

SUN AREA TECHNICAL INSTITUTE  
New Berlin, PA 17855  
A.U.N. 1-16-60-670-7

AUDITED FINANCIAL STATEMENTS

June 30, 2017

# SUN AREA TECHNICAL INSTITUTE

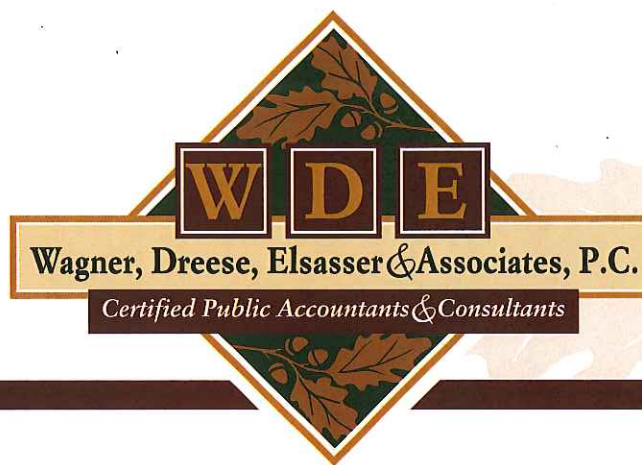
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## INDEPENDENT AUDITOR'S REPORT

To the Members of the Joint Operating Committee of  
SUN Area Technical Institute

### 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 SUN Area Technical Institute as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the SUN Area Technical Institute's basic financial statements as listed in the table of contents.

### Management's Responsibility for the Financial Statements

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

### Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statement 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 the SUN Area Technical Institute as of June 30, 2017, and the respective changes in financial position, and where applicable, cash flows thereof and the respective budgetary comparison for the General Fund, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Required Supplementary Information*

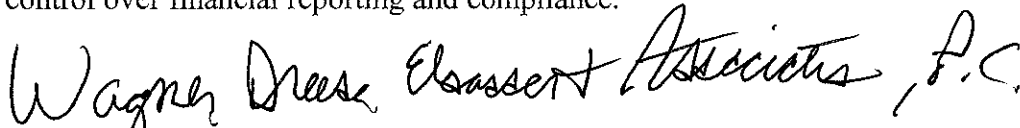
Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 6 through 15, the schedule of funding progress for postemployment benefits other than pensions, the schedule of the school's proportionate share of the net pension liability and the schedule of the school's contributions on pages 46 through 48 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 assurance.

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the SUN Area Technical Institute's basic financial statements. The supplementary information on pages 49 through 54 is presented for the purposes of additional analysis and is not a required part of the basic financial statements. Such supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The 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 information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated December 8, 2017, on our consideration of SUN Area Technical Institute's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering SUN Area Technical Institute's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Wagner Drees Elsasser Associates, P.C." in a cursive script.

**WAGNER, DREESE, ELSASSER & ASSOCIATES, P.C.**

*Certified Public Accountants and Consultants*

Selinsgrove, PA

December 8, 2017

**SUN AREA TECHNICAL INSTITUTE**  
**Management's Discussion and Analysis (MD&A)**

**June 30, 2017**

The discussion and analysis of SUN Area Technical Institute's financial performance provides an overall review of the School's financial activities for the fiscal year ended June 30, 2017. The intent of this discussion and analysis is to look at the financial performance as a whole; readers should also review the notes to the basic financial statements and financial statements to enhance their understanding of School's financial performance.

The Management Discussion and Analysis (MD&A) is an element of the new 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.

Joint Venture

SUN Area Technical Institute is a joint venture of five public school districts in Northumberland, Snyder and Union Counties in Pennsylvania organized under the Public School Code of Pennsylvania. The School provides Career & Technology Education programs for high school students who are residents of the participating school districts and out-of-school youths and adults. Each district is responsible for a share of the operating budget based on student enrollment and fixed charges described within the Articles of Agreement. The Participating districts include: Lewisburg Area School District, Midd-West School District, Mifflinburg Area School District, Selinsgrove Area School District and Shikellamy School District. Continuing Education for out-of-school youths and adults receives no school district funding and operates on student paid tuition.

Mission Statement

SUN Area Technical Institute will provide world class technical education by continually improving: safe and supportive environment; unparalleled instructional services and curriculum; nationally recognized student achievement to equal highly skilled future leaders.

### Comprehensive Plan Goals

The SUN Area Technical Institute will adopt, develop, and implement program curriculum that will ensure its students acquire and master the career technical skills necessary to earn family sustaining wages and for success in their future careers.

### **IMPROVE EDUCATIONAL OPPORTUNITIES FOR ALL STUDENTS**

The SUN Area Technical Institute will improve the educational opportunities for all students through curriculum development, professional development and data driven decision making by providing instructors with the opportunity to participate in industry based training in their specific trade areas in the latest advancements and developments to promote continuous learning and quality teaching. SUN Tech will align curriculum with the PA Core Standards, PDE Programs of Study, Industry Standards, identify and incorporate Best Practices and utilize data to implement a systematic plan for on-going CTE program improvement. Instructional effectiveness will be improved by providing improved technology and professional development.

### **IMPROVE ASSESSMENT PERFORMANCE**

The SUN Area Technical Institute will increase the percentage of students earning a Pennsylvania Skills Certificate and/or a PDE approved industry certification each year. To improve assessment performance on the end-of-year NOCTI or other approved skills attainment tests, pretests will be administered at least once in each program. Formative and summative assessment data will drive lesson plan and curriculum revisions. SUN Area Technical Institute will strive to meet the State proficiency benchmark for NOCTI and other approved state tests. The State benchmark for the 2017-18 school year is 80. SUN Tech has attained a benchmark of 86% in the 2016-17 school year, 96% in the 2015-16 school year, and 92% in the 2014-15 school year.

### **SUN Tech Belief Statements**

- All students can learn and must be encouraged and challenged to reach their full potential.
- Programs should enable students to acquire the knowledge, skills, and attitudes necessary to be productive members of society.
- Career guidance is essential for all students.
- Professional development is vital for a well-trained and creative staff.
- Students, through their actions and choices, have the final responsibility for their education.
- Students must have saleable skills upon program completion.
- The community and students must be committed to the pursuit of excellence in programs and services.
- Education is a continuing experience.
- Students must have respect for themselves and others.
- Partnering with the private sector to ensure a curriculum that is valid and business/industry responsive.
- Students must be **Self-Directed Learners** who use positive core values to create a positive vision for themselves and their future, set priorities and achievable goals, create options for themselves, monitor and evaluate their progress, and assume responsibility for their actions.
- Students must be **Collaborative Workers** who use effective leadership and group skills to develop and manage interpersonal relationships within culturally and organizationally diverse settings.
- Students must be **Complex Thinkers** who identify, access, integrate, and use available resources and information to reason, make decisions, and solve problems in a variety of contexts.
- Students must be **Community Contributors** who contribute their time and energies, and talents to improving the welfare of other and the quality of life in their diverse communities.



- Students must be **Quality Producers** who create intellectual, artistic, practical and physical products which reflect originality in high standards and use of advance technologies.

System Wide Quality Objectives:

- To prepare students for gainful employment and further education through the delivery of relevant, quality curricula and effective instructional practices.
- To effectively establish unity of purpose and direction that supports the mission of the School.
- To manage a process system that provides the framework to effectively and efficiently achieve our objectives, while encouraging continuous improvement.
- To access and utilize accurate, valid and reliable data and facts to make informed decisions that contribute to the overall quality of the organization.
- To enhance relationships with sponsoring school districts and the community to expand quality learning opportunities.
- To build relationships which enhance quality through the use of appropriate expertise and effectual resources.
- To effectively and efficiently manage and utilize essential resources which support the achievement of the quality objectives and the fulfillment of the mission.

## FINANCIAL HIGHLIGHTS

District Contributions

The participating School Districts provide the largest sum of revenue, which supports the secondary education program and totaled \$5,109,363 for 2016-2017. This amount is based on a funding formula that is agreed upon by all districts as part of the Articles of Agreement.

Table A-1  
 District Contributions, Fiscal Year ended June 30, 2017

<b>District</b>	<b>Actual District Payments 2016-17</b>	<b>Total District Share 2016-17</b>	<b>Remaining Money From 2016-17 FY</b>
Lewisburg	\$705,286	\$632,212	\$73,074
Midd-West	1,157,414	1,036,575	120,839
Mifflinburg	1,196,307	1,075,864	120,443
Selinsgrove	962,495	859,007	103,488
Shikellamy	1,087,861	950,327	137,534
<b>Totals</b>	<b>\$5,109,363</b>	<b>\$4,553,985</b>	<b>\$555,378</b>

Total contributions from participating school districts were over 79% of the secondary program's revenue for 2016-2017. In addition, \$170,538 was contributed by member districts to fund extended term financing.

## FINANCIAL STATEMENTS

The financial statements consist of three parts: Management Discussion and Analysis, the basic financial statements and required supplementary information. The basic financial statements include two kinds of statements that present different views of SUN Area Technical Institute. The first two statements are government-wide financial statements – the Statement of Net Assets and the Statement of Activities. These provide both long-term and short-term information about the School's overall financial status.

The remaining statements are fund financial statements that focus on individual parts of the School's operations in more detail than the government-wide statements. The governmental funds statements tell how general the School's services were financed in the short term as well as what remains for future spending. Proprietary fund statements offer short- and long-term financial information about the activities that the School operates like a business. For the School, this is our Food Service Fund, Student House Project and Program Production Accounts. Fiduciary fund statements provide information about financial relationships where the School 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 explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and reports the financial statements with the comparison of SUN Area Technical Institute's budget for the year.

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

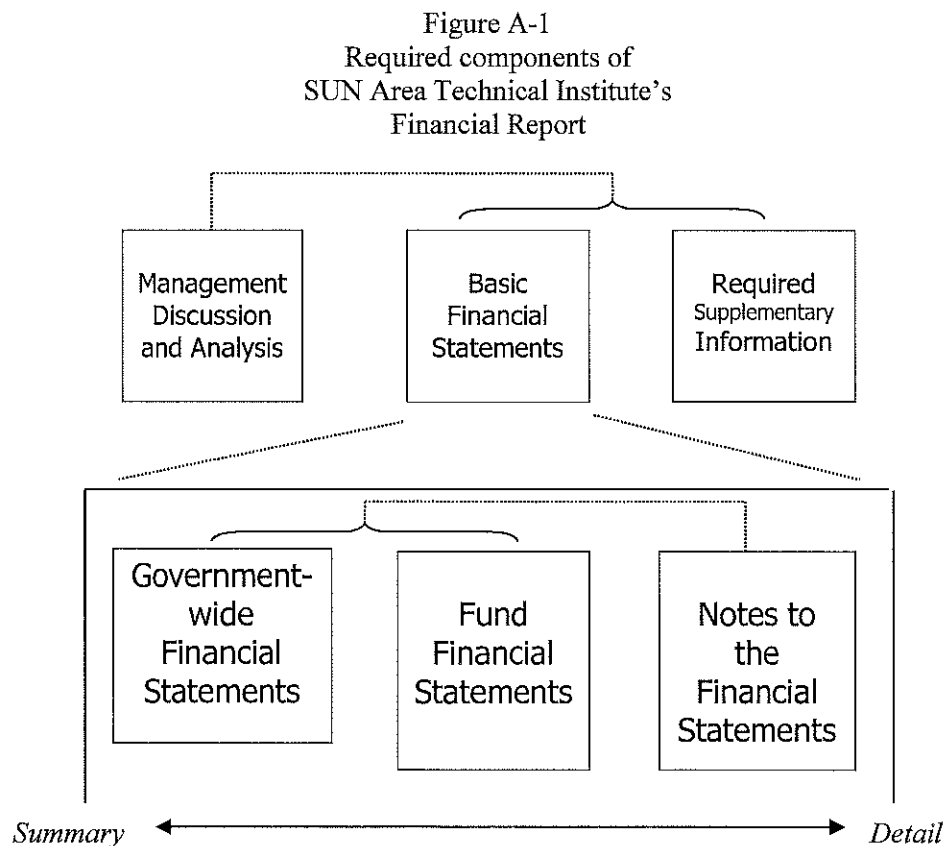


Figure A-2 summarizes the major features of the financial statements, including the portion of the Program they cover and the types of information they contain. The remainder of this overview section of management discussion and analysis explains the structure and contents of each of the statements.

Figure A-2  
Major Features of SUN Area Technical Institute's  
Government-wide and Fund Financial Statements  
Fund Statements

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

## OVERVIEW OF FINANCIAL STATEMENTS

### Government-Wide Statements

The government-wide statements report information about the School as a whole using accounting methods similar to those used by private-sector companies. The statement of net assets includes all of the government's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two government-wide statements report the School's net assets and how they have changed. Net assets, the difference between the School's assets and liabilities, are one way to measure the School's financial health or position.

Over time, increases or decreases in the School's net assets are an indication of whether its financial health is improving or deteriorating, respectively.

To assess the overall health of the School, you need to consider additional factors, such as changes in the member school district contributions and the projected enrollment of the students.

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

- Governmental activities – All of the School's basic services are included here, such as instruction, administration and community services. Participating school district contributions, state and federal subsidies and grants finance most of these activities.
- Business type activities –The School operates a food service operation and charges fees to staff, students and visitors to help it cover the costs of the food service operation.

### Fund Financial Statements

The School's financial statements provide detailed information about the most significant funds – not the School as a whole. Some funds are required by state law and by bond requirements.

- Governmental funds – Most of the School's activities are reported in governmental funds, which focus on the determination of financial position and change in financial position, not on income determination. They are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the School operations and the services it provides. Governmental fund information helps the reader determine whether there are more or fewer financial resources that can be spent in the near future to finance the School's programs. The relationship (or differences) between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds is reconciled in the financial statements.
- Proprietary funds – These funds are used to account for the School's activities that are similar to business operations in the private sector; or where the reporting is on determining net income, financial position, changes in financial position, and a significant portion of funding through user charges. When the School charges

customers for services it provides – whether to outside customers or to other units in the School – these services are generally reported in proprietary funds. The Food Service Fund, Student House Project and Program Production Accounts are the School's proprietary fund and are the same as the business-type activities reported in the government-wide statements, but provide more detail and additional information, such as cash flows.

- Fiduciary funds – The School is the trustee, of fiduciary, for assets that belong to others, such as scholarship funds or student activity funds. The School is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. The School excludes these activities from the District-wide financial statements because it cannot use these assets to finance its operations.

## FINANCIAL ANALYSIS OF THE SCHOOL AS A WHOLE

The School's total net position was \$4,274,527 at June 30, 2017.

Table A-2  
Fiscal Year ended June 30, 2017  
Net Assets

	Governmental Activities	Business- type Activities	2017 Total
Current Assets	\$3,743,810	\$62,000	\$3,805,810
Non Current Assets	11,380,849	3,394	11,384,243
<b>Total Assets</b>	<b>\$15,124,659</b>	<b>\$65,394</b>	<b>\$15,190,053</b>
Deferred Outflows of Resources	\$1,582,470	0	\$1,582,470
Current Liabilities	\$1,337,724	\$295	\$1,338,019
Non Current Liabilities	11,050,135	0	11,050,135
<b>Total Liabilities</b>	<b>12,387,859</b>	<b>295</b>	<b>12,388,154</b>
Deferred Inflows of Resources	\$109,842	0	\$109,842
Invested in Capital Assets	10,309,812	3,394	10,313,206
Reserved for Encumbrances	58,243	0	58,243
Unrestricted, Designated & Undesignated	-6,158,627	61,705	-6,096,922
<b>Total Net Position</b>	<b>\$4,209,428</b>	<b>\$65,099</b>	<b>\$4,274,527</b>

Most of the School's net assets are invested in capital assets (buildings, land, and equipment). The remaining unrestricted net assets are a combination of designated amounts. The designated balances are amounts set-aside for Customized Training and Growth & Expansion exploration.

The results of this year's operations as a whole are reported in the Statement of Activities. All expenses are reported in the first column. Specific charges, grants, revenues and subsidies that directly relate to specific expense categories are represented to determine the final amount of the School's activities that are supported by other general revenues. The largest general revenue category is the contributions from the participating school districts.

Table A-3 takes the information from that Statement, rearranges it slightly, so you can see our total revenues for the year.

Table A-3  
Fiscal Year ended June 30, 2017  
Changes in Net Assets

	Governmental <u>Activities</u>	Business- Type <u>Activities</u>	2017 <u>Total</u>
<b>Revenues</b>			
Program Revenues			
Charges for Services	\$ 208,505	77,810	\$ 286,315
Operating Grants and Contributions	6,101,121	61,464	6,162,585
Capital Grants and Contributions	172,290	0	172,290
General Revenues	62,869	152	63,021
<b>Total Revenues</b>	<b><u>6,544,785</u></b>	<b><u>139,426</u></b>	<b><u>6,684,211</u></b>
<b>Expenses</b>			
Instruction	4,013,860	0	4,013,860
Instructional Student Support	817,767	0	817,767
Administration & Financial Support	653,997	0	653,997
Operation & Maintenance of Plant	657,766	0	657,766
Student Activities	13,260	0	13,260
Community Services	2,175	0	2,175
Facilities	284,952	0	284,952
Interest on Long-Term Debt	57,573	0	57,573
Food Services	56,861	121,709	178,570
<b>Total Expenses</b>	<b><u>6,558,211</u></b>	<b><u>121,709</u></b>	<b><u>6,679,920</u></b>
<b>Increase (decrease) in Net Assets</b>	<b><u>(\$13,426)</u></b>	<b><u>17,717</u></b>	<b><u>\$4,291</u></b>

#### Fund Balances

At June 30, 2017, the School's governmental funds reported a combined fund balance of \$2,406,844, which is a decrease of \$4,752,240 from the June 30, 2016 amount of \$7,159,084.

#### General Fund Budget

During the fiscal year, the Joint Operating Committee (JOC) authorizes revisions to the original budget to accommodate differences from the original budget to the actual expenditures of the School. A schedule showing the School's original and final budget amounts compared with amounts actually paid and received is provided.

The Budgetary Reserve includes amounts that may be transferred into expenditure accounts for planned expenditures, upon approval of the JOC. These amounts will only be appropriated into expenditure categories when the expenditure is necessary for the operation of the School.

## **CAPITAL ASSET AND DEBT ADMINISTRATION**

### Capital Assets

At June 30, 2017 the School had \$11,380,849 in Governmental Funds and \$3,394 in Business Type invested in a broad range of capital assets, including land, buildings, furniture and equipment. This amount represents a net increase (including additions, deletions and depreciation) of \$5,257,752 Governmental Activities and a decrease of \$1,930 from Business Activities from June 30, 2016.

Table A-4  
Governmental Activities  
Capital Assets - Net of Depreciation

	<b>2017</b>
Land	\$ 132,918
Land Improvements	342,687
Buildings & Building Improvements	2,496,320
Furniture & Equipment	1,528,903
Textbooks	11,245
Construction in Progress	6,868,776
<b>Total Assets:</b>	<b>\$11,380,849</b>

### Construction in Progress

An expansion/renovation project was started in May 2016. The Diesel & Truck Technology and Food Service programs have been relocated to the West Campus building. Additions were made to the Advanced Wood Products and Advanced Precision Machining programs. Renovations were done in the Auto Technology and Collision programs, main office, guidance office, and nurse's suite. The expected completion date was August 2017.

### Debt Administration

Leases – The School has entered into operating leases for building upgrades for energy savings.

## **FACTORS BEARING ON SUN AREA TECHNICAL INSTITUTE FUTURE**


Factors that will affect the future finances of the SUN Area Technical Institute's upcoming Operating Budgets include vocational subsidies, employee health benefits and PSERS projected retirement rates along with collective bargaining agreements with the Educators' Association.

***CONTACTING THE SCHOOL FINANCIAL MANAGEMENT***

This financial report is designed to provide citizens, taxpayers, parents, students, investors and creditors with a general overview of the School's finances 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 the Business Office, SUN Area Technical Institute, 815 East Market Street, New Berlin, PA 17855.

Respectfully submitted,

  
\_\_\_\_\_  
Mrs. Jennifer Hain  
Administrative Director

  
\_\_\_\_\_  
James E. King  
Business Manager



SUN AREA TECHNICAL INSTITUTE

Statement of Net Position

June 30, 2017

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
<b>ASSETS</b>			
<b>CURRENT ASSETS</b>			
Cash and Cash Equivalents	\$ 3,264,203	\$ 55,683	\$ 3,319,886
Investments	358,744	-	358,744
Due from Foundation	4,874	-	4,874
Due from Other Governmental Units	115,989	-	115,989
Inventories	-	6,317	6,317
	<u>3,743,810</u>	<u>62,000</u>	<u>3,805,810</u>
<b>TOTAL CURRENT ASSETS</b>			
	<u>3,743,810</u>	<u>62,000</u>	<u>3,805,810</u>
<b>CAPITAL ASSETS</b>			
Land	132,918	-	132,918
Site Improvements	342,687	-	342,687
Building and Building Improvements	2,496,320	-	2,496,320
Furniture and Equipment	1,528,903	3,394	1,532,297
Textbooks	11,245	-	11,245
Construction in Progress	6,868,776	-	6,868,776
	<u>11,380,849</u>	<u>3,394</u>	<u>11,384,243</u>
<b>TOTAL CAPITAL ASSETS</b>			
	<u>11,380,849</u>	<u>3,394</u>	<u>11,384,243</u>
<b>TOTAL ASSETS</b>	<u>\$ 15,124,659</u>	<u>\$ 65,394</u>	<u>\$ 15,190,053</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Contributions to Pension Plan in Current			
Fiscal Year	\$ 741,378	\$ -	\$ 741,378
Pension Deferral	841,092	-	841,092
	<u>1,582,470</u>	<u>-</u>	<u>1,582,470</u>
<b>TOTAL DEFERRED OUTFLOWS OF RESOURCES</b>	<u>\$ 1,582,470</u>	<u>\$ -</u>	<u>\$ 1,582,470</u>

The accompanying notes are an integral part of the financial statements.

SUN AREA TECHNICAL INSTITUTE  
Statement of Net Position  
June 30, 2017

	Governmental Activities	Business-type Activities	Total
<b>LIABILITIES AND NET POSITION</b>			
<b>CURRENT LIABILITIES</b>			
Due to Other Governmental Units	\$ 214,647	\$ -	\$ 214,647
Accounts Payable	717,710	-	717,710
Interest Payable	757	-	757
Accrued Salaries and Benefits	404,610	-	404,610
Customer Deposits	-	295	295
	<u>1,337,724</u>	<u>295</u>	<u>1,338,019</u>
<b>TOTAL CURRENT LIABILITIES</b>	<u>1,337,724</u>	<u>295</u>	<u>1,338,019</u>
<b>LONG-TERM LIABILITIES</b>			
Due Within One Year:			
Extended Term Financing Agreements Payable	118,768	-	118,768
Due in More Than One Year:			
Extended Term Financing Agreements Payable	952,269	-	952,269
Proportionate Share of the Net Collective			
Pension Liability	9,515,000	-	9,515,000
Accrued Other Post-Employment Benefits	464,098	-	464,098
	<u>11,050,135</u>	<u>-</u>	<u>11,050,135</u>
<b>TOTAL LONG-TERM LIABILITIES</b>	<u>11,050,135</u>	<u>-</u>	<u>11,050,135</u>
<b>TOTAL LIABILITIES</b>	<u>12,387,859</u>	<u>295</u>	<u>12,388,154</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Pension Deferral	109,842	-	109,842
	<u>109,842</u>	<u>-</u>	<u>109,842</u>
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<u>109,842</u>	<u>-</u>	<u>109,842</u>
<b>NET POSITION</b>			
Net Investment in Capital Assets	10,309,812	3,394	10,313,206
Reserved for Encumbrances	58,243	-	58,243
Unrestricted - General Fund Designated	117,710	-	117,710
Unrestricted - Capital Projects Fund Designated	1,541,720	-	1,541,720
Unrestricted-Undesignated	(7,818,057)	61,705	(7,756,352)
	<u>\$ 4,209,428</u>	<u>\$ 65,099</u>	<u>\$ 4,274,527</u>
<b>TOTAL NET POSITION</b>	<u>\$ 4,209,428</u>	<u>\$ 65,099</u>	<u>\$ 4,274,527</u>

The accompanying notes are an integral part of the financial statements.

SUN AREA TECHNICAL INSTITUTE

Statement of Activities

June 30, 2017

Expenses

**FUNCTIONS/PROGRAMS**

Governmental Activities:

Instruction	\$ 4,013,860
Instructional Student Support	817,767
Administration and Financial Support Services	653,997
Operation and Maintenance of Plant Services	657,766
Student Activities	13,260
Community Services	2,175
Facilities	284,952
Interest on Long-Term Debt	57,573
Unallocated Depreciation Expense	<u>56,861</u>

Total Governmental Activities 6,558,211

Business-Type Activities:

Food Service	<u>121,709</u>
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Total Primary Government \$ 6,679,920

**GENERAL REVENUES**

Local Sources:

Interest Income
Rental Income
Other Revenue
Gain (Loss) on Sale of Assets

Total General Revenues and Transfers

**CHANGE IN NET POSITION**

NET POSITION, July 1, 2016

NET POSITION, June 30, 2017

Program Revenues			Net (Expense) Revenue and Changes in Net Position		
Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Type Activities	Total
\$ 208,505	\$ 3,856,147	\$ 172,290	\$ 223,082	\$ -	\$ 223,082
-	766,209	-	(51,558)	-	(51,558)
-	615,914	-	(38,083)	-	(38,083)
-	597,306	-	(60,460)	-	(60,460)
-	12,324	-	(936)	-	(936)
-	1,916	-	(259)	-	(259)
-	251,305	-	(33,647)	-	(33,647)
-	-	-	(57,573)	-	(57,573)
-	-	-	(56,861)	-	(56,861)
208,505	6,101,121	172,290	(76,295)	-	(76,295)
77,810	61,464	-	-	17,565	17,565
<u>\$ 286,315</u>	<u>\$ 6,162,585</u>	<u>\$ 172,290</u>	(76,295)	17,565	(58,730)
			1,298	152	1,450
			5,465	-	5,465
			56,374	-	56,374
			(268)	-	(268)
			<u>62,869</u>	<u>152</u>	<u>63,021</u>
			(13,426)	17,717	4,291
			<u>4,222,854</u>	<u>47,382</u>	<u>4,270,236</u>
			<u>\$ 4,209,428</u>	<u>\$ 65,099</u>	<u>\$ 4,274,527</u>

The accompanying notes are an integral part of the financial statements.

SUN AREA TECHNICAL INSTITUTE  
Balance Sheet - Governmental Funds  
June 30, 2017

	General Fund	Capital Projects Fund	Total Governmental Funds
<b>ASSETS</b>			
Cash and Cash Equivalents	\$ 1,123,998	\$ 2,140,205	\$ 3,264,203
Investments	358,744	-	358,744
Due from Foundation	4,874	-	4,874
Due from Other Governmental Units	115,990	-	115,990
<b>TOTAL ASSETS</b>	<u>1,603,606</u>	<u>2,140,205</u>	<u>3,743,811</u>
<b>LIABILITIES</b>			
Due to Other Governmental Units	214,647	-	214,647
Accounts Payable	116,130	601,580	717,710
Accrued Salaries and Benefits	404,610	-	404,610
<b>TOTAL LIABILITIES</b>	<u>735,387</u>	<u>601,580</u>	<u>1,336,967</u>
<b>FUND BALANCES</b>			
Unassigned	692,266	-	692,266
Assigned:			
Encumbrances	58,243	-	58,243
Committed:			
Capital Projects	-	1,538,625	1,538,625
Customized Training	112,507	-	112,507
Growth and Expansion	5,203	-	5,203
<b>TOTAL FUND BALANCES</b>	<u>868,219</u>	<u>1,538,625</u>	<u>2,406,844</u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<u>\$ 1,603,606</u>	<u>\$ 2,140,205</u>	<u>\$ 3,743,811</u>

The accompanying notes are an integral part of the financial statements.

SUN AREA TECHNICAL INSTITUTE  
Reconciliation of the Governmental Funds Balance  
Sheet to the Statement of Net Position  
For the Year Ended June 30, 2017

<b>TOTAL FUND BALANCES - GOVERNMENTAL FUNDS</b>	<b>\$ 2,406,844</b>
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds. At June 30, 2017 the costs of assets is \$20,818,637 and the accumulated depreciation is \$9,437,788.	11,380,846
Extended term financing and accrued interest on capital lease.	(1,071,794)
Unrealized gain in investments.	-
Other post-employment benefits.	(464,098)
Contributions to the pension plan in the current fiscal year and pension deferred outflow of resources on the statement of net position but are not reported in the governmental funds.	115,753
Proportionate share of net pension liability.	(9,515,000)
Pension deferred inflows of resources on the statement of net position but are not reported in the governmental funds.	<u>1,356,877</u>
<b>TOTAL NET POSITION -GOVERNMENTAL FUNDS</b>	<b><u>\$ 4,209,428</u></b>

SUN AREA TECHNICAL INSTITUTE  
Statement of Revenues, Expenditures and Changes  
in Fund Balance - Governmental Funds  
For the Year Ended June 30, 2017

	General Fund	Capital Projects Fund	Total Governmental Funds
<b>REVENUES</b>			
Local Sources			
Member School Districts	\$ 5,342,212	\$ -	\$ 5,342,212
Adult Education Tuition	36,533	-	36,533
Interest Income	1,298	-	1,298
Rental Income	5,465	-	5,465
Other Revenues	30,755	30,172	60,927
	<u>5,416,263</u>	<u>30,172</u>	<u>5,446,435</u>
Total Local Sources			
State Sources	932,475	-	932,475
Federal Sources	172,290	-	172,290
	<u>6,521,028</u>	<u>30,172</u>	<u>6,551,200</u>
<b>TOTAL REVENUES</b>			
<b>EXPENDITURES</b>			
Instruction	3,714,919	-	3,714,919
Support Services	2,078,818	-	2,078,818
Noninstructional Services	15,355	-	15,355
Facilities Acquisition, Construction and Improvements Services	58,968	5,264,841	5,323,809
	<u>5,868,060</u>	<u>5,264,841</u>	<u>11,132,901</u>
<b>TOTAL EXPENDITURES</b>			
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<u>652,968</u>	<u>(5,234,669)</u>	<u>(4,581,701)</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Debt Service	170,539		170,539
Transfers	48,000	(48,000)	-
	<u>218,539</u>	<u>(48,000)</u>	<u>170,539</u>
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>			
<b>NET CHANGE IN FUND BALANCES</b>	434,429	(5,186,669)	(4,752,240)
<b>FUND BALANCE, July 1, 2016</b>	<u>433,790</u>	<u>6,725,294</u>	<u>7,159,084</u>
<b>FUND BALANCE, June 30, 2017</b>	<u>\$ 868,219</u>	<u>\$ 1,538,625</u>	<u>\$ 2,406,844</u>

The accompanying notes are an integral part of the financial statements.

SUN AREA TECHNICAL INSTITUTE  
Reconciliation of the Governmental Funds Statement of Revenues,  
Expenditures and changes in Fund Balances to the  
Statement of Activities  
For the Year Ended June 30, 2017

**TOTAL NET CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS** **\$ (4,752,240)**

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

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

Capital outlays	5,625,895	
Depreciation expense	<u>370,969</u>	
		5,254,926

The difference between the proceeds and the gain on the sale of capital assets is the basis of the capital asset sold, which is a decrease in net position. (268)

Net extended term financing and interest on capital lease. 112,966

Increase in the proportionate share of collective net pension liability does not require the use of current financial resources and is not reported in the governmental funds. (628,810)

Change in net position of governmental activities. \$ (13,426)



SUN AREA TECHNICAL INSTITUTE  
Statement of Revenues, Expenditures and Changes in  
Fund Balance, Budget and Actual – General Fund  
For the Year Ended June 30, 2017

	Budgeted Amounts		Actual	Variance with
	Original	Final	(Budgetary Basis)	Final Budget Positive (Negative)
<b>REVENUES</b>				
Local Revenues	\$ 5,194,563	\$ 5,194,563	\$ 5,416,263	\$ 221,700
State Program Revenues	946,700	946,700	932,475	(14,225)
Federal Program Revenues	148,000	148,000	172,290	24,290
Total Revenues	6,289,263	6,289,263	6,521,028	231,765
<b>EXPENDITURES</b>				
Regular Programs	114,294	114,294	103,531	10,763
Special Programs	498,543	498,709	431,509	67,200
Vocational Programs	3,155,764	3,155,511	3,098,290	57,221
Other Instructional Programs	12,000	12,000	11,466	534
Adult Education Programs	78,101	78,101	70,124	7,977
Pupil Personnel Services	119,247	119,247	116,883	2,364
Instructional Staff Services	595,166	590,530	571,481	19,049
Administrative Services	539,095	537,089	482,822	54,267
Pupil Health Services	70,052	71,431	68,260	3,171
Business Services	118,108	120,943	116,253	4,690
Operation and Maintenance of Plant Services	727,700	742,687	673,075	69,612
Central and Other Support Services	60,500	57,539	50,043	7,496
Student Activities	17,493	17,662	13,180	4,482
Community Services	2,200	2,200	2,175	25
Facilities Acquisition and Construction	146,000	136,320	58,968	77,352
Total Expenditures	6,254,263	6,254,263	5,868,060	386,203
<b>EXCESS (DEFICIT) OF REVENUES OVER EXPENDITURES</b>	35,000	35,000	652,968	617,968
<b>OTHER FINANCING SOURCES (USES)</b>				
Debt Service	-	-	(170,539)	(170,539)
Budgetary Reserve	(5,000)	(5,000)	-	5,000
Fund Transfers	(30,000)	(30,000)	(48,000)	(18,000)
Total Other Financing Sources (Uses)	(35,000)	(35,000)	(218,539)	(183,539)
<b>NET CHANGE IN FUND BALANCES</b>	-	-	434,429	434,429
<b>FUND BALANCE, Beginning</b>	433,790	433,790	433,790	-
<b>FUND BALANCE, Ending</b>	\$ 433,790	\$ 433,790	\$ 868,219	434,429

The accompanying notes are an integral part of the financial statements.

SUN AREA TECHNICAL INSTITUTE  
Statement of Net Position --  
Proprietary Fund  
June 30, 2017

	<u>Food Service</u>
<b>ASSETS</b>	
<b>CURRENT ASSETS</b>	
Cash and Cash Equivalents	\$ 55,683
Inventories	<u>6,317</u>
Total Current Assets	<u>62,000</u>
<b>NONCURRENT ASSETS</b>	
Machinery and Equipment, Net	<u>3,394</u>
Total Noncurrent Assets	<u>3,394</u>
<b>TOTAL ASSETS</b>	<u><u>\$ 65,394</u></u>
<b>LIABILITIES AND FUND BALANCES</b>	
<b>CURRENT LIABILITIES</b>	
Customer Deposits	<u>\$ 295</u>
Total Current Liabilites	<u>295</u>
<b>NET POSITION</b>	
Net Investment in Capital Assets	3,394
Unrestricted	<u>61,705</u>
<b>TOTAL NET POSITION</b>	<u>65,099</u>
<b>TOTAL LIABILITIES AND NET POSITION</b>	<u><u>\$ 65,394</u></u>

The accompanying notes are an integral part of the financial statements.

SUN AREA TECHNICAL INSTITUTE  
Statement of Revenues, Expenses and Changes in  
Fund Net Position - Proprietary Fund  
June 30, 2017

	<u>Food Service</u>
<b>OPERATING REVENUES</b>	
Food Service Revenues	<u>\$ 77,810</u>
Total Operating Revenues	<u>77,810</u>
<b>OPERATING EXPENSES</b>	
Salaries	32,089
Employee Benefits	12,098
Purchased Professional and Technical Service	6,000
Purchased Property Services	75
Supplies	69,156
Dues and Fees	360
Depreciation	<u>1,930</u>
Total Operating Expenses	<u>121,708</u>
Operating Loss	<u>(43,898)</u>
<b>NON-OPERATING REVENUES (EXPENSES)</b>	
Earnings on Investments	152
State Sources	9,442
Federal Sources	<u>52,021</u>
Total Non-Operating Revenues (Expenses)	<u>61,615</u>
<b>CHANGE IN NET POSITION</b>	17,717
<b>TOTAL NET POSITION, July 1, 2016</b>	<u>47,382</u>
<b>TOTAL NET POSITION, June 30, 2017</b>	<u><u>\$ 65,099</u></u>

The accompanying notes are an integral part of the financial statements.

SUN AREA TECHNICAL INSTITUTE  
Statement of Cash Flows -  
Proprietary Fund  
For the Year Ended June 30, 2017

	<u>Food Service</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Cash Received from Users	\$ 77,810
Cash Payments to Employees for Services	(34,917)
Cash Payments to Supplier for Goods and Services	<u>(75,592)</u>
Net Cash Used for Operating Activities	<u>(32,699)</u>
<b>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES</b>	
State Sources	9,442
Federal Sources	<u>40,851</u>
Net Cash Provided by Non-Capital Financing Activities	<u>50,293</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Earnings on Investments	<u>152</u>
Net Cash Provided by Investing Activities	<u>152</u>
<b>NET INCREASE IN CASH</b>	17,746
<b>CASH AND CASH EQUIVALENTS, Beginning</b>	<u>37,937</u>
<b>CASH AND CASH EQUIVALENTS, Ending</b>	<u><u>\$ 55,683</u></u>
<b>RECONCILIATION OF OPERATING LOSS TO NET CASH USED FOR OPERATING ACTIVITIES</b>	
Operating Loss	<u>\$ (43,898)</u>
Adjustments to Reconcile Operating Loss to Net Cash Used for Operating Activities	
Depreciation and Amortization	1,930
Donated Commodities	11,170
Increase in Inventories	(1,562)
Increase in Current Liabilities	<u>(339)</u>
Total Adjustments	<u>11,199</u>
Net Cash Used for Operating Activities	<u><u>\$ (32,699)</u></u>

The accompanying notes are an integral part of the financial statements.

SUN AREA TECHNICAL INSTITUTE  
Statement of Fiduciary Net Position -  
Fiduciary Funds  
For the Year Ended June 30, 2017

	Student Activities	Private Purpose Trust
<b>ASSETS</b>		
Cash and Cash Equivalents	\$ 81,267	\$ 2,066
Total Assets	<u>\$ 81,267</u>	<u>\$ 2,066</u>
<b>LIABILITIES</b>		
Due to Student Groups	\$ 80,906	\$ -
Due to Other Funds	<u>361</u>	<u>-</u>
Total Liabilities	<u>81,267</u>	<u>-</u>
<b>NET POSITION</b>		
Temporarily Restricted	<u>-</u>	<u>2,066</u>
Total Net Position	<u>\$ 81,267</u>	<u>\$ 2,066</u>

The accompanying notes are an integral part of the financial statements.

SUN AREA TECHNICAL INSTITUTE  
Statement of Changes in Fiduciary Net Position -  
Fiduciary Funds  
For the Year Ended June 30, 2017

	Private Purpose Trust
<b>ADDITIONS</b>	
Earnings on Investments	\$           -
<b>DEDUCTIONS</b>	
Scholarships Awarded	<u>(100)</u>
<b>CHANGE IN NET POSITION</b>	(100)
<b>TOTAL NET POSITION, July 1, 2016</b>	<u>2,166</u>
<b>TOTAL NET POSITION, June 30, 2017</b>	<u><u>\$       2,066</u></u>

The accompanying notes are an integral part of the financial statements.

SUN AREA TECHNICAL INSTITUTE  
Notes to Financial Statements  
June 30, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

SUN Area Technical Institute is governed by a joint operating committee composed of members from each of the five member school districts. SUN Area Technical Institute provides vocational and technical education for students of those districts. Each member school district pays tuition to SUN Area Technical Institute based upon their enrollment percentage. At the end of each fiscal year, actual instructional expenditures are divided among the member school districts based upon the average of the three prior years' enrollment percentages. The fixed expenses are allocated equally among the districts. The excess of tuition paid over allocable expenditures is refundable by SUN Area Technical Institute to the member school district. If allocable expenditures exceed the tuition paid by any member school district, the school district will pay the additional amount due to SUN Area Technical Institute. The financial statement of SUN Area Technical Institute has been prepared in accordance with generally accepted accounting principles (GAAP) as applied to governmental units. The Government Accounting Standards Board (GASB) is the authoritative standard - setting body for the establishment of governmental accounting and financial reporting principles. The more significant of these accounting policies are as follows:

Reporting Entity

In evaluating the school as a reporting entity, management has addressed all potential component units which may or may not fall within the school's financial accountability. The criteria used to evaluate component units for possible inclusion as part of the school's reporting entity are financial accountability and the nature and significance of the relationship. This report presents the activities of SUN Area Technical Institute. The school is not a component unit of another reporting entity, nor does it have any component units.

SUN Area Technical Institute is not required to include the member school districts as part of its general purpose financial statements. The significant factors for exclusion are:

SUN Area Technical Institute is separately chartered from the school districts it serves, the joint operating committee controls the employment of personnel, the joint operating committee has the power to approve all operating expenditures of the technical school, and the technical school is maintained as a separate operating unit.

In this situation, the preceding factors are conclusive in contrast with the following factors indicating inclusion: The member school districts approve the budget of the technical school.

Pensions

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

# SUN AREA TECHNICAL INSTITUTE

## Notes to Financial Statements

June 30, 2017

### NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

#### Fund Accounting

The accounts of SUN Area Technical Institute are organized on the basis of funds, each of which is considered to be a separate accounting entity. The operations of each fund are accounted for by providing a separate set of self-balancing accounts which include its assets, liabilities, fund equity, revenues and expenses/expenditures. Resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent.

#### Basis of Presentation

Government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the non-fiduciary activities of the school. As a general rule the effect of inter-fund activity has been eliminated from these statements. Governmental activities, which normally are supported by intergovernmental revenues, are reported separately in the government-wide financial statements from business-type activities, which rely, to a significant extent on fees and charges for support.

The statements of activities present a comparison between direct expenses and program revenues for business-type activities and for each function of the school's governmental activities. Direct expenses are those that are clearly identifiable within a specific function or segment. Program revenues include charges to customers who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment. In addition, program revenues include grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Other items not properly included among programs revenues are reported instead as general revenues.

Fund financial statements are also provided in the report for all of the governmental funds, proprietary funds, and the fiduciary funds of the school. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. Non-major funds are aggregated and presented in a single column. Fiduciary funds are reported by fund type.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the proprietary fund's principal ongoing operations. The principal operating revenues of the school enterprise fund are food service charges. Operating expenses for the school enterprise fund include food production costs, supplies, administrative costs, and depreciation on capital assets. All revenues or expenses not meeting this definition are reported as non-operating revenues and expenses.

The School reports the following major governmental funds:

The general fund is the school's primary operating fund. It accounts for all financial resources except those required to be in another fund.

The capital projects fund is used to account for financial resources used for the acquisition and construction of facilities.



SUN AREA TECHNICAL INSTITUTE

Notes to Financial Statements

June 30, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Basis of Presentation - continued

The school operates one enterprise fund, the food service fund. This fund accounts for the activities of the school's food service program.

In the governmental fund financial statements, fund balances are classified as follows:

Nonspendable – Amounts that cannot be spent either because they are in nonspendable form or because they are legally or contractually required to be maintained intact.

Restricted – Amounts that can be spent only for specific purposes.

Committed – Amounts that can be used only for specific purposes determined by formal action by the joint operating committee. The amounts cannot be used for any other purpose unless the Board takes action to remove or change the constraint.

Assigned – Amounts that are intended for a particular purpose. Intent can be expressed by the joint operating committee.

Unassigned – All amounts not included in other spendable classifications.

The school accounts for assets held by the school in a trustee capacity in a private-purpose trust fund. This fund accounts for activities in the various scholarship accounts, whose sole purpose is to provide annual scholarships to particular students as prescribed by donor stipulations.

The school accounts for assets held as an agent for various student activities in an agency fund.

Basis of Accounting

Governmental fund financial statements are reported using current financial resources, measurement focus, and the modified accrual basis of accounting. Revenues are recognized as soon as they are both available and measurable, while expenditures are recognized in the accounting period in which the fund liability is incurred. The fund also utilizes encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditures of monies is recorded as a reserve of current year funds. Inventories are stated at cost or value on date of donation.

Measurement Focus and Basis of Accounting

The government-wide, proprietary and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. Net position (total assets less total liabilities) is used as a practical measure of economic resources and the operating statements include all transactions and events that increased or decreased net position. Depreciation is charged as expense against current operations and accumulated depreciation is reported on the statement of net position.

# SUN AREA TECHNICAL INSTITUTE

## Notes to Financial Statements

June 30, 2017

### NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

#### Budget and Budgetary Accounting

The School Charter establishes the fiscal year as the twelve month period beginning July 1. The departments submit to the Business Manager a budget of estimated expenditures for the ensuing fiscal year after which the Business Manager subsequently submits a budget of estimated expenditures and revenues to the Joint Operating Committee.

Prior to July 1, the budget is submitted to the member school districts for approval. The Business Manager is authorized to transfer budgeted amounts between departments within any fund; however, any revisions that alter the total expenditures of any fund must be approved by the Joint Operating Committee.

Budgeted amounts are as originally adopted or as amended by the Joint Operating Committee.

#### Encumbrances

Encumbrances represent commitments related to unperformed contracts for goods or services. Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of resources are recorded to reserve that portion of the applicable appropriation, is utilized in the Governmental Fund Types. For budgetary purposes appropriations lapse at fiscal year end except for that portion related to encumbered amounts. Encumbrances outstanding at year end are reported as reservations of fund balances and do not constitute expenditures or liabilities because the commitments will be honored during the subsequent year.

#### Inventories

A physical inventory of the Cafeteria Fund food and supplies was taken as of June 30, 2017. The inventory consisted of governmental donated commodities which were valued at estimated fair market value, and purchased commodities and supplies, both valued at cost using the first-in, first-out (FIFO) method.

#### Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the school as assets with an initial, individual cost of more than \$1,500 and an estimated useful life in excess of one year. Management has elected to include certain homogeneous asset categories with individual assets less than \$1,500 as composite groups for financial reporting purposes. In addition, capital assets purchased with long-term debt may be capitalized regardless of the thresholds established. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

SUN AREA TECHNICAL INSTITUTE  
Notes to Financial Statements  
June 30, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Capital Assets - continued

All reported capital assets are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Building	40
Building Improvements	20
Land Improvements	20
Furniture & Equipment	5-10
Textbooks	5

Proprietary fund equipment purchases are capitalized in the proprietary fund at cost and depreciated on a straight-line basis in compliance with the above guidelines.

Interfund Balances

During the course of operations, transactions occur between individual funds for goods provided or services rendered. These receivables and payables, to the extent they exist, are classified as amounts Due To/From other funds as presented in the statement of net position.

Estimates

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

Cash, Cash Equivalents and Investments

Cash and cash equivalents are defined as short-term, highly liquid investments that are readily convertible to known amounts of cash and include investments with original maturities of three months or less.

All investments are stated at cost including accrued interest which approximates fair value.

Operating and Nonoperating Revenue

Operating income reported in proprietary fund financial statements includes revenues and expenses related to the primary, continuing operations of the fund. Principal operating revenues for proprietary funds are charges to customers for sales or services. Principal operating expenses are the costs of providing goods or services and include administrative expenses and depreciation of capital assets. All revenues and expenses not meeting this definition are reported as non-operating in the financial statements.

SUN AREA TECHNICAL INSTITUTE

Notes to Financial Statements

June 30, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Pensions

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

NOTE 2 - EXPLANATION OF CERTAIN DIFFERENCES BETWEEN GOVERNMENTAL FUND STATEMENTS AND GOVERNMENT-WIDE STATEMENTS

Due to the differences in the measurement focus and basis of accounting used on the government fund statements and government-wide statements, certain financial transactions are treated differently. The basic financial statements contain a full reconciliation of these items.

Explanation of Differences between Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances and the Statement of Activities

Capital related differences include (1) gross proceeds reflected as revenue on the government fund statements as opposed to gain on the sale of a fixed asset reflected in the statement of activities (2) non-facility related fixed asset purchases are recorded as an expenditure in the functional categories listed under current expenditures in the government fund statements and capitalization and recording of depreciation expense in the statement of activities.

NOTE 3 - CASH AND INVESTMENTS

Under Section 440.1 of the Public School Code of 1949, as amended, the School is permitted to invest its monies as follows:

Obligations of (1) the United States of America of any of its agencies or instrumentalities backed by the full faith and credit of the United States of America, (2) the Commonwealth of Pennsylvania or any of its agencies or instrumentalities backed by the full faith and credit of the Commonwealth, or (3) any political subdivision of the Commonwealth of Pennsylvania or any of its agencies or instrumentalities backed by the full faith and credit of the political subdivision.

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

Cash and certificates of deposit are carried at cost which approximates market value. The carrying amount of deposits is separately displayed on the balance sheet as "Cash". At June 30, 2017, the deposits of the school are collateralized as prescribed by Act 72 of the Commonwealth of Pennsylvania.

The School's cash and cash equivalents and investments at June 30, 2017 have been categorized to indicate the level of risk assumed by the School. Category 1 includes cash and cash equivalents and investments that are

SUN AREA TECHNICAL INSTITUTE  
Notes to Financial Statements  
June 30, 2017

NOTE 3 - CASH AND INVESTMENTS – continued

insured or registered, or securities held by the School or by its agent in the School's name. Category 2 includes uninsured or unregistered, with securities held by the counterpart's trust department or agent in the School's name. Category 3 includes uninsured and unregistered, with securities held by the counterpart or by its trust department or agent but not in the School's name.

The investments of SUN Area Career and Technology Center were comprised of the following as of June 30, 2017:

<u>Governmental Activities Category</u>	<u>Total</u>	<u>Category</u>		
		<u>1</u>	<u>2</u>	<u>3</u>
General Fund Investments	\$ 107,455	\$ 107,455	\$ -	\$ -
Construction Project Investments	246,086	246,086	-	-
Growth and Expansion Investments	<u>5,203</u>	<u>5,203</u>	<u>-</u>	<u>-</u>
Total Investments	<u>\$ 358,744</u>	<u>\$ 358,744</u>	<u>\$ -</u>	<u>\$ -</u>

The Construction project investments represent funds from a grant and profits from the sale of houses built by the students. The purpose of the grant was to provide the school with funds to purchase building materials necessary to allow the students to construct a house as an integral part of their technical education. Proceeds from the sale of houses replenish this fund which is restricted for use solely in connection with future construction projects. The funds have been invested in a certificate of deposit with an interest rate of 1.3 percent and a maturity date of July 17, 2018.

The growth and expansion investments represent the funds and accumulated interest for investigation of future growth and expansion of new programs for SUN Area Technical Institute. The funds have been invested in a certificate of deposit with an interest rate of .30 percent and a maturity date of October 7, 2017.

SUN AREA TECHNICAL INSTITUTE  
Notes to Financial Statements  
June 30, 2017

NOTE 4 - CHANGES IN CAPITAL ASSETS

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

	Beginning Balance	Increases	Decreases	Ending Balance
<u>Governmental Activities</u>				
Capital Assets, not Being Depreciated				
Land	\$ 132,918	\$ -	\$ -	\$ 132,918
Total Capital Assets not Being Depreciated	132,918	-	-	132,918
Capital Assets Being Depreciated				
Land Improvements	509,197	-	-	509,197
Buildings and Building Improvements	6,785,651	41,782	-	6,827,433
Furniture and Equipment	6,082,467	510,474	(175,424)	6,417,517
Textbooks	75,747	-	(12,952)	62,795
Construction in Progress	1,603,936	5,264,840	-	6,868,776
Total Assets Being Depreciated	15,056,998	5,817,096	(188,376)	20,685,718
Less: Accumulated Depreciation				
Land Improvements	142,236	24,274	-	166,510
Buildings and Building Improvements	4,114,800	216,312	-	4,331,112
Furniture and Equipment	4,757,345	305,826	(174,557)	4,888,614
Textbooks	52,438	9,613	(10,500)	51,551
Total Accumulated Depreciation	9,066,819	556,025	(185,057)	9,437,787
Total Capital Assets Being Depreciated, Net	5,990,179	5,261,071	(3,319)	11,247,931
Governmental Activities Capital Assets, Net	<u>\$ 6,123,097</u>	<u>\$ 5,261,071</u>	<u>\$ (3,319)</u>	<u>\$ 11,380,849</u>
<u>Business-Type Activities</u>				
Capital Assets Being Depreciated				
Equipment	\$ 104,669	\$ -	\$ -	\$ 104,669
Total Capital Assets, Being Depreciated	104,669	-	-	104,669
Less: Accumulated Depreciation				
Equipment	99,345	1,930	-	101,275
Total Accumulated Depreciation	99,345	1,930	-	101,275
Total Capital Assets Being Depreciated	5,324	(1,930)	-	3,394
Business-Type Activities Capital Assets, Net	<u>\$ 5,324</u>	<u>\$ (1,930)</u>	<u>\$ -</u>	<u>\$ 3,394</u>

SUN AREA TECHNICAL INSTITUTE  
Notes to Financial Statements  
June 30, 2017

NOTE 4 - CHANGES IN CAPITAL ASSETS - continued

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

<u>Government Activities</u>	
Instruction	\$ 198,249
Support Services	64,056
Operation and Maintenance of Plant	236,859
Unallocated Depreciation Expense	56,861
Total Depreciation Expense -Governmental Activities	<u>\$ 556,025</u>
 <u>Business-Type Activities</u>	
Cafeteria	<u>\$ 1,930</u>
Total Depreciation Expense - Business-Type Activities	<u>\$ 1,930</u>

NOTE 5 - REFUNDS TO MEMBER SCHOOL DISTRICTS

The excess of the revenues received over expenditures and encumbrances of the School is returned to the member districts in the form of a credit against future payments. The refund due member districts for year end June 30, 2017 was \$416,534.

NOTE 6 - DESIGNATED FUND BALANCES

SUN Area Technical Institute offers training to the employees of various local industries for a fee. The member school districts have agreed the profits from this activity may remain with SUN Area Technical Institute. The accumulated profits attributable to these programs are transferred to the general fund, and are available for use by the school for purchase of major equipment and continuation of the customized training program. The activity of this fund may be summarized as follows for the year ended June 30, 2017:

Balance, Beginning	\$ 99,681
Profits Designated from Customized Training Activities	<u>12,826</u>
Balance, Ending	<u>\$ 112,507</u>

SUN Area Technical Institute established a fund for investigation of future growth and expansion of new programs. The member school districts will share in the costs of this endeavor. These funds and the interest earned by investing these funds, have been segregated by the school and will be used only for costs incurred in this research. Any unused funds will be returned to the member school districts. The activity of this fund may be summarized as follows for the year ended June 30, 2017:

Balance, Beginning	\$ 5,193
Interest Earned	<u>10</u>
Balance, Ending	<u>\$ 5,203</u>

SUN AREA TECHNICAL INSTITUTE

Notes to Financial Statements

June 30, 2017

NOTE 6 - DESIGNATED FUND BALANCES

SUN Area Technical Institute established a fund to account for financial resources used for the acquisition, construction and renovation of a facility to be used for student programs. The activity of this fund may be summarized as follows for the year ended June 30, 2017:

Balance, Beginning	\$ 6,728,388
General Fund Credit Transfer	48,000
Other Income	30,172
Capital Project Expenditures	<u>(5,264,840)</u>
Balance, Ending	<u><u>\$ 1,541,720</u></u>

NOTE 7 – EXTENDED TERM FINANCING AGREEMENTS

The school entered into a capital lease in 2010 with M&T Bank in the amount of \$1,786,515. The purpose was to finance upgrades to equipment throughout the building. It bears an interest rate of 5.09% and matures in January, 2025. The balance outstanding as of June 30, 2017 was \$1,071,037.

During the fiscal year ended June 30, 2017, long-term debt changed as follows:

Balance, Beginning	\$ 1,183,924
Principal Repayments and Retirements	<u>(112,887)</u>
Balance, Ending	<u><u>\$ 1,071,037</u></u>

The future annual payments required to amortize all outstanding debt as of June 30, 2017, including total interest payments is as follows:

<u>Year Ended</u> <u>June 30,</u>	<u>Interest</u>	<u>Principal</u>	<u>Total</u>
2018	\$ 51,770	\$ 118,768	\$ 170,538
2019	45,582	124,956	170,538
2020	39,071	131,467	170,538
2121	32,221	138,317	170,538
2122	25,014	145,524	170,538
Thereafter	<u>14,342</u>	<u>412,005</u>	<u>426,347</u>
Total	<u><u>\$ 208,000</u></u>	<u><u>\$ 1,071,037</u></u>	<u><u>\$ 1,279,037</u></u>

During the year ended June 30, 2017 the school had various operating lease payments for equipment with monthly payments amounting to \$1,873.



SUN AREA TECHNICAL INSTITUTE  
Notes to Financial Statements  
June 30, 2017

NOTE 8 – PENSION PLAN

SUN Area Technical Institute participates in a contributory retirement plan administered by the Public School Employees' Retirement System (PSERS). PSERS is a governmental cost-sharing multi-employer defined benefit pension plan that provides retirement benefits to public school employees of the Commonwealth of Pennsylvania. The members eligible to participate in the System include all full-time public school employees, part-time hourly public school employees who render at least 500 hours of service the school year and part-time per diem public school employees who render at least 80 days of service in the school year in any of the reporting entities in Pennsylvania. PSERS issues a publicly available financial report that can be obtained at [www.psers.pa.gov](http://www.psers.pa.gov).

Benefits Provided

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

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

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

Contributions rates

Member Contributions:

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

SUN AREA TECHNICAL INSTITUTE  
Notes to Financial Statements  
June 30, 2017

NOTE 8 - PENSION PLAN – continued

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

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

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

Employer Contributions:

The schools' contractually required contribution rate for fiscal year ended June 30, 2017 was 29.20% of covered payroll, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the School were \$741,378 for the year ended June 30, 2017.

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

At June 30, 2017, the School reported a liability of \$9,515,000 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by rolling forward the System's total pension liability as of June 30, 2015 to June 30, 2016. The School's proportion of the net pension liability was calculated utilizing the employer's one-year reported covered payroll as it relates to the total one-year reported covered payroll. At June 30, 2016, the School's proportion was .0197%, which was an increase of .0009% from its proportion measured as of June 30, 2015.

SUN AREA TECHNICAL INSTITUTE

Notes to Financial Statements

June 30, 2017

**NOTE 8 - PENSION PLAN - continued**

For the year ended June 30, 2017, the School recognized pension expense of \$1,323,375. At June 30, 2017, the School reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflow of Resources
Difference Between Expected and Actual Experience	\$ -	\$ 98,750
Changes in Assumptions	257,750	-
Net Difference Between Projected and Actual		
Investment Earnings	397,500	-
Changes in Proportion	174,750	-
Difference Between Employer Contributions and		
Proportionate Share of Total Contributions	11,092	11,092
Contributions subsequent to the Measurement Date	<u>741,378</u>	<u>-</u>
Total	<u>\$ 1,582,470</u>	<u>\$ 109,842</u>

\$741,378 reported as deferred outflows of resources related to pensions resulting from School contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended <u>June 30</u>	<u>Total</u>
2017	\$ 221,000
2018	221,000
2019	350,000
2020	235,000
2021	-
Thereafter	<u>-</u>
Total	<u>\$ 1,027,000</u>

**Changes in Actuarial Assumptions:**

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

SUN AREA TECHNICAL INSTITUTE  
Notes to Financial Statements  
June 30, 2017

**NOTE 8 - PENSION PLAN** - continued

**Changes in Actuarial Assumptions:** - continued

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

- Investment Rate of Return was adjusted from 7.50% to 7.25%
- The Inflation assumption was decreased from 3.00% to 2.75%.  
Salary growth changed from an effective average of 5.50%, which as comprised of inflation of 3.00%, real wage growth and for merit or seniority increases of 2.50%, to an effective average of 5.00%, comprised of inflation of 2.75% and 2.25% for real wage growth and for merit or seniority increases.
- Mortality rates were modified from the RP-2000 Combined Healthy Annuitant Tables (male and female) with age set back 3 years for both males and females to the RP-2014 Mortality Tables for Males and Females, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2015 Mortality Improvement Scale. For disabled annuitants the RP-2000 Combined Disabled Tables (male and female) with age set back 7 years for males and 3 years for females to the RP-2014 Mortality Tables for Males and Females, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2015 Mortality Improvement Scale. The actuarial assumptions used in the June 30, 2016 valuation were based on the experience study that was performed for the five-year period ending June 30, 2015. The recommended assumption changes based on this experience study were adopted by the Board at its June 10, 2016 Board meeting, and were effective beginning with the June 30, 2016 actuarial valuation.

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

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Global Public Equity	22.5%	5.3%
Fixed Income	28.5%	2.1%
Commodities	8.0%	2.5%
Absolute Return	10.0%	3.3%
Risk Parity	10.0%	3.9%
Infrastructure/MLPs	5.0%	4.8%
Real Estate	12.0%	4.0%
Alternative Investments	15.0%	6.6%
Cash	3.0%	0.2%
Financial (LIBOR)	(14.0%)	0.5%
Total	<u>100%</u>	

SUN AREA TECHNICAL INSTITUTE

Notes to Financial Statements

June 30, 2017

NOTE 8 - PENSION PLAN - continued

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

Discount rate

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

Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the School's proportionate share of net pension liability to changes in the discount rate

The following presents the net pension liability, calculated using the discount rate of 7.25%, as well as what the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (6.25%) or 1-percentage point higher (8.25%) than the current rate:

	1% Decrease <u>6.25%</u>	Current Discount Rate <u>7.25%</u>	1% Increase <u>8.25%</u>
School's Proportionate Share of the Net Pension Liability	\$ 11,639,000	\$ 9,515,000	\$ 7,730,000

Pension plan fiduciary net position

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

NOTE 9 - CONTINGENT LIABILITIES

Grant Programs

The school participates in federally assisted grant programs. These programs are subject to program compliance audits by the grantors or their representatives. The school is potentially liable for any expenditure which may be disallowed pursuant to the terms of these grant programs. Management is not aware of any material items of noncompliance which would result in the disallowance of program expenditures.

SUN AREA TECHNICAL INSTITUTE  
Notes to Financial Statements  
June 30, 2017

NOTE 10 – OTHER POST-EMPLOYMENT BENEFITS

Plan Description

SUN Area Technical Institute provides access to retiree health, vision, and dental care benefits, including prescription drug coverage, to eligible retired employees and qualified spouses. The plan also provides for retirement benefits outlined in employment contracts. This is a single employer defined benefit plan administered by SUN Area Technical Institute. Benefits are provided to all faculty, academic staff and support staff who meet the following requirements. Teaching and support personnel are required to have 15 years of service and attain age 57 or 30 years of PSERS service. Currently, the plan has 54 members. The plan does not issue a separate stand-alone financial statement.

Funding Policy

SUN Area Technical Institute's medical plans are self-funded and each plan's premiums are updated annually based on actual claims. SUN Area Technical Institute is responsible for paying the full premium. SUN Area Technical Institute funds other post-employment benefit (OPEB) on a pay-as-you-go basis, and there is no obligation to make contributions in advance of when the insurance premiums or claims are due for payment.

Funding Progress

For the year ended June 30, 2017, SUN Area Technical Institute has estimated the cost (annual expense) of providing retiree health, vision, and dental care benefits through an actuarial valuation as of July 1, 2015. In accordance with GASB Statement No. 45, the valuation computes and annual required contribution, which represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period of 30 years, discounted at 4.5%. This valuation's computed contribution and actual funding are summarized as follows:

<u>Annual Required Contribution (ARC)</u>	
Normal Cost as of July 1, 2015	\$ 90,607
Interest	4,077
Total Normal Cost	94,684
Amortization of Unfunded Accrued Liability	119,346
Annual Required Contribution (ARC)	<u>\$ 214,030</u>
Annual Required Contribution (ARC)	<u>\$ 214,030</u>
Covered Payroll	2,346,186
ARC as a Percentage of Payroll	<u>9.12%</u>
<u>Annual OPEB Cost and Net OPEB Obligation</u>	
Annual Required Contribution (ARC)	\$ 214,030
Interest on Estimated OPEB Obligation	14,514
Adjustment to Annual Required Contribution	(19,801)
Annual OPEB Cost	208,743
Amounts Contributed	(113,997)
Increase in net OPEB Obligation	94,746
OPEB Obligation - Beginning	322,539
OPEB Obligation - Ending	<u>\$ 417,285</u>

SUN AREA TECHNICAL INSTITUTE  
Notes to Financial Statements  
June 30, 2017

NOTE 11 - RISK MANAGEMENT

SUN Area Technical Institute is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets, errors and omissions and natural disasters for which the school carries commercial insurance. There have been no significant reductions in coverage from the prior year and settlements have not exceeded coverage in the past three years.

NOTE 12 – CONSTRUCTION IN PROGRESS

SUN Area Technical Institute is currently in the process of expanding and renovating existing facilities. Total cost of the project is anticipated to be approximately \$8 million. Costs through June 30, 2017 amounted to \$6,868,776. Construction is expected to be completed in August 2017.

NOTE 13 – SUBSEQUENT EVENT

The Organization evaluated subsequent events through December 8, 2017, the date which the financial statements were available to be issued.

## **REQUIRED SUPPLEMENTARY INFORMATION**



SUN AREA TECHNICAL INSTITUTE  
Schedule of Funding Progress for the Postemployment Benefits Plan  
Required Supplementary Information  
as of July 1, 2015

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of covered Payroll ((b-a)/c)
7/1/2015	\$ -	\$ 1,944,007	\$ 1,944,007	0.00%	\$ 2,346,186	82.86%
7/1/2012	\$ -	\$ 1,625,958	\$ 1,625,958	0.00%	\$ 2,267,967	71.69%
7/1/2009	\$ -	\$ 1,376,136	\$ 1,376,136	0.00%	\$ 2,118,188	64.97%

This valuation has been calculated using the Entry Age Normal Cost Method. Under the Entry Age Normal Cost Method, the normal cost is the present value of benefits allocated to the year following the valuation date. Benefits are allocated on a level basis over the earnings of an individual between the date of hire and the assumed retirement age. The accrued liability as of the valuation date is the excess of the present value of future benefits over the present value of future normal cost. The unfunded accrued liability is the excess of the accrued liability over the actuarial value of assets. Actuarial gains and losses serve to reduce or increase the unfunded accrued liability.

SUN AREA TECHNICAL INSTITUTE  
Schedule of School's Proportionate Share of the Net Pension Liability  
June 30, 2013 through 2016  
(Dollar Amounts in Thousands)

	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
School's Proportion of the Net Pension Liability	0.0192%	0.0188%	0.0185%	0.0184%
School's Proportionate Share of the Net Pension Liability	9,515,000	8,143,000	7,323,000	7,532,000
School's Covered-Employee Payroll	2,488,502	2,422,076	2,363,321	2,359,210
School's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Employee Payroll	382.3585%	336.1992%	309.8606%	319.2594%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	50.14%	54.36%	57.24%	54.49%

SUN AREA TECHNICAL INSTITUTE  
Schedule of the School Contributions – Pension Plan  
June 30, 2013 through 2016

	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Contractually Required Contribution	\$ 625,625	\$ 490,827	\$ 378,528	\$ 275,344
Contributions in Relation to the Contractually Required Contribution	<u>(625,625)</u>	<u>(490,827)</u>	<u>(378,528)</u>	<u>(275,344)</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
School's Covered-Employee Payroll	2,488,502	2,422,076	2,363,321	2,359,210
Contributions as a Percentage of Covered Employee Payroll	25.14%	20.26%	16.02%	11.67%

## **SUPPLEMENTARY INFORMATION**

SUN AREA TECHNICAL INSTITUTE  
Schedule of Revenues and Other Financing Sources  
Compared with Budget – General Fund  
For the Year Ended June 30, 2017

	Final Budget	Actual (Budgetary Basis)	Variance Positive (Negative)
<b>REVENUE FROM LOCAL SOURCES</b>			
Member School Districts	\$ 5,109,363	\$ 5,342,212	\$ 232,849
Adult Education Tuition	78,200	36,533	(41,667)
Interest Income	4,000	1,298	(2,702)
Rental Income	3,000	5,465	2,465
Other Revenue	-	30,755	30,755
	<hr/>	<hr/>	<hr/>
Total Revenue from Local Sources	5,194,563	5,416,263	221,700
	<hr/>	<hr/>	<hr/>
<b>REVENUE FROM STATE SOURCES</b>			
Vocational Education Reimbursement	420,000	350,090	(69,910)
Adult Education Reimbursement	3,000	1,222	(1,778)
State Grant Funds	-	55,520	55,520
Social Security Reimbursement	112,100	114,834	2,734
Retirement Reimbursement	411,600	410,809	(791)
	<hr/>	<hr/>	<hr/>
Total Revenue from State Sources	946,700	932,475	(14,225)
	<hr/>	<hr/>	<hr/>
<b>REVENUE FROM FEDERAL SOURCES</b>			
Federal Grant Funds	148,000	172,290	24,290
	<hr/>	<hr/>	<hr/>
Total Revenue from Federal Sources	148,000	172,290	24,290
	<hr/>	<hr/>	<hr/>
Total Revenues	<u>\$ 6,289,263</u>	<u>\$ 6,521,028</u>	<u>\$ 231,765</u>

SUN AREA TECHNICAL INSTITUTE  
Schedule of Expenditures and Other Financing Sources  
Compared with Budget – General Fund  
For the Year Ended June 30, 2017

EXPENDITURES	Final Budget	Actual (Budgetary Basis)	Variance Positive (Negative)
Regular Programs			
Salaries	\$ 70,118	\$ 75,839	\$ (5,721)
Employee Benefits	44,076	27,692	16,384
Purchased Property Services	-	-	-
Other Purchased Services	-	-	-
General Supplies and Textbooks	100	-	100
Total Regular Programs	114,294	103,531	10,763
Special Programs			
Salaries	226,119	206,644	19,475
Employee Benefits	269,024	221,738	47,286
Purchased Property Services	-	-	-
Other Purchased Services	2,000	1,936	64
General Supplies and Textbooks	1,266	966	300
Property and Equipment Costs	-	-	-
Dues and Fees	300	225	75
Total Special Programs	498,709	431,509	67,200
Vocational Programs			
Salaries	1,578,676	1,553,995	24,681
Employee Benefits	1,069,737	939,466	130,271
Purchased Professional and Technical Services	800	82	718
Purchased Property Services	43,081	37,473	5,608
Other Purchased Services	9,585	5,843	3,742
General Supplies and Textbooks	215,909	208,553	7,356
Property and Equipment Costs	236,223	351,773	(115,550)
Dues and Fees	1,500	1,105	395
Total Vocational Programs	3,155,511	3,098,290	57,221
Other Instructional Programs			
Other Purchased Services	12,000	11,466	534
Total Other Instructional Programs	12,000	11,466	534

SUN AREA TECHNICAL INSTITUTE  
Schedule of Expenditures and Other Financing Sources  
Compared with Budget – General Fund  
For the Year Ended June 30, 2017

EXPENDITURES (Continued)	Final Budget	Actual (Budgetary Basis)	Variance Positive (Negative)
Adult Education Programs			
Salaries	\$ 36,518	\$ 36,168	\$ 350
Employee Benefits	23,457	22,151	1,306
Purchased Property Services	-	-	-
Other Purchased Services	14,126	9,878	4,248
General Supplies and Textbooks	4,000	1,927	2,073
	<u>78,101</u>	<u>70,124</u>	<u>7,977</u>
Total Adult Education Programs	<u>78,101</u>	<u>70,124</u>	<u>7,977</u>
Pupil Personnel Programs			
Salaries	78,903	78,603	300
Employee Benefits	39,544	38,245	1,299
Purchased Property Services	-	-	-
Other Purchased Services	600	35	565
General Supplies and Textbooks	100	-	100
Dues and Fees	100	-	100
	<u>119,247</u>	<u>116,883</u>	<u>2,364</u>
Total Pupil Personnel Programs	<u>119,247</u>	<u>116,883</u>	<u>2,364</u>
Instructional staff services			
Salaries	218,477	240,745	(22,268)
Employee Benefits	189,929	149,444	40,485
Purchased Professional and Technical Services	8,033	8,033	-
Purchased Property Services	950	150	800
Other Purchased Services	-	-	-
General Supplies and Textbooks	83,010	83,009	1
Property and Equipment Costs	90,100	90,100	-
Dues and Fees	31	-	31
	<u>590,530</u>	<u>571,481</u>	<u>19,049</u>
Total Instructional Staff Services	<u>590,530</u>	<u>571,481</u>	<u>19,049</u>

SUN AREA TECHNICAL INSTITUTE  
Schedule of Expenditures and Other Financing Sources  
Compared with Budget – General Fund  
For the Year Ended June 30, 2017

EXPENDITURES (Continued)	Final Budget	Actual (Budgetary Basis)	Variance Positive (Negative)
Administrative Services			
Salaries	\$ 229,113	\$ 219,941	\$ 9,172
Employee Benefits	178,143	162,465	15,678
Purchased Professional and Technical Services	45,924	40,684	5,240
Purchased Property Services	28,726	20,936	7,790
Other Purchased Services	31,200	18,668	12,532
General Supplies and Textbooks	11,862	8,288	3,574
Property and Equipment Costs	5,949	5,949	-
Dues and Fees	6,172	5,891	281
Total Administrative Services	537,089	482,822	54,267
Pupil Health Services			
Salaries	32,149	31,427	722
Employee Benefits	36,143	33,796	2,347
Purchased Property Services	-	-	-
Other Purchased Services	-	-	-
General Supplies and Textbooks	2,550	2,448	102
Property and Equipment Costs	589	589	-
Total Pupil Health Services	71,431	68,260	3,171
Business Services			
Salaries	56,553	56,484	69
Employee Benefits	45,355	42,646	2,709
Purchased Professional and Technical Services	13,506	13,506	-
Purchased Property Services	1,455	1,107	348
Other Purchased Services	1,554	1,198	356
General Supplies and Textbooks	1,784	576	1,208
Property and Equipment Costs	736	736	-
Dues and Fees			
Total Business Services	120,943	116,253	4,690

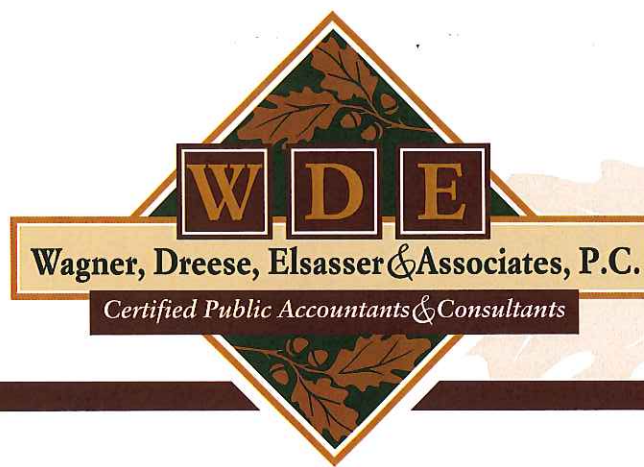


SUN AREA TECHNICAL INSTITUTE  
Schedule of Expenditures and Other Financing Sources  
Compared with Budget – General Fund  
For the Year Ended June 30, 2017

EXPENDITURES (Continued)	Final Budget	Actual (Budgetary Basis)	Variance Positive (Negative)
Operation and Maintenance of Plant Services			
Salaries	\$ 125,754	\$ 123,339	\$ 2,415
Employee Benefits	133,446	121,287	12,159
Purchased Property Services	140,457	132,689	7,768
Other Purchased Services	106,373	96,333	10,040
General Supplies and Textbooks	214,149	180,133	34,016
Property and Equipment Costs	22,000	19,012	2,988
Dues and Fees	508	282	226
	<hr/>	<hr/>	<hr/>
Total Operation and Maintenance of Plant Services	742,687	673,075	69,612
	<hr/>	<hr/>	<hr/>
Central and Other Support Services			
Purchased Professional and Technical Services	47,539	41,822	5,717
Other Purchased Services	10,000	8,221	1,779
	<hr/>	<hr/>	<hr/>
Total Central and Other Support Services	57,539	50,043	7,496
	<hr/>	<hr/>	<hr/>
Student Activities			
Salaries	7,575	4,325	3,250
Employee Benefits	2,918	1,686	1,232
Purchased Professional and Technical Services	-	-	-
Other Purchased Services	7,169	7,169	-
	<hr/>	<hr/>	<hr/>
Total Student Activities	17,662	13,180	4,482
	<hr/>	<hr/>	<hr/>
Community Services			
Purchased Professional and Technical Services	2,200	2,175	25
	<hr/>	<hr/>	<hr/>
Total Community Services	2,200	2,175	25
	<hr/>	<hr/>	<hr/>

SUN AREA TECHNICAL INSTITUTE  
Schedule of Expenditures and Other Financing Sources  
Compared with Budget – General Fund  
For the Year Ended June 30, 2017

	Final Budget	Actual (Budgetary Basis)	Variance Positive (Negative)
<b>EXPENDITURES (Continued)</b>			
Facilities Acquisition and Construction			
Purchased Property Services	\$ -	\$ -	\$ -
Property and Equipment Costs	136,320	58,968	77,352
	<u>136,320</u>	<u>58,968</u>	<u>77,352</u>
Total Facilities Acquisition and Construction	136,320	58,968	77,352
	<u>136,320</u>	<u>58,968</u>	<u>77,352</u>
Total Expenditures	6,254,263	5,868,060	386,203
	<u>6,254,263</u>	<u>5,868,060</u>	<u>386,203</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Debt Service	-	(170,539)	(170,539)
Budgetary Reserve	(5,000)	-	5,000
Fund Transfers	(30,000)	(48,000)	(18,000)
	<u>(30,000)</u>	<u>(48,000)</u>	<u>(18,000)</u>
Total Other Financing Sources (Uses)	(35,000)	(218,539)	(183,539)
	<u>(35,000)</u>	<u>(218,539)</u>	<u>(183,539)</u>
Total Expenditures and Other Financing Sources (Uses)	<u>\$ 6,289,263</u>	<u>\$ 6,086,599</u>	<u>\$ 202,664</u>



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

To the Members of the Joint Operating Committee of  
SUN AREA TECHNICAL INSTITUTE

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of SUN Area Technical Institute as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the SUN Area Technical Institute basic financial statements, and have issued our report thereon dated December 8, 2017.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered SUN Area Technical Institute's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of SUN Area Technical Institute's internal control. Accordingly, we do not express an opinion on the effectiveness of SUN Area Technical Institute's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control

that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the SUN Area Technical Institute's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Wagner Dreesse Elsassner & Associates, P.C.*

**WAGNER, DREESE, ELSASSER & ASSOCIATES, P.C.**

*Certified Public Accountants and Consultants*

Selinsgrove, PA

December 8, 2017