

**The Venango County Area Vocational – Technical School
D/B/A Venango Technology Center**

Audit Report

For the Year Ended June 30, 2010

Venango Technology Center

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June 30, 2010

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Venango Technology Center

June 30, 2010

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SECTION A
MANAGEMENT DISCUSSION AND ANALYSIS

**Venango Technology Center
Management Discussion and Analysis
June 30, 2010**

The management discussion and analysis of Venango Technology Center's financial performance provides an overall review of the Center's financial activities for the fiscal year ended June 30, 2010. The intent of the discussion and analysis is to look at the Center's financial performance as a whole. The financial statements and notes to the financial statements should also be reviewed for a more thorough overall understanding of the Venango Technology Center's financial performance.

Financial Highlights for 2010

- The Venango Technology Center's net assets for the year ended June 30, 2010 totaled \$3,108,288 as reported in the Statement of Net Assets. This total is comprised entirely of net assets attributable to Governmental Activities.
- Total General Fund revenues as reported in the Statement of Revenues, Expenditures and Changes in Fund Balance received during the 2009-10 school year were \$5,808,632. The following is a breakdown of the various funding sources:

Local Sources	\$ 4,660,624	(79%)
State Sources	\$ 963,180	(17%)
Federal Sources	\$ 184,828	(4%)

- The revenue and expenditure activity includes adult programs, unreimbursed after school programs and the activity attributable to regular day school. The day school programs' actual revenue and expenditure activity net to zero on the financial statements presented. Any budgeted amount paid by the sending schools for regular day school activity in excess of the actual is returned at the end of the fiscal year. This is primarily due to the effect of estimating the average daily membership for the amount to be provided by the sending schools. The net result was a refund to the sending schools of \$229,257 or approximately 3.88% of the amount budgeted.
- Total General Fund expenditures for the 2009-10 school year, as reported in the Statement of Revenues, Expenditures and Changes in Fund Balance, were \$5,610,264. The following is a breakdown of the expenditures by major function:

1000	Instruction	\$ 2,584,920	(46.07%)
1600	Adult programs	\$ 807,912	(14.40%)
2000	Support Services	\$ 1,737,129	(30.96%)
5000	Debt Service	\$ 299,182	(5.33%)
5000	Fund Transfers	\$ 181,121	(3.24%)

During 2009-10, Practical Nursing received ARRA funds to offset salaries and tuition for the program costs resulting in a substantial increase to the fund balance. Practical Nursing also began the first year operations for a satellite program run in Warren.

- The Joint Committee of the Venango Technology Center authorized the establishment of a Capital Reserve fund during the 2007-08 school year. The Venango Technology Center had previously returned all of the vocational subsidy to the sending schools. To fund the Capital Reserve fund, the Venango Technology Center will retain 30% of these monies. The General Fund transfers to the Capital Reserve during 2009-10 amounted to \$181,121. These funds were used to build a new greenhouse for the Natural Resources program, purchase backup generator for the school and make renovations to the Equipment Operations classroom.
- The Venango Technology Center continues to maintain a fiduciary fund type – the Harold B. Albright Scholarship Fund, a Private Purpose Trust Fund, which is used exclusively to provide scholarships to students. At June 30, 2010, the balance in this fund was \$47,995, as reported in the Statement of Net Assets – Fiduciary Funds. It is important to note that these funds are never used for expenses in the general fund.

Overview of the Annual Financial Report

This annual report consists of three sections: The Management Discussion and Analysis (this section), a series of financial statements, and notes to those statements (required supplemental information).

The basic financial statements include two types of statements that present different financial views of the Venango Technology Center:

- **Government Wide Statements**

These statements report information about the Venango Technology Center, including the net assets and changes in net assets (as a whole), using accounting methods similar to those used by private-sector companies. There are two government-wide statements included in this annual financial report which provide both long-term and short-term information about the Venango Technology Center's overall financial status:

-Statement of Net Assets	Includes all the Center's assets and liabilities
-Statement of Activities	Includes all the Center's revenues and expenses

These government-wide statements are important components of financial reporting because they show the Venango Technology Center's net assets and how they have changed. Net assets, the difference between assets and liabilities, are one way to measure the Center's financial health or position. An important point with respect to net assets is that over time, increases or decreases in the Center's net assets are an indicator of whether its financial position is improving or diminishing. Since the structure of the Center requires that it return any surplus from regular day school activities, the change in net assets represents the change in long-term assets and liabilities and also the amount retained to fund programs for adult activities and after school secondary programs that are not subsidized by the State.

Additional non-financial factors such as changes in the Center's student enrollment, condition of the school grounds and facilities and long-term liabilities for compensated absences need to be considered for a true assessment of the Center's overall strength.

The government-wide Statement of Net Assets and the Statement of Activities are divided into only one type of activity:

-Governmental Activities - All of the Center's basic programs and services are reported here, including instruction, adult, support services, operation and maintenance of plant, pupil transportation, and community services. Sending school contributions, state and federal subsidies, and grants finance most of these activities.

This presentation differs from that presented by a traditional school because there are no proprietary activities operated by the Venango Technology Center.

- Fund Financial Statements

These statements provide detailed information about the Venango Technology Center's individual funds.

Governmental Funds - All of the Center's activities are reported in the government fund, which focuses on how money flows into and out of this fund and the change in financial position.

Typically, this is money available to spend during future periods or the next fiscal year. However, due to the agreement under which the Center was formed, any surplus funds are returned to the sending schools, except for those activities which are not related to traditional secondary education, such as adult programs and non-reimbursable after school programs.

The accounting method used in financial reporting for governmental funds is called the modified accrual basis of accounting, which measures cash and all other financial assets that can readily be converted into cash. The governmental fund statements provide a detailed short-term view of the Center's operations and the services it provides. Governmental fund information helps determine whether there are more or fewer resources that can be spent in the near future to finance the Center's operations and educational 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.

Fiduciary Funds - This fund is one in which the Center is the trustee or fiduciary agent responsible for the funds.

There is one fiduciary fund for the Venango Technology Center: the Harold B Albright Scholarship, which is a Private-Purpose Trust Fund (Scholarships). All of the Center's fiduciary activities are reported in a separate Statement of Fiduciary Net Assets. It is important to note that these funds are excluded from the Center's other financial statements because these assets cannot be used to finance the Center's operations.

Financial Analysis of the Venango Technology Center As A Whole

Nearly all of the Center's net assets are invested in capital assets net of related debt. Capital assets include building, land and equipment. Of the total net assets, \$677,351 is designated for adult programs, secondary programs that are not state reimbursable and the Capital Reserve Fund. The unrestricted deficit relates to short and long-term liabilities necessary to fund payroll, compensated absences and deferred revenues in excess of current assets and investments.

The results of this year's operations as a whole are reported in detail on the Statement of Activities. All expenses are reported in the first column. Specific charges, grants, revenues and subsidies directly related to specific expenses are deducted so that the final amount of the Venango Technology Center's activities that are supported by other general revenues can be shown. The largest general revenues are the sending school contributions, vocational education subsidy and grants.

Capital Assets

The Venango Technology Center assets represent the original building, which includes the addition of the Equipment operations area and all the related fixtures and equipment used to operate the facility.

As of June 30, 2010, the Center had \$8,331,333 invested in capital assets. The table below illustrates the breakdown of these capital assets and reflects a bottom line total of Capital Assets, Net of Accumulated Depreciation.

	June 30, 2010	June 30, 2009
Land and Improvements	\$ 32,737	\$ 32,737
Buildings and Improvements	\$ 4,258,334	\$4,195,884
Furniture and Equipment	\$ 3,351,405	\$3,284,934
Construction in progress	\$ 3,560,000	\$ 817,778
Total Capital Assets	\$11,202,476	\$8,331,333
LESS: Accumulated Depreciation	(\$5,465,660)	(\$5,135,024)
Total Capital Assets, Net Accumulated Depreciation	\$5,736,816	\$3,196,309

The primary changes in equipment relate to renovations to Equipment Operations and the construction of a new greenhouse for Natural Resources in the amount of \$62,450, purchased a new backup generator in the amount of \$27,515 for the school, \$36,813 for new instructional equipment and \$10,995 for technology hardware.

Long-Term Liabilities

Short and long-term compensated absences are comprised of three components: accrued vacation, post-employment health benefits for those who qualify and the liability for accumulated sick days earned. As of June 30, 2010, the balance in each of the areas is as follows:

	<u>Short-Term</u>	<u>Long-Term</u>	<u>Total</u>
Accrued Vacation	\$30,852	\$ -	\$ 30,852
Post-employment Health Care Benefits	-	133,569	133,569
Accumulated Sick Days	<u>-</u>	<u>61,142</u>	<u>61,142</u>
Total	<u>\$ 30,852</u>	<u>\$194,711</u>	<u>\$225,563</u>

Comparative Analysis

	<u>6/30/2010</u>	<u>6/30/2009</u>	<u>\$ Variance</u>	<u>% Variance</u>
Assets				
Current Assets:				
Cash and cash equivalents	\$859,608	\$529,514	\$330,094	62.34%
Intergovernmental receivables	105,801	89,631	16,170	18.04%
Federal and state subsidies receivable	96,077	113,440	(17,363)	-15.31%
Other receivables	109,423	69,572	39,851	57.28%
Inventories	6,767	8,911	(2,144)	-24.06%
Prepaid expenses	<u>260,105</u>	<u>292,413</u>	<u>(32,308)</u>	-11.05%
Total current assets	<u>1,437,781</u>	<u>1,103,481</u>	<u>334,300</u>	30.30%
Noncurrent assets:				
Investment in Health Consortium	108,066	97,112	10,954	11.28%
Capital Assets:				
Land and land improvements	32,737	32,737	-	0.00%
Buildings and building improvements	4,258,334	4,195,884	62,450	1.49%
Furniture, equipment, and vehicles	3,351,405	3,284,934	66,471	2.02%
Construction in progress	3,560,000	817,778	2,742,222	100.00%
Accumulated depreciation	<u>(5,465,660)</u>	<u>(5,135,024)</u>	<u>(330,636)</u>	6.44%
	<u>5,736,816</u>	<u>3,196,309</u>	<u>2,540,507</u>	79.48%

Total noncurrent assets	<u>5,844,882</u>	<u>3,293,421</u>	<u>2,659,527</u>	80.75%
Total assets	<u><u>\$7,282,663</u></u>	<u><u>\$4,396,902</u></u>	<u><u>\$2,885,761</u></u>	65.63%
Current liabilities:				
Accounts payable	\$409,795	\$356,557	\$53,228	14.93%
Current portion of compensated absences	30,852	37,528	(6,676)	-17.79%
Current portion of capital lease obligation	200,000	230,000	(30,000)	-13.04%
Accrued salaries and benefits	154,253	135,823	18,430	-87.04%
Payroll deductions and withholdings	39,342	60,945	(21,603)	-35.45%
Deferred revenues	<u>15,422</u>	<u>15,422</u>	<u>-</u>	0.00%
Total current liabilities	<u>849,664</u>	<u>836,275</u>	<u>13,389</u>	1.60%
Noncurrent liabilities:				
Compensated absences	61,142	130,581	(69,439)	-53.18%
Other post employment benefits	133,569	-	133,569	100.00%
Capital lease obligation	<u>3,130,000</u>	<u>587,778</u>	<u>2,542,222</u>	100.00%
Total noncurrent liabilities	<u>3,324,711</u>	<u>717,886</u>	<u>2,606,825</u>	100.00%
Total liabilities	<u>4,174,375</u>	<u>1,554,161</u>	<u>2,620,214</u>	100.00%
Net assets:				
Invested in capital assets net of related debt	2,406,816	2,378,531	28,285	11.89%
Unrestricted (deficit)	<u>701,472</u>	<u>464,210</u>	<u>237,262</u>	51.11%
Total net assets	<u>3,108,288</u>	<u>2,842,741</u>	<u>265,547</u>	9.34%
Total liabilities and net assets	<u><u>\$7,282,663</u></u>	<u><u>\$4,396,902</u></u>	<u><u>\$2,885,761</u></u>	65.63%

- Cash is higher primarily due to the additional funds that were transferred to the Capital Reserve fund during 2009-10.
- Federal and state receivables were lower due to decreased funding in the New Choices grant from the prior year.
- Other receivables were composed primarily of funds due from ARRA from Venango County for the reimbursement of PN salaries and student tuition.
- The primary difference in intergovernmental receivables is the timing of receipt of payments from the sending schools.
- The difference in prepaid expenses is the general insurance was not paid early in 2009-10 as it was in 2008-09.
- Capital assets were significantly up due to the energy project which is classified as construction in progress on the financial statements and cost \$3,560,000.
- The primary item affecting accounts payable are tuition refunds due to PN students related to the ARRA funding.
- The current year payroll deductions and withholdings reflect an increase the number of instructors hired to support the PN program in Warren.

Comparative Revenues and Expenditures – Fund Accounting

	<u>6/30/2010</u>	<u>6/30/2009</u>	<u>\$ Variance</u>	<u>% Variance</u>
REVENUE				
Local revenues	\$ 4,660,624	\$ 3,958,934	\$ 701,690	17.72%
State program revenues	963,180	983,143	(19,963)	-2.03%
Federal program revenues	<u>184,828</u>	<u>382,408</u>	<u>(197,580)</u>	-100.00%
	<u>\$ 5,808,632</u>	<u>\$ 5,324,485</u>	<u>\$ 407,379</u>	8.28%
EXPENDITURES				
Regular programs	\$ 19,104	\$ 42,322	\$ (23,218)	-54.86%
Special programs	76,233	74,647	1,586	2.12%
Vocational programs	2,489,583	2,616,812	(127,229)	11.79%
Adult education programs	807,912	586,852	221,060	37.67%
Pupil personnel services	314,546	396,635	(82,089)	-20.70%
Instructional staff services	85,143	119,716	(34,573)	-28.88%
Administrative services	311,346	284,708	26,638	9.36%
Pupil Health	1,757	1,488	269	18.08%
Business services	126,050	152,198	(26,148)	-17.18%
Operation and maintenance of plant	502,745	638,029	(135,284)	-21.20%

Student transportation services	296,062	265,859	30,203	11.36%
Central and other support services	99,480	95,586	3,894	4.07%
Community services	-	1,631	(1,631)	-100.00%
Fund Transfers	181,121	157,767	23,354	14.80%
Debt service	299,182	756	298,426	100.00%
	<u>\$ 5,610,264</u>	<u>\$ 5,435,006</u>	<u>\$ 175,258</u>	3.22%

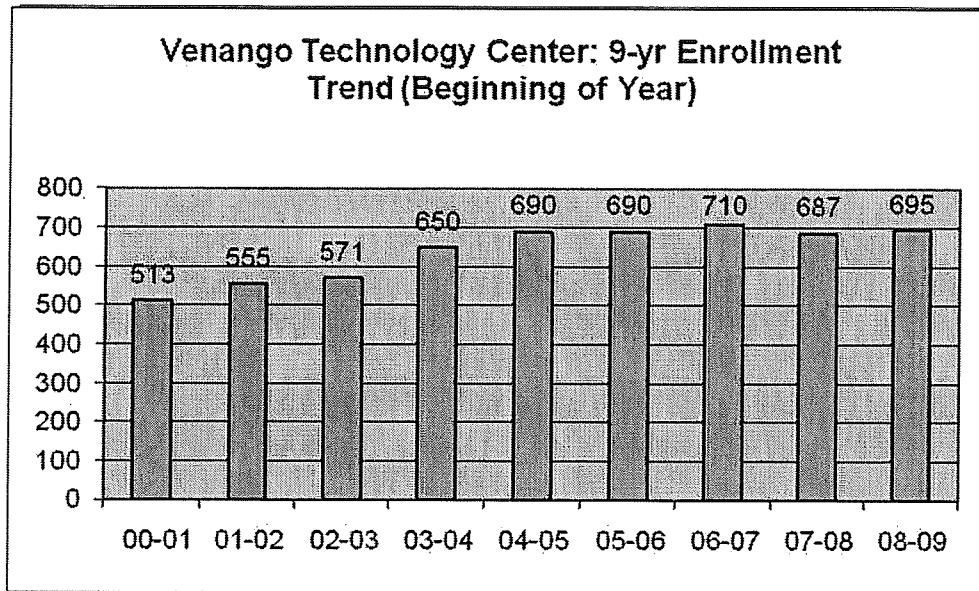
- The decrease in regular programs reflects the funding cuts in Perkins and GED funding for 2009-10.
- The decrease in vocational programs reflect the lack of equipment grants received from the U.S. Department of Education and the State equipment grant in 2009-10 that existed in 2008-09
- The increase in Adult program expense reflects the addition of the PN Warren satellite program.
- Pupil services decreased as a direct result of the reduction in the New Choices grant.
- Instructional staff service expense dropped as a result of a reduction of Technology hardware purchases in 2009-10.
- Administrative services increased due to regular salary and fringe increases as well as the retirement incentives paid to Dr. Garrity upon retirement.
- Business services decreased because the CSIU software agreement was paid off and reduced the annual maintenance significantly.
- Operation and maintenance decreased due to the benefits achieved by the energy project. Savings on equipment maintenance and utilities were the primary reason.
- Transportation increased because Titusville students required three busses rather than two.
- Debt service increased due to 2009-10 being the first year in which a payment was made on the capital lease obligation.
- Health insurances increased 5.5% in all areas from 2008-09 to 2009-10.
- The fund transfers were changed based on the approved state subsidy to transfer to the Capital Reserve fund.

The Reconciliation of the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balance to the Statement of Activities describes the differences between the two methods of reporting.

Looking Forward

The financial outlook for the Venango Technology Center depends entirely on the enrollment provided by the sending schools. This enrollment has remained stable over the past several

years as follows:



Act 1 has put an increased emphasis on the need to consider the financial status of the home schools on a school by school basis and moved the budget time frame ahead seven months. The Center has begun budget discussions for 2010-2011. The Center is in the final stages of completing an energy project, which will guarantee \$50,000 in annual savings. This along with the continued funding of the Capital Reserve fund, will allow continuing future capital improvements as the needs associated with a forty year old building continue to surface.

The nature of an increasing special needs population and updating technology continue to be of utmost importance in planning for the future. The Technology Center will continually look at ways to find additional sources of grants to continue to support future budgets. Also, continued increases in the cost to conduct business, including significant industry-wide increases in health-care costs and increases in the employer's share of retirement contributions remain an ongoing financial challenge facing the Center's Joint Committee and the administration in the future.

Staffing decisions have been made that reduced positions in two instructional areas and the principal duties are combined with the Director's responsibilities. This reduces the quota on the number of students able to be served by the Center from 680 to 600 students.

The adult education program areas are ones that will be continually explored in light of the expanded capabilities provided by the recent grants received. Adult education is exploring opportunities to offer CDL training and degree programs through relationships with community colleges.

Contacting the Venango Technology Center Financial Management

This financial report is designed to provide our sending schools, citizens, taxpayers, parents, students, investors, and creditors with a general overview of the Venango Technology Center's finances and to show the Center's accountability for the funds it receives. Questions about the information contained in this report should be directed to Patrick M. Adams, Business Manager/ Board Secretary, Venango Technology Center, 1 Vo-tech Drive, Oil City, PA 16301.

SECTION B
AUDITORS' REPORTS



O'Polka & Company, Inc.

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INDEPENDENT AUDITORS' REPORT

Joint Operating Committee of
Venango Technology Center

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Venango County Area Vocational – Technical School (doing business as Venango Technology Center) as of and for the year ended June 30, 2010, which collectively comprise Venango Technology Center's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Venango Technology Center's management. Our responsibility is to express an opinion 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of Venango Technology Center, as of June 30, 2010, and the respective changes in financial position where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 3, 2010 on our consideration of Venango Technology Center's internal control over financial reporting and 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management discussion and analysis as listed in the table of contents is not a required part of the basic financial statements but is supplemental information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplemental information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Venango Technology Center's basic financial statements. The supplemental schedule of special accounts is presented for purposes of additional analysis and is not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements of Venango Technology Center. The supplemental schedule of special accounts and the schedule of expenditures of federal awards have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

O'Polka & Company Inc.

November 3, 2010
Franklin, Pennsylvania



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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

Joint Operating Committee of
Venango Technology Center

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Venango County Area Vocational – Technical School (doing business as Venango Technology Center), as of and for the year ended June 30, 2010, which collectively comprise Venango Technology Center's basic financial statements and have issued our report thereon dated November 3, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Venango Technology Center's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Venango Technology Center's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Venango Technology Center's internal control over financial reporting.

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.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

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

This report is intended solely for the information and use of management, the joint operating committee, others within the entity, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

O'Polka & Company, Inc.

November 3, 2010
Franklin, Pennsylvania



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INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVERCOMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

Joint Operating Committee of
Venango Technology Center

Compliance

We have audited Venango County Area Vocational – Technical School's (doing business as Venango Technology Center) compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Venango Technology Center's major federal programs for the year ended June 30, 2010. Venango Technology Center's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Venango Technology Center's management. Our responsibility is to express an opinion on Venango Technology Center's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Venango Technology Center's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of Venango Technology Center's compliance with those requirements.

In our opinion, Venango Technology Center complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2010.

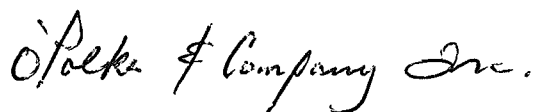
Internal Control Over Compliance

Management of Venango Technology Center is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Venango Technology Center's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Venango Technology Center's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of management, the joint operating committee, others within the entity, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



November 3, 2010
Franklin, Pennsylvania

SECTION C
GOVERNMENT-WIDE FINANCIAL STATEMENTS

Venango Technology Center
Statement of Net Assets
June 30, 2010

	Governmental Activities
Assets	
Current assets	
Cash	\$ 859,608
Accounts receivable	109,423
Intergovernmental receivables	105,801
Federal and state subsidies receivable	96,077
Inventories	6,767
Prepaid expenses	260,105
Total current assets	<u>1,437,781</u>
Noncurrent assets	
Investment in health consortium	<u>108,066</u>
Capital assets	
Land and land improvements	32,737
Building and building improvements	4,258,334
Furniture, equipment and vehicles	3,351,405
Construction in progress	3,560,000
Accumulated depreciation	<u>(5,465,660)</u>
Total capital assets	<u>5,736,816</u>
Total noncurrent assets	<u>5,844,882</u>
Total assets	<u><u>\$ 7,282,663</u></u>
Liabilities and net assets	
Current liabilities	
Accounts payable	\$ 409,795
Current portion of compensated absences	30,852
Current portion of capital lease obligation	200,000
Accrued salaries and benefits	154,253
Payroll deductions and withholdings	39,342
Deferred revenues	<u>15,422</u>
Total current liabilities	<u>849,664</u>
Noncurrent liabilities	
Compensated absences	61,142
Other post employment benefits	133,569
Capital lease obligation	<u>3,130,000</u>
Total noncurrent liabilities	<u>3,324,711</u>
Total liabilities	<u>4,174,375</u>
Net assets	
Invested in capital assets net of related debt	2,406,816
Unrestricted	<u>701,472</u>
Total net assets	<u>3,108,288</u>
Total liabilities and net assets	<u><u>\$ 7,282,663</u></u>

Venango Technology Center
Statement of Activities
For the Year Ended June 30, 2010

Functions/Programs	Expenses	Indirect Expense Allocation	Program Revenues			Net (Expense) Revenue and Changes in Net Assets
			Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental activities	\$ 3,577,807	\$ -	\$ 3,130,405	\$ 846,775	\$ -	\$ 399,373
Instruction	515,506		375,725	82,289		(57,492)
Instructional student support	498,640		355,787	84,622		(58,231)
Administrative and financial support services	538,781		392,689	86,005		(60,087)
Operation and maintenance of plant services	310,411		226,242	39,506		(44,663)
Pupil transportation	49		36	6		(7)
Community services	69,182		50,423	8,805		(9,954)
Interest on long-term debt						
Total governmental activities	\$ 5,510,376	\$ -	\$ 4,531,307	\$ 1,148,008	\$ -	168,939
General revenues						
Investment earnings						1,784
Miscellaneous income						94,824
Total general revenues and transfers						96,608
Change in net assets						265,547
Net assets, July 1, 2009						2,842,741
Net assets, June 30, 2010						\$ 3,108,288

See accompanying notes to financial statements

SECTION D
FUND FINANCIAL STATEMENTS

**Venango Technology Center
Balance Sheet
Governmental Funds
June 30, 2010**

	<u>General</u>	<u>Capital Reserve Fund (Major Fund)</u>	<u>Total Government Funds</u>
Assets			
Cash	\$ 592,423	\$ 267,185	\$ 859,608
Accounts receivable	109,423		109,423
Due (to) from other funds	(137,021)	137,021	
Intergovernmental receivables	105,801		105,801
Federal and state subsidies receivable	96,077		96,077
Prepaid expenses	260,105		260,105
Inventories	6,767		6,767
Total assets	<u><u>\$ 1,033,575</u></u>	<u><u>\$ 404,206</u></u>	<u><u>1,437,781</u></u>
Liabilities and fund balance			
Liabilities			
Payroll taxes payable	\$ 39,342	\$ -	\$ 39,342
Accrued salaries and benefits	154,253		154,253
Accounts payable	382,281	27,515	409,796
Deferred revenues	15,422		15,422
Compensated absences	30,852		30,852
Total liabilities	<u>622,150</u>	<u>27,515</u>	<u>649,665</u>
Fund balance			
Fund balance - unreserved	411,426		411,426
- reserved		376,691	376,691
Total fund balance	<u>411,426</u>	<u>376,691</u>	<u>788,117</u>
Total liabilities and fund balance	<u><u>\$ 1,033,575</u></u>	<u><u>\$ 404,206</u></u>	<u><u>\$ 1,437,781</u></u>

**Venango Technology Center
Reconciliation of the Governmental Funds Balance Sheet
To the Statement of Net Assets
June 30, 2010**

Total fund balances - governmental funds	\$ 788,117
Amounts reported for governmental activities in the statement of net assets are different because	
Capital Assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds. The cost of assets is \$11,202,476, and the accumulated depreciation is \$5,465,660	5,736,816
Investment in health consortium, which is expensed in the fund financial statement	108,066
Long-term liabilities are not due and payable in the current period, and therefore are not reported as liabilities in the funds. Long-term liabilities at year end consist of	
Compensated absences	(61,142)
Other post employment benefits	(133,569)
Capital lease obligation	<u>(3,330,000)</u>
Total net assets - governmental activities	<u>\$ 3,108,288</u>

Venango Technology Center
Statement of Revenues, Expenditures and
Changes in Fund Balance - All Governmental Fund Types
For the Year Ended June 30, 2010

	<u>General</u>	<u>Capital Reserve Fund (Major Fund)</u>	<u>Capital Project Fund (Major Fund)</u>	<u>Total Government Funds</u>
Revenues and other financing sources				
Revenues				
Local sources	\$ 4,660,624	\$ -	\$ -	\$ 4,660,624
State sources	963,180			963,180
Federal sources	184,828			184,828
Other financing sources				
Interest income		1,387		1,387
Proceeds from capital lease obligations			2,742,222	2,742,222
Operating transfers		181,121		181,121
Total revenues and other financing sources	<u>5,808,632</u>	<u>182,508</u>	<u>2,742,222</u>	<u>8,733,362</u>
Expenditures and other financing uses				
Expenditures				
Instruction	3,392,832			3,392,832
Support services	1,737,129			1,737,129
Facilities acquisition and improvements		89,965	2,742,222	2,832,187
Other financing uses				
Debt service	299,182			299,182
Operating transfers	181,121			181,121
Total expenditures and other financing uses	<u>5,610,264</u>	<u>89,965</u>	<u>2,742,222</u>	<u>8,442,451</u>
Revenues and other financing sources over (under) expenditures and other financing uses	198,368	92,543		290,911
Fund balance, July 1, 2009	<u>213,058</u>	<u>284,148</u>		<u>497,206</u>
Fund balance, June 30, 2010	<u>\$ 411,426</u>	<u>\$ 376,691</u>	<u>\$ -</u>	<u>788,117</u>

Venango Technology Center
Reconciliation of the Governmental Funds
Statement of Revenues, Expenditures and Changes in Fund Balance
To the Statement of Activities
June 30, 2010

Total net change in fund balances - governmental funds	\$ 290,911
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. This is the amount by which capital outlays exceeds depreciation in the period:	
Depreciation expense \$ 330,636	
Capital outlays \$2,871,143	2,540,507
Proceeds from long-term capital lease obligations are reported in governmental funds as revenue; however, the proceeds are not reported in the statement of activities	(2,742,222)
Repayment of capital lease obligation is an expenditure in the governmental funds but the repayment reduced long-term liabilities in the statement of net assets	230,000
Other	
Increase in investment in health consortium	10,954
Decrease in compensated absences	13,933
Increase in other post employment benefits	(78,536)
Change in net assets of governmental activities	<u>\$ 265,547</u>

Venango Technology Center
Statement of Revenue, Expenditures and Changes in Fund Balances, Budget and Actual
General Fund
For the Year Ended June 30, 2010

	Budgeted Amounts		Variance - Original with Final Budget	Actual (Budgetary Basis)	Variance with Final Budget	Budgetary basis to GAAP	Actual Amounts
	Original	Final	Positive (Negative)	(Budgetary Basis)	Positive (Negative)	Difference	GAAP basis
Revenues							
Local revenues	\$ 4,740,263	\$ 4,740,263	\$ -	\$ 4,660,624	\$ (79,639)	\$ -	\$ 4,660,624
State program revenues	967,278	967,278		963,180	(4,098)		963,180
Federal program revenues	205,645	205,645		184,828	(20,817)		184,828
Total revenues	5,913,186	5,913,186		5,808,632	(104,554)		5,808,632
Expenditures							
Regular programs	34,892	34,892		19,104	15,788	9,289	28,393
Special programs	80,638	80,638		76,233	4,405	3,952	80,185
Vocational programs	2,578,615	2,552,317	26,298	2,489,583	62,734	171,088	2,660,671
Adult education programs	855,602	855,602		807,912	47,690	34,742	842,654
Pupil personnel services	424,294	426,859	(2,565)	314,546	112,313	14,971	329,517
Instructional staff services	100,800	96,781	4,019	85,143	11,638	(6,054)	79,089
Administrative services	321,075	329,575	(8,500)	311,346	18,229	54,195	365,541
Pupil health	1,500	1,500		1,757	(257)	74	1,831
Business services	143,812	136,312	7,500	126,050	10,262	7,049	133,099
Operation and maintenance of plant services	597,105	534,057	63,048	502,745	31,312	36,036	538,781
Student transportation services	292,750	304,051	(11,301)	296,062	7,989	14,349	310,411
Central and other support services	114,007	114,007		99,480	14,527	5,588	105,068
Community services	1,000	1,000				49	49
Facilities acquisition, construction and improvement services	150,000		150,000				
Total expenditures	5,696,090	5,467,591	228,499	5,129,961	337,630	345,328	5,475,289
Excess (deficiency) of revenues over expenditures	217,096	445,595	228,499	678,671	233,076	(345,328)	333,343
Other financing sources (uses)							
Debt service	(5,100)	(299,452)	(294,352)	(299,182)	270	230,000	(69,182)
Fund transfers	(211,996)	(146,143)	65,853	(181,121)	(34,978)		(181,121)
Total other financing sources (uses)	(217,096)	(445,595)	(228,499)	(480,303)	(34,708)	230,000	(250,303)
Net change in fund balances				198,368	198,368	(115,328)	83,040
Fund balance, July 1, 2009	213,058	213,058		213,058		2,526,799	2,739,857
Fund balance, June 30, 2010	\$ 213,058	\$ 213,058	\$ -	\$ 411,426	\$ 198,368	\$ 2,411,471	\$ 2,822,897

See accompanying notes to financial statements

Venango Technology Center
Statement of Net Assets
Fiduciary Funds
June 30, 2010

	Private Purpose Trust
Assets	
Investments	\$ 47,995
Total assets	<u>\$ 47,995</u>
Liabilities and net assets	
Total liabilities	<u>\$ -</u>
Net assets	<u>47,995</u>
Restricted for legal purposes	<u>47,995</u>
Total net assets	<u>47,995</u>
Total liabilities and net assets	<u>\$ 47,995</u>

**Venango Technology Center
Statement of Changes in Net Assets
Fiduciary Funds
For the Year Ended June 30, 2010**

	Private Purpose Trust
Additions	
Investment income	\$ 649
Unrealized gain on investments	3,881
Total additions	<u>4,530</u>
Deductions	
Scholarships	<u>500</u>
Total deductions	<u>500</u>
Change in net assets	4,030
Net assets, July 1, 2009	<u>43,965</u>
Net assets, June 30, 2010	<u><u>\$ 47,995</u></u>

SECTION E
NOTES TO FINANCIAL STATEMENTS

**Venango Technology Center
Notes to Financial Statements
June 30, 2010**

Note 1 – Entity

The Venango County Area Vocational - Technical School, doing business as Venango Technology Center, was established February 1966. Venango Technology Center was organized under a joint operating agreement signed by participating school districts within attendance area as defined by Pennsylvania State Board of Education. Venango Technology Center provides vocational and technical education to secondary pupils and out-of-school youths and adults. Venango Technology Center is also a member of the Riverview Intermediate Unit 6.

Participating school districts, which are the signatory to the joint operating agreement, are Cranberry Area School District, Forest Area School District, Franklin Area School District, Oil City Area School District, Titusville Area School District and Valley Grove School District.

A joint school board comprised of board members from the participating school districts operates Venango Technology Center. The joint school board is responsible for the approval of the annual budget.

The joint operating committee is comprised of appointees from the participating school districts who determine the program orientations, courses to be included, personnel to be employed and all other matters pertinent to the operation of Venango Technology Center.

The participating school districts are responsible for funding the current operating expenses of Venango Technology Center. The operating expenses are allocated in proportionate shares according to a three-year average of daily membership of pupils from each of the participating school districts.

Note 2 – Summary of Significant Accounting Policies

The financial statements of Venango Technology Center have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP). Venango Technology Center's reporting entity applies all relevant Governmental Accounting Standards Board (GASB) pronouncements as well as applicable Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, unless they conflict with GASB pronouncements.

Fund Account Structure

The accounts of the Venango Technology Center are maintained and the accompanying fund financial statements have been prepared on the accounting practices prescribed or permitted by the Manual of Accounting and Related Financial Procedures for Pennsylvania Department of School Systems (revised), issued by the Pennsylvania Department of Education in accordance of school laws of Pennsylvania.

The accounts of Venango Technology Center are organized on the basis of funds and account groups, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures or expenses, as appropriate. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The various funds are grouped, in the financial

Venango Technology Center
Notes to Financial Statements, continued
June 30, 2010

statements in this report, into two broad fund categories; governmental and fiduciary. Each category, in turn, is divided into separate fund types.

Governmental Fund Type

This is the fund type through which the governmental functions are furnished. The general operating fund of Venango Technology Center is included in this category and is used to account for all financial resources except those required to be accounted for in another fund.

General Fund – The general fund is the general operating fund of the School. It is used to account for all financial resources except those required to be accounted for in another fund.

Capital Projects Funds – Capital projects funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds, special assessment funds and trust funds).

Capital Reserve Fund – Moneys can be used for capital improvements and for replacement of and additions to capital assets, and for deferred maintenance thereof and for no other purpose.

Fiduciary Fund Types

Trust and agency funds are used to account for assets held by Venango Technology Center in a trustee capacity or as an agent for individuals, private organizations, other governments and/or other funds. These include expendable trust and agency funds.

Trust funds account for the awarding of scholarships and other accounts sponsored by individuals. Expendable trust funds are accounted for in essentially the same manner as governmental funds.

Government-Wide Financial Statements – Basis of Presentation

Government-wide financial statements report information about Venango Technology Center as a whole. The statement of net assets and the statement of activities include the financial activities of the primary government, except for fiduciary funds.

The government-wide statements are prepared using the economic resources measurement focus. Governmental fund financial statements therefore include reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

The government-wide statement of activities presents comparison between direct expenses and program revenues for each function or program of Venango Technology Center's governmental activities. Direct expenses are those that are specifically associated with a service, program or department and therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues which are not classified as program revenues are presented as general revenues of Venango Technology Center, with certain limited exceptions. The comparison of direct expenses

Venango Technology Center
Notes to Financial Statements, continued
June 30, 2010

with program revenues identifies the extent to which each business segment or governmental function is self-financing or draws from the general revenues of Venango Technology Center.

Fund Financial Statements – Basis of Presentation

Fund financial statements report detailed information about Venango Technology Center. The focus of governmental financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Fiduciary funds are reported by fund type.

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types are accounted for using a flow of current financial resources measurement focus. The financial statements for governmental funds are a balance sheet, which generally includes only current assets and current liabilities and a statement of revenues, expenditures and changes in fund balances, which reports on the sources (revenues and other financing sources) and uses (expenditures and other financing uses) of current financial resources.

Fiduciary funds are reported using the economic resources measurement focus.

Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Fiduciary funds also use the accrual basis of accounting.

Revenues Exchange and Non-exchange Transactions - Revenue resulting from exchange transactions in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For Venango Technology Center, available means expected to be received within sixty days of fiscal year-end.

Non-exchange transactions in which Venango Technology Center receives value without directly giving equal value in return include grants, entitlements and donations. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Eligibility requirements include timing requirements which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which Venango Technology Center must provide local resources to be used for a specified purpose, and expenditure requirements in which the resources are provided to Venango Technology Center on a reimbursement basis. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized under the modified accrual basis. The following revenue sources are considered to be both measurable and available at fiscal year end: interest, tuition, grants, student fees and rentals.

Venango Technology Center
Notes to Financial Statements, continued
June 30, 2010

Deferred Revenue - Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied. Grants and entitlements received before the eligibility requirements are met are recorded as deferred revenue.

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Allocations of cost, such as depreciation and amortization, are not recognized in governmental funds.

Budgets

Venango Technology Center is required by state laws to adopt annual budgets for the governmental fund. The budget is presented on the modified accrual basis of accounting which is consistent with generally accepted accounting principles (GAAP).

The budgetary information included in the financial statements is stated as adjusted by budget transfers made during the year.

Encumbrances

Encumbrances are recorded when purchase orders are approved and orders have been placed for goods or service. Outstanding purchase orders are classified as accounts payable at year end.

Cash

Cash includes time deposits and all highly liquid investments with original maturities of three months or less.

Investments

Venango Technology Center has adopted Statement No. 31 of the Governmental Accounting Standards Board (GASB 31) – *Accounting and Financial Reporting for Certain Investments and External Investment Pools*. Under GASB 31, Venango Technology Center is required to report investments at fair value.

Inventories

On government-wide financial statements, inventories are presented at the lower of cost or market on a first-in, first-out basis and are expensed when used (consumption method). The inventory of the general fund consists of materials and supplies, including food and donated commodities, which are valued at estimated cost. The cost is recorded as an expenditure at the time the inventory is consumed.

Venango Technology Center
Notes to Financial Statements, continued
June 30, 2010

Capital Assets

General fund capital assets are those assets related to activities of Venango Technology Center. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net assets, but are not reported in the fund financial statements.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date received. Because of the nature of its operations, Venango Technology Center does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not. Interest incurred during the construction of capital assets is capitalized.

All reported capital assets are depreciated. Depreciation is computed using the straight-line method over the following useful lives:

<u>Description</u>	<u>Governmental Activities Estimated Lives</u>
Land improvements	20 years
Building and building improvements	25-40 years
Furniture and equipment	5-20 years
Vehicles	10 years

Compensated Absences

Venango Technology Center employees are permitted to accumulate unused vacation, sick and personal time. Contract provisions require payment for this benefit upon retirement, death or disability based on a negotiated formula.

At June 30, 2010, the accumulated benefit payable consists of:

Accrued vacation	\$30,852
Accumulated sick days	<u>61,142</u>
	<u>\$91,994</u>

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

Venango Technology Center
Notes to Financial Statements, continued
June 30, 2010

Review of Subsequent Events

Venango Technology Center has evaluated subsequent events for potential recognition and/or disclosure through the date the financial statements were available for issuance which was November 3, 2010.

Note 3 – Cash and Investments

Pennsylvania statutes provide for investment of Governmental Funds into certain authorized investment types including U.S. Treasury bills, other short-term U.S. and Pennsylvania government obligations and insured or collateralized time deposits and certificates of deposit. The statutes do not prescribe regulations related to demand deposits; however, they do allow the pooling of governmental funds for investment purposes.

In addition to the investments authorized for Governmental Funds, Fiduciary Fund investments may also be made in corporate stocks and bonds, real estate and other investments consistent with sound business practice.

Deposits of the Governmental Funds are maintained in demand deposits. There were no deposit or investment transactions during the year that were in violation of either the state statutes or the policy of Venango Technology Center. Venango Technology Center has no investment policy that would further limit its investment choices.

Venango Technology Center does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Cash

At June 30, 2010, the deposits (cash) of Venango Technology consist of:

	<u>General Fund</u>	<u>Capital Reserve Fund</u>	<u>Total</u>
Bank balance	\$763,130	\$267,185	\$1,030,315
FDIC insured	(254,209)	_____	(254,209)
Collateralized by securities held by the pledging financial institution's trust department	<u>\$508,921</u>	<u>\$267,185</u>	<u>\$ 776,106</u>
Carrying amount	<u>\$592,423</u>	<u>\$267,185</u>	<u>\$ 859,608</u>

At June 30, 2010, Venango Technology Center's deposits exceeded the \$250,000 Federal Depository Insurance Corporation limit by \$776,106; however, no losses occurred due to this situation. For the uninsured balances, the financial institution pledges U.S. Government Securities for these deposits in accordance with the Act of August 6, 1971 (P.L. 281 No. 72).

Venango Technology Center
Notes to Financial Statements, continued
June 30, 2010

Investments

Investments are valued based upon closing prices from established stock exchanges.

The investments of Venango Technology Center at June 30, 2010 consist of:

<u>Fiduciary Fund</u>	<u>Carrying Amount</u>	<u>Cost</u>
Money Market (uninsured)	\$ 9,008	\$ 9,008
Marketable equities and mutual funds	<u>38,987</u>	<u>50,325</u>
	<u>\$47,995</u>	<u>\$59,333</u>

Venango Technology Center places no limits on the amount Venango Technology Center may invest in one issuer. More than 5% of Venango Technology Center's investments are in the following:

Hartford Mutual Funds, Inc.	\$28,003
Davis New York Venture Fund	7,231
Lord Abbott Bond Fund	<u>3,753</u>
	<u>\$38,987</u>

Note 4 – Receivables

Receivables consist of the following at June 30, 2010:

<u>Intergovernmental receivables</u>	
Due from participating schools	<u>\$105,801</u>
<u>Subsidies receivable</u>	
Social Security reimbursement	\$ 10,718
Public School Employees' Retirement System	19,203
Perkins Practical Nursing Grant	11,000
Adult Education/Practical Nursing	5,156
New Choices/New Options	<u>50,000</u>
	<u>\$ 96,077</u>
<u>Accounts receivable</u>	
County of Venango, Pennsylvania	\$107,291
Riverview Intermediate Unit	<u>2,132</u>
	<u>\$109,423</u>

Venango Technology Center
Notes to Financial Statements, continued
June 30, 2010

Note 5 – Investment in Health Consortium

Venango Technology Center participates in the Northwest School Consortium for health insurance benefits. At June 30, 2010, Venango Technology Center's investment was \$108,066, which represents Venango Technology Center's portion of the Consortium fund balance at year end.

Note 6 – Capital Assets

The following is a summary of changes in capital assets during the fiscal year:

	<u>Balance 06/30/09</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance 06/30/10</u>
Land and land improvements	\$ 32,737	\$	\$	\$ 32,737
Buildings and building improvements	4,195,884	62,450		4,258,334
Furniture, equipment and vehicles	3,284,934	66,471		3,351,405
Construction in progress	<u>817,778</u>	<u>2,742,222</u>	<u></u>	<u>3,560,000</u>
	<u>\$8,331,333</u>	<u>\$2,871,143</u>	<u>\$</u>	<u>\$11,202,476</u>

Depreciation expense was charged to governmental functions as follows:

Instruction	\$226,123
Instructional student support	31,400
Administrative and finance	26,366
Operation and maintenance of plant services	32,349
Student transportation	14,349
Student activities	<u>49</u>
	<u>\$330,636</u>

Note 7 – Deferred Revenue

Deferred revenue consists of the following at June 30, 2010:

Recruitment and retention training scholarship grant	\$12,564
Other deferred revenue	<u>2,858</u>
	<u>\$15,422</u>

Note 8 – Defined Benefit Pension Plan (GASB 27)

All full-time employees of Venango Technology Center are eligible to participate in the Public School Employees' Retirement System (the System), a governmental cost sharing multiple-employer defined benefit pension plan (PSERS). Benefits consist of retirement and disability, legislative mandated ad hoc cost of living adjustments and health care insurance premium assistance to qualifying annuitants. The payroll for Venango Technology Center employees covered by the System for the year ended June 30, 2010 was \$2,189,837; Venango Technology Center's total payroll was \$2,252,521. The total pension expense for Venango Technology Center at June 30, 2010 was \$105,206 which the state reimbursed \$64,133.

Venango Technology Center
Notes to Financial Statements, continued
June 30, 2010

The System issues a comprehensive annual financial report that includes financial statements and required supplementary information for the plan. A copy of the report may be obtained by writing to Diane J. Wert, Office of Financial Management and Budgets, Public School Employees' Retirement System, P.O. Box 125, Harrisburg, PA 17108-0125. The report is also available in the publications section of the PSERS site on the internet at www.psers.state.pa.us/publications/cafr/index.htm.

The contribution is set by Act 96, dated October 2, 1975, as amended (24 Pa. C.S. 8101-8535), and requires contributions by active members, employers and the Commonwealth. Active members who joined the System prior to July 22, 1983, contribute at 5.25 percent (Membership Class TC) or at 6.50 percent (Membership Class TD) 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 percent (Membership Class TC) or at 7.50 percent (Membership Class TD) of the member's qualifying compensation. Members who joined the System after June 30, 2001, contribute at 7.50 percent (automatic Membership Class TD). For all new hires and for members who elected Class TD membership, the higher contribution rates began with service rendered on or after January 1, 2002. Contributions required of employers are based upon an actuarial valuation. For fiscal year ended June 30, 2010, the rate of employer's contribution was 4.78 percent of covered payroll. The 4.78 percent is composed of a pension contribution rate of 4.00 percent for pension benefits and .78 percent for healthcare insurance premium assistance.

Note 9 – Operating Lease Commitments

Venango Technology Center budgets annually for a non-cancelable operating lease for office and computer equipment. Total lease expense was \$18,102 for the year ended June 30, 2010.

The following is a schedule, by years, of the future minimum rentals under the lease at June 30, 2010:

Years ending June 30,	
2011	\$16,256
2012	16,256
2013	16,256
2014	13,352
2015	<u>2,225</u>
	<u>\$64,345</u>

Note 10 – Capital Lease Obligation

On June 4, 2009 Venango Technology Center entered into a capital lease with the State Public School Building Authority for the purpose of financing (a) the planning, design, construction, furnishing and equipping of the energy savings contract capital project and (b) the costs and expenses of such financing. The Authority is financing the project with the \$3,560,000 aggregate principal amount of its Venango County Area Vocational -Technical School Lease Revenue Bond Series of 2009.

Venango Technology Center
Notes to Financial Statements, continued
June 30, 2010

Venango Technology Center also entered into a sublease of the school facilities with the Authority on which the rental payments will be sufficient to pay, when due, the principal and interest of the 2009 Bonds plus fees and expenses. The security for the bonds is the payments received from the participating schools for their respective share of the payments on the capital lease obligation.

The following is a summary of changes in the lease Revenue bond Service of 2009 for the year ended June 30, 2010:

	<u>Balance</u> <u>06/30/09</u>	<u>Issued</u>	<u>Retired</u>	<u>Balance</u> <u>06/30/10</u>
Series of 2009	<u>\$817,778</u>	<u>\$2,742,222</u>	<u>(\$230,000)</u>	<u>\$3,330,000</u>

The obligation has been recorded in the accompanying government wide financial statements as follows:

Current portion	\$ 200,000
Long-term portion	<u>3,130,000</u>
	<u>\$3,330,000</u>

Venango County Area Vocational – Technical School Lease Revenue Bond Series of 2009 will mature as follows:

Years ending June 30,	
2011	\$ 306,412
2012	303,057
2013	304,152
2014	304,845
2015	304,900
2016	303,912
2017	302,069
2018	304,472
2019	306,069
2020	301,720
2021	306,420
2022	305,345
2023	303,586
2024	<u>306,300</u>
	4,263,259
Less interest expense	<u>(933,259)</u>
	<u>\$3,330,000</u>

Venango Technology Center
Notes to Financial Statements, continued
June 30, 2010

Note 11 – Joint Venture

The joint operating agreement with the participating school districts, as described in Note 1, provides that each district bear a portion of the current operating expenses based on a three-year audited average daily membership (ADM) of pupils in the program from each participating school district. The total ADM expenditures also include the participating school district's respective share of the annual cost associated with the capital lease obligation.

The distribution of expenditures is as follows at June 30, 2010:

<u>Member Districts</u>	<u>06-07 ADM%</u>	<u>07-08 ADM%</u>	<u>08-09 ADM%</u>	<u>3 Year Average Audit</u>	<u>ADM Expenditures</u>
Cranberry	13.90	12.96	11.14	13.33	\$ 478,480
Forest Area	8.00	8.12	3.27	7.40	265,361
Franklin	24.05	23.09	29.31	24.66	972,088
Oil City	29.82	30.56	29.82	29.46	1,057,014
Titusville	14.73	14.77	15.19	14.67	526,458
Valley Grove	<u>9.50</u>	<u>10.50</u>	<u>11.27</u>	<u>10.48</u>	<u>375,866</u>
	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>	<u>\$3,675,267</u>

ADM expenditures relate only to costs incurred for operations of the day school program and do not include the costs incurred for the adult programs and non-reimbursable after school program.

The districts pay eight installments to Venango Technology Center based on the expenditures in Venango Technology Center's annual budget. The difference between the payments made and the actual expenditures, as computed above, is refunded to the home schools or paid to Venango Technology Center as necessary.

Audited financial statements for the year ended June 30, 2010 for the member districts are available at their business offices.

Note 12 – Concentration of Revenue

Of Venango Technology Center's total general fund's receipts, approximately 78% are derived from charges for tuition in the fund financial statements and the government-wide financial statements.

Note 13 – Designated Fund Balances

The joint committee authorized the establishment of fund balances to retain the excess of revenue over expenditures directly related to the practical nursing, adult education programs, and VisionQuest programs. These funds are expressly designated by the committee for the operation of these programs in future years. During the year ended June 30, 2010, program operations resulted in an increase of \$220,153 to the practical nursing fund balance, a decrease of \$19,835 to the adult

Venango Technology Center
Notes to Financial Statements, continued
June 30, 2010

education fund balance, and a decrease of \$430 to the New Choices/New Option Reserve fund balance and a decrease of \$2,174 to the VisionQuest fund balance.

As of June 30, 2010, balances for each program are as follows:

Practical Nursing	\$305,314
Adult Education	84,590
New Choices/New Option Reserve Funding	3,299
VisionQuest	<u>4,707</u>
 Total designated fund balances	 <u>\$397,910</u>

Note 14 – Net Asset Reservation

During the year ended June 30, 2008, the capital reserve fund was established. The capital reserve fund is funded annually by a transfer from the general fund equal to 30% of the vocational subsidy received each year. The amount transferred for the year ended June 30, 2010 was \$181,121. At June 30, 2010 the total amount reserved for future capital projects which have not been specifically identified by the board was \$376,691.

Note 15 – Post Employment Benefits

Venango Technology Center maintains a healthcare benefit program for retirees and spouse consisting of medical, prescription drug and dental coverage. All employees are eligible for the benefits upon retirement after attaining age 55 and with 10 years of PSERS service. Retired employees are allowed to continue for themselves and their dependents in Venango Technology Center's group health plan until the retired employee reaches Medicare age. The monthly premium contributed by Venango Technology Center varies based upon years of service and negotiated contracts. Participants eligible for the healthcare coverage are required to contribute the COBRA rate for coverage.

As of June 30, 2010, the projected hospitalization cost through age 65 was for 6 retirees and spouses of retirees and 31 active participants.

The plan is financed as a single employer "pay as you go".

The Other Post Employment Benefits (OPEB) and the Annual Required Contribution (ARC) is determined actuarially every two years using the alternative measurement method based upon the use of health insurance premiums, coverage options and the use of grouping.

For the year ended June 30, 2010 the OPEB has the following components:

Annual required contribution (ARC)	\$165,297
Interest on net OPEB obligation	
Interest of ARC	<u> </u>
	<u>\$165,297</u>

Venango Technology Center
Notes to Financial Statements, continued
June 30, 2010

At June 30, 2010 the net OPEB obligation was as follows:

Annual required contribution (ARC)	\$165,297
Contributions	<u>(31,728)</u>
Net OPEB obligation	<u>\$133,569</u>

Other information:

Actuarial valuation was performed as of June 30, 2010

Actuarial value of plan assets	\$ -0-
Actuarial accrued liability	1,441,291
Total unfunded actuarial accrued liability	1,441,291
Annual payroll for active participants	1,633,305
Ratio of unfunded accrued liability to covered payroll	.882

The actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far in the future, and the actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future.

Actuarial calculations reflect a long-term perspective and, consistent with that perspective, actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets.

Identification of the actuarial methods and significant assumptions used to determine the ARC for the current year as follows:

- Actuarial cost method – Entry Age Normal
- The method used to determine the actuarial value of assets is the fair market value of the assets.
- The inflation rate assumed for health care cost is 8.0% in 2010 and decreasing .1% to 1% per year to an ultimate rate of 4.7% in 2020.
- Salary increases composed of a 3.9% annual increase.
- Mortality is assumed using the RP2000 Morality Table for males and females projected 10 years.
- Retirement is based upon the PSERS plan experience and varies by age, service and gender.
- No disability is assumed.

Venango Technology Center
Notes to Financial Statements, continued
June 30, 2010

Note 16 – Risk Management

Venango Technology Center is exposed to various risks of loss related to torts, theft or damage to and destruction of assets, errors and omissions, injuries to employees and natural disasters. Venango Technology Center currently reports its risk management activities in the general fund.

Venango Technology Center carries commercial insurance for all types of loss, including workers' compensation. There have been no significant reductions in insurance coverage. Settlement amounts have not exceeded insurance coverage for the current year or the three prior years.

Note 17 – Contingent Liabilities

Grant Programs – Venango Technology Center participates in both state and federally assisted grant programs. These programs are subject to program compliance audits by the grantors or their representatives. Venango Technology Center is potentially liable for expenditures which may be disallowed pursuant to the terms of these grant programs. Management is not aware of any material items of non-compliance which would result in the disallowance of program expenditures.

SECTION F
SUPPLEMENTAL FINANCIAL INFORMATION

Venango Technology Center
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2010

Federal Grantor/ Project Title	Source Code	Federal CFDA Number	Pass Through Grantor's Number	Grant Period Beginning Date Ending Date	Program or Award Amount	Total Received For the Year	Less Accruals 6/30/2009	Plus Deferred Revenue 6/30/2009	Revenue Recognized/ Expenditures	Accrued or (Deferred) Revenue 6/30/2010
U.S. Department of Education										
Pell Grants	D	84.063		07-01-09 to 06-30-10	F *	\$ 262,392	\$ -	\$ -	\$ 262,392	\$ -
Passed through PA Department of Education:										
Vocational Education Basic Grants - Perkins	I	84.048	380-100034	07-01-09 to 06-30-10	\$ 184,828 F	184,828			184,828	
Passed through Clarion County Career Center										
Adult-Perkins	I	84.048		07-01-08 to 06-30-09	\$ 14,439 F	11,439	11,439			
Passed through PA Higher Education Assistance Agency										
Federal Family Education Loan Program - AES	I	84.032		07-01-09 to 06-30-10	F *	577,826			577,826	
Passed through PA Career Link										
WIA Incentive Grant	I	17.267		07-01-09 to 06-30-10	F	26,550			26,550	
Total Department of Education						<u>1,063,035</u>	<u>11,439</u>		<u>1,051,596</u>	
U.S. Department of Health and Family Services										
Passed through Venango County, PA										
ARRA-Community Services Block Grant	I	93.710		07-01-09 to 06-30-10	\$ 157,860 F *				107,291	107,291
Total Department of Health and Family Services									<u>107,291</u>	<u>107,291</u>
Total Assistance						<u>\$ 1,063,035</u>	<u>\$ 11,439</u>	<u>\$ -</u>	<u>\$ 1,158,887</u>	<u>\$ 107,291</u>

* Major programs

Source Codes: D - Direct Funding
I - Indirect Funding
F - Federal Funding
S - State Funding

**Venango Technology Center
Schedule of Reconciliation of Federal Family Loan Program
For the Year Ended June 30, 2010**

Received from AES

Gross student loans	\$ 577,826
Loan proceeds returned to students	<u>(200,189)</u>
Loan proceeds received by Venango Technology Center	<u><u>\$ 377,637</u></u>

**Venango Technology Center
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2010**

A. Summary of auditors' results:

1. An unqualified opinion was issued on the basic financial statements of the Venango County Vocational-Technical School.
2. No internal control significant deficiency was disclosed during the audit.
3. No material noncompliance conditions were disclosed during the audit.
4. No significant deficiency in internal control over major programs was disclosed during the audit.
5. An unqualified opinion was issued on the major program compliance audit report.
6. There are no audit findings which are required to be reported under §.510(a).
7. The major programs were as follows:

Pell Grants (CFDA 84.063)	\$262,392
Federal Family Education Loan Program (CFDA 84.032)	577,826
Community Services Block Grant AARA (CFDA 93.710)	<u>107,291</u>
	<u>\$947,509</u>

Total federal expenditures per schedule of federal awards are \$1,158,887

81.76% of federal expenditures were tested as a major program (\$947,509/\$1,158,887).

8. The threshold used to distinguish between Type A and Type B programs was \$300,000.
 9. The auditee did qualify as a low-risk auditee under §.530.
- B.** There were no findings relating to the general-purpose financial statements, which are required to be reported under GAGAS.
- C.** There were no findings and questioned costs relating to the Federal Awards including audit findings as defined in §.510(a).

**Venango Technology Center
Schedule of
Special Accounts
For the Year Ended June 30, 2010**

Food services		
Lunches, dinners, bakery and meat cutting	\$ 32,796	
Cost of food consumed	<u>40,384</u>	
Net Income (loss)		(7,588)
Marketing department		
Sales	48,945	
Cost of sales	<u>47,951</u>	
Net income		994
Auto trades department		
Sales	8,835	
Cost of sales	<u>8,462</u>	
Net income		373
Other departments		
Sales	10,697	
Cost of sales	<u>9,867</u>	
Net income		830
Other expenses		
Community awareness	69	
Miscellaneous	<u>53</u>	
Total other expenses		<u>(122)</u>
Net income special accounts		<u><u>\$ (5,513)</u></u>