

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

AUDITED FINANCIAL STATEMENTS

June 30, 2019

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, 2019, 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, 2019, 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

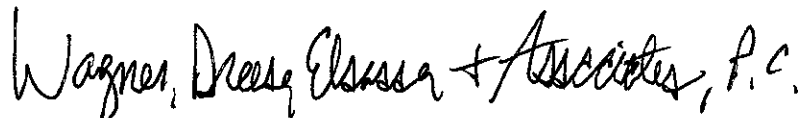
Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 6 through 15, the schedule of the school's proportionate share of the net pension liability and the schedule of the school's contributions on pages 50 through 51, and 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 October 10, 2019, 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, ELSASSER & ASSOCIATES, P.C.

Certified Public Accountants and Consultants

Selinsgrove, PA

October 10, 2019

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

June 30, 2019

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, 2019. 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 2019-20 school year is 87%. SUN Tech has attained a benchmark of 90% in the 2018-19 school year, 92% in the 2017-18 school year, and 86% in the 2016-17 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 \$5,995,446 for 2018-2019. 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, 2019

District	Actual District Payments 2018-19	Total District Share 2018-19	Remaining Money From 2018-19 FY
Lewisburg	\$852,568	\$758,145	\$94,423
Midd-West	1,373,446	1,227,007	146,439
Mifflinburg	1,521,965	1,364,522	157,443
Selinsgrove	1,092,786	974,165	118,621
Shikellamy	1,154,680	1,019,314	135,366
Totals	\$5,995,446	\$5,343,153	\$652,293

Total contributions from participating school districts were over 82% of the secondary program's revenue for 2018-2019. 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:

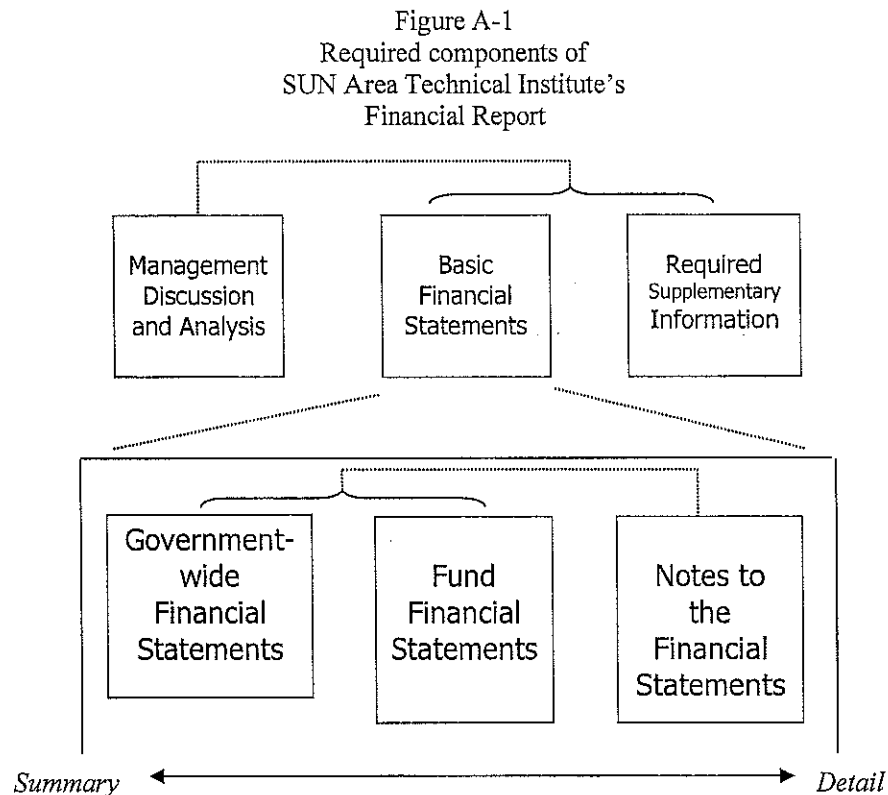


Figure A-2 summarizes the major features of the financial statements, including the portion of the Program they cover and the types of information they contain. The remainder of this overview section of management discussion and analysis explains the structure and contents of each of the statements.

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

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 \$2,726,695 at June 30, 2019.

Table A-2
Fiscal Year ended June 30, 2019
Net Position

	Governmental <u>Activities</u>	Business- type <u>Activities</u>	2019 <u>Total</u>
Current Assets	\$2,253,478	\$70,104	\$2,323,582
Non Current Assets	12,718,454	9,852	12,728,306
Total Assets	\$14,971,932	\$79,956	\$15,051,888
Deferred Outflows of Resources	\$1,595,308	0	\$1,595,308
Current Liabilities	\$1,553,444	\$684	\$1,554,128
Non Current Liabilities	12,178,234	0	12,178,234
Total Liabilities	13,731,678	684	13,732,362
Deferred Inflows of Resources	\$188,139	0	\$188,139
Invested in Capital Assets	11,891,141	9,852	11,900,993
Reserved for Encumbrances	79,552	0	79,552
Unrestricted, Designated & Undesignated	-9,323,270	69,420	-9,253,850
Total Net Position	\$2,647,423	\$79,272	\$2,726,695

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, 2019
Changes in Net Assets

	Governmental <u>Activities</u>	Business- Type <u>Activities</u>	2018 <u>Total</u>
Revenues			
Program Revenues			
Charges for Services	\$ 146,597	\$79,359	\$ 225,956
Operating Grants and Contributions	6,716,754	71,377	6,788,131
Capital Grants and Contributions	160,730	0	160,730
General Revenues	82,834	562	83,396
Total Revenues	7,106,915	151,298	7,258,213
Expenses			
Instruction	3,963,108	0	3,963,108
Instructional Student Support	902,866	0	902,866
Administration & Financial Support	659,116	0	659,116
Operation & Maintenance of Plant	677,061	0	677,061
Student Activities	15,133	0	15,133
Community Services	2,175	0	2,175
Facilities	452,046	0	452,046
Interest on Long-Term Debt	45,496	0	45,496
Food Services	75,142	140,700	215,842
Total Expenses	6,792,143	140,700	6,932,843
Increase (decrease) in Net Assets	\$314,772	\$10,598	\$325,370

Fund Balances

At June 30, 2019, the School's governmental funds reported a combined fund balance of \$832,086, which is an increase of \$127,717 from the June 30, 2018 amount of \$704,369.

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, 2019 the School had \$12,718,454 in Governmental Funds and \$9,852 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 \$127,241 Governmental Activities and a net decrease of \$2,314 from Business Activities from June 30, 2018.

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

	2019
Construction in Progress	\$ 52,283
Land	132,918
Land Improvements	326,152
Buildings & Building Improvements	10,734,425
Furniture & Equipment	1,470,256
Textbooks	2,420
Total Assets:	\$12,718,454

Construction in Progress

There are currently no projects in progress.

Debt Administration

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

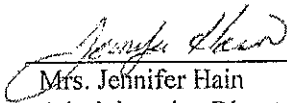
FACTORS BEARING ON SUN AREA TECHNICAL INSTITUTE FUTURE

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.

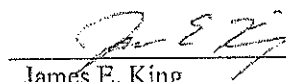
CONTACTING THE SCHOOL FINANCIAL MANAGEMENT

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, 2019

	Governmental Activities	Business-type Activities	Total
ASSETS			
CURRENT ASSETS			
Cash and Cash Equivalents	\$ 1,751,353	\$ 65,492	\$ 1,816,845
Investments	368,234	-	368,234
Due from Foundation	2,327	-	2,327
Due from Other Governmental Units	131,564	415	131,979
Inventories	-	4,197	4,197
	<hr/>	<hr/>	<hr/>
Total Current Assets	2,253,478	70,104	2,323,582
	<hr/>	<hr/>	<hr/>
CAPITAL ASSETS			
Construction in Progress	52,283	-	52,283
Land	132,918	-	132,918
Site Improvements	326,152	-	326,152
Building and Building Improvements	10,734,425	-	10,734,425
Furniture and Equipment	1,470,256	9,852	1,480,108
Textbooks	2,420	-	2,420
	<hr/>	<hr/>	<hr/>
Total Capital Assets	12,718,454	9,852	12,728,306
	<hr/>	<hr/>	<hr/>
TOTAL ASSETS	14,971,932	79,956	15,051,888
	<hr/>	<hr/>	<hr/>
DEFERRED OUTFLOWS OF RESOURCES			
Contributions to Pension Plan in Current			
Fiscal Year	827,431	-	827,431
Pension Deferral	318,685	-	318,685
OPEB Deferral	449,192	-	449,192
	<hr/>	<hr/>	<hr/>
TOTAL DEFERRED OUTFLOWS OF RESOURCES	\$ 1,595,308	\$ -	\$ 1,595,308
	<hr/>	<hr/>	<hr/>

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

SUN AREA TECHNICAL INSTITUTE
Statement of Net Position - continued
June 30, 2019

	Governmental Activities	Business-type Activities	Total
LIABILITIES AND NET POSITION			
CURRENT LIABILITIES			
Due to Member Districts	\$ 502,293	\$ -	\$ 502,293
Due to Other Governmental Units	217,417	-	217,417
Accounts Payable	266,884	-	266,884
Interest Payable	585	-	585
Accrued Salaries and Benefits	434,798	-	434,798
Customer Deposits	-	684	684
Lease Payable Within One Year	131,467	-	131,467
	<u>1,553,444</u>	<u>684</u>	<u>1,554,128</u>
Total Current Liabilities			
LONG-TERM LIABILITIES			
Due in More Than One Year:			
Extended Term Financing Agreements Payable	695,846	-	695,846
Proportionate Share of the Net Collective			
Pension Liability	9,169,000	-	9,169,000
Other Post-Employment Benefits Liability	2,313,388	-	2,313,388
	<u>12,178,234</u>	<u>-</u>	<u>12,178,234</u>
Total Long-Term Liabilities			
TOTAL LIABILITIES	<u>13,731,678</u>	<u>684</u>	<u>13,732,362</u>
DEFERRED INFLOWS OF RESOURCES			
Pension Deferral	150,685	-	150,685
OPEB Deferral	37,454	-	37,454
	<u>188,139</u>	<u>-</u>	<u>188,139</u>
TOTAL DEFERRED INFLOWS OF RESOURCES			
NET POSITION			
Net Investment in Capital Assets	11,891,141	9,852	11,900,993
Unrestricted	(9,243,718)	69,420	(9,174,298)
	<u>\$ 2,647,423</u>	<u>\$ 79,272</u>	<u>\$ 2,726,695</u>
TOTAL NET POSITION			

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

SUN AREA TECHNICAL INSTITUTE
Statement of Activities
June 30, 2019

	<u>Expenses</u>
FUNCTIONS/PROGRAMS	
Governmental Activities:	
Instruction	\$ 3,963,108
Instructional Student Support	902,866
Administration and Financial Support Services	659,116
Operation and Maintenance of Plant Services	677,061
Student Activities	15,133
Community Services	2,175
Facilities	452,046
Interest on Long-Term Debt	45,496
Unallocated Depreciation Expense	<u>75,142</u>
Total Governmental Activities	6,792,143
Business-Type Activities:	
Food Service	<u>140,700</u>
Total Primary Government	<u><u>\$ 6,932,843</u></u>
GENERAL REVENUES	
Local Sources:	
Interest Income	
Rental Income	
Other Revenue	
Gain (Loss) on Disposal of Assets	
Total General Revenues and Transfers	
CHANGE IN NET POSITION	
NET POSITION, July 1, 2018	
NET POSITION, June 30, 2019	

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
\$ 146,597	\$ 3,989,987	\$ 160,730	\$ 334,206	\$ -	\$ 334,206
-	908,990	-	6,124	-	6,124
-	663,586	-	4,470	-	4,470
-	681,653	-	4,592	-	4,592
-	15,236	-	103	-	103
-	2,190	-	15	-	15
-	455,112	-	3,066	-	3,066
-	-	-	(45,496)	-	(45,496)
-	-	-	(75,142)	-	(75,142)
146,597	6,716,754	160,730	231,938	-	231,938
79,359	71,377	-	-	10,036	10,036
<u>\$ 225,956</u>	<u>\$ 6,788,131</u>	<u>\$ 160,730</u>	231,938	10,036	241,974
			17,530	562	18,092
			4,385	-	4,385
			67,183	-	67,183
			(6,264)	-	(6,264)
			<u>82,834</u>	<u>562</u>	<u>83,396</u>
			314,772	10,598	325,370
			<u>2,332,651</u>	<u>68,674</u>	<u>2,401,325</u>
			<u>\$ 2,647,423</u>	<u>\$ 79,272</u>	<u>\$ 2,726,695</u>

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

SUN AREA TECHNICAL INSTITUTE
Balance Sheet - Governmental Funds
June 30, 2019

	General Fund	Capital Projects Fund	Total Governmental Funds
ASSETS			
Cash and Cash Equivalents	\$ 1,497,827	\$ 253,526	\$ 1,751,353
Investments	368,234	-	368,234
Due from Foundation	2,327	-	2,327
Due from Other Governmental Units	131,564	-	131,564
TOTAL ASSETS	<u>\$ 1,999,952</u>	<u>\$ 253,526</u>	<u>\$ 2,253,478</u>
LIABILITIES			
Due to Member Districts	\$ 502,293	\$ -	\$ 502,293
Due to Other Governmental Units	217,417	-	217,417
Accounts Payable	112,461	154,423	266,884
Accrued Salaries and Benefits	434,798	-	434,798
TOTAL LIABILITIES	<u>1,266,969</u>	<u>154,423</u>	<u>1,421,392</u>
FUND BALANCES			
Unassigned	504,475	-	504,475
Assigned:			
Encumbrances	79,552	-	79,552
Committed:			
Capital Projects	-	99,103	99,103
Customized Training	138,298	-	138,298
Growth and Expansion	5,254	-	5,254
Restricted	5,404	-	5,404
TOTAL FUND BALANCES	<u>732,983</u>	<u>99,103</u>	<u>832,086</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 1,999,952</u>	<u>\$ 253,526</u>	<u>\$ 2,253,478</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, 2019

TOTAL FUND BALANCES - GOVERNMENTAL FUNDS	\$ 832,086
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, 2019 the costs of assets is \$23,482,680 and the accumulated depreciation is \$10,764,226.	12,718,454
Extended term financing and accrued interest on capital lease.	(827,898)
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.	1,146,116
OPEB deferred outflow of resources are on the statement of net position but are not reported in the governmental funds.	449,192
Proportionate share of net pension liability.	(9,169,000)
Net OPEB Liability.	(2,313,388)
Pension deferred inflows of resources are on the statement of net position but are not reported in the governmental funds.	(150,685)
OPEB deferred inflows of resources are on the statement of net position but are not reported in the governmental funds.	(37,454)
TOTAL NET POSITION - GOVERNMENTAL ACTIVITIES	<u>\$ 2,647,423</u>

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, 2019

	General Fund	Capital Projects Fund	Total Governmental Funds
REVENUES			
Local Sources			
Member School Districts	\$ 5,761,238	\$ -	\$ 5,761,238
Adult Education Tuition	49,050	-	49,050
Interest Income	12,317	5,213	17,530
Rental Income	4,385	-	4,385
Other Revenues	80,544	-	80,544
	<u>5,907,534</u>	<u>5,213</u>	<u>5,912,747</u>
Total Local Sources			
State Sources	1,053,064	-	1,053,064
Federal Sources	160,730	-	160,730
	<u>1,213,794</u>	<u>-</u>	<u>1,213,794</u>
TOTAL REVENUES	<u>7,121,328</u>	<u>5,213</u>	<u>7,126,541</u>
EXPENDITURES			
Instruction	3,946,707	-	3,946,707
Support Services	2,192,922	-	2,192,922
Noninstructional Services	17,308	-	17,308
Facilities Acquisition, Construction and Improvements Services	671,348	-	671,348
Debt Service Payments (Principal and Interest)	170,539	-	170,539
	<u>6,998,824</u>	<u>-</u>	<u>6,998,824</u>
TOTAL EXPENDITURES	<u>6,998,824</u>	<u>-</u>	<u>6,998,824</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>122,504</u>	<u>5,213</u>	<u>127,717</u>
NET CHANGE IN FUND BALANCES	122,504	5,213	127,717
FUND BALANCE, July 1, 2018	<u>610,479</u>	<u>93,890</u>	<u>704,369</u>
FUND BALANCE, June 30, 2019	<u>\$ 732,983</u>	<u>\$ 99,103</u>	<u>\$ 832,086</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, 2019

TOTAL NET CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS **\$ 127,717**

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	990,044	
Depreciation expense	852,989	
Net effect of gain (loss) on disposal	<u>(9,813)</u>	
		127,242

Net extended term financing and interest on capital lease.		125,043
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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.		(29,209)
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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 governmental funds.		<u>(36,021)</u>
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CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES.		<u>\$ 314,772</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, 2019

	Budgeted Amounts		Actual	Variance with
	Original	Final	(Budgetary Basis)	Final Budget Positive (Negative)
REVENUES				
Local Revenues	\$ 5,995,428	\$ 6,082,103	\$ 5,907,534	\$ (174,569)
State Program Revenues	1,088,400	1,080,065	1,053,064	(27,001)
Federal Program Revenues	148,000	148,000	160,730	12,730
Total Revenues	<u>7,231,828</u>	<u>7,310,168</u>	<u>7,121,328</u>	<u>(188,840)</u>
EXPENDITURES				
Regular Programs	127,654	131,760	117,513	14,247
Special Programs	546,907	545,720	492,918	52,802
Vocational Programs	3,300,789	3,425,734	3,287,332	138,402
Other Instructional Programs	12,000	12,000	10,346	1,654
Adult Education Programs	61,905	60,802	38,597	22,205
Pupil Personnel Services	126,607	148,011	126,998	21,013
Instructional Staff Services	634,114	615,863	637,520	(21,657)
Administrative Services	574,925	570,844	532,150	38,694
Pupil Health Services	77,721	78,691	77,224	1,467
Business Services	129,758	130,991	126,966	4,025
Operation and Maintenance of Plant Services	791,437	813,742	677,062	136,680
Central and Other Support Services	35,500	31,553	15,003	16,550
Student Activities	17,811	18,004	15,133	2,871
Community Services	2,200	2,200	2,175	25
Facilities Acquisition and Construction	760,000	746,324	671,348	74,976
Debt Service Payments (Principal and Interest)	-	548	170,539	(169,991)
Total Expenditures	<u>7,199,328</u>	<u>7,332,787</u>	<u>6,998,824</u>	<u>333,963</u>
EXCESS (DEFICIT) OF REVENUES OVER EXPENDITURES	<u>32,500</u>	<u>(22,619)</u>	<u>122,504</u>	<u>145,123</u>
OTHER FINANCING SOURCES (USES)				
Budgetary Reserve	(30,000)	(15,731)	-	15,731
Fund Transfers	(2,500)	38,350	-	(38,350)
Total Other Financing Sources (Uses)	<u>(32,500)</u>	<u>22,619</u>	<u>-</u>	<u>(22,619)</u>
NET CHANGE IN FUND BALANCES	-	-	122,504	122,504
FUND BALANCE, Beginning	<u>868,219</u>	<u>868,219</u>	<u>610,479</u>	<u>(257,740)</u>
FUND BALANCE, Ending	<u>\$ 868,219</u>	<u>\$ 868,219</u>	<u>\$ 732,983</u>	<u>\$ (135,236)</u>

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

SUN AREA TECHNICAL INSTITUTE
Statement of Net Position –
Proprietary Fund
June 30, 2019

	<u>Food Service</u>
ASSETS	
CURRENT ASSETS	
Cash and Cash Equivalents	\$ 65,492
Accounts Receivable	415
Inventories	<u>4,197</u>
Total Current Assets	<u>70,104</u>
NONCURRENT ASSETS	
Machinery and Equipment, Net	<u>9,852</u>
Total Noncurrent Assets	<u>9,852</u>
TOTAL ASSETS	<u><u>\$ 79,956</u></u>
LIABILITIES AND NET POSITION	
CURRENT LIABILITIES	
Customer Deposits	<u>\$ 684</u>
Total Current Liabilites	<u>684</u>
NET POSITION	
Net Investment in Capital Assets	9,852
Unrestricted	<u>69,420</u>
TOTAL NET POSITION	<u>79,272</u>
TOTAL LIABILITIES AND NET POSITION	<u><u>\$ 79,956</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, 2019

	<u>Food Service</u>
OPERATING REVENUES	
Food Service Revenues	<u>\$ 79,359</u>
Total Operating Revenues	<u>79,359</u>
OPERATING EXPENSES	
Salaries	35,102
Employee Benefits	14,098
Purchased Professional and Technical Service	8,000
Purchased Property Services	335
Supplies	79,615
Dues and Fees	1,236
Depreciation	<u>2,314</u>
Total Operating Expenses	<u>140,700</u>
Operating Loss	<u>(61,341)</u>
NON-OPERATING REVENUES (EXPENSES)	
Earnings on Investments	562
State Sources	10,951
Federal Sources	<u>60,426</u>
Total Non-Operating Revenues (Expenses)	<u>71,939</u>
CHANGE IN NET POSITION	10,598
TOTAL NET POSITION, July 1, 2018	<u>68,674</u>
TOTAL NET POSITION, June 30, 2019	<u><u>\$ 79,272</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, 2019

	<u>Food Service</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash Received from Users	\$ 79,687
Cash Payments to Employees for Services	(49,200)
Cash Payments to Supplier for Goods and Services	<u>(78,873)</u>
Net Cash Used for Operating Activities	<u>(48,386)</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES	
State Sources	10,951
Federal Sources	<u>51,351</u>
Net Cash Provided by Non-Capital Financing Activities	<u>62,302</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Earnings on Investments	<u>562</u>
Net Cash Provided by Investing Activities	<u>562</u>
NET INCREASE IN CASH	14,478
CASH AND CASH EQUIVALENTS, Beginning	<u>51,014</u>
CASH AND CASH EQUIVALENTS, Ending	<u><u>\$ 65,492</u></u>
RECONCILIATION OF OPERATING LOSS TO NET CASH USED FOR OPERATING ACTIVITIES	
Operating Loss	<u>\$ (61,341)</u>
Adjustments to Reconcile Operating Loss to Net Cash Used for Operating Activities	
Depreciation and Amortization	2,314
Donated Commodities	9,075
(Increase) Decrease in Accounts Receivable	49
(Increase) Decrease in Inventories	1,268
Increase (Decrease) in Current Liabilities	<u>249</u>
Total Adjustments	<u>12,955</u>
Net Cash Used for Operating Activities	<u><u>\$ (48,386)</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, 2019

	Student Activities	Private Purpose Trust
ASSETS		
Cash and Cash Equivalents	\$ 100,807	\$ 1,866
Total Assets	<u>\$ 100,807</u>	<u>\$ 1,866</u>
LIABILITIES		
Due to Student Groups	\$ 100,517	\$ -
Due to Other Funds	<u>290</u>	<u>-</u>
Total Liabilities	<u>100,807</u>	<u>-</u>
NET POSITION		
Temporarily Restricted	<u>-</u>	<u>1,866</u>
Total Net Position	<u>\$ -</u>	<u>\$ 1,866</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, 2019

	Private Purpose Trust
ADDITIONS	
Earnings on Investments	\$ -
DEDUCTIONS	
Scholarships Awarded	(100)
CHANGE IN NET POSITION	(100)
TOTAL NET POSITION, July 1, 2018	1,966
TOTAL NET POSITION, June 30, 2019	\$ 1,866

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

SUN AREA TECHNICAL INSTITUTE
Notes to Financial Statements
June 30, 2019

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, 2019

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, 2019

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, 2019

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, 2019. 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, 2019

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 \$5,000 and an estimated useful life in excess of one year. 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, 2019

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, 2019

NOTE 3 - CASH AND INVESTMENTS

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

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

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

Cash and certificates of deposit are carried at cost which approximates market value. The carrying amount of deposits is separately displayed on the balance sheet as "Cash". At June 30, 2019, 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, 2019 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 Technical Institute were comprised of the following as of June 30, 2019:

<u>Governmental Activities Category</u>	<u>Total</u>	<u>Category</u>		
		<u>1</u>	<u>2</u>	<u>3</u>
General Fund Investments	\$ 108,988	\$ 108,988	\$ -	\$ -
Construction Project Investments	253,992	253,992	-	-
Growth and Expansion Investments	5,254	5,254	-	-
Total Investments	<u>\$ 368,234</u>	<u>\$ 368,234</u>	<u>\$ -</u>	<u>\$ -</u>

The general fund investments are in a CD with a maturity date of March 28, 2020 with an interest rate of 2.3787%.

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, 2019

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, 2019.

NOTE 4 - CHANGES IN CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2019 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	-	52,283		52,283
Total Capital Assets not Being Depreciated	132,918	52,283	-	185,201
Capital Assets Being Depreciated				
Land Improvements	541,147	-	-	541,147
Buildings and Building Improvements	15,269,050	622,845	-	15,891,895
Furniture and Equipment	6,554,740	314,915	(17,318)	6,852,337
Textbooks	57,802	-	(45,702)	12,100
Total Assets Being Depreciated	22,422,739	937,760	(63,020)	23,297,479
Less: Accumulated Depreciation				
Land Improvements	190,784	24,211	-	214,995
Buildings and Building Improvements	4,718,593	438,878	-	5,157,471
Furniture and Equipment	5,003,544	386,041	(7,505)	5,382,080
Textbooks	51,523	3,859	(45,702)	9,680
Total Accumulated Depreciation	9,964,444	852,989	(53,207)	10,764,226
Total Capital Assets Being Depreciated, Net	12,458,295	84,771	(9,813)	12,533,253
Governmental Activities Capital Assets, Net	\$ 12,591,213	\$ 137,054	\$ (9,813)	\$ 12,718,454
<u>Business-Type Activities</u>				
Capital Assets Being Depreciated				
Equipment	\$ 84,108	\$ -	\$ -	\$ 84,108
Total Capital Assets, Being Depreciated	84,108	-	-	84,108
Less: Accumulated Depreciation				
Equipment	71,942	2,314	-	74,256
Total Accumulated Depreciation	71,942	2,314	-	74,256
Total Capital Assets Being Depreciated	12,166	(2,314)	-	9,852
Business-Type Activities Capital Assets, Net	\$ 12,166	\$ (2,314)	\$ -	\$ 9,852

SUN AREA TECHNICAL INSTITUTE

Notes to Financial Statements

June 30, 2019

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	\$ 247,912
Support Services	51,948
Operation and Maintenance of Plant	477,988
Unallocated Depreciation Expense	75,141
Total Depreciation Expense -Governmental Activities	<u>\$ 852,989</u>
 <u>Business-Type Activities</u>	
Cafeteria	<u>\$ 2,314</u>
Total Depreciation Expense - Business-Type Activities	<u>\$ 2,314</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, 2019 was \$502,293.

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, 2019:

Balance, Beginning	\$ 127,297
Profits Designated from Customized Training Activities	<u>11,001</u>
Balance, Ending	<u>\$ 138,298</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, 2019:

Balance, Beginning	\$ 5,225
Interest Earned	<u>29</u>
Balance, Ending	<u>\$ 5,254</u>

SUN AREA TECHNICAL INSTITUTE
Notes to Financial Statements
June 30, 2019

NOTE 6 - COMMITTED 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, 2019:

Balance, Beginning	\$ 93,890
General Fund Credit Transfer	-
Other Income (Expenses)	5,213
Capital Project Expenditures	<u>-</u>
Balance, Ending	<u><u>\$ 99,103</u></u>

NOTE 7 - EXTENDED TERM FINANCING AGREEMENTS

The school entered into a capital lease in 2010 with M&T Bank in the amount of \$1,786,515. The purpose was to finance upgrades to equipment throughout the building. It bears an interest rate of 5.09% and matures in January, 2025. The balance outstanding as of June 30, 2019 was \$827,313.

During the fiscal year ended June 30, 2019, long-term debt changed as follows:

Balance, Beginning	\$ 952,969
Principal Repayments and Retirements	<u>(125,656)</u>
Balance, Ending	<u><u>\$ 827,313</u></u>

The future annual payments required to amortize all outstanding debt as of June 30, 2019, including total interest payments is as follows:

Year Ended June 30,	Interest	Principal	Total
2020	\$ 39,071	\$ 131,467	\$ 170,538
2021	32,221	138,317	170,538
2022	25,014	145,524	170,538
2023	17,431	153,107	170,538
2024	9,454	161,084	170,538
Thereafter	<u>1,668</u>	<u>97,814</u>	<u>99,482</u>
Total	<u><u>\$ 124,859</u></u>	<u><u>\$ 827,313</u></u>	<u><u>\$ 952,172</u></u>

During the year ended June 30, 2019 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, 2019

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 in the school year and part-time per diem public school employees who render at least 80 days of service in the school year in any of the reporting entities in Pennsylvania. PSERS issues a publicly available financial report that can be obtained at www.psers.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, 2019

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, 2019 was 32.60% 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 \$827,431 for the year ended June 30, 2019.

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

At June 30, 2019, the School reported a liability of \$9,169,000 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2018, 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, 2017 to June 30, 2018. 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, 2019, the School's proportion was .0191%, which was an increase of .0001% from its proportion measured as of June 30, 2018.

SUN AREA TECHNICAL INSTITUTE
Notes to Financial Statements
June 30, 2019

NOTE 8 - PENSION PLAN - continued

For the year ended June 30, 2019, the School recognized pension expense of \$856,640. At June 30, 2019, 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	\$ 55,500	\$ 106,500
Changes in Assumptions	128,250	-
Net Difference Between Projected and Actual		
Investment Earnings	33,750	-
Changes in Proportion	101,185	44,185
Contributions Subsequent to the Measurement Date	827,431	-
Total	<u>\$ 1,146,116</u>	<u>\$ 150,685</u>

\$827,431 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, 2019. 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
2019	\$ 241,000
2020	126,000
2021	(108,000)
2022	<u>(35,000)</u>
Total	<u>\$ 224,000</u>

Actuarial Assumptions

The total pension liability as of June 30, 2018 was determined by rolling forward the System's total pension liability as of June 30, 2017 to June 30, 2018 using the following actuarial assumptions, applied to all periods included in the measurement:

SUN AREA TECHNICAL INSTITUTE
Notes to Financial Statements
June 30, 2019

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 actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study that was performed for the five year period ending June 30, 2015.

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%	5.2%
Fixed Income	36.0%	2.2%
Commodities	8.0%	3.2%
Absolute Return	10.0%	3.5%
Risk Parity	10.0%	3.9%
Infrastructure/MLPs	8.0%	5.2%
Real Estate	10.0%	4.2%
Alternative Investments	15.0%	6.7%
Cash	3.0%	0.4%
Financing (LIBOR)	<u>(20.0%)</u>	0.9%
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, 2018.

SUN AREA TECHNICAL INSTITUTE
Notes to Financial Statements
June 30, 2019

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	\$ 11,336,000	\$ 9,169,000	\$ 7,312,000

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.

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, 2019

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 \$201,550. Employees are not required to contribute to the OPEB plan.

SUN AREA TECHNICAL INSTITUTE
Notes to Financial Statements
June 30, 2019

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, 2019, the School reported a liability of \$2,313,388 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, 2019, the School recognized OPEB expense of \$253,649. At June 30, 2019, 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	\$ -	\$ 37,454
Changes of Assumptions	231,564	-
School Contributions Subsequent to the Measurement Date	217,628	-
Total	<u>\$ 449,192</u>	<u>\$ 37,454</u>

Of the total amount reported as deferred outflows of resources related to OPEB, \$217,628 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, 2020. 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:	
2020	\$ 32,183
2021	\$ 32,183
2022	\$ 32,183
2023	\$ 32,183
2024	\$ 32,183
Thereafter	\$ 33,195

Actuarial Assumptions

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

Interest Rate: 2.98% Based on S&P Municipal Bond 20 Year High Grade Rate Index at 7/1/2018.

SUN AREA TECHNICAL INSTITUTE
Notes to Financial Statements
June 30, 2019

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.

	Male	Female		Male	Female
<u>Age</u>	<u>Rate</u>	<u>Rate</u>	<u>Age</u>	<u>Rate</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 & 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, 2019

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 2018, and 5.5% in 2019 through 2021. Rates gradually decrease from 5.4% in 2022 to 3.8% 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, 2019

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 2.98 percent. The discount rate changed from 3.13% to 2.98%. 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 (1.98 percent) or 1-percentage-point higher (3.96 percent) than the current discount rate:

	1% Decrease 1.98%	Discount Rate 2.98%	1% Increase 3.98%
School's Net OPEB Liability	\$ 2,433,228	\$ 2,313,388	\$ 2,198,725

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 or 1-percentage-point higher than the current healthcare cost trend rates:

	1% Decrease	Discount Rate	1% Increase
School's Net OPEB Liability	\$ 2,111,598	\$ 2,313,388	\$ 2,544,784

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, 2019

NOTE 12 - COMMITMENT

On May 3, 2019, SUN Area Technical Institute entered into an agreement with WTI Contracting for replacement of the main campus roof in the amount of \$627,451.

REQUIRED SUPPLEMENTARY INFORMATION

SUN AREA TECHNICAL INSTITUTE
Schedule of School's Proportionate Share of the Net Pension Liability
June 30, 2015 through 2019

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
School's Proportion of the Net Pension Liability	0.0191%	0.0190%	0.0192%	0.0188%	0.0185%
School's Proportionate Share of the Net Pension Liability	\$ 9,169,000	\$ 9,384,000	\$ 9,515,000	\$ 8,143,000	\$ 7,323,000
School's Covered-Employee Payroll	\$ 2,576,752	\$ 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	355.8356%	370.9874%	382.3585%	336.1992%	309.8606%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	54.00%	51.84%	50.14%	54.36%	57.24%

SUN AREA TECHNICAL INSTITUTE
Schedule of the School Contributions – Pension Plan
June 30, 2015 through 2019

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually Required Contribution	\$ 827,431	\$ 814,390	\$ 741,378	\$ 625,625	\$ 490,827
Contributions in Relation to the Contractually Required Contribution	<u>(827,431)</u>	<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>	<u>\$ -</u>
School's Covered-Employee Payroll	\$ 2,576,752	\$ 2,529,466	\$ 2,488,502	\$ 2,422,076	\$ 2,363,321
Contributions as a Percentage of Covered Employee Payroll	32.11%	32.20%	29.79%	25.83%	20.77%

SUN AREA TECHNICAL INSTITUTE
Schedule of Changes in Net OPEB Liability
June 30, 2019

Fiscal Year Ending*	2019	2018
Total OPEB Liability		
Service Cost	\$ 148,699	\$ 120,052
Interest	72,767	53,001
Changes of Benefit Terms	-	(85,232)
Differences Between Expected and Actual Experience	-	(49,938)
Changes of Assumptions	8,172	299,220
Benefit Payments	(201,550)	(131,605)
Other Changes	-	-
Net Change	28,088	205,498
Total OPEB Liability - Beginning	2,285,300	2,079,802
Total OPEB Liability - Ending	<u>\$ 2,313,388</u>	<u>\$ 2,285,300</u>
 Covered Employee Payroll	 \$ 2,467,504	 \$ 2,467,504
 Total OPEB Liability as a % of Covered-Employee Payroll	 93.75%	 92.62%

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

Changes of Assumptions

The discount rate changed from 3.13% to 2.98%. 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 effective 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, 2019

	Final Budget	Actual (Budgetary Basis)	Variance Positive (Negative)
REVENUE FROM LOCAL SOURCES			
Member School Districts	\$ 5,995,428	\$ 5,663,691	\$ (331,737)
Other School Districts	-	97,547	97,547
Adult Education Tuition	62,000	49,050	(12,950)
Interest Income	4,000	12,317	8,317
Rental Income	3,000	4,385	1,385
Contributions and Donations	3,750	3,750	-
Other Revenue	13,925	76,794	62,869
	<u>6,082,103</u>	<u>5,907,534</u>	<u>(174,569)</u>
REVENUE FROM STATE SOURCES			
Vocational Education Reimbursement	423,000	416,290	(6,710)
Adult Education Reimbursement	-	-	-
State Grant Funds	60,665	59,893	(772)
Social Security Reimbursement	113,500	113,050	(450)
Retirement Reimbursement	482,900	463,831	(19,069)
	<u>1,080,065</u>	<u>1,053,064</u>	<u>(27,001)</u>
REVENUE FROM FEDERAL SOURCES			
Federal Grant Funds	148,000	160,730	12,730
	<u>148,000</u>	<u>160,730</u>	<u>12,730</u>
Total Revenues	<u>\$ 7,310,168</u>	<u>\$ 7,121,328</u>	<u>\$ (188,840)</u>

SUN AREA TECHNICAL INSTITUTE
Schedule of Expenditures and Other Financing Sources
Compared with Budget – General Fund
For the Year Ended June 30, 2019

EXPENDITURES	Final Budget	Actual (Budgetary Basis)	Variance Positive (Negative)
Regular Programs			
Salaries	\$ 77,852	\$ 68,101	\$ 9,751
Employee Benefits	53,691	49,255	4,436
Purchased Property Services	-	-	-
Other Purchased Services	-	-	-
General Supplies and Textbooks	217	157	60
Total Regular Programs	<u>131,760</u>	<u>117,513</u>	<u>14,247</u>
Special Programs			
Salaries	240,925	224,653	16,272
Employee Benefits	301,132	265,762	35,370
Purchased Property Services	-	-	-
Other Purchased Services	2,405	2,405	-
General Supplies and Textbooks	958	98	860
Property and Equipment Costs	-	-	-
Dues and Fees	300	-	300
Total Special Programs	<u>545,720</u>	<u>492,918</u>	<u>52,802</u>
Vocational Programs			
Salaries	1,569,315	1,548,610	20,705
Employee Benefits	1,226,934	1,092,332	134,602
Purchased Professional and Technical Services	100	82	18
Purchased Property Services	61,002	46,359	14,643
Other Purchased Services	15,984	13,317	2,667
General Supplies and Textbooks	228,644	241,815	(13,171)
Property and Equipment Costs	322,255	343,659	(21,404)
Dues and Fees	1,500	1,158	342
Total Vocational Programs	<u>3,425,734</u>	<u>3,287,332</u>	<u>138,402</u>
Other Instructional Programs			
Other Purchased Services	<u>12,000</u>	<u>10,346</u>	<u>1,654</u>
Total Other Instructional Programs	<u>12,000</u>	<u>10,346</u>	<u>1,654</u>

SUN AREA TECHNICAL INSTITUTE
Schedule of Expenditures and Other Financing Sources
Compared with Budget – General Fund - continued
For the Year Ended June 30, 2019

EXPENDITURES (continued)	Final Budget	Actual (Budgetary Basis)	Variance Positive (Negative)
Adult Education Programs			
Salaries	\$ 26,523	\$ 21,778	\$ 4,745
Employee Benefits	16,382	8,915	7,467
Purchased Property Services	-	-	-
Other Purchased Services	13,897	5,606	8,291
General Supplies and Textbooks	4,000	2,298	1,702
	<u>60,802</u>	<u>38,597</u>	<u>22,205</u>
Total Adult Education Programs			
Pupil Personnel Programs			
Salaries	78,348	65,231	13,117
Employee Benefits	68,037	60,491	7,546
Purchased Property Services	-	-	-
Other Purchased Services	1,020	770	250
General Supplies and Textbooks	506	506	-
Dues and Fees	100	-	100
	<u>148,011</u>	<u>126,998</u>	<u>21,013</u>
Total Pupil Personnel Programs			
Instructional Staff Services			
Salaries	231,206	231,205	1
Employee Benefits	195,709	191,848	3,861
Purchased Professional and Technical Services	6,128	5,753	375
Purchased Property Services	800	-	800
Other Purchased Services	10	-	10
General Supplies and Textbooks	30,985	31,640	(655)
Property and Equipment Costs	151,024	177,074	(26,050)
Dues and Fees	2	-	2
	<u>615,864</u>	<u>637,520</u>	<u>(21,656)</u>
Total Instructional Staff Services			

SUN AREA TECHNICAL INSTITUTE
Schedule of Expenditures and Other Financing Sources
Compared with Budget – General Fund - continued
For the Year Ended June 30, 2019

EXPENDITURES (continued)	Final Budget	Actual (Budgetary Basis)	Variance Positive (Negative)
Administrative Services			
Salaries	\$ 245,530	\$ 245,116	\$ 414
Employee Benefits	186,282	177,636	8,646
Purchased Professional and Technical Services	53,163	35,327	17,836
Purchased Property Services	24,098	20,762	3,336
Other Purchased Services	28,991	25,487	3,504
General Supplies and Textbooks	15,977	12,018	3,959
Property and Equipment Costs	10,002	10,002	-
Dues and Fees	6,800	5,802	998
Total Administrative Services	570,843	532,150	38,693
Pupil Health Services			
Salaries	34,046	33,693	353
Employee Benefits	41,675	40,663	1,012
Purchased Property Services	-	-	-
Other Purchased Services	-	-	-
General Supplies and Textbooks	2,970	2,868	102
Property and Equipment Costs	-	-	-
Total Pupil Health Services	78,691	77,224	1,467
Business Services			
Salaries	60,527	59,923	604
Employee Benefits	52,581	50,890	1,691
Purchased Professional and Technical Services	13,162	13,657	(495)
Purchased Property Services	1,500	1,107	393
Other Purchased Services	1,321	1,073	248
General Supplies and Textbooks	1,600	107	1,493
Property and Equipment Costs	300	209	91
Total Business Services	130,991	126,966	4,025

SUN AREA TECHNICAL INSTITUTE
Schedule of Expenditures and Other Financing Sources
Compared with Budget – General Fund - continued
For the Year Ended June 30, 2019

EXPENDITURES (continued)	Final Budget	Actual (Budgetary Basis)	Variance Positive (Negative)
Operation and Maintenance of Plant Services			
Salaries	\$ 129,277	\$ 123,432	\$ 5,845
Employee Benefits	160,485	146,421	14,064
Purchased Property Services	164,876	162,822	2,054
Other Purchased Services	102,157	88,100	14,057
General Supplies and Textbooks	206,647	132,739	73,908
Property and Equipment Costs	50,000	23,293	26,707
Dues and Fees	300	255	45
	<u>813,742</u>	<u>677,062</u>	<u>136,680</u>
Total Operation and Maintenance of Plant Services			
Central and Other Support Services			
Purchased Professional and Technical Services	24,925	8,465	16,460
Other Purchased Services	6,628	6,538	90
	<u>31,553</u>	<u>15,003</u>	<u>16,550</u>
Total Central and Other Support Services			
Student Activities			
Salaries	5,327	4,000	1,327
Employee Benefits	3,236	1,692	1,544
Purchased Professional and Technical Services	-	-	-
Other Purchased Services	9,441	9,441	-
	<u>18,004</u>	<u>15,133</u>	<u>2,871</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, 2019

	Final Budget	Actual (Budgetary Basis)	Variance Positive (Negative)
EXPENDITURES (continued)			
Facilities Acquisition and Construction			
Purchased Property Services	\$ 715,324	\$ 651,126	\$ 64,198
Property and Equipment Costs	31,000	20,222	10,778
Total Facilities Acquisition and Construction	746,324	671,348	74,976
Debt Service Payments			
Principal and Interest	-	170,539	(170,539)
Total Debt Service Payments	-	170,539	(170,539)
Total Expenditures	7,332,239	6,998,824	333,415
OTHER FINANCING SOURCES (USES)			
Budgetary Reserve	(16,279)	-	16,279
Fund Transfers	(2,500)	-	2,500
Total Other Financing Sources (Uses)	(18,779)	-	18,779
Total Expenditures and Other Financing Sources (Uses)	\$ 7,351,018	\$ 6,998,824	\$ 352,194



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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, 2019, 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 October 10, 2019.

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.

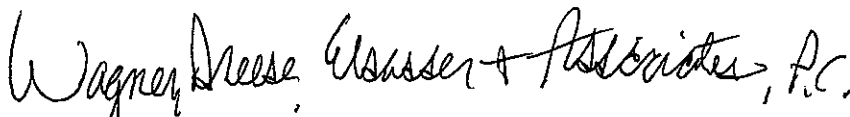
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not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

October 10, 2019