

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

AUDITED FINANCIAL STATEMENTS

June 30, 2018

# 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, 2018, 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, 2018, 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 the school's proportionate share of the net pension liability and the schedule of the school's contributions on pages 50 through 51, and the schedule of changes in net OPEB liability on page 52 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 53 through 58 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 13, 2018, 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.



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

*Certified Public Accountants and Consultants*

Selinsgrove, PA

December 13, 2018

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

**June 30, 2018**

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, 2018. 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 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 on-going professional development in use of technology and Best Practices in instructional strategies through the development of a 5-year plan of activities and trainings.

### **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 2018-19 school year is 82%. SUN Tech has attained a benchmark of 92% in the 2017-18 school year, 86% in the 2016-17 school year, and 96% in the 2015-16 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 \$5,376,663 for 2017-2018. 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, 2018

<b>District</b>	<b>Actual District Payments 2017-18</b>	<b>Total District Share 2017-18</b>	<b>Remaining Money From 2017-18 FY</b>
Lewisburg	\$697,477	\$627,912	\$69,565
Midd-West	1,198,688	1,091,412	107,276
Mifflinburg	1,373,772	1,244,417	129,355
Selinsgrove	1,028,772	937,145	91,627
Shikellamy	1,077,953	969,102	108,851
<b>Totals</b>	<b>\$5,376,662</b>	<b>\$4,869,988</b>	<b>\$506,674</b>

Total contributions from participating school districts were over 82% of the secondary program's revenue for 2017-2018. 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:

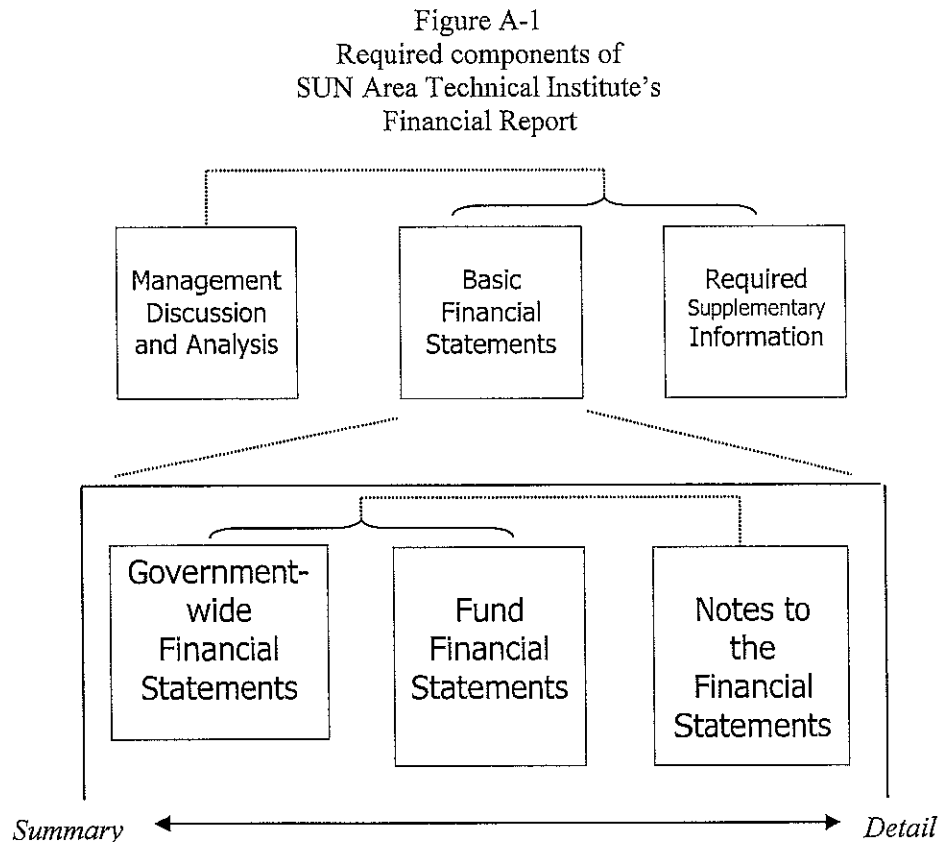


Figure A-2 summarizes the major features of the financial statements, including the portion of the Program they cover and the types of information they contain. The remainder of this overview section of management discussion and analysis explains the structure and contents of each of the statements.

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

	Government- Wide Statements	Governmental Funds	Proprietary Funds	Fiduciary Funds
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 \$2,401,325 at June 30, 2018.

Table A-2  
Fiscal Year ended June 30, 2018  
Net Assets

	Governmental <u>Activities</u>	Business- type <u>Activities</u>	2018 <u>Total</u>
Current Assets	\$2,015,904	\$56,943	\$2,072,847
Non Current Assets	12,591,213	12,166	12,603,379
<b>Total Assets</b>	<b>\$14,607,117</b>	<b>\$69,109</b>	<b>\$14,676,226</b>
Deferred Outflows of Resources	\$1,839,991	0	\$1,839,991
Current Liabilities	\$1,437,164	\$435	\$1,437,599
Non Current Liabilities	12,496,613	0	12,496,613
<b>Total Liabilities</b>	<b>13,933,777</b>	<b>435</b>	<b>13,934,212</b>
Deferred Inflows of Resources	\$180,680	0	\$180,680
Invested in Capital Assets	11,638,944	12,166	11,651,110
Reserved for Encumbrances	91,053	0	91,053
Unrestricted, Designated & Undesignated	-9,397,346	56,508	-9,340,838
<b>Total Net Position</b>	<b>\$2,332,651</b>	<b>\$68,674</b>	<b>\$2,401,325</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, 2018  
Changes in Net Assets

	Governmental <u>Activities</u>	Business- Type <u>Activities</u>	2018 <u>Total</u>
<b>Revenues</b>			
Program Revenues			
Charges for Services	\$ 125,191	64,710	\$ 189,901
Operating Grants and Contributions	5,723,808	74,237	5,798,045
Capital Grants and Contributions	153,086	0	153,086
General Revenues	89,975	357	90,332
<b>Total Revenues</b>	<b>6,092,060</b>	<b>139,304</b>	<b>6,231,364</b>
<b>Expenses</b>			
Instruction	3,612,046	0	3,612,046
Instructional Student Support	842,616	0	842,616
Administration & Financial Support	629,692	0	629,692
Operation & Maintenance of Plant	675,467	0	675,467
Student Activities	15,779	0	15,779
Community Services	2,175	0	2,175
Facilities	446,188	0	446,188
Interest on Long-Term Debt	51,771	0	51,771
Food Services	77,399	135,729	213,128
<b>Total Expenses</b>	<b>6,353,133</b>	<b>135,729</b>	<b>6,488,862</b>
<b>Increase (decrease) in Net Assets</b>	<b>(\$261,073)</b>	<b>3,575</b>	<b>(\$257,498)</b>

#### Fund Balances

At June 30, 2018, the School's governmental funds reported a combined fund balance of \$704,369, which is a decrease of \$1,702,475 from the June 30, 2017 amount of \$2,406,844.

#### 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, 2018 the School had \$12,591,213 in Governmental Funds and \$12,166 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 \$1,210,364 Governmental Activities and \$8,772 from Business Activities from June 30, 2017.

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

	<b>2018</b>
Land	\$ 132,918
Land Improvements	350,363
Buildings & Building Improvements	10,550,457
Furniture & Equipment	1,551,196
Textbooks	6,279
<b>Total Assets:</b>	<b>\$12,591,213</b>

### Construction in Progress

An expansion/renovation project was completed in the fall of 2017. There are currently no projects in progress.

### Debt Administration

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

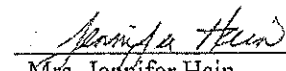
## **FACTORS BEARING ON SUN AREA TECHNICAL INSTITUTE FUTURE**

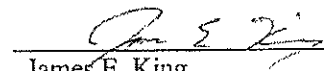
Factors that will affect the future finances of the SUN Area Technical Institute's upcoming Operating Budgets include vocational subsidies, employee health benefits and PSERS projected retirement rates along with collective bargaining agreements with the Educators' Association.

***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, 2018

	Governmental Activities	Business-type Activities	Total
<b>ASSETS</b>			
<b>CURRENT ASSETS</b>			
Cash and Cash Equivalents	\$ 1,525,429	\$ 51,014	\$ 1,576,443
Investments	359,194	-	359,194
Due from Foundation	2,584	-	2,584
Due from Other Governmental Units	128,697	464	129,161
Inventories	-	5,465	5,465
	<u>2,015,904</u>	<u>56,943</u>	<u>2,072,847</u>
<b>CAPITAL ASSETS</b>			
Land	132,918	-	132,918
Site Improvements	350,363	-	350,363
Building and Building Improvements	10,550,457	-	10,550,457
Furniture and Equipment	1,551,196	12,166	1,563,362
Textbooks	6,279	-	6,279
	<u>12,591,213</u>	<u>12,166</u>	<u>12,603,379</u>
<b>TOTAL ASSETS</b>	<u>14,607,117</u>	<u>69,109</u>	<u>14,676,226</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Contributions to Pension Plan in Current			
Fiscal Year	814,390	-	814,390
Pension Deferral	562,234	-	562,234
OPEB Deferral	463,367	-	463,367
<b>TOTAL DEFERRED OUTFLOWS OF RESOURCES</b>	<u>\$ 1,839,991</u>	<u>\$ -</u>	<u>\$ 1,839,991</u>

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

SUN AREA TECHNICAL INSTITUTE  
Statement of Net Position - continued  
June 30, 2018

	Governmental Activities	Business-type Activities	Total
<b>LIABILITIES AND NET POSITION</b>			
<b>CURRENT LIABILITIES</b>			
Due to Member Districts	\$ 380,006	\$ -	\$ 380,006
Due to Other Governmental Units	213,776	-	213,776
Accounts Payable	298,724	30	298,754
Interest Payable	673	-	673
Accrued Salaries and Benefits	419,029	-	419,029
Customer Deposits	-	405	405
Lease Payable Within One Year	124,956	-	124,956
Total Current Liabilities	1,437,164	435	1,437,599
<b>LONG-TERM LIABILITIES</b>			
Due in More Than One Year:			
Extended Term Financing Agreements Payable	827,313	-	827,313
Proportionate Share of the Net Collective			
Pension Liability	9,384,000	-	9,384,000
Other Post-Employment Benefits Liability	2,285,300	-	2,285,300
Total Long-Term Liabilities	12,496,613	-	12,496,613
<b>TOTAL LIABILITIES</b>	13,933,777	435	13,934,212
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Pension Deferral	136,984	-	136,984
OPEB Deferral	43,696	-	43,696
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	180,680	-	180,680
<b>NET POSITION</b>			
Net Investment in Capital Assets	11,638,944	12,166	11,651,110
Unrestricted	(9,306,293)	56,508	(9,249,785)
<b>TOTAL NET POSITION</b>	\$ 2,332,651	\$ 68,674	\$ 2,401,325

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

SUN AREA TECHNICAL INSTITUTE

Statement of Activities

June 30, 2018

	<u>Expenses</u>
<b>FUNCTIONS/PROGRAMS</b>	
Governmental Activities:	
Instruction	\$ 3,612,046
Instructional Student Support	842,616
Administration and Financial Support Services	629,692
Operation and Maintenance of Plant Services	675,467
Student Activities	15,779
Community Services	2,175
Facilities	446,188
Interest on Long-Term Debt	51,771
Unallocated Depreciation Expense	<u>77,399</u>
Total Governmental Activities	6,353,133
Business-Type Activities:	
Food Service	<u>135,729</u>
Total Primary Government	<u><u>\$ 6,488,862</u></u>
<b>GENERAL REVENUES</b>	
Local Sources:	
Interest Income	
Rental Income	
Other Revenue	
Gain (Loss) on Disposal of Assets	
Total General Revenues and Transfers	
<b>CHANGE IN NET POSITION</b>	
<b>NET POSITION, July 1, 2017</b>	
<b>PRIOR PERIOD ADJUSTMENT</b>	
<b>NET POSITION, June 30, 2018</b>	

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 Activities	Total
\$ 125,191	\$ 3,321,706	\$ 153,086	\$ (11,979)	\$ -	\$ (11,979)
-	774,904	-	(67,712)	-	(67,712)
-	579,090	-	(50,602)	-	(50,602)
-	621,187	-	(54,280)	-	(54,280)
-	14,511	-	(1,268)	-	(1,268)
-	2,000	-	(175)	-	(175)
-	410,410	-	(35,862)	-	(35,862)
-	-	-	(51,771)	-	(51,771)
-	-	-	(77,399)	-	(77,399)
125,191	5,723,808	153,086	(351,048)	-	(351,048)
64,710	74,237	-	-	3,218	3,218
<u>\$ 189,901</u>	<u>\$ 5,798,045</u>	<u>\$ 153,086</u>	(351,048)	3,218	(347,830)
			19,634	357	19,991
			5,494	-	5,494
			46,049	-	46,049
			18,798	-	18,798
			89,975	357	90,332
			(261,073)	3,575	(257,498)
			4,209,428	65,099	4,274,527
			(1,615,704)	-	(1,615,704)
			<u>\$ 2,332,651</u>	<u>\$ 68,674</u>	<u>\$ 2,401,325</u>

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

SUN AREA TECHNICAL INSTITUTE  
Balance Sheet - Governmental Funds  
June 30, 2018

	General Fund	Capital Projects Fund	Total Governmental Funds
<b>ASSETS</b>			
Cash and Cash Equivalents	\$ 1,268,766	\$ 256,663	\$ 1,525,429
Investments	359,194	-	359,194
Due from Foundation	2,584	-	2,584
Due from Other Governmental Units	128,697	-	128,697
<b>TOTAL ASSETS</b>	<u>\$ 1,759,241</u>	<u>\$ 256,663</u>	<u>\$ 2,015,904</u>
<b>LIABILITIES</b>			
Due to Member Districts	\$ 380,006	\$ -	\$ 380,006
Due to Other Governmental Units	213,776	-	213,776
Accounts Payable	135,951	162,773	298,724
Accrued Salaries and Benefits	419,029	-	419,029
<b>TOTAL LIABILITIES</b>	<u>1,148,762</u>	<u>162,773</u>	<u>1,311,535</u>
<b>FUND BALANCES</b>			
Unassigned	386,904	-	386,904
Assigned:			
Encumbrances	91,053	-	91,053
Committed:			
Capital Projects	-	93,890	93,890
Customized Training	127,297	-	127,297
Growth and Expansion	5,225	-	5,225
<b>TOTAL FUND BALANCES</b>	<u>610,479</u>	<u>93,890</u>	<u>704,369</u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<u>\$ 1,759,241</u>	<u>\$ 256,663</u>	<u>\$ 2,015,904</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, 2018

<b>TOTAL FUND BALANCES - GOVERNMENTAL FUNDS</b>	<b>\$ 704,369</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, 2018 the costs of assets is \$22,555,657 and the accumulated depreciation is \$9,964,444.	12,591,213
Extended term financing and accrued interest on capital lease.	(952,942)
Contributions to the pension plan in the current fiscal year and pension deferred outflow of resources are on the statement of net position but are not reported in the governmental funds.	1,376,624
OPEB deferred outflow of resources are on the statement of net position but are not reported in the governmental funds.	463,367
Proportionate share of net pension liability.	(9,384,000)
Net OPEB Liability.	(2,285,300)
Pension deferred inflows of resources are on the statement of net position but are not reported in the governmental funds.	(136,984)
OPEB deferred inflows of resources are on the statement of net position but are not reported in the governmental funds.	(43,696)
<b>TOTAL NET POSITION - GOVERNMENTAL FUNDS</b>	<b><u>\$ 2,332,651</u></b>

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

SUN AREA TECHNICAL INSTITUTE  
Statement of Revenues, Expenditures and Changes  
in Fund Balance - Governmental Funds  
For the Year Ended June 30, 2018

	General Fund	Capital Projects Fund	Total Governmental Funds
<b>REVENUES</b>			
Local Sources			
Member School Districts	\$ 4,827,267	\$ -	\$ 4,827,267
Adult Education Tuition	48,586	-	48,586
Interest Income	3,448	16,186	19,634
Rental Income	5,494	-	5,494
Other Revenues	66,148	-	66,148
	<u>4,950,943</u>	<u>16,186</u>	<u>4,967,129</u>
Total Local Sources			
State Sources	973,147	-	973,147
Federal Sources	153,086	-	153,086
	<u>1,126,233</u>	<u>-</u>	<u>1,126,233</u>
<b>TOTAL REVENUES</b>	<u>6,077,176</u>	<u>16,186</u>	<u>6,093,362</u>
<b>EXPENDITURES</b>			
Instruction	3,836,114	-	3,836,114
Support Services	2,096,460	-	2,096,460
Noninstructional Services	17,954	-	17,954
Facilities Acquisition, Construction and Improvements Services	63,849	1,610,921	1,674,770
Debt Service Payments (Principal and Interest)	170,539	-	170,539
	<u>6,184,916</u>	<u>1,610,921</u>	<u>7,795,837</u>
<b>TOTAL EXPENDITURES</b>	<u>6,184,916</u>	<u>1,610,921</u>	<u>7,795,837</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<u>(107,740)</u>	<u>(1,594,735)</u>	<u>(1,702,475)</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers	(150,000)	150,000	-
	<u>(150,000)</u>	<u>150,000</u>	<u>-</u>
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>(150,000)</u>	<u>150,000</u>	<u>-</u>
<b>NET CHANGE IN FUND BALANCES</b>	<u>(257,740)</u>	<u>(1,444,735)</u>	<u>(1,702,475)</u>
<b>FUND BALANCE, July 1, 2017</b>	<u>868,219</u>	<u>1,538,625</u>	<u>2,406,844</u>
<b>FUND BALANCE, June 30, 2018</b>	<u>\$ 610,479</u>	<u>\$ 93,890</u>	<u>\$ 704,369</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, 2018

**TOTAL NET CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS** **\$ (1,702,475)**

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	1,964,765	
Depreciation expense	<u>773,114</u>	
		1,191,651

The difference between the proceeds and the gain on the sale of capital assets is the basis of the capital asset sold, which is an increase in net position.	18,798
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Net extended term financing and interest on capital lease.	118,768
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Change in the proportionate share of collective net pension liability does not require the use of, or provide, current financial resources and is not reported in the governmental funds.	(101,988)
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Change in the net OPEB liability does not require the use of, or provide, current financial resources and is not reported in the	<u>214,173</u>
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Change in net position of governmental activities.	<u><u>\$ (261,073)</u></u>
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The accompanying notes are an integral part of the financial statements.



SUN AREA TECHNICAL INSTITUTE  
Statement of Revenues, Expenditures and Changes in  
Fund Balance, Budget and Actual – General Fund  
For the Year Ended June 30, 2018

	Budgeted Amounts		Actual	Variance with
	Original	Final	(Budgetary Basis)	Final Budget Positive (Negative)
<b>REVENUES</b>				
Local Revenues	\$ 5,376,663	\$ 5,473,613	\$4,950,943	\$ (522,670)
State Program Revenues	1,083,700	1,101,174	973,147	(128,027)
Federal Program Revenues	148,000	148,000	153,086	5,086
Total Revenues	6,608,363	6,722,787	6,077,176	(645,611)
<b>EXPENDITURES</b>				
Regular Programs	124,429	124,429	122,108	2,321
Special Programs	523,510	522,155	463,014	59,141
Vocational Programs	3,282,292	3,391,481	3,199,636	191,845
Other Instructional Programs	12,000	12,000	7,367	4,633
Adult Education Programs	80,853	80,947	43,990	36,957
Pupil Personnel Services	123,890	123,890	121,665	2,225
Instructional Staff Services	606,369	616,653	576,730	39,923
Administrative Services	563,718	566,339	508,822	57,517
Pupil Health Services	74,131	75,325	73,467	1,858
Business Services	123,003	125,640	120,870	4,770
Operation and Maintenance of Plant Services	799,283	801,497	675,466	126,031
Central and Other Support Services	35,500	22,353	19,439	2,914
Student Activities	17,685	20,801	15,779	5,022
Community Services	2,200	2,200	2,175	25
Facilities Acquisition and Construction	207,000	204,577	63,849	140,728
Debt Service Payments (Principal and Interest)	-	-	170,539	(170,539)
Total Expenditures	6,575,863	6,690,287	6,184,916	505,371
<b>EXCESS (DEFICIT) OF REVENUES OVER EXPENDITURES</b>	32,500	32,500	(107,740)	(140,240)
<b>OTHER FINANCING SOURCES (USES)</b>				
Budgetary Reserve	(30,000)	(30,000)	-	30,000
Fund Transfers	(2,500)	(2,500)	(150,000)	(147,500)
Total Other Financing Sources (Uses)	(32,500)	(32,500)	(150,000)	(117,500)
<b>NET CHANGE IN FUND BALANCES</b>	-	-	(257,740)	(257,740)
<b>FUND BALANCE, Beginning</b>	868,219	868,219	868,219	-
<b>FUND BALANCE, Ending</b>	\$ 868,219	\$ 868,219	\$ 610,479	\$ (257,740)

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

SUN AREA TECHNICAL INSTITUTE  
Statement of Net Position –  
Proprietary Fund  
June 30, 2018

	<u>Food Service</u>
<b>ASSETS</b>	
<b>CURRENT ASSETS</b>	
Cash and Cash Equivalents	\$ 51,014
Accounts Receivable	464
Inventories	<u>5,465</u>
Total Current Assets	<u>56,943</u>
<b>NONCURRENT ASSETS</b>	
Machinery and Equipment, Net	<u>12,166</u>
Total Noncurrent Assets	<u>12,166</u>
<b>TOTAL ASSETS</b>	<u><u>\$ 69,109</u></u>
<b>LIABILITIES AND NET POSITION</b>	
<b>CURRENT LIABILITIES</b>	
Accounts Payable	\$ 30
Customer Deposits	<u>405</u>
Total Current Liabilites	<u>435</u>
<b>NET POSITION</b>	
Net Investment in Capital Assets	12,166
Unrestricted	<u>56,508</u>
<b>TOTAL NET POSITION</b>	<u>68,674</u>
<b>TOTAL LIABILITIES AND NET POSITION</b>	<u><u>\$ 69,109</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, 2018

	<u>Food Service</u>
<b>OPERATING REVENUES</b>	
Food Service Revenues	<u>\$ 64,710</u>
Total Operating Revenues	<u>64,710</u>
<b>OPERATING EXPENSES</b>	
Salaries	33,917
Employee Benefits	13,682
Purchased Professional and Technical Service	6,500
Purchased Property Services	2,988
Supplies	77,170
Dues and Fees	785
Depreciation	<u>687</u>
Total Operating Expenses	<u>135,729</u>
Operating Loss	<u>(71,019)</u>
<b>NON-OPERATING REVENUES (EXPENSES)</b>	
Earnings on Investments	357
State Sources	10,390
Federal Sources	<u>63,847</u>
Total Non-Operating Revenues (Expenses)	<u>74,594</u>
<b>CHANGE IN NET POSITION</b>	3,575
<b>TOTAL NET POSITION, July 1, 2017</b>	<u>65,099</u>
<b>TOTAL NET POSITION, June 30, 2018</b>	<u><u>\$ 68,674</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, 2018

	<u>Food Service</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Cash Received from Users	\$ 64,246
Cash Payments to Employees for Services	(47,599)
Cash Payments to Supplier for Goods and Services	<u>(76,153)</u>
Net Cash Provided (Used) for Operating Activities	<u>(59,506)</u>
<b>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES</b>	
State Sources	10,390
Federal Sources	<u>53,549</u>
Net Cash Provided (Used) by Non-Capital Financing Activities	<u>63,939</u>
<b>CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES</b>	
Purchase of Equipment	<u>(9,459)</u>
Net Cash Provided (Used) by Capital Financing Activities	<u>(9,459)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Earnings on Investments	<u>357</u>
Net Cash Provided (Used) by Investing Activities	<u>357</u>
<b>NET INCREASE (DECREASE) IN CASH</b>	(4,669)
<b>CASH AND CASH EQUIVALENTS, Beginning</b>	<u>55,683</u>
<b>CASH AND CASH EQUIVALENTS, Ending</b>	<u><u>\$ 51,014</u></u>
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) FOR OPERATING ACTIVITIES</b>	
Operating Income (Loss)	<u>\$ (71,019)</u>
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) for Operating Activities	
Depreciation and Amortization	687
Donated Commodities	10,298
(Increase) Decrease in Accounts Receivable	(464)
(Increase) Decrease in Inventories	852
Increase (Decrease) in Current Liabilities	<u>140</u>
Total Adjustments	<u>11,513</u>
Net Cash Provided (Used) for Operating Activities	<u><u>\$ (59,506)</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, 2018

	Student Activities	Private Purpose Trust
<b>ASSETS</b>		
Cash and Cash Equivalents	\$ 94,010	\$ 1,966
Total Assets	<u>\$ 94,010</u>	<u>\$ 1,966</u>
<b>LIABILITIES</b>		
Due to Student Groups	\$ 93,153	\$ -
Due to Other Funds	<u>857</u>	<u>-</u>
Total Liabilities	<u>94,010</u>	<u>-</u>
<b>NET POSITION</b>		
Temporarily Restricted	<u>-</u>	<u>1,966</u>
Total Net Position	<u>\$ -</u>	<u>\$ 1,966</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, 2018

	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, 2017</b>	<u>2,066</u>
<b>TOTAL NET POSITION, June 30, 2018</b>	<u><u>\$ 1,966</u></u>

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

SUN AREA TECHNICAL INSTITUTE  
Notes to Financial Statements  
June 30, 2018

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 statements 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.

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.

SUN AREA TECHNICAL INSTITUTE  
Notes to Financial Statements  
June 30, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

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.

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



SUN AREA TECHNICAL INSTITUTE

Notes to Financial Statements

June 30, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Basis of Presentation - continued

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.

# SUN AREA TECHNICAL INSTITUTE

## Notes to Financial Statements

June 30, 2018

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

#### 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.

#### 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, 2018. 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.

# SUN AREA TECHNICAL INSTITUTE

## Notes to Financial Statements

June 30, 2018

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

#### 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.

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.

#### Deferred Inflows/Outflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expenses/expenditures) until then. In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate element represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The school has two items that qualify for reporting in these categories: deferred outflow/inflows relating to pensions and deferred outflows/inflows relating to other post employment benefits (OPEB). These are discussed in Note 8 and 9.

SUN AREA TECHNICAL INSTITUTE  
Notes to Financial Statements  
June 30, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

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.

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.

SUN AREA TECHNICAL INSTITUTE  
Notes to Financial Statements  
June 30, 2018

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 or 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, 2018, 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, 2018 have been categorized to indicate the level of risk assumed by the School. Category 1 includes cash and cash equivalents and investments that are 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 counterparty 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, 2018:

<u>Governmental Activities Category</u>	<u>Total</u>	<u>Category</u>		
		<u>1</u>	<u>2</u>	<u>3</u>
General Fund Investments	\$ 107,883	\$ 107,883	\$ -	\$ -
Construction Project Investments	246,086	246,086	-	-
Growth and Expansion Investments	5,225	5,225	-	-
Total Investments	<u>\$ 359,194</u>	<u>\$ 359,194</u>	<u>\$ -</u>	<u>\$ -</u>

The general fund investments are in a CD with a maturity date of February 24, 2019 with an interest rate of .3495%

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 with PSDLAF.

SUN AREA TECHNICAL INSTITUTE  
Notes to Financial Statements  
June 30, 2018

NOTE 3 - CASH AND INVESTMENTS – continued

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 .5489 percent and a maturity date of October 7, 2018.

NOTE 4 - CHANGES IN CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2018 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
<u>Governmental Activities</u>				
Capital Assets, not Being Depreciated				
Land	\$ 132,918	\$ -	\$ -	\$ 132,918
Construction in Progress	6,868,776	1,610,921	(8,479,697)	-
Total Capital Assets not Being Depreciated	7,001,694	1,610,921	(8,479,697)	132,918
Capital Assets Being Depreciated				
Land Improvements	509,197	31,950	-	541,147
Buildings and Building Improvements	6,827,433	8,447,745	(6,128)	15,269,050
Furniture and Equipment	6,417,517	373,860	(236,637)	6,554,740
Textbooks	62,795	-	(4,993)	57,802
Total Assets Being Depreciated	13,816,942	8,853,555	(247,758)	22,422,739
Less: Accumulated Depreciation				
Land Improvements	166,510	24,274	-	190,784
Buildings and Building Improvements	4,331,112	392,307	(4,826)	4,718,593
Furniture and Equipment	4,888,614	351,567	(236,637)	5,003,544
Textbooks	51,551	4,965	(4,993)	51,523
Total Accumulated Depreciation	9,437,787	773,113	(246,456)	9,964,444
Total Capital Assets Being Depreciated, Net	4,379,155	8,080,442	(1,302)	12,458,295
Governmental Activities Capital Assets, Net	<u>\$ 11,380,849</u>	<u>\$ 9,691,363</u>	<u>\$ (8,480,999)</u>	<u>\$ 12,591,213</u>
<u>Business-Type Activities</u>				
Capital Assets Being Depreciated				
Equipment	\$ 104,669	\$ 9,459	\$ (30,020)	\$ 84,108
Total Capital Assets, Being Depreciated	104,669	9,459	(30,020)	84,108
Less: Accumulated Depreciation				
Equipment	101,275	687	(30,020)	71,942
Total Accumulated Depreciation	101,275	687	(30,020)	71,942
Total Capital Assets Being Depreciated	3,394	8,772	-	12,166
Business-Type Activities Capital Assets, Net	<u>\$ 3,394</u>	<u>\$ 8,772</u>	<u>\$ -</u>	<u>\$ 12,166</u>

SUN AREA TECHNICAL INSTITUTE  
Notes to Financial Statements  
June 30, 2018

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	\$ 218,769
Support Services	51,315
Operation and Maintenance of Plant	425,631
Unallocated Depreciation Expense	77,398
Total Depreciation Expense -Governmental Activities	<u>\$ 773,113</u>
 <u>Business-Type Activities</u>	
Cafeteria	<u>\$ 687</u>
Total Depreciation Expense - Business-Type Activities	<u>\$ 687</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, 2018 was \$380,006.

NOTE 6 - COMMITTED 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, 2018:

Balance, Beginning	\$ 112,507
Profits Designated from Customized Training Activities	<u>14,790</u>
Balance, Ending	<u>\$ 127,297</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, 2018:

Balance, Beginning	\$ 5,203
Interest Earned	<u>22</u>
Balance, Ending	<u>\$ 5,225</u>

SUN AREA TECHNICAL INSTITUTE  
Notes to Financial Statements  
June 30, 2018

NOTE 6 - DESIGNATED FUND BALANCES - continued

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, 2018:

Balance, Beginning	\$ 1,538,625
General Fund Credit Transfer	150,000
Other Income (Expenses)	16,186
Capital Project Expenditures	<u>(1,610,921)</u>
Balance, Ending	<u>\$ 93,890</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, 2018 was \$952,269.

During the fiscal year ended June 30, 2018, long-term debt changed as follows:

Balance, Beginning	\$ 1,071,037
Principal Repayments and Retirements	<u>(118,768)</u>
Balance, Ending	<u>\$ 952,269</u>

The future annual payments required to amortize all outstanding debt as of June 30, 2018, including total interest payments is as follows:

Year Ended June 30,	Interest	Principal	Total
2019	\$ 45,582	\$ 124,956	\$ 170,538
2020	39,071	131,467	170,538
2021	32,221	138,317	170,538
2022	25,014	145,524	170,538
2123	17,431	153,107	170,538
Thereafter	<u>11,121</u>	<u>258,898</u>	<u>270,019</u>
Total	<u>\$ 170,440</u>	<u>\$ 952,269</u>	<u>\$ 1,122,709</u>

During the year ended June 30, 2018 the school had various operating lease payments for equipment with monthly payments amounting to \$1,847.



SUN AREA TECHNICAL INSTITUTE  
Notes to Financial Statements  
June 30, 2018

**NOTE 8 – PENSION PLAN**

**General Information About the 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).

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.

**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.

SUN AREA TECHNICAL INSTITUTE  
Notes to Financial Statements  
June 30, 2018

NOTE 8 - PENSION PLAN – continued

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.

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, 2018 was 31.74% 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 \$814,390 for the year ended June 30, 2018.

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

At June 30, 2018, the School reported a liability of \$9,384,000 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017, 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, 2016 to June 30, 2017. 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, 2018, the School's proportion was .0190%, which was a decrease of .0007% from its proportion measured as of June 30, 2017.

SUN AREA TECHNICAL INSTITUTE  
Notes to Financial Statements  
June 30, 2018

**NOTE 8 - PENSION PLAN - continued**

For the year ended June 30, 2018, the School recognized pension expense of \$916,378. At June 30, 2018, the School reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference Between Expected and Actual Experience	\$ 73,500	\$ 71,250
Changes in Assumptions	191,250	-
Net Difference Between Projected and Actual		
Investment Earnings	162,750	-
Changes in Proportion	134,734	65,734
Contributions Subsequent to the Measurement Date	814,390	-
	<u>1,376,624</u>	<u>136,984</u>
Total	<u>\$ 1,376,624</u>	<u>\$ 136,984</u>

\$814,390 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, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30	Total
2018	\$ 171,000
2019	299,000
2020	184,000
2021	<u>(48,000)</u>
Total	<u>\$ 606,000</u>

**Actuarial Assumptions**

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

SUN AREA TECHNICAL INSTITUTE  
Notes to Financial Statements  
June 30, 2018

NOTE 8 - PENSION PLAN - continued

**Actuarial Assumptions** - continued

- Actuarial cost method – Entry Age Normal – level % of pay.
- Investment return – 7.25%, includes inflation at 2.75%.
- Salary growth – Effective average of 5.00%, comprised of inflation of 2.75% and 2.25% for real wage growth and for merit or seniority increases.
- Mortality rates were based on the RP-2014 Mortality Tables for Males and Females adjusted to reflect PSERS' experience and projected using a modified version of the MP-2015 Mortality Improvement Scale.

The 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	20.0%	5.1%
Fixed Income	36.0%	2.6%
Commodities	8.0%	3.0%
Absolute Return	10.0%	3.4%
Risk Parity	10.0%	3.8%
Infrastructure/MLPs	8.0%	4.8%
Real Estate	10.0%	3.6%
Alternative Investments	15.0%	6.2%
Cash	3.0%	0.6%
Financial (LIBOR)	<u>(20.0%)</u>	1.1%
Total	<u>100%</u>	

The above was the Board's adopted asset allocation policy and best estimates of geometric real rates of return for each major asset class as of June 30, 2017.

SUN AREA TECHNICAL INSTITUTE  
Notes to Financial Statements  
June 30, 2018

NOTE 8 - PENSION PLAN - continued

Discount Rate

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

Sensitivity of the 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	\$ 11,551,000	\$ 9,384,000	\$ 7,554,000

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 – OTHER POST-EMPLOYMENT BENEFITS

Summary of Significant Accounting Policies

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

General Information about the OPEB Plan

*Plan Description:* SUN Area Technical Institute provides access to retiree medical, vision, and dental care benefits, including prescription drug coverage, to eligible retired employees and qualified spouses and their dependents. This is a single employer defined benefit plan administered by SUN Area Technical Institute. The plan does not issue a separate stand-alone financial statement.

SUN AREA TECHNICAL INSTITUTE  
Notes to Financial Statements  
June 30, 2018

NOTE 9 – OTHER POST-EMPLOYMENT BENEFITS -- continued

General Information about the OPEB Plan - continued

*Benefits Provided:* The Plan provides medical, prescription drug, dental and visions benefits for retirees and their dependents.

For those retired prior to 07/1/2015: the member and spouse may continue coverage at the district's expense until the member reaches Medicare age. If the member does not reach age 57 with 15 years of service with SUN Area Technical Institute, the member and spouse are eligible for the ACT 110/43 benefit, the member and spouse may continue group coverage by paying the full premiums. Dependents are included.

For those retired on or after 07/1/2015: the member and spouse may continue coverage by paying the active premium sharing percentage in effect at retirement until the member reaches Medicare age. If the member does not reach age 57 with 15 years of service with SUN Area Technical Institute, but the member and spouse are eligible for the ACT 110/43 benefit, the member and spouse may continue group coverage by paying the full premiums. Dependents are included.

ACT 110/43 Eligibility: All employees are eligible for this benefit upon retirement with 30 years of service or upon superannuation retirement.

ACT 110/43 Coverage & Premium Sharing: Retired employees are allowed to continue coverage for themselves and their dependents in the employer's group health plan until the retired employee reaches Medicare age. In order to obtain coverage, retired employees must provide payment equal to the premium determined for the purpose of COBRA.

**PSERS Superannuation Retirement**

- 1) For individuals who were members of PSERS prior to July 1, 2011, an employee is eligible for PSERS superannuation retirement upon reaching age 60 with 30 years of PSERS service, age 62 with 1 year of PSERS service or 35 years of PSERS service regardless of age.
- 2) For individuals who became members of PSERS on or after July 1, 2011, an employee is eligible for PSERS superannuation retirement upon reaching age 65 with 3 years of PSERS service or upon attainment of a total combination of age plus service equal to or greater than 92 with a minimum of 35 years of PSERS service.

Coordination with Medicare. The district pays primary. Medicare pays secondary.

*Contributions:* The OPEB Expense and Net OPEB Liability figures that are provided in the valuation are based on estimated contributions. Because the plan is unfunded, the estimated contributions are simply equal to the estimated benefit payments which are \$131, 605. Employees are not required to contribute to the OPEB plan.

SUN AREA TECHNICAL INSTITUTE  
Notes to Financial Statements  
June 30, 2018

NOTE 9 – OTHER POST-EMPLOYMENT BENEFITS – continued

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

At June 30, 2018, the School reported a liability of \$2,285,300 for its net OPEB liability. The net OPEB liability was measured as of July 1, 2017, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of July 1, 2017.

For the year ended June 30, 2018, the School recognized OPEB expense of \$118,982. At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	\$ -	\$ 43,696
Changes of Assumptions	261,817	-
School Contributions Subsequent to the Measurement Date	201,550	-
Total	<u>\$ 463,367</u>	<u>\$ 43,696</u>

Of the total amount reported as deferred outflows of resources related to OPEB, \$201,550 resulting from School contributions subsequent to the measurement date and before the end of the fiscal year will be included as a reduction of the collective net OPEB liability in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in the District's OPEB expense as follows:

Year ended June 30:	
2019	\$ 31,161
2020	\$ 31,161
2021	\$ 31,161
2022	\$ 31,161
2023	\$ 31,161
Thereafter	\$ 62,316

Actuarial Assumptions

The total OPEB liability was determined by an actuarial valuation as of July 1, 2017.

*Interest Rate:* 3.13% Based on S&P Municipal Bond 20 Year High Grade Rate Index at 7/1/2017.

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Notes to Financial Statements  
June 30, 2018

NOTE 9 – OTHER POST-EMPLOYMENT BENEFITS – continued

Actuarial Assumptions - continued

*Salary:* An assumption for salary increases is used only for spreading contributions over future pay under the entry age normal cost method. For this purpose, salary increases are composed of a 2.5% cost of living adjustment, 1% real wage growth, and for teachers and administrators a merit increase which varies by age from 2.75 to 0%.

*Withdrawal:* Rates of withdrawal vary by age, gender, and years of service. Sample rates for employees with more than 10 years of service are shown below. Rates for new employees start at 22.9% for both men and women and decrease with age and service.

<u>Age</u>	<u>Male</u> <u>Rate</u>	<u>Female</u> <u>Rate</u>	<u>Age</u>	<u>Male</u> <u>Rate</u>	<u>Female</u> <u>Rate</u>
25	2.5700%	5.0200%	45	1.3700%	1.6500%
30	2.5700%	4.0200%	50	1.9200%	2.0600%
35	1.5000%	2.8500%	55	3.3800%	3.1100%
40	1.3400%	1.6000%	60	5.5700%	6.4000%

*Mortality:* Separate rates are assumed preretirement and postretirement using the rates assumed in the PSERS defined benefit pension plan actuarial valuation.

Incorporated into the table are rates projected generationally by the Buck Modified 2016 projection scale to reflect mortality improvement.

*Disability:* No disability was assumed.

*Retirement:* Assumed retirement rates are based on PSERS plan experience and vary by age, service and gender.

	<u>Age 55 &amp; 25 Years of Service</u>		<u>Superannuation</u>	
<u>Age</u>	<u>Male</u>	<u>Female</u>	<u>Male</u>	<u>Female</u>
55	19%	19%	27%	10%
56	17%	17%	32%	30%
57	17%	17%	32%	30%
58	17%	17%	32%	35%
59	22%	21%	31%	36%
60	14%	17%	31%	36%
61	29%	30%	29%	31%
62	51%	61%	51%	61%
63	26%	26%	26%	26%
64	21%	22%	21%	22%
65	100%	100%	100%	100%



SUN AREA TECHNICAL INSTITUTE  
Notes to Financial Statements  
June 30, 2018

NOTE 9 – OTHER POST-EMPLOYMENT BENEFITS – continued

Actuarial Assumptions - continued

When a participant is between ages 57 and 59 with 25 to 34 years of service, a factor of 1.75 is applied to all retirement rates.

*Percent of Eligible Retirees Electing Coverage in Plan:* 100% of employees are assumed to elect coverage.

*Percent Married at Retirement:* 75% of employees are assumed to be married and have a spouse covered by the plan at retirement. Non-spouse dependents are deemed to be immaterial.

*Spouse Age:* Wives are assumed to be two years younger than their husbands.

*Per Capita Claims Cost:* Making use of weighted averages for various plan designs, the per capita claims cost for medical and prescription drug is based on the expected portion of the group's overall cost attributed to individuals in the specified age and gender brackets. Dental and vision costs are assumed to not vary with age or gender.

The resulting costs are as follows:

<u>Medical and Prescription Drug Combined</u>		
<u>Age</u>	<u>Males</u>	<u>Females</u>
45-49	\$ 6,882	\$ 9,939
50-54	\$ 9,114	\$ 11,233
55-59	\$ 11,101	\$ 11,754
60-64	\$ 14,486	\$ 13,502
65+	\$ 18,547	\$ 17,282

*Retiree Contributions:* Retiree contributions are assumed to increase at the same rate as the Health Care Cost Trend Rate.

*Health Care Cost Trend Rate:* 6.0% in 2017, and 5.5% in 2018 through 2023. Rates gradually decrease from 5.4% in 2024 to 3.9% in 2075 and later based on the Society of Actuaries Long-Run Medical Cost Trend Model.

*Actuarial Value of Assets:* Equal to the Market Value of Assets.

*Actuarial Cost Method – Entry Age Normal:* 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  
Notes to Financial Statements  
June 30, 2018

NOTE 9 – OTHER POST-EMPLOYMENT BENEFITS – continued

Actuarial Assumptions - continued

Participant Data: Based on census information as of July 2017.

Discount Rate: The discount rate used to measure the total OPEB liability was 3.13 percent. The discount rate changed from 2.49% to 3.13%. The trend assumption was updated.

Sensitivity of the School's Net OPEB Liability to Changes in the Discount Rate: The following presents the School's net OPEB liability, as well as what the School's net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.13 percent) or 1-percentage-point higher (4.13 percent) than the current discount rate:

	1% Decrease 2.13%	Discount Rate 3.13%	1% Increase 4.13%
School's Net OPEB Liability	\$ 2,403,225	\$ 2,285,300	\$ 2,172,427

Sensitivity of the School's Net OPEB Liability to Changes in the Healthcare Cost Trend Rates: The following presents the School's net OPEB liability, as well as what the School's net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower than the current healthcare cost trend rates:

	1% Decrease	Discount Rate	1% Increase
School's Net OPEB Liability	\$ 2,108,993	\$ 2,285,300	\$ 2,486,334

NOTE 10 - 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.

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.

SUN AREA TECHNICAL INSTITUTE  
Notes to Financial Statements  
June 30, 2018

NOTE 12 - COMMITMENT

At the June 21, 2018 business meeting the board approved payments totaling \$622,846 to be made equally during the 18/19 year by the five SUN Area Technical Institute member districts for the replacement of the lower roof of the main campus business building.

At this meeting the board also approved a proposal for a Desigo Operating System for \$39,088.

NOTE 13 – PRIOR PERIOD ADJUSTMENT

The school implemented GASB Statement No. 75 – Accounting and Financial Reporting for Postemployment Benefits other than Pensions. The primary objective of this statement is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions. As a result of adopting GASB 75, the school has restated the beginning net position in the government-wide statement of net position as of July 1, 2017.

	Governmental Activities
Net Position at July 1, 2017, as Previously Stated	<u>\$ 4,209,428</u>
Prior Period Adjustment to Adjust single Employer OPEB Obligation to Reflect Total Unfunded Actuarial Accrued Liability	<u>(1,615,704)</u>
Net Position at July 1, 2017, as Restated	<u><u>\$ 2,593,724</u></u>

## **REQUIRED SUPPLEMENTARY INFORMATION**

SUN AREA TECHNICAL INSTITUTE  
Schedule of School's Proportionate Share of the Net Pension Liability  
June 30, 2015 through 2018

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
School's Proportion of the Net Pension Liability	0.0190%	0.0192%	0.0188%	0.0185%
School's Proportionate Share of the Net Pension Liability	\$ 9,384,000	\$ 9,515,000	\$ 8,143,000	\$ 7,323,000
School's Covered-Employee Payroll	\$ 2,529,466	\$ 2,488,502	\$ 2,422,076	\$ 2,363,321
School's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Employee Payroll	370.9874%	382.3585%	336.1992%	309.8606%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	51.84%	50.14%	54.36%	57.24%

SUN AREA TECHNICAL INSTITUTE  
Schedule of the School Contributions -- Pension Plan  
June 30, 2013 through 2018

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually Required Contribution	\$ 814,390	\$ 741,378	\$ 625,625	\$ 490,827
Contributions in Relation to the Contractually Required Contribution	<u>(814,390)</u>	<u>(741,378)</u>	<u>(625,625)</u>	<u>(490,827)</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
School's Covered-Employee Payroll	\$ 2,529,466	\$ 2,488,502	\$ 2,422,076	\$ 2,363,321
Contributions as a Percentage of Covered Employee Payroll	32.20%	29.79%	25.83%	20.77%

SUN AREA TECHNICAL INSTITUTE  
Schedule of Changes in Net OPEB Liability  
June 30, 2018

Fiscal Year Ending*	<u>2018</u>
Total OPEB Liability	
Service Cost	\$ 120,052
Interest	53,001
Changes of Benefit Terms	(85,232)
Differences Between Expected and Actual Experience	(49,938)
Changes of Assumptions	299,220
Benefit Payments	(131,605)
Other Changes	-
Net Change	<u>205,498</u>
Total OPEB Liability - Beginning	2,079,802
Total OPEB Liability - Ending	<u><u>\$ 2,285,300</u></u>
 Covered Employee Payroll	 \$ 2,467,504
 Total OPEB Liability as a % of Covered-Employee Payroll	 92.62%

\*This information is shown for the last 10 years if available

*Changes of Assumptions*

The discount rate changed from 2.49% to 3.13%. The trend assumption was updated. Assumptions for salary, mortality, withdrawal and retirement were updated based on new PSERS assumptions.

*Changes of Benefits Terms*

New reirees effect 07/1/2015 pay the active premium share in effect at the time of retirement.

## **SUPPLEMENTARY INFORMATION**



SUN AREA TECHNICAL INSTITUTE  
Schedule of Revenues and Other Financing Sources  
Compared with Budget – General Fund  
For the Year Ended June 30, 2018

	Final Budget	Actual (Budgetary Basis)	Variance Positive (Negative)
<b>REVENUE FROM LOCAL SOURCES</b>			
Member School Districts	\$ 5,376,663	\$ 4,827,267	\$ (549,396)
Adult Education Tuition	80,950	48,586	(32,364)
Interest Income	4,000	3,448	(552)
Rental Income	3,000	5,494	2,494
Other Revenue	9,000	66,148	57,148
	<u>5,473,613</u>	<u>4,950,943</u>	<u>(522,670)</u>
<b>REVENUE FROM STATE SOURCES</b>			
Vocational Education Reimbursement	423,000	349,837	(73,163)
Adult Education Reimbursement	-	-	-
State Grant Funds	105,424	64,130	(41,294)
Social Security Reimbursement	114,250	106,581	(7,669)
Retirement Reimbursement	458,500	452,599	(5,901)
	<u>1,101,174</u>	<u>973,147</u>	<u>(128,027)</u>
<b>REVENUE FROM FEDERAL SOURCES</b>			
Federal Grant Funds	148,000	153,086	5,086
	<u>148,000</u>	<u>153,086</u>	<u>5,086</u>
<b>Total Revenues</b>	<u>\$ 6,722,787</u>	<u>\$ 6,077,176</u>	<u>\$ (645,611)</u>

SUN AREA TECHNICAL INSTITUTE  
Schedule of Expenditures and Other Financing Sources  
Compared with Budget – General Fund  
For the Year Ended June 30, 2018

EXPENDITURES	Final Budget	Actual (Budgetary Basis)	Variance Positive (Negative)
Regular Programs			
Salaries	\$ 72,965	\$ 72,465	\$ 500
Employee Benefits	51,364	49,643	1,721
Purchased Property Services	-	-	-
Other Purchased Services	-	-	-
General Supplies and Textbooks	100	-	100
Total Regular Programs	124,429	122,108	2,321
Special Programs			
Salaries	231,565	215,486	16,079
Employee Benefits	288,545	246,533	42,012
Purchased Property Services	-	-	-
Other Purchased Services	700	700	-
General Supplies and Textbooks	1,045	70	975
Property and Equipment Costs	-	-	-
Dues and Fees	300	225	75
Total Special Programs	522,155	463,014	59,141
Vocational Programs			
Salaries	1,601,341	1,554,246	47,095
Employee Benefits	1,163,665	1,016,113	147,552
Purchased Professional and Technical Services	400	367	33
Purchased Property Services	33,937	28,173	5,764
Other Purchased Services	13,311	11,978	1,333
General Supplies and Textbooks	262,429	257,978	4,451
Property and Equipment Costs	314,290	328,673	(14,383)
Dues and Fees	2,108	2,108	-
Total Vocational Programs	3,391,481	3,199,636	191,845
Other Instructional Programs			
Other Purchased Services	12,000	7,367	4,633
Total Other Instructional Programs	12,000	7,367	4,633

SUN AREA TECHNICAL INSTITUTE  
Schedule of Expenditures and Other Financing Sources  
Compared with Budget – General Fund - continued  
For the Year Ended June 30, 2018

EXPENDITURES (continued)	Final Budget	Actual (Budgetary Basis)	Variance Positive (Negative)
Adult Education Programs			
Salaries	\$ 36,418	\$ 24,043	\$ 12,375
Employee Benefits	25,529	15,222	10,307
Purchased Property Services	-	-	-
Other Purchased Services	15,000	3,123	11,877
General Supplies and Textbooks	4,000	1,602	2,398
Total Adult Education Programs	<u>80,947</u>	<u>43,990</u>	<u>36,957</u>
Pupil Personnel Programs			
Salaries	80,475	79,782	693
Employee Benefits	42,865	41,709	1,156
Purchased Property Services	-	-	-
Other Purchased Services	350	138	212
General Supplies and Textbooks	100	36	64
Dues and Fees	100	-	100
Total Pupil Personnel Programs	<u>123,890</u>	<u>121,665</u>	<u>2,225</u>
Instructional Staff Services			
Salaries	223,709	223,708	1
Employee Benefits	198,925	175,717	23,208
Purchased Professional and Technical Services	15,000	10,898	4,102
Purchased Property Services	375	351	24
Other Purchased Services	734	-	734
General Supplies and Textbooks	43,374	41,731	1,643
Property and Equipment Costs	134,534	124,325	10,209
Dues and Fees	2	-	2
Total Instructional Staff Services	<u>616,653</u>	<u>576,730</u>	<u>39,923</u>

SUN AREA TECHNICAL INSTITUTE  
Schedule of Expenditures and Other Financing Sources  
Compared with Budget – General Fund - continued  
For the Year Ended June 30, 2018

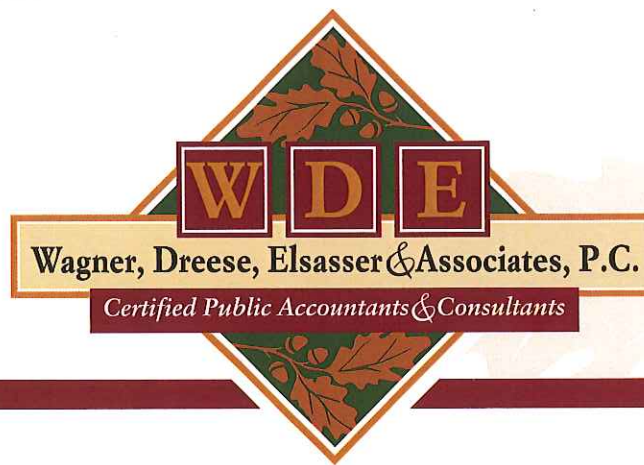
EXPENDITURES (continued)	Final Budget	Actual (Budgetary Basis)	Variance Positive (Negative)
Administrative Services			
Salaries	\$ 239,110	\$ 235,756	\$ 3,354
Employee Benefits	193,114	172,357	20,757
Purchased Professional and Technical Services	50,000	37,792	12,208
Purchased Property Services	33,549	21,572	11,977
Other Purchased Services	25,536	18,025	7,511
General Supplies and Textbooks	14,280	8,543	5,737
Property and Equipment Costs	3,950	9,634	(5,684)
Dues and Fees	6,800	5,143	1,657
Total Administrative Services	<u>566,339</u>	<u>508,822</u>	<u>57,517</u>
Pupil Health Services			
Salaries	33,083	32,891	192
Employee Benefits	39,048	37,484	1,564
Purchased Property Services	-	-	-
Other Purchased Services	-	-	-
General Supplies and Textbooks	3,194	3,092	102
Property and Equipment Costs	-	-	-
Total Pupil Health Services	<u>75,325</u>	<u>73,467</u>	<u>1,858</u>
Business Services			
Salaries	58,465	58,178	287
Employee Benefits	49,388	47,318	2,070
Purchased Professional and Technical Services	13,018	12,522	496
Purchased Property Services	1,500	1,107	393
Other Purchased Services	1,714	1,313	401
General Supplies and Textbooks	1,255	228	1,027
Property and Equipment Costs	300	204	96
Dues and Fees			
Total Business Services	<u>125,640</u>	<u>120,870</u>	<u>4,770</u>

SUN AREA TECHNICAL INSTITUTE  
Schedule of Expenditures and Other Financing Sources  
Compared with Budget – General Fund - continued  
For the Year Ended June 30, 2018

EXPENDITURES (continued)	Final Budget	Actual (Budgetary Basis)	Variance Positive (Negative)
Operation and Maintenance of Plant Services			
Salaries	\$ 138,129	\$ 122,268	\$ 15,861
Employee Benefits	146,054	127,732	18,322
Purchased Property Services	155,448	153,672	1,776
Other Purchased Services	102,158	95,311	6,847
General Supplies and Textbooks	209,408	150,001	59,407
Property and Equipment Costs	50,000	26,317	23,683
Dues and Fees	300	165	135
	<u>801,497</u>	<u>675,466</u>	<u>126,031</u>
Total Operation and Maintenance of Plant Services			
Central and Other Support Services			
Purchased Professional and Technical Services	12,353	10,480	1,873
Other Purchased Services	10,000	8,959	1,041
	<u>22,353</u>	<u>19,439</u>	<u>2,914</u>
Total Central and Other Support Services			
Student Activities			
Salaries	7,575	4,000	3,575
Employee Benefits	3,110	1,663	1,447
Purchased Professional and Technical Services	-	-	-
Other Purchased Services	10,116	10,116	-
	<u>20,801</u>	<u>15,779</u>	<u>5,022</u>
Total Student Activities			
Community Services			
Purchased Professional and Technical Services	2,200	2,175	25
	<u>2,200</u>	<u>2,175</u>	<u>25</u>
Total Community Services			

SUN AREA TECHNICAL INSTITUTE  
Schedule of Expenditures and Other Financing Sources  
Compared with Budget – General Fund - continued  
For the Year Ended June 30, 2018

	Final Budget	Actual (Budgetary Basis)	Variance Positive (Negative)
<b>EXPENDITURES (continued)</b>			
Facilities Acquisition and Construction			
Purchased Property Services	\$ -	\$ -	\$ -
Property and Equipment Costs	204,577	63,849	140,728
	<u>204,577</u>	<u>63,849</u>	<u>140,728</u>
Total Facilities Acquisition and Construction	<u>204,577</u>	<u>63,849</u>	<u>140,728</u>
Debt Service Payments			
Principal and Interest	-	170,539	(170,539)
	<u>-</u>	<u>170,539</u>	<u>(170,539)</u>
Total Debt Service Payments	<u>-</u>	<u>170,539</u>	<u>(170,539)</u>
Total Expenditures	<u>6,690,287</u>	<u>6,184,916</u>	<u>505,371</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Budgetary Reserve	(30,000)	-	30,000
Fund Transfers	(2,500)	(150,000)	(147,500)
	<u>(32,500)</u>	<u>(150,000)</u>	<u>(117,500)</u>
Total Other Financing Sources (Uses)	<u>(32,500)</u>	<u>(150,000)</u>	<u>(117,500)</u>
Total Expenditures and Other Financing Sources (Uses)	<u>\$ 6,722,787</u>	<u>\$ 6,334,916</u>	<u>\$ 387,871</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, 2018, 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 13, 2018.

**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.

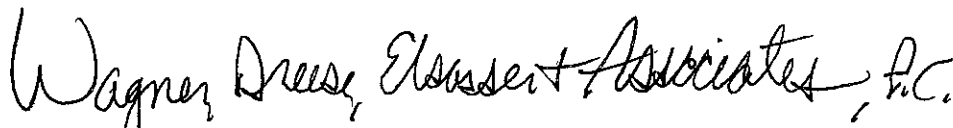
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not 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, DREESE, ELSASSER & ASSOCIATES, P.C.**

*Certified Public Accountants and Consultants*

Selinsgrove, PA

December 13, 2018