>\$ 3,003,060</b>
<b>TOTAL EXPENDITURES</b>	<b>\$ 5,846,097</b>	<b>\$ 1,227,372</b>	<b>\$ 1,723,083</b>	<b>\$ 443,436</b>	<b>\$ 9,239,988</b>
<b>EXCESS OF REVENUES (UNDER/OVER EXPENDITURES)</b>	<b>\$ 253,920</b>	<b>\$ (1,206,148)</b>	<b>\$ (1,722,586)</b>	<b>\$ 6</b>	<b>\$ (2,674,808)</b>
<b>Other Financing Sources (Uses)</b>					
Lease Revenue Bond Proceeds Received	\$ 0	\$ 17,170,000	\$ 0	\$ 0	\$ 17,170,000
Lease Revenue Bond Premium Received	0	1,185,138	0	0	1,185,138
Operating Transfer In (Out)	(253,920)	(343,137)	555,233	0	(41,824)
<b>TOTAL OTHER FINANCING SOURCES</b>	<b>\$ (253,920)</b>	<b>\$ 18,012,001</b>	<b>\$ 555,233</b>	<b>\$ 0</b>	<b>\$ 18,313,314</b>
<b>Excess of Revenue and Other Financing Sources over Expenditures and Other Financing Uses</b>	<b>\$ 0</b>	<b>\$ 16,805,853</b>	<b>\$ (1,167,353)</b>	<b>\$ 6</b>	<b>\$ 15,638,506</b>
<b>Fund Balance, Beginning of Year</b>	<b>0</b>	<b>0</b>	<b>1,159,171</b>	<b>0</b>	<b>1,159,171</b>
<b>FUND BALANCE, END OF YEAR</b>	<b>\$ 0</b>	<b>\$ 16,805,853</b>	<b>\$ (8,182)</b>	<b>\$ 6</b>	<b>\$ 16,797,677</b>

\*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, 2013

Net Change in Fund Balances - Total Governmental Funds \$ 15,638,506

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	\$ 2,608,945	
Depreciation	<u>(336,078)</u>	2,272,867

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.

(158,767)

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:

Lease Revenue Bond Proceeds	\$ (17,170,000)	
Net Lease Revenue Bond Premium (Discount) Proceeds	(1,185,138)	
Bond Premium Accretion	116,812	
Lease Revenue Bond Principal Payments	250,000	
Prepaid Bond Financing Cost, Net of Amortization	353,720	
Capitalized Lease Principal Payments	<u>25,628</u>	(17,608,978)

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.

(236,461)

"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, 2013

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.

(12,657)

CHANGE IN NET POSITION - GOVERNMENTAL ACTIVITIES

\$ (105,490)

"See Accompanying Notes and Independent Auditors' Report"

CAREER TECHNOLOGY CENTER OF LACKAWANNA COUNTY  
STATEMENT OF NET POSITION  
PROPRIETARY FUNDS - FOOD SERVICE FUND  
BUSINESS-TYPE ACTIVITIES  
JUNE 30, 2013

ASSETS

Cash	\$	32,981	
State Subsidy Receivable		22	
Federal Subsidy Receivable		360	
Inventory		3,326	
Capital Assets:			
Furniture And Equipment		124,426	
Accumulated Depreciation		<u>(112,160)</u>	
 TOTAL ASSETS			 \$ <u>48,955</u>

LIABILITIES

Accounts Payable	\$	73	
Interfund Payables		<u>48,497</u>	
 TOTAL LIABILITIES			 \$ <u>48,570</u>

NET POSITION

Investment in Capital Assets, Net of Related Debt	\$	12,266	
Unreserved - Undesignated		<u>(11,881)</u>	
 TOTAL NET POSITION			 \$ <u>385</u>

"See Accompanying Notes and Independent Auditors' Report"

CAREER TECHNOLOGY CENTER OF LACKAWANNA COUNTY  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGE IN FUND NET POSITION  
PROPRIETARY FUNDS - FOOD SERVICE FUND  
BUSINESS-TYPE ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2013

REVENUE

Food Sales	\$	24,880	
Other Food Service Revenue		<u>5,954</u>	
 TOTAL REVENUE			 \$ 30,834

EXPENSES

Food Costs	\$	39,069	
Salaries and Wages		51,337	
Employee Benefits		5,879	
Contracted Services		9,528	
Depreciation Expense		<u>1,515</u>	
 TOTAL EXPENSES			 <u>107,328</u>

NET OPERATING LOSS \$ (76,494)

NON-OPERATING REVENUES

Federal and State Subsidies	\$	34,914	
Interest Income		<u>2</u>	
 TOTAL NON-OPERATING REVENUE			 <u>34,916</u>

NET LOSS BEFORE OPERATING TRANSFER \$ (41,578)

OPERATING TRANSFERS

General Fund	\$	32,308	
Capital Reserve Fund		<u>9,516</u>	
 TOTAL OPERATING TRANSFERS			 <u>41,824</u>

NET INCOME \$ 246

Net Position at Beginning of Year 139

NET POSITION AT END OF YEAR \$ 385

"See Accompanying Notes and Independent Auditors' Report"

CAREER TECHNOLOGY CENTER OF LACKAWANNA COUNTY  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS - FOOD SERVICE FUND  
BUSINESS-TYPE ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2013

CASH FLOWS FROM OPERATING ACTIVITIES:

Cash Received From Users	\$	30,834	
Cash Payments To Employees For Service		(51,337)	
Cash Payments To Suppliers For Goods And Services		<u>(61,716)</u>	
Net Cash Used In Operating Activities	\$		(82,219)

CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:

Federal and State Subsidies	\$	36,103	
Advances From General Fund		<u>41,824</u>	
Net Cash Provided By Non-Capital Financing Activities			77,927

CASH FLOW FROM INVESTING ACTIVITIES:

Earnings On Investments	\$	2	
Purchase of Fixed Assets		<u>(12,324)</u>	
Net Cash Used In Investing Activities			<u>(12,322)</u>

Net Decrease in Cash	\$		(16,614)
Cash at Beginning of Year			<u>49,595</u>
CASH AT END OF YEAR	\$		<u><u>32,981</u></u>

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

Operating Loss	\$		(76,494)
Adjustments to Reconcile Operating Loss To Net Cash Used In Operating Activities			
Depreciation		1,515	
Donated Commodities		3,880	
Changes in assets and liabilities			
Increase in Inventory		1,143	
Decrease In Accounts Payable		21	
Decrease in Interfund Payables		<u>(12,284)</u>	
Net Cash Used In Operating Activities	\$		<u><u>(82,219)</u></u>

"See Accompanying Notes and Independent Auditors' Report"

CAREER TECHNOLOGY CENTER OF LACKAWANNA COUNTY  
STATEMENT OF NET ASSETS  
FIDUCIARY FUND  
AGENCY FUND  
JUNE 30, 2013

ASSETS

Cash \$ 38,459

TOTAL ASSETS \$ 38,459

LIABILITIES

Due To Specific Student Activity  
Groups \$ 38,459

TOTAL LIABILITIES \$ 38,459

"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). As allowed in Section P80 of GASB's Codification of Governmental Accounting and Financial Reporting Standards, the School has elected not to apply Financial Accounting and Financial Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee of Accounting Procedure issued after November 30, 1989. The more significant accounting policies of the School are described below.

Reporting Entity: The 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 concomitant 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, Component Units. The financial reporting entity consists of the primary government, organizations for which the primary government is financially accountable and other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

The accompanying financial statements present the activities of the District. The District has no 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 nonexchange 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 nonoperating 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 nonoperating. 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 nonoperating.

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.
  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.
- 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.

CAREER TECHNOLOGY CENTER OF LACKAWANNA COUNTY  
NOTES TO FINANCIAL STATEMENT

Note 1      Summary of Significant Accounting Policies (Continued)

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 deferred 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.

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.

CAREER TECHNOLOGY CENTER OF LACKAWANNA COUNTY  
NOTES TO FINANCIAL STATEMENT

Note 1      Summary of Significant Accounting Policies (Continued)

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  |

#### 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.

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.

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 issuance 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.

#### 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.

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 June 21, 2012 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.

CAREER TECHNOLOGY CENTER OF LACKAWANNA COUNTY  
NOTES TO FINANCIAL STATEMENT

Note 1 - Summary of Significant Accounting Policies (Continued)

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.

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

### Fund Equity

Beginning with fiscal year 2011, the 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.

#### 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.

CAREER TECHNOLOGY CENTER OF LACKAWANNA COUNTY  
NOTES TO FINANCIAL STATEMENT

Note 2 Cash and Investments (Continued)

At June 30, 2013, the School had the following investments:

Type of Investment	Amortized Cost	Carrying Value	Average Credit Quality Rating	Weighted Average Months To Maturity
U S Government Agency Obligations				
Federal Home Loan Banks	\$ 1,999,829	\$ 1,999,829	Aaa/AA+	3.1
Federal Farm Credit Banks	2,000,000	2,000,000	Aaa/AA+	7.9
Federal Farm Credit Banks	2,000,000	2,000,000	Aaa/AA+	13.9
Federal Farm Credit Banks	2,000,000	2,000,000	Aaa/AA+	17.4
Federal Home Loan Banks	1,000,000	1,000,000	Aaa/AA+	17.9
Federal Farm Credit Banks	2,500,000	2,500,000	Aaa/AA+	22.9
	<u>\$ 11,499,829</u>	<u>\$ 11,499,829</u>		
Zero Coupon Bonds US Govt				
Federal Home Loan Bank Cons Disc	\$ 1,998,925	\$ 1,998,925	Aaa/AA+	4.2
Corporate Bonds				
GE Cap	\$ 1,998,167	\$ 1,998,167	AA+	0.6
<b>TOTAL INVESTMENTS</b>	<u><b>\$ 15,496,921</b></u>	<u><b>\$ 15,496,921</b></u>		

- ( 1 ) Ratings are provided where applicable to indicate associated Credit Risk. N/A indicates not applicable.  
 ( 2 ) Interest Rate Risk is estimated weighted average months to maturity.  
 ( 3 ) Concentration of credit risk by amount and by issuer investments in any one issuer that that represent 5% or more of total investments seperately disclosed

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 D/B/A First Liberty Bank & Trust 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.

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.

CAREER TECHNOLOGY CENTER OF LACKAWANNA COUNTY  
NOTES TO FINANCIAL STATEMENT

Note 2 Cash and Investments (Continued)

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.

Note 3 - Federal and State Subsidy Receivable/Payable

Federal and State Subsidy Receivable/Payable at June 30, 2013 consists of federal and state sponsored subsidy programs in which the expenditure/revenue or application for assistance was made/received but the corresponding receipts/expenditures were not received/incurred as of June 30, 2013

	<u>FEDERAL</u>	<u>STATE</u>	<u>TOTAL</u>
GENERAL FUND:			
Perkins, Federal	\$ 62,506	\$ 0	\$ 62,506
Trade Assistance Act	8,662	0	8,662
FSEOG	9,800	0	9,800
Pell LPN Program	8,951	0	8,951
LPN Direct Loans	9,921	0	9,921
State Vocational Education	0	493	493
Retirement Subsidy	0	56,562	56,562
State Training Subsidy, LPN	0	10,012	10,012
Social Security Subsidy	0	2,073	2,073
Sub Total	<u>\$ 99,840</u>	<u>\$ 69,140</u>	<u>\$ 168,980</u>
FOOD SERVICE FUND:			
National School Lunch Program	<u>\$ 360</u>	<u>\$ 22</u>	<u>\$ 382</u>
TOTAL FEDERAL AND STATE SUBSIDY RECEIVABLE/PAYABLE AT JUNE 30, 2013			
	<u>\$ 100,200</u>	<u>\$ 69,162</u>	<u>\$ 169,362</u>

Note 4 - Inventories

Inventories at June 30, 2013 are summarized as follows:

Food Service: Inventories at June 30, 2013 consist of the following:

Purchased Food	\$ 1,193
Donated Commodities	<u>2,133</u>
Total	<u>\$ 3,326</u>

CAREER TECHNOLOGY CENTER OF LACKAWANNA COUNTY  
NOTES TO FINANCIAL STATEMENTS

Note 5 – Capital Assets

Capital asset activity for the year ended June 30, 2013 was as follows:

	Balance 07/01/12	Additions	Deletions	Balance 06/30/13
<b>Governmental Activities</b>				
Historical Cost				
Land	\$ 195,444	\$ 0	\$ 0	\$ 195,444
Construction in Progress	481,735	868,062	(175,955)	1,173,842
Total At Historical Cost Not Being Depreciated	<u>\$ 677,179</u>	<u>\$ 868,062</u>	<u>\$ (175,955)</u>	<u>\$ 1,369,286</u>
Site Improvements	\$ 45,527	\$ 0	\$ 0	\$ 45,527
Building & Improvements	5,874,705	1,830,453	0	7,705,158
Furniture & Equipment	3,717,714	86,385	(55,884)	3,748,215
Total At Historical Cost Being Depreciated	<u>\$ 9,637,946</u>	<u>\$ 1,916,838</u>	<u>\$ (55,884)</u>	<u>\$ 11,498,900</u>
<b>TOTAL HISTORICAL COST</b>	<u><b>\$ 10,315,125</b></u>	<u><b>\$ 2,784,900</b></u>	<u><b>\$ (231,839)</b></u>	<u><b>\$ 12,868,186</b></u>
<b>Less Accumulated Depreciation:</b>				
Site Improvements	\$ (40,389)	\$ (381)	\$ 0	\$ (40,770)
Building & Improvements	(4,357,186)	(140,688)	0	(4,497,874)
Furniture & Equipment	(2,499,518)	(195,009)	55,884	(2,638,643)
<b>TOTAL ACCUMULATED DEPRECIATION</b>	<u><b>\$ (6,897,093)</b></u>	<u><b>\$ (336,078)</b></u>	<u><b>\$ 55,884</b></u>	<u><b>\$ (7,177,287)</b></u>
<b>GOVERNMENTAL ACTIVITIES, CAPITAL ASSETS NET</b>	<u><b>\$ 3,418,032</b></u>	<u><b>\$ 2,448,822</b></u>	<u><b>\$ (175,955)</b></u>	<u><b>\$ 5,690,899</b></u>
<b>Business Activities</b>				
Historical Cost				
Machinery & Equipment	\$ 112,102	\$ 12,324	\$ 0	\$ 124,426
<b>TOTAL HISTORICAL COST</b>	<u><b>\$ 112,102</b></u>	<u><b>\$ 12,324</b></u>	<u><b>\$ 0</b></u>	<u><b>\$ 124,426</b></u>
<b>Less Accumulated Depreciation:</b>				
Machinery & Equipment	\$ (110,645)	\$ (1,515)	\$ 0	\$ (112,160)
<b>TOTAL ACCUMULATED DEPRECIATION</b>	<u><b>\$ (110,645)</b></u>	<u><b>\$ (1,515)</b></u>	<u><b>\$ 0</b></u>	<u><b>\$ (112,160)</b></u>
<b>TOTAL CAPITAL ASSETS, NET</b>	<u><b>\$ 3,419,489</b></u>	<u><b>\$ 2,459,631</b></u>	<u><b>\$ (175,955)</b></u>	<u><b>\$ 5,703,165</b></u>

Depreciation expense was charged to Governmental Activities as follows:

Unallocated	\$ 336,078
Total Depreciation Expense	<u>\$ 336,078</u>

The School has entered into contracts for construction, as follows:

	Project Authorization	Expended to Date	Commitment
Redevelopment Assistance Capital Program Phase II	\$ 164,244	\$ 8,549	\$ 155,695
Building Capital Improvement	\$17,170,000	\$1,165,293	\$1,703,030



CAREER TECHNOLOGY CENTER OF LACKAWANNA COUNTY  
NOTES TO FINANCIAL STATEMENT

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 allowance 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 \$50 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, 2013 based on the applicable per day rate. At June 30, 2013 aggregate liability for unused sick pay is \$334,364.

Note 7 - Inter-Government Receivables/ (Payable)

The School currently is receiving payments from nine (9) 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 school districts during the fiscal year ended June 30, 2013 amounted to \$3,749,463 of which \$348,496 was due and reflected as a receivable at June 30, 2013 and is reflected in the accompanying Balance Sheet under the heading Inter-Governmental Receivable 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, 2013 actual revenues exceeded actual expenditures in the amount of \$118,295 which is to be reimbursed to the member districts.

CAREER TECHNOLOGY CENTER OF LACKAWANNA COUNTY  
NOTES TO FINANCIAL STATEMENT

Note 7 - Inter-Government Receivables/ (Payable) (Continued)

At June 30, 2013 the balance of the amounts due to other governmental units consists of the following:

	DUE (TO) / FROM OTHER GOVERNMENTAL UNIT			TOTAL
	MEMBER DISTRICTS	Member District Riverside	NON - MEMBER DISTRICTS	
Accrued & Unpaid from June 30, 2013	\$ 151,389	\$ 197,107	\$ 63,220	\$ 411,716
Amount of Excess Actual Revenue Over Expenditures at June 30, 2013 Due to School Districts Based on Actual Enrollment				(118,295)
Total Inter-Governmental Receivables/(Payable) at June 30, 2013				<u>\$ 293,421</u>

As discussed in Note 14, Riverside School District is seeking to withdraw from the Articles of Agreement. Riverside has refused to pay its pro-rata share of the School's 2012–2013 fiscal year budget. Therefore, the amount due from Riverside is recorded as a receivable and deferred revenue because it does not meet the definition of measurable and available as of June 30, 2013.

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, 2013.

	June 30	Principal	Interest	Total
2014		\$ 26,540	\$ 8,611	\$ 35,151
2015		27,484	7,667	35,151
2016		28,461	6,690	35,151
2017		29,474	5,677	35,151
2018		30,522	4,629	35,151
2019 - 2021		<u>115,631</u>	<u>7,393</u>	<u>123,024</u>
Total Future Minimum Lease Payments		<u>\$ 258,112</u>	<u>\$ 40,667</u>	\$ 298,779
Amount Representing Interest				<u>(40,667)</u>
Present Value of Future Minimum Lease Payments				<u>\$ 258,112</u>
The Cost of the Asset				\$ 296,222
The Accumulated Depreciation through June 30, 2013				<u>(29,622)</u>
The Net Book Value				<u>\$ 266,600</u>

CAREER TECHNOLOGY CENTER OF LACKAWANNA COUNTY  
NOTES TO FINANCIAL STATEMENT

Note 8 – Long Term Debt (Continued)

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.
- 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.

CAREER TECHNOLOGY CENTER OF LACKAWANNA COUNTY  
NOTES TO FINANCIAL STATEMENT

Note 8 – Long Term Debt (Continued)

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 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, 2013

	<u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	\$ 260,000	\$ 630,563	\$ 890,563	
2015	710,000	625,363	1,335,363	
2016	725,000	611,163	1,336,163	
2017	735,000	596,663	1,331,663	
2018	750,000	581,963	1,331,963	
2019 - 2023	4,090,000	2,581,813	6,671,813	
2024 - 2028	4,920,000	1,753,063	6,673,063	
2029 - 2032	<u>4,730,000</u>	<u>605,500</u>	<u>5,335,500</u>	
	<u>\$ 16,920,000</u>	<u>\$ 7,986,091</u>	<u>\$ 24,906,091</u>	

The following summarizes the changes in long-term debt for the year ended June 30, 2013

	<u>Balance July</u>	<u>Additions</u>	<u>Amortization</u>	<u>Retirements</u>	<u>Balance June</u>	<u>Due Within</u>
	1, 2012		(Accretion)		30, 2013	One Year
Lease Revenue Bonds	\$ 0	\$ 17,170,000	\$ 0	\$ 250,000	\$ 16,920,000	\$ 260,000
Amortization / Accretion	0	1,185,138	(116,812)	0	1,068,326	0
Capitalized Lease	<u>283,740</u>	<u>0</u>	<u>0</u>	<u>25,628</u>	<u>258,112</u>	<u>26,540</u>
TOTALS	<u>\$ 283,740</u>	<u>\$ 18,355,138</u>	<u>\$ (116,812)</u>	<u>\$ 275,628</u>	<u>\$ 18,246,438</u>	<u>\$ 286,540</u>

CAREER TECHNOLOGY CENTER OF LACKAWANNA COUNTY  
NOTES TO FINANCIAL STATEMENT

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. (See Note 5) 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.

Note 10 - Commitments

School Pension Plan: The School is a participant in the Public School Employee's Retirement System of Pennsylvania (PSERS) which is a governmental cost sharing multiple-employer plan designed to provide retirement allowances and other benefits to members. The PSERS was established as of July 18, 1917, under the provisions of Public Law 1043, No. 343 and significant amendments were made in the 1975 revision of the Pennsylvania Public School Employees' Retirement Code (Act. No. 96 of October 2, 1975 as amended). The PSERS issues a comprehensive annual financial report that includes financial statements and required supplementary information. A copy of the report may be obtained by writing Diane J. Wert, Office of Financial Management, Public School Employees' Retirement System, P.O. Box 125, Harrisburg, PA 17108-0125. The report is also available in the publication section of the PSERS site on the internet, [www.psers.state.pa](http://www.psers.state.pa). Membership in the system is mandatory for substantially all full time public school employees in the Commonwealth, and Contributions are made by the School, the employees and the Commonwealth. Effective July 1, 1995, the School will pay the Commonwealth's share of the contribution rate and will be reimbursed by the Commonwealth in an amount equal to the Commonwealth's share as determined by the income aid ratio.

Members are eligible for monthly retirement benefits upon reaching (a) age 62 with at least one (1) year of service; (b) age 60 with thirty (30) or more years of service or; (c) thirty-five (35) or more years of service regardless of age.

Benefits are generally equal to two (2%) percent or two and one half (2 1/2%) percent depending on membership class of the member's final average salary (as defined in the code) multiplied by the number of years of credited service. In most cases after completion of five (5) years of service, a member's right to the defined benefit is vested and early retirement benefits may be elected. Under certain features of the system active members may purchase credit for types of prior school or non-school service on a lump sum, installment purchase basis, or through an actuarially calculated benefit reduction.

CAREER TECHNOLOGY CENTER OF LACKAWANNA COUNTY  
NOTES TO FINANCIAL STATEMENT

Note 10 - Commitments (Continued)

In addition to regular retirement benefits, the System also provides for disability retirement benefits and death benefits. Participants are eligible for disability retirement benefits after completion of five (5) years of credited service. Such benefits are equal to two (2%) percent or two and one half (2 1/2%) percent, depending upon membership class, of the member's final average salary (as defined in the code) multiplied by the number of years of credited service, but not less than one-third of such salary, nor greater than the benefit the member would have had at normal retirement age. Members over normal retirement age may apply for disability benefits. Certain exceptions apply to normal disability retirements.

Death benefits are payable upon the death of an active member who has reached age 62 or who has at least five (5) years of credited service. Such benefits are actuarially equivalent to the benefit which would have been effective if the member had retired on the day before death.

Upon termination of a members employment in the Public School Sector, the members accumulated contributions plus interest are refundable from the members savings account.

The contribution policy is set by the Code and requires contributions by active members, employers, and the Commonwealth. The System's funding policy provides for periodic employer and Commonwealth contributions at actuarially determined rates, expressed as a percentage of annual covered payroll, such that they, along with employee contributions and an actuarially determined rate of investment return, are adequate to accumulate assets to pay retirement benefits when due. Level percentage of payroll employer contribution rates are determined using the entry age normal actuarial funding method. This method determines the amount of contributions necessary to (1) fully fund all current costs, (also known as normal cost) which represents the estimated amount necessary to pay for the benefits earned by the employees during the current service year; and (2) liquidate the prior service cost for service earned prior to the current service year and subsequent benefit increases, which represents the amount necessary to fund accrued liabilities over the appropriate amortization periods.

Contribution rates for active members are set by law (redefined with the provisions of Act 9 of 2001) and are dependent upon members' class. In most cases, the contribution rates based on qualified member compensation are as follows:

Membership Class T-C	Active members hired before July 22, 1983	5.25%
Membership Class T-C	Active members hired on or after July 22, 1983	6.25%
Membership Class T-D	Active members hired before July 22, 1983	6.50%
Membership Class T-D	Active members hired on or after July 22, 1983	7.50%

CAREER TECHNOLOGY CENTER OF LACKAWANNA COUNTY  
NOTES TO FINANCIAL STATEMENT

Note 10 - Commitments (Continued)

Active members newly hired after July 1, 2001, the effective date of Act 9 of 2001, are automatically Class T-D. The contribution rates for all members in Membership Class T-D were effective January 1, 2002.

The total contribution rate for the employers and the Commonwealth was 12.36% and 8.65% of qualified compensation for the years ended June 30, 2013 and 2012 respectively. According to requirements established in Act 29 of 1994, the Commonwealth reimburses school entity employers a portion of the employer contributions paid to the System. The Commonwealth remits employer contributions for employers other than school entities directly to the System. All contributions from employers and the Commonwealth are shown as employer contributions on the Statements of Changes in Plan Net Position.

A portion of each employer and Commonwealth contribution to the System is set aside for the funding of the health insurance premium assistance program. The premium assistance contribution rate is set at a level necessary to establish reserves sufficient to provide premium assistance payments for all participating eligible members for the subsequent fiscal year. The portion of the total contribution rate for employers and the Commonwealth used to fund premium assistance was .86% and .65% for the years ended June 30, 2013 and 2012, respectively.

Retirement Plan Contributions for the years ended are as follows:

<u>June 30,</u>	<u>Employer</u>
2013	\$359,468
2012	\$200,065
2011	\$170,384

On November 23, 2010, the Governor signed HB 2497 into law. The legislation is now known as Act 120 of 2010. Act 120 preserves the benefits of existing members and includes a series of actuarial and funding changes to PSERS and benefit reductions for individuals who become new members of PSERS on or after July 1, 2011. The Act created two new membership classes, T-E and T-F.

All new members will automatically become Class T-E members. New members however, will have a one-time opportunity to elect Class T-F within 45 days of receiving written notification from PSERS. Benefit and contribution rates for the new membership classes are as follows:

Class T-E

- Final average salary multiplier is 2% as opposed to 2.5% multiplier for most current members.

CAREER TECHNOLOGY CENTER OF LACKAWANNA COUNTY  
NOTES TO FINANCIAL STATEMENT

Note 10 - Commitments (Continued)

- Employee contribution base rate is 7.5% (base rate) with a "shared risk" provision that could cause the total contribution levels to fluctuate between 7.5% and 9.5%.

Class T-F

- Final average salary multiplier is 2.5%.
- Employee contribution base rate is 10.3% (base rate) with a "shared risk" provision that could cause the total contribution levels to fluctuate between 10.3% and 12.3%.

Funding Changes – Employer Contributions

The legislation also suppresses the employer contribution rate by using rate caps in future years to keep the rate from rising too high, too fast for budgetary purposes. The rate caps limit the amount the pension component of the employer contribution rate can increase over the prior year's rate as follows:

- FY 2012 – not more than 3.0% plus the premium assistance contribution rate
- FY 2013 – not more than 3.5% plus the premium assistance contribution rate
- FY 2014 and thereafter – not more than 4.5% plus the premium assistance contribution rate

The rate cap remains at 4.5% until the rate cap no longer applies, i.e. the rise in the employer contribution rate is less than the rate cap in effect at the time. Once the rate caps no longer apply, the employer normal cost becomes the contribution rate floor.

Federal and State Grants: The School participates in numerous State and Federal grant programs, which are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that the School has not complied with the rules and regulations governing the grants, refunds of any money received may be required and the collectibility of any related receivable at June 30, 2013 may be impaired. In the opinion of the School, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants; therefore, no provision has been recorded in the accompanying combined financial statements for such contingencies.

Operating Leases: The School has entered into various leases for copiers for terms of 63 months and 48 months and maturities to January 2017. The leases require monthly payments of \$2,805 and \$113 and requires the lessor to be responsible for all repairs. Total rent expense for the year ended June 30, 2013 was \$33,139.



CAREER TECHNOLOGY CENTER OF LACKAWANNA COUNTY  
NOTES TO FINANCIAL STATEMENT

Note 10 - Commitments (Continued)

The future minimum lease payments required as of June 30, 2013 under operating leases that have initial non-cancelable lease terms exceeding one year are as follows:

June 30,	
2014	\$35,008
2015	\$35,008
2016	\$ 1,353
2017	\$ 789

Termination Benefit Payable: For the year ended June 30, 2013 the school has adopted GASB-47 accounting for termination benefits.

The school is providing group insurance healthcare termination benefits to four employees. The termination benefits end between January, 2016 and April, 2026.

Annual termination benefits of \$15,030 have been projected to increase at an annual rate of 6.85% 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	\$ 136,877
Payment benefits made during school year	(15,030)
Change in present value of benefits	<u>(2,572)</u>
End of year net present value	<u>\$ 119,275</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 other insurance coverage. Spousal benefits are available at his or her own expense. Before age 55, coverage is provided but at employees own expense.

Act 93 administrators and Non-Contracted personnel retiring under any of the retirement provisions of PSERS are eligible for benefits. Health insurance benefits are paid in full for the employee and spouse in effect at the time of retirement for three (3) years not to exceed age 65.

The 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.

CAREER TECHNOLOGY CENTER OF LACKAWANNA COUNTY  
NOTES TO FINANCIAL STATEMENT

Note 10 - Commitments (Continued)

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.

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	\$ 149,912
Interest on Net OPEB Obligation	11,195
Adjustment to Annual Required Contribution	<u>48,476</u>
Annual OPEB Cost (Expense)	\$ 209,583
Contributions Made	<u>(33,214)</u>
Increase in Net OPEB Obligation	\$ 176,369
Net OPEB Obligation - Beginning of Year	<u>205,923</u>
Net OPEB Obligation - End of Year	<u>\$ 382,292</u>

Fiscal Year Ending	Annual OPEB Cost	Percentage Contributed	Net OPEB Obligation or (Asset)
06/30/11	\$ 94,771	27.30%	\$ 136,558
06/30/12	\$ 90,630	23.50%	\$ 205,923
06/30/13	\$ 209,583	23.50%	\$ 382,292

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
04/30/13	\$ 0	\$ 868,174	\$ 868,174	0.00%	\$ 2,225,809	39.00%

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.

CAREER TECHNOLOGY CENTER OF LACKAWANNA COUNTY  
NOTES TO FINANCIAL STATEMENT

Note 10 - Commitments (Continued)

*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.

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 AA. 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 AA.

Discount rate 4.0%

*Marital Status:* 75% of active participants are assumed to have a covered spouse at retirement and husbands are assumed to be two years older than wives.

*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, 100% are assumed to cover their spouse if the school pays for spousal coverage, and 60% if not. Future participation in post-retirement coverage under Acts 110 and 43 for those who qualify is assumed to be 0%.

*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 District does not accumulate assets in a dedicated trust, or an equivalent arrangement, therefore the actuarial value of plan assets is zero.

CAREER TECHNOLOGY CENTER OF LACKAWANNA COUNTY  
NOTES TO FINANCIAL STATEMENT

Note 11 - Interfund Receivable/Payable

Interfund balances at June 30, 2013 consist of the following individual fund receivables and payables:

	<u>Receivable</u>	<u>Payable</u>
General Fund:		
Food Service Fund	\$ 48,497	\$ 0
Capital Reserve	0	459,051
Capital Reserve Fund		
General Fund	459,051	0
Food Service Fund:		
General Fund	<u>0</u>	<u>48,497</u>
	<u>\$507,548</u>	<u>\$507,548</u>

Note 12 Operating Transfer In/Out

Operating transfer at June 30, 2013 consist of the following individual operating transfers in and out:

	<u>Transfer In</u>	<u>Transfer Out</u>
General Fund:		
Capital Reserve Fund	\$ 0	\$221,612
Cafeteria Fund	0	32,308
Cafeteria Fund:		
General Fund	32,308	0
Capital Reserve Fund	9,516	0
Capital Project Fund		
Capital Reserve Fund	0	343,137
Capital Reserve Fund:		
General Fund	221,612	0
Cafeteria Fund	0	9,516
Capital Projects Fund	<u>343,137</u>	<u>0</u>
	<u>\$606,573</u>	<u>\$606,573</u>

CAREER TECHNOLOGY CENTER OF LACKAWANNA COUNTY  
NOTES TO FINANCIAL STATEMENT

Note 13      Subsequent Events

Pursuant to ASC 955 (formerly FASB No. 165), subsequent events were evaluated through December 17, 2013 which is the date the financial statements were available to be issued.

Note 14      Dispute with Riverside School District

Riverside School District is seeking to withdraw from the Articles of Agreement as a participating school district. Riverside School District has also withdrawn a number of students and changed the attendance area of those students without permission of the Department of Education. Riverside School District has failed and/or refused to cooperate with Career Technology Center of Lackawanna County and refused to pay its pro rata share of the Career Technology Center 2012-2013 fiscal year budget. The school was successful in its initial non-jury trial and subsequent appeal. Riverside currently has thirty days (30) to decide if it will appeal the case any further.

CAREER TECHNOLOGY CENTER OF LACKAWANNA COUNTY  
STATEMENT OF REVENUES AND EXPENDITURES  
BUDGET AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2013

	BUDGET ORIGINAL & FINAL	ACTUAL (BUDGETARY BASIS)	VARIANCE WITH BUDGET
<b>REVENUE</b>			
Local Sources	\$ 4,295,260	\$ 4,196,325	\$ (98,935)
State Sources	840,772	970,477	129,705
Federal Sources	<u>1,007,000</u>	<u>933,215</u>	<u>(73,785)</u>
<b>TOTAL REVENUE</b>	<u>\$ 6,143,032</u>	<u>\$ 6,100,017</u>	<u>\$ (43,015)</u>
<b>EXPENDITURES</b>			
Instruction			
Vocational Education Programs	\$ 2,560,533	\$ 2,396,188	\$ 164,345
Adult Education Programs	<u>931,879</u>	<u>940,316</u>	<u>(8,437)</u>
<b>TOTAL INSTRUCTIONAL EXPENDITURES</b>	<u>\$ 3,492,412</u>	<u>\$ 3,336,504</u>	<u>\$ 155,908</u>
Support Services			
Guidance	\$ 152,341	\$ 176,790	\$ (24,449)
Instructional Support	210,581	211,007	(426)
Administrative Services	668,825	677,799	(8,974)
Pupil Health Services	88,858	87,837	1,021
Business Services	369,791	319,666	50,125
Operation & Maintenance of Plant Services	1,120,674	963,921	156,753
Other Administrative	<u>22,050</u>	<u>34,253</u>	<u>(12,203)</u>
<b>TOTAL SUPPORT SERVICES</b>	<u>\$ 2,633,120</u>	<u>\$ 2,471,273</u>	<u>\$ 161,847</u>
Other Expenditures			
Refund of Prior Year Revenue	\$ 0	\$ 3,170	\$ (3,170)
Debt Service	<u>0</u>	<u>35,150</u>	<u>(35,150)</u>
<b>TOTAL OTHER EXPENDITURES</b>	<u>\$ 0</u>	<u>\$ 38,320</u>	<u>\$ (38,320)</u>
<b>TOTAL EXPENDITURES</b>	<u>\$ 6,125,532</u>	<u>\$ 5,846,097</u>	<u>\$ 279,435</u>
<b>EXCESS OF REVENUES OVER EXPENDITURES</b>	<u>\$ 17,500</u>	<u>\$ 253,920</u>	<u>\$ 236,420</u>
Other Financing Uses			
Operating Transfer Out	\$ 17,500	\$ 253,920	\$ 236,420
<b>TOTAL OTHER FINANCING USES</b>	<u>\$ 17,500</u>	<u>\$ 253,920</u>	<u>\$ 236,420</u>
Excess of Expenditures and Other Financing Uses over Revenues	\$ 0	\$ 0	\$ 0
Fund Balance, Beginning of Year	<u>0</u>	<u>0</u>	<u>0</u>
<b>FUND BALANCE, END OF YEAR</b>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>

See Accompanying Independent Auditors' Report"

CAREER TECHNOLOGY CENTER OF LACKAWANNA COUNTY  
STATEMENT OF CHANGES IN NET POSITION  
FIDUCIARY FUND - AGENCY FUNDS  
FOR THE YEAR ENDED JUNE 30, 2013

ADDITIONS:

Activity Revenues		
Supplemental Schedule I	\$	70,388
Interest Income		<u>6</u>
 TOTAL ADDITIONS		 \$ 70,394

DEDUCTIONS:

Activity Expenditures		
Supplemental Schedule I	\$	<u>31,935</u>
 TOTAL DEDUCTIONS		 <u>31,935</u>
 EXCESS OF ADDITIONS OVER DEDUCTIONS		 <u>\$ 38,459</u>

"See Accompanying Independent Auditors' Report"

CAREER TECHNOLOGY CENTER OF LACKAWANNA COUNTY  
STATEMENT OF ADDITIONS AND DEDUCTIONS  
CLASSES AND CLUBS  
FOR THE YEAR ENDED JUNE 30, 2013

CLUB NAME OR ACTIVITY	REVENUES	INTER-CLUB TRANSFERS IN	INTER-CLUB TRANSFERS OUT	EXPENDITURES
Carpentry	\$ 256	\$ 0	\$ 0	\$ 0
Child Care	124	0	0	0
Collision Repair	7	0	0	0
Commercial Art	324	0	0	26
Computer Information Technology	6	0	0	84
Computer Maintenance	1,360	0	0	0
Cosmetology	8,709	0	0	5,936
Culinary Arts	2,404	0	0	465
Electricity	934	0	0	650
Future Farmers of America	8	0	0	0
Graphic Communication	27	0	0	26
Health Occupations	2,277	0	0	1,313
LPN	40,562	0	0	18,070
Machine Trade	83	0	0	0
Masonry	286	0	0	26
Plumbing/Heating	579	0	0	16
Scholarship	7,709	0	0	600
Skills USA	4,703	0	0	4,703
Welding	30	0	0	20
	<u>\$ 70,388</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 31,935</u>

"See Accompanying Independent Auditors' Report"



CAREER TECHNOLOGY CENTER OF LACKAWANNA COUNTY  
STATEMENT OF REVENUE, EXPENDITURE, AND CHANGE IN RESERVE FOR CAPITAL IMPROVEMENTS  
FOR THE YEAR ENDED JUNE 30, 2013

REVENUES AND OTHER FINANCING SOURCES

Local Sources:

Interest Income	\$	<u>497</u>
Total Revenue, Local Sources	\$	497

Other Financing Sources:

Operating Transfer from General Fund	\$	221,612
Operating Transfer from Capital Projects Fund		<u>343,137</u>
Total Revenue, Other Financing Sources		<u>564,749</u>
TOTAL REVENUES AND OTHER FINANCING SOURCES	\$	<u>565,246</u>

EXPENDITURES

Equipment Purchases, Trade & Ind. Programs.	\$	47,812
Equipment Purchases, Audio Visual		4,463
Equipment Purchases, Office of The Principal		5,076
Equipment Purchases, Business Office		2,940
Equipment Purchases, Other		1,000
Equipment Purchases, RACP Grant		<u>1,661,792</u>
TOTAL EXPENDITURES	\$	1,723,083

OTHER FINANCING USES

Operating Transfer To Cafeteria Fund	\$	<u>9,516</u>
Total Other Financing Uses		<u>9,516</u>
TOTAL EXPENDITURES AND OTHER FINANCING USES	\$	<u>1,732,599</u>

REVENUE AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES	\$	(1,167,353)
Reserve For Capital Improvements, Beginning of Year		<u>1,159,171</u>
RESERVE FOR CAPITAL IMPROVEMENTS, END OF YEAR	\$	<u>(8,182)</u>

"See Accompanying Independent Auditors' Report"

CAREER TECHNOLOGY CENTER OF LACKAWANNA COUNTY  
 STATEMENT OF REVENUE, EXPENDITURE, AND CHANGE IN RESERVE FOR CAPITAL PROJECTS  
 FOR THE YEAR ENDED JUNE 30, 2013

REVENUES AND OTHER FINANCING SOURCES

Local Sources:

Interest Income	\$ <u>21,224</u>	
Total Revenue, Local Sources		\$ 21,224

Other Financing Sources:

Lease Revenue Bond Proceeds Received	\$ 17,170,000	
Lease Revenue Bond Premium Received	<u>1,185,138</u>	
Total Revenue, Other Financing Sources		<u>18,355,138</u>

TOTAL REVENUES AND OTHER FINANCING SOURCES		<u>\$ 18,376,362</u>
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EXPENDITURES

Support Services Administration Other Services	\$ 367,860	
Facility Acquisition, Construction, Improvement Services	<u>859,512</u>	

TOTAL EXPENDITURES		\$ 1,227,372
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OTHER FINANCING USES

Operating Transfer To Capital Reserve Fund	\$ <u>343,137</u>	
Total Other Financing Uses		<u>343,137</u>

TOTAL EXPENDITURES AND OTHER FINANCING USES		<u>\$ 1,570,509</u>
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REVENUE AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES		\$ 16,805,853
---	--	---------------

Reserve For Capital Projects, Beginning of Year		<u>0</u>
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RESERVE FOR CAPITAL PROJECTS, END OF YEAR		<u>\$ 16,805,853</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, 2013

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, 2012	REVENUE RECOGNIZED	EXPEND. AMOUNT	ACCRUED OR (DEFERRED) REVENUE AT JUNE 30, 2013
U.S. DEPARTMENT OF EDUCATION										
STUDENT FINANCIAL ASSISTANCE PROGRAMS CLUSTER										
D	84.007		N/A	07/01/2012 - 06/30/2013	\$ 0	\$ 10,039	\$ 10,039	\$ 9,800	\$ 9,800	(1)(6)
D	84.063		N/A	07/01/2012 - 06/30/2013	0	210,779	10,779	208,951	208,951	(1)(6)
D	84.268		N/A	07/01/2012 - 06/30/2013	0	608,390	21,790	596,521	596,521	
TOTAL STUDENT FINANCIAL ASSISTANCE PROGRAMS CLUSTER							\$ 829,208	\$ 815,272	\$ 815,272	\$ 28,672
U.S. DEPARTMENT OF EDUCATION										
Passed Through the Pennsylvania Department of Education:										
I	84.048	380-122008		07/01/2011 - 06/30/2012	\$ 486,759	\$ 19,106	\$ 19,106	\$ 0	\$ 0	
I	84.048	380-133022		07/01/2012 - 06/30/2013	442,023	351,534	0	414,040	414,040	(1)
Department of Labor and Industry:										
I	84.126			09-26-2012	551	275	0	275	275	0
I	84.126			09-10-2012 - 12-19-2012	205	205	0	205	205	0
TOTAL DEPARTMENT OF EDUCATION							\$ 1,200,328	\$ 1,229,792	\$ 1,229,792	\$ 91,178
U.S. DEPARTMENT OF AGRICULTURE										
CHILD NUTRITION CLUSTER										
Passed Through the Pennsylvania Department of Education:										
I	10.553		N/A	07/01/2012 - 06/30/2013	N/A	\$ 2,204	\$ 508	\$ 1,739	\$ 1,739	43
I	10.555		N/A	07/01/2012 - 06/30/2013	N/A	31,819	4,584	27,552	27,552	317
Department of Agriculture:										
I	10.555		N/A	07/01/2012 - 06/30/2013	N/A	3,880	(2,769)	4,516	4,516	(4)
Value of U.S.D.A. Donated Commodities							\$ 37,903	\$ 2,323	\$ 33,807	(1,773)
TOTAL DEPARTMENT OF AGRICULTURE AND CHILD NUTRITION CLUSTER							\$ 37,903	\$ 2,323	\$ 33,807	\$ (1,773)

\*See Accompanying Independent Auditors' Report.\*

CAREER TECHNOLOGY CENTER OF LACKAWANNA COUNTY  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

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, 2012	REVENUE RECOGNIZED	EXPEND. AMOUNT	ACCRUED OR (DEFERRED) REVENUE AT JUNE 30, 2013
U.S. DEPARTMENT OF LABOR									
WIA CLUSTER									
Passed Through the Trehab Center and									
Susquehanna County Workforce Investment Act									
WORKFORCE INVESTMENT ACT									
I	17.259		12-03-2012-03/08/2013	\$ 979	\$ 1,500	\$ 521	\$ 979	\$ 979	\$ 0
WIA Youth Activities									
Passed Through the Pike Counties									
Workforce Investment Act:									
WORKFORCE INVESTMENT ACT									
I	17.258	P12-006-ITA	07/17/2012 - 04/15/2013	\$ 2,220	\$ 2,450	\$ 0	\$ 2,450	\$ 2,450	\$ 0
I	17.259	P10-003-ITA	12/06/2011 - 04/10/2013	3,500	2,100	0	2,100	2,100	0
I	17.259	P11-012-ITA	02/01/2012 - 04/11/2013	3,400	550	0	550	550	0
I	17.278	P11-016-ITA	02/06/2012 - 04/11/2013	3,370	1,100	0	1,100	1,100	0
I	17.278	P11-013-ITA	02/01/2012 - 04/11/2013	3,400	2,200	0	2,200	2,200	0
WIA Dislocated Worker Formula Grants									
WIA Dislocated Worker Formula Grants									
Passed Through the Lackawanna									
County Career Link:									
WORKFORCE INVESTMENT ACT									
I	17.258	11-AD-24	12/05/2011 - 06/05/2013	\$ 7,500	\$ 465	\$ 0	\$ 465	\$ 465	\$ 0
I	17.258	12-AD-35	12/03/2012 - 03/03/2014	5,000	2,004	0	2,004	2,004	0
I	17.258	12-AD-41	12/03/2012 - 03/03/2014	2,000	2,000	0	2,000	2,000	0
I	17.258	12-AD-47	03/12/2012 - 06/12/2013	11,044	2,355	0	2,355	2,355	0
I	17.258	12-AD-48	03/12/2012 - 06/12/2013	11,044	2,355	0	2,355	2,355	0
I	17.258	12-AD-37	12/03/2012 - 03/03/2014	5,000	979	0	979	979	0
I	17.258	12-AD-38	12/03/2012 - 03/03/2014	5,000	979	0	979	979	0
I	17.258	12-AD-39	12/03/2012 - 03/03/2014	5,000	4,904	0	4,904	4,904	0
I	17.258	11-AD-26	09/10/2012 - 12/19/2012	1,450	1,322	0	1,322	1,322	0
I	17.258	12-AD-23	09/10/2012 - 12/07/2012	1,450	1,100	0	1,100	1,100	0
I	17.258	12-AD-27	09/10/2012 - 12/19/2012	1,450	1,372	0	1,372	1,372	0
I	17.258	12-AD-19	09/10/2012 - 12/19/2012	1,450	1,365	0	1,365	1,365	0
I	17.258	12-AD-48	01/28/2013 - 05/06/2013	1,440	1,440	0	1,440	1,440	0
I	17.259	12-OSY-30	03/11/2013 - 03/11/2014	5,000	2,650	0	2,650	2,650	0
I	17.259	OSY-11-37	03/12/2012 - 06/12/2013	5,000	1,455	0	1,455	1,455	0
I	17.277	11-NEG-05	03/12/2012 - 06/12/2013	11,044	2,373	0	2,373	2,373	0
I	17.277	11-NEG-28	08/29/2012 - 11/07/2012	2,750	2,240	0	2,240	2,240	0
I	17.277	11-NEG-29	09/05/2012 - 04/10/2013	3,500	3,190	0	3,190	3,190	0
I	17.278	12-RR-12	03/11/2013 - 03/11/2014	7,950	2,650	0	2,650	2,650	0
I	17.287	12-DW-01	12/05/2011 - 12/05/2012	7,500	2,500	0	2,500	2,500	0
I	17.287	12-DW-52	12/03/2012 - 03/03/2014	5,000	5,000	0	5,000	5,000	0
I	17.287	11-DW-30	03/12/2012 - 06/12/2013	11,044	2,673	0	2,673	2,673	0
I	17.287	11-DW-29	03/12/2012 - 06/12/2013	11,044	1,455	0	1,455	1,455	0
I	17.287	12-DW-50	12/03/2012 - 03/03/2014	5,000	3,754	0	3,754	3,754	0
I	17.287	12-DW-51	12/03/2012 - 03/03/2014	5,000	5,000	0	5,000	5,000	0
I	17.287	12-DW-32	09/05/2012 - 04/10/2013	950	950	0	950	950	0
I	17.287	12-DW-57	02/12/2013 - 04/16/2013	550	550	0	550	550	0
I	17.287	11-DW-71	06/25/2012 - 08/16/2012	1,654	1,100	0	1,100	1,100	0
I	17.287	12-DW-33	09/05/2012 - 04/10/2013	950	950	0	950	950	0

\*See Accompanying Independent Auditors' Report.\*

CAREER TECHNOLOGY CENTER OF LACKAWANNA COUNTY  
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2013

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, 2012	REVENUE RECOGNIZED	EXPEND. AMOUNT	ACCRUED OR (DEFERRED) REVENUE AT JUNE 30, 2013
Passed Through the Pocono Counties Workforce Investment Act:									
WORKFORCE INVESTMENT ACT									
I	17.278	W-11-07	03/12/2012 - 06/12/2013	3,500	2,388	0	2,388	2,388	0
				\$ 163,133	\$ 73,418	\$ 521	\$ 72,897	\$ 72,897	\$ 0
TOTAL WIA CLUSTER									
Passed Through the Pennsylvania Department of Labor and Industry:									
I	17.245	TAA-0116-11	07/01/2011 - 06/30/2016	\$ 11,041	\$ 8,796	\$ 3,496	\$ 5,300	\$ 5,300	\$ 0
I	17.245	TAA-0116-11	07/01/2011 - 06/30/2016	11,041	8,902	3,602	5,300	5,300	0
I	17.245	TAA-0116-11	07/01/2011 - 06/30/2016	11,041	5,150	2,500	5,300	5,300	2,650
I	17.245	TAA-0116-11	07/01/2011 - 06/30/2016	11,041	5,150	2,500	5,300	5,300	2,650
I	17.245	TAA-0116-11	07/01/2011 - 06/30/2016	11,041	9,413	4,113	5,300	5,300	0
I	17.245	TAA-0116-11	07/01/2011 - 06/30/2016	11,041	5,000	2,500	4,181	4,181	1,681
I	17.245	TAA-0116-11	07/01/2011 - 06/30/2016	11,041	5,000	2,500	4,181	4,181	1,681
I	17.245	TAA-0116-11	07/01/2011 - 06/30/2016	11,704	3,710	0	3,710	3,710	0
				\$ 88,991	\$ 51,121	\$ 21,211	\$ 38,572	\$ 38,572	\$ 8,662
TOTAL DEPARTMENT OF LABOR									
				\$ 252,124	\$ 124,539	\$ 21,732	\$ 111,469	\$ 111,469	\$ 8,662
TOTAL FEDERAL ASSISTANCE									
				\$ 1,181,662	\$ 1,362,770	\$ 85,769	\$ 1,375,068	\$ 1,375,068	\$ 98,067

CAREER TECHNOLOGY CENTER OF LACKAWANNA COUNTY  
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
 FOR THE FISCAL YEAR-ENDED JUNE 30, 2013

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, 2012	REVENUE RECOG- NIZED	EXPEND. AMOUNT	ACCRUED OR (DEFERRED) REVENUE AT JUNE 30, 2013
		N/A	07/01/2010 06/30/2011	N/A	\$ 2,080	\$ 359	\$ 1,743	\$ 1,743	\$ 22
PENNSYLVANIA DEPARTMENT OF EDUCATION School Lunch Program									
TOTAL SCHOOL LUNCH PROGRAM FROM PENNSYLVANIA DEPARTMENT OF EDUCATION									
		N/A		N/A	\$ 2,080	\$ 359	\$ 1,743	\$ 1,743	\$ 22
TOTAL PENNSYLVANIA ASSISTANCE									

FOOTNOTES:

(1) Identification of 50% rule:

Total Federal Expenditures; \$ 1,375,068  
 x 50%  
 \$ 687,534

Programs selected for test:

SEOG Grants, CFDA #84.007 \$ 9,800  
 PELL Grants, CFDA #84.063 208,951  
 Direct Student Loans, CFDA #84.268 596,521  
 Vocational Education, CFDA #84.048 414,040  
 \$1,229,312 / 1,375,068 - 89.40%

(2) Total amount of commodities received from the Department of Agriculture.

(3) Beginning inventory at July 1, 2012

(4) Total amount of commodities used.

(5) Ending inventory at June 30, 2013

(6) Includes -O- in Administrative Allowance expense.

(7) BASIS OF PRESENTATION - The accompanying schedule of federal awards includes the federal grant activity of the Career Technology Center of Lackawanna County and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in preparation of, the basic financial statements.

**ROBERT ROSSI & CO.**  
CERTIFIED PUBLIC ACCOUNTANTS

ROBERT L. ROSSI, C.P.A.  
ROBERT T. ARVONIO, C.P.A.  
PETER D. ARVONIO, JR., C.P.A.  
ROBERT A. HANIS, C.P.A.

299 MAIN ST. 2<sup>ND</sup> FLR  
OLYPHANT, PA 18447-2326  
TEL. (570) 876-2300 - FAX (570) 876-5153  
Website: [www.rroco.net](http://www.rroco.net)

SALVATORE A. NOLE, JR., C.P.A.  
JOSEPH E. ROSSI, C.P.A.  
SEAN J. GRASSI, C.P.A.  
RALPH R. MORRIS, III, C.P.A.

**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***

December 17, 2013

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 as of and for the year ended June 30, 2013, which collectively comprise Career Technology Center of Lackawanna County's basic financial statements and have issued our report thereon dated December 17, 2013. 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.

**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.

Our consideration of the internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

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. We consider the deficiencies described in the accompanying schedule of findings and questioned costs to be a material weakness 2013-1.

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. We consider the deficiencies described in the accompanying schedule of findings and questioned costs to be significant deficiencies 2013-1.

### **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**

This report is intended 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.

Robert Rossi CEO



ROBERT ROSSI & CO.  
CERTIFIED PUBLIC ACCOUNTANTS

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ROBERT A. HANIS, C.P.A.

299 MAIN ST. 2<sup>ND</sup> FLR  
OLYPHANT, PA 18447-2326  
TEL. (570) 876-2300 - FAX (570) 876-5153  
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**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS THAT  
COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND  
ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB  
CIRCULAR A - 133**

December 17, 2013

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 Circular A-133 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, 2013. 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 the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for each of 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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 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, 2013.

## Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as items 2013-2 and 2013-3. Our opinion on each major federal program is not modified with respect to these matters.

Career Technology Center of Lackawanna County's response to the noncompliance findings identified in our audit is describe in the accompanying schedule of findings and questioned costs. Career Technology Center of Lackawanna County's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly we express no opinion on the response.

## 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 OMB Circular A-133, 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 OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Robert Ross of W

CAREER TECHNOLOGY CENTER OF LACKAWANNA COUNTY  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2013

Section 1- Auditors' Result Section

- (1) An unqualified 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 unqualified opinion was expressed on the auditee compliance for major programs.
- (6) The audit disclosed two 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) Secondary Vocational Instruction CFDA # 84.048
  - (2) Pell Grants CFDA #84.063
  - (3) SEOG Grants CFDA #84.007
  - (4) Direct Student Loans CFDA #84.268
- (8) The dollar threshold used to distinguish Type A and Type B Programs as described in section 520 (B) of OMB Circular A - 133 was \$300,000.
- (9) The auditee did not qualify as a low-risk auditee under section 530 of OMB Circular A - 133.

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:

2013-1 Recording of Transactions and Reporting to the Board

Condition: In conjunction with the issuance of the 2012 Lease Revenue Bonds as described in Note 8, the School established a Capital Projects Fund and a Debt Service Fund. However, the School did not establish a general ledger for each of these funds, process or record any of the transactions in these funds as they occurred, reconcile the bank accounts for these funds, nor report a monthly Treasure Report to the Board of the activities in these funds like they do for all other funds.

CAREER TECHNOLOGY CENTER OF LACKAWANNA COUNTY  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2013

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

Effect: Because of the lack of recording and reporting to the Board, the possibility of error and omissions to go undetected exist.

Recommendation: Procedures should be implemented that all funds are properly established; activity is timely recorded, reconciled, and reported to the Board.

Section 3 Findings and questioned cost for Federal Awards which shall include audit findings as defined in Section 510(A) of OMB Circular A-133

Department of Education

Passed Through the PA Department of Education

Carl D. Perkins Career and Technical Education Improvement Act of 2006

CFDA # 84.048

2013-2 Reporting of Final Completion Expenditure Report

Condition: Under the Perkins Local Plan Funding Guidelines Title I the School is required to comply with the following General Administrative Provisions. All grant recipients are required to submit their Final Expenditure Reports electronically using the PDE eGrant Web site. Paper copies will not be accepted and will not be returned. If an electronic copy of the report and signed copy of Page One are not submitted, the report will be considered delinquent. The Final Expenditure Report is due no later than 60 days after the close of the project (August 30). Final Expenditure Reports may be submitted only after completion of project activities and payment of all obligations. However, recipients should submit the Final Expenditure Report as soon as all project obligations are paid. However, in testing of the Final Expenditure Report we noted the deficiencies:

- a.) The report was not signed and submitted to the PA Department of Education until October 1, 2013.
- b.) The School included salaries for teacher aide while they worked as a substitute teacher or other non-Federal related work. Total salaries and related benefits were \$7,646.

CAREER TECHNOLOGY CENTER OF LACKAWANNA COUNTY  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
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- c.) The School prepares their Final Expenditure Report in excel and when the 2012–2013 report was prepared they inserted new tabs for current year expenditures. However, they did not update links on the control lead sheet from 2011–2012 expenditures to the 2012–2013 expenditures. The difference between 2011–2012 expenditures reported and actual 2012 – 2013 that should have been reported was a reduction of \$ 16,657.
- d.) The School included expenditures that were not paid until late in September, October, or still have not been paid. Since the Final Expenditure Report is due by August 30 and may only be submitted only after completion of project activities and payment of all obligations. These expenditures should not have been included in the report and amounted to \$ 3,680.

Effect: The School was reimbursed by the PA Department of Education for expenditures that were not eligible to be reimbursed.

Recommendation: The School should amend its Final Expenditure Report and reduce its eligible expenditures by amounts noted above and review procedures for proper reporting.

Department of Education  
Pell Grants and Direct Student Loans  
CFDA # 84.063 & 84.268

2013–3 Verification of Student Financial Information

Condition: The School was required to verify a student’s financial information as submitted on his/her application. However, it was not appropriately noted on the Schools records and the individual responsible for sending verification materials to the student was not notified to send the materials to the student.

Effect: A student may have received financial aid that they were not eligible for had the verification been performed.

Recommendation: The School should review this student’s information and perform the verification and determine if the student was eligible to receive the aid that they received

CAREER TECHNOLOGY CENTER OF LACKAWANNA COUNTY  
PLAN FOR CORRECTIVE ACTION TAKEN IN REGARD  
TO AUDIT FINDINGS

- 2013-1                      Recording of Transactions and Reporting to the Board
- Recommendation:        Procedures should be implemented that all funds are properly established; activity is timely recorded, reconciled, and reported to the Board.
- Response:                We agree with the finding and will be implementing for all funds that are properly established; activity is timely recorded, reconciled, and reported to the Board.
- 2012-2                      Reporting of Final Completion Expenditure Report
- Recommendation:        The School should amend its Final Expenditure Report and reduce its eligible expenditures by amounts noted above and review procedures for proper reporting.
- Response:                We agree with the finding and have amended the Final Expenditure Report and reduce its eligible expenditures by amounts noted above and review procedures for proper reporting.
- 2013-3                      Verification of Student Financial Information
- Recommendation:        The School should review this student's information and perform the verification and determine if the student was eligible to receive the aid that they received.
- Response:                We agree with the finding and will be contacting the student to perform the necessary verification.

  
Administrative Director