Venango Technology Center

THE VENANGO COUNTY AREA VOCATIONAL – TECHNICAL SCHOOL D/B/A VENANGO TECHNOLOGY CENTER

AUDITED FINANCIAL STATEMENTS
AND SUPPLEMENTAL INFORMATION

FOR THE YEAR ENDED JUNE 30, 2017

McGill, Power, Bell & Associates, LLP
Certified Public Accountants • Business & Financial Advisors
80 YEARS and Still Counting

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SECTION A
MANAGEMENT DISCUSSION AND ANALYSIS

Venango Technology Center
Management Discussion and Analysis
June 30, 2017

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, 2017. 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 2017

- The Venango Technology Center's assets for the year ended June 30, 2017 totaled $7,270,463 as reported in the Statement of Net Position. This total is comprised entirely of 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 2016-2017 school year were $6,340,544. The following is a breakdown of the various funding sources:

Local Sources	$ 4,987,888	(78%)
State Sources	$ 1,193,427	(19%)
Federal Sources	$ 159,229	(3%)

- 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 $350,970 or approximately 7.79% of the amount budgeted.

- Total General Fund expenditures for the 2016-2017 school year, as reported in the Statement of Revenues, Expenditures and Changes in Fund Balance, were $6,371,385. The following is a breakdown of the expenditures by major function:

1000	Instruction	$ 2,982,739	(46.81%)
1600	Adult programs	$ 980,217	(15.38%)
2000	Support Services	$ 2,055,702	(32.26%)
5000	Debt Service	$ 301,300	(4.73%).
5000	Fund Transfers	$ 51,427	(0.81%)

- The Joint Committee of the Venango Technology Center authorized the establishment of a Capital Projects in 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 Projects fund, the Venango Technology Center will retain 10% of these monies. The General Fund transfers to the Capital Projects during 2016-17 amounted to $51,427. During 2016-2017, all of these funds were used to fund $20,331 for replacing exterior doors.

- 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, 2017, the balance in this fund was $64,848 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 Governmental Accounting Standards Board (GASB) No. 68, *Accounting and Financial Reporting for Pension*, changed the manner in which the Net Position is presented. This pronouncement requires the Center to recognize the net pension liability and the annual expense related to this.

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 position and changes in net position (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 Position	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 position and how it has changed. Net position, 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 position is 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 position 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 Position 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 Changes in Net Position – Fiduciary Fund. 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.

<u>Fund Balance Reporting</u>

The Governmental Accounting Standards Board (GASB) has issued Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* (GASB 54). This statement defines the different types of fund balances that a governmental entity must use for financial reporting purposes.

GASB 54 requires the fund balance amounts to be properly reported within one of the fund balance categories list below.

1. *Nonspendable,* such as fund balance associated with inventories, prepaids, long-term loans and notes receivable, and property held for resale (unless the proceeds are restricted, committed, or assigned),

2. *Restricted* fund balance category includes amounts that can be spent only for the specific purposes stipulated by constitution, external resource providers, or through enabling legislation,

3. *Committed* fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the Joint Operating Committee (Venango Technology Center's highest level of decision-making authority),

4. *Assigned* fund balance classification are intended to be used by the government for specific purposes but do not meet the criteria to be classified as restricted or committed, and

5. *Unassigned* fund balance is the residual classification for the government's general fund and includes all spendable amounts not contained in the other classifications.

Venango Technology Center's policy is to apply expenditures against non-spendable fund balance, restricted fund balance, committed fund balance, assigned fund balance, and unassigned fund balance at the end of the fiscal year by adjusting journal entries.

First non-spendable fund balances are determined. Then restricted fund balances for specific purposes are determined (not including non-spendable amounts). Then any remaining fund balance amounts for the non-general funds are classified as restricted fund balance.

It is possible for the non-general funds to have negative unassigned fund balance when non-spendable amounts plus the restricted fund balances for specific purposes amounts exceed the positive fund balance for the non-general fund.

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 position, $1,053,238 is assigned for adult programs, secondary programs that are not state reimbursable and the Capital Projects Fund. The unrestricted deficit relates to short and long-term liabilities necessary to fund payroll, compensated absences, net pension liability 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, 2017, the Center had $12,552,497 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, 2017	**June 30,** 2016
Land and Improvements	$ 57,637	$ 57,637
Buildings and Improvements	$ 8,247,657	$ 8,227,326
Furniture and Equipment	$ 4,247,203	$ 4,069,126
Total Capital Assets	$12,552,497	$12,354,089
LESS: Accumulated Depreciation	($ 8,157,361)	($ 7,750,209)
Total Capital Assets, Net Accumulated Depreciation	$ 4,395,136	$ 4,603,880

The primary changes in equipment relate to the replacement of exterior doors $20,331, $42,813 in a new GMC pickup truck, $25,488 to replace technology equipment, lastly $24,956 for a crane in welding.

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, 2017, the balance in each of the areas is as follows:

	Short-Term	**Long-Term**	**Total**
Net Pension Liability	$ -	$8,127,000	$8,127,000
Accrued Vacation	34,039		34,039
Post-employment Health Care Benefits	-	935,137	935,137
Accumulated Sick Days	-	69,426	69,426
Total	$34,039	$9,131,563	$9,165,602

Comparative Analysis

Assets	6/30/2017	6/30/2016	$ Variance	% Variance
Current Assets:				
Cash and cash equivalents	$1,494,573	$1,474,922	$19,651	1.33%
Accounts receivable	65	99,091	(99,026)	-100.00%

Federal and state subsidies receivable	182,639	155,343	27,296	17.57%
Inventories	11,753	10,398	1,355	13.03%
Prepaid expenses	30,047	21,481	8,566	39.88%
Total current assets	1,719,077	1,761,235	(42,158)	-2.39%
Noncurrent assets:				
Investment in Health Consortium	129,250	111,090	18,160	16.35%
Capital Assets:				
Land and land improvements	57,637	57,637	-	0.00%
Buildings and building improvements	8,247,657	8,227,326	20,331	0.25%
Furniture, equipment, and vehicles	4,247,203	4,069,126	178,077	2.40%
Accumulated depreciation	(8,157,361)	(7,750,209)	(407,152)	-5.25%
Total noncurrent assets	4,524,386	4,714,971	(190,585)	-4.04%
Total assets	6,243,463	6,476,206	(232,743)	-3.59%
Deferred outflows of resources - pension	1,027,000	498,560	528,440	105.99%
Total assets and deferred outflows of resources	$7,270,463	$6,974,766	$295,697	4.24%
Current liabilities:				
Accounts payable	$ 26,837	$ 31,517	$ (4,680)	-14.85%
Intergovernmental payable	350,970	369,434	(18,464)	-4.99%
Current portion of compensated absences	34,039	53,203	(19,164)	-36.02%
Current portion of capital lease obligation	265,000	257,000	8,000	3.11%
Accrued salaries and benefits	213,136	233,824	(20,688)	-8.85%
Payroll deductions and withholdings	7,662	7,456	206	2.76%
Unearned revenues	19,675	20,508	(833)	4.07%
Total current liabilities	917,319	972,942	(55,623)	-5.72%

Noncurrent liabilities:				
Compensated absences	69,426	70,211	(785)	-1.12%
Other post-employment benefits	935,137	916,295	18,842	2.06%
Net pension liability	8,127,000	7,233,000	894,000	12.36%
Capital lease obligation	1,716,000	1,981,000	(265,000)	-13.38%
Total noncurrent liabilities	10,847,563	10,200,506	647,057	6.34%
Deferred inflows of resources - pension	402,000	350,000	52,000	14.86%
Total liabilities and deferred inflows of resources	12,166,882	10,550,506	699,057	6.63%
Net position:				
Invested in capital assets net of related debt	2,414,136	2,365,881	48,255	2.04%
Unrestricted (deficit)	(7,310,555)	(7,063,124)	(247,431)	-3.50%
Total net position	(4,896,419)	(4,697,243)	(199,176)	-4.24%

- The differences in accounts receivable were due to amounts returned to sending schools in 15-16 that did not exist in 16-17.
- The federal and state receivables are up in direct relationship to the increase in the retirement contribution rate.
- The primary changes in buildings and improvements equipment relate to $31,945 in new windows and doors.
- Changes in furniture, equipment and vehicles relate to replacement of exterior doors $20,331, $42,813 in a new GMC pickup truck, $25,488 to replace technology equipment, lastly $24,956 for a crane in welding.
- The investment in health consortium is the balance due from the Tech Center participation in the Reschini health consortium. 2016-2017 was the first year of participation in the NOREBT health consortium.
- Intergovernmental payables were down due to a decrease in the amount due to the sending schools.
- Current portion of compensated absences were down as we had no anticipated retirements to include as current.
- Retiring teachers who took the lump sum is the reason Accrued Salary and benefits is down.
- Net pension liability is a result of a new accounting pronouncement.
- Capital Lease is less by the amount of the payment that was made during the year.

Comparative General Fund Revenues and Expenditures – Fund Accounting

	6/30/2017	6/30/2016	$ Variance	% Variance
REVENUE				
Local revenues	$ 4,987,888	$ 4,907,801	$ 80,087	1.63%
State program revenues	1,193,427	1,064,845	128,582	12.08%
Federal program revenues	159,229	159,050	179	0.11%
	$6,340,544	$ 6,131,696	$ 208,848	3.41%
EXPENDITURES				
Special programs	98,497	89,165	9,332	10.47%
Vocational programs	2,884,242	2,731,185	153,057	5.60%
Adult education programs	980,217	982,773	(2,556)	-0.26%
Pupil personnel services	328,037	322,891	5,146	1.59%
Instructional staff services	173,602	169,028	4,574	2.71%
Administrative services	283,270	259,994	23,276	8.95%
Pupil Health	657	460	197	42.83%
Business services	190,198	166,713	23,485	14.09%
Operation and maintenance of plant	595,729	592,423	3,306	0.56%
Student transportation services	419,330	393,284	26,046	6.62%
Central and other support services	64,879	61,739	3,140	5.09%
Fund Transfers	51,427	51,851	(424)	-0.82%
Debt service	301,300	302,654	(1,354)	-0.45%
	$ 6,371,385	$ 6,124,160	$ 247,225	4.04%

- The minimal increase in vocational programs follows directly the raises and payroll tax increases. There were nominal raises for those at the top of the salary schedule that were offset by the substantial increase retirement contributions. This was also the case in the categories of Administrative services and Business services.

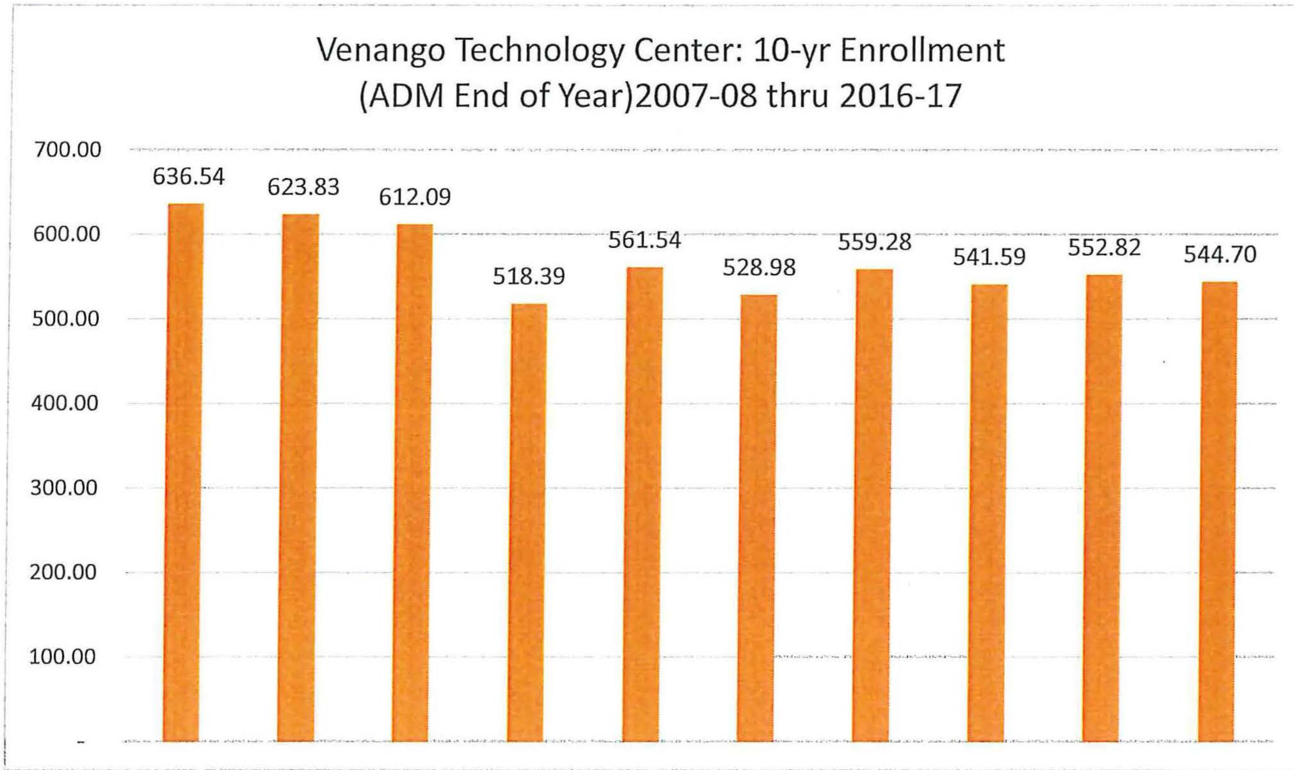
- Transportation follows the state index which is approximately a 5.5% increase. Also, the field trips take were up slightly.

- For the adult programs, we budget for at least 30 students in Warren and 30 in Oil City. We finished with 16 in Oil City and 19 in Warren. We adjust personnel accordingly. The cost per student is $13,000 per kid. We had about 5 students less in 16-17 than we did in 15-16. We also made personnel changes and reductions to in staff to keep costs consistent with the student decrease.

The Reconciliation of the Governmental Funds Statement or 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 been reduced over the past couple years as a result of not replacing staff through attrition. Overall, the enrollment in relation to quota has held very close to 90% of quota. The past 10 year's enrollment is 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 2018-2019. The Professional Advisory Committee, administration and the Joint Committee have been considering the instructional areas of the Center and discussion has begun to determine if expanding or eliminating program areas is in the best interest of the Center. This along with the continued funding of the Capital Projects fund, will allow continuing future capital improvements as the needs associated with a forty year old building continue to surface. Capital projects scheduled for the 2017-2018 school year include sealing the parking lot and beginning to renovate areas to accommodate the new Dental Assistant program.

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.

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 ventured into an agreement with PA Pride LLC during the 2011-2012 school year. PA Pride offers CDL training and will continue to pursue degree programs through relationships with community colleges. The Tech Center is considering applying for accreditation through the PA Department of Education to offer a greater number of adult programs in the future.

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
AUDITOR'S REPORTS

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INDEPENDENT AUDITOR'S REPORT

Joint Operating Committee of
Venango Technology Center

Report on the Financial Statements

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, 2017, and the related notes to the financial statements, which collectively comprise Venango Technology Center's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of the Venango Technology Center, as of June 30, 2017, and the respective changes in financial position and the respective budgetary comparison for the General Fund thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages A-1 through A-10 and schedule of the district's proportionate share of the net pension liability, schedule of district contributions for the pension plan and schedule of funding progress and employer contributions on page F-1 through F-3 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Venango Technology Center 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 schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards,* and is also not a required part of the basic financial statements.

The supplemental schedule of special accounts and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplemental schedule of special accounts and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards,* we have also issued our report dated November 16, 2017, on our consideration of the Venango Technology Center'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 Venango Technology Center's internal control over financial reporting and compliance.

McGill, Power, Bell & Associates, LLP

McGill, Power, Bell & Associates, LLP

November 16, 2017
Franklin, Pennsylvania

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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*

Joint Operating Committee of
Venango Technology Center

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, each major fund and the aggregate remaining fund information of Venango County Area Vocational – Technical School (doing business as Venango Technology Center), as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise Venango Technology Center's basic financial statements, and have issued our report thereon dated November 16, 2017.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Venango Technology Center'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 Venango Technology Center's internal control. Accordingly, we do not express an opinion on the effectiveness of Venango Technology Center'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.

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Compliance and Other Matters

As part of obtaining reasonable assurance about whether Venango Technology Center'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.

McGill, Power, Bell & Associates, LLP

McGill, Power, Bell & Associates, LLP

November 16, 2017
Franklin, Pennsylvania

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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

Joint Operating Committee of
Venango Technology Center

Report on Compliance for Each Major Federal Program

We have audited the Venango County Area Vocational – Technical School's (doing business as Venango Technology Center) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Venango Technology Center's major federal programs for the year ended June 30, 2017. 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.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Venango Technology Center's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance 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 the 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 on compliance for each major federal program. However, our audit does not provide a legal determination of Venango Technology Center's compliance.

Opinion on Each Major Federal Program

In our opinion, Venango Technology Center, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2017.

Report on Internal Control Over Compliance

Management of Venango Technology Center is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Venango Technology Center's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, 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. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

McGill, Power, Bell & Associates, LLP

McGill, Power, Bell & Associates, LLP

November 16, 2017
Franklin, Pennsylvania

SECTION C
GOVERNMENT-WIDE FINANCIAL STATEMENTS

VENANGO TECHNOLOGY CENTER
STATEMENT OF NET POSITION
JUNE 30, 2017

	Governmental Activities
ASSETS	
CURRENT ASSETS	
Cash	$ 1,494,573
Federal and state subsidies receivable	182,639
Other receivables	65
Inventories	11,753
Prepaid expenses	30,047
TOTAL CURRENT ASSETS	1,719,077
NONCURRENT ASSETS	
Invested in health consortium	129,250
CAPITAL ASSETS	
Land and land improvements	57,637
Building and building improvements	8,247,657
Furniture and equipment	4,247,203
Accumulated depreciation	(8,157,361)
TOTAL CAPITAL ASSETS	4,395,136
TOTAL NONCURRENT ASSETS	4,524,386
TOTAL ASSETS	6,243,463
DEFERRED OUTFLOWS OF RESOURCES	
Pension	1,027,000
TOTAL DEFERRED OUTFLOWS OF RESOURCES	1,027,000
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	7,270,463
LIABILITIES	
CURRENT LIABILITIES	
Intergovernmental payables	350,970
Accounts payable	26,837
Current portion of capital lease obligation	265,000
Current portion of compensated absences	34,039
Accrued salaries and related benefits	213,136
Payroll related liabilities	7,662
Unearned revenue	19,675
TOTAL CURRENT LIABILITIES	917,319
NONCURRENT LIABILITIES	
Capital lease obligation	1,716,000
Other post employment benefits	935,137
Compensated absences	69,426
Net pension liability	8,127,000
TOTAL NONCURRENT LIABILITIES	10,847,563
TOTAL LIABILITIES	11,764,882
DEFERRED INFLOWS OF RESOURCES	
Pension	402,000
TOTAL DEFERRED INFLOWS OF RESOURCES	402,000
TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	12,166,882
NET POSITION	
Invested in capital assets net of related debt	2,414,136
Unrestricted	(7,310,555)
TOTAL NET POSITION	$ (4,896,419)

See accompanying notes to financial statements.

VENANGO TECHNOLOGY CENTER

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2017

Functions/Programs	Expenses	Indirect Expenses Allocation	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Position: Governmental Activities
Governmental activities						
Instruction	$ 4,424,065	$ -	$ 3,112,242	$ 945,459	$ 26,552	$ (339,812)
Instructional student support	624,598	-	486,781	117,234	-	(20,583)
Administration and financial support services	549,741	-	428,441	103,183	-	(18,117)
Operation and maintenance of plant services	600,374	-	467,902	112,686	-	(19,786)
Pupil transportation	445,689	-	347,348	43,243	-	(55,098)
Interest on long-term debt	44,300	-	34,525	4,298	-	(5,477)
Total governmental activities	$ 6,688,767	$ -	$ 4,877,239	$ 1,326,103	$ 26,552	(458,873)
General revenues						
Investment earnings						487
Miscellaneous income						103,150
Total general revenues						111,137
Change in net position						(347,736)
NET POSITION, JULY 1, 2016						(4,548,683)
NET POSITION, JUNE 30, 2017						$ (4,896,419)

See accompanying notes to financial statements.

SECTION D
FUND FINANCIAL STATEMENTS

VENANGO TECHNOLOGY CENTER

BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2017

	General	Capital Project (Major Fund)	Total Governmental Funds
ASSETS			
Cash	$ 869,254	$ 625,319	$ 1,494,573
Due (to) from other funds	(31,096)	31,096	-
Federal and state subsidies receivable	182,639	-	182,639
Other receivable	65	-	65
Prepaid expenses	30,047	-	30,047
Inventories	11,753	-	11,753
TOTAL ASSETS	$ 1,062,662	$ 656,415	$ 1,719,077
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Intergovernmental payables	$ 350,970	$ -	$ 350,970
Accounts payable	26,837	-	26,837
Accrued salaries and related benefits	213,136	-	213,136
Payroll related liabilities	7,662	-	7,662
Unearned revenues	19,675	-	19,675
Compensated absences	34,039	-	34,039
TOTAL LIABILITIES	652,319	-	652,319
FUND BALANCES			
Nonspendable	11,753	-	11,753
Assigned	396,823	656,415	1,053,238
Unassigned	1,767	-	1,767
TOTAL FUND BALANCES	410,343	656,415	1,066,758
TOTAL LIABILITIES AND FUND BALANCES	$ 1,062,662	$ 656,415	$ 1,719,077

See accompanying notes to financial statements.

VENANGO TECHNOLOGY CENTER
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET POSITION
JUNE 30, 2017

Total fund balances - governmental funds	$	1,066,758
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. The cost of assets is $12,552,497 and the accumulated depreciation is $8,157,361.		4,395,136
Investment in health consortium, which is expensed in the fund financial statements		129,250
Deferred outflows of resources related to pensions are not recognized in the fund financial statements		1,027,000
Deferred inflows of resources related to pensions are not recognized in the fund financial statements		(402,000)
Long-term liabilities including bonds payable 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:		
Capital lease obligation		(1,981,000)
Other post-employment benefits		(935,137)
Compensated absences		(69,426)
Net pension liability		(8,127,000)
TOTAL NET POSITION - GOVERNMENTAL ACTIVITIES	$	(4,896,419)

See accompanying notes to financial statements.

VENANGO TECHNOLOGY CENTER

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - ALL GOVERNMENTAL FUND TYPES

FOR THE YEAR ENDED JUNE 30, 2017

	General	Capital Project (Major Fund)	Total Government Funds
REVENUES AND OTHER FINANCING SOURCES			
REVENUES			
Local sources	$ 4,987,888	$ 487	$ 4,988,375
State sources	1,193,427	-	1,193,427
Federal sources	159,229	-	159,229
OTHER FINANCING SOURCES			
Interfund transfer	-	51,427	51,427
TOTAL REVENUES AND OTHER FINANCING SOURCES	6,340,544	51,914	6,392,458
EXPENDITURES AND OTHER FINANCING USES			
EXPENDITURES			
Instruction	3,962,956	-	3,962,956
Support services	2,055,702	-	2,055,702
Facilities acquisition and improvements	-	20,331	20,331
Debt service	301,300	-	301,300
OTHER FINANCING USES			
Interfund transfer	51,427	-	51,427
TOTAL EXPENDITURES AND OTHER FINANCING USES	6,371,385	20,331	6,391,716
Revenues and other financing sources over (under) expenditures and other financing uses	(30,841)	31,583	742
FUND BALANCE, JULY 1, 2016	441,184	624,832	1,066,016
FUND BALANCE, JUNE 30, 2017	$ 410,343	$ 656,415	$ 1,066,758

See accompanying notes to financial statements.

VENANGO TECHNOLOGY CENTER
RECONCILIATION OF THE GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2017

Total net change in fund balances - governmental funds			$ 742
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 depreciation expense exceeded capital outlays in the period.			
Depreciation expense	$ 407,152		
Capital Outlays	$ 198,408		(208,744)
Repayment of capital lease obligation is an expenditure in the governmental funds but the repayment reduces long-term liabilities in the statement of net position.			257,000
Other			
Increase/(decrease) in investment in health consortium		18,160	
Increase/(decrease) in deferred outflows of resources		528,440	
(Increase)/decrease in compensated absences		21,508	
(Increase)/decrease in other post-employment benefits		(18,842)	
(Increase)/decrease in deferred inflows of resources		(52,000)	
(Increase)/decrease in net pension liability		(894,000)	
			(396,734)
CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES			$ (347,736)

See accompanying notes to financial statements.

VENANGO TECHNOLOGY CENTER
STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCES, BUDGET AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2017

	Budgeted Amounts Original	Budgeted Amounts Final	Variance - Original with Final Budget Positive (Negative)	Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)	Budgetary Basis to GAAP Difference	Actual Amounts GAAP basis
REVENUES							
Local revenues	$ 5,665,744	$ 5,665,744	$ -	$ 4,987,888	$ (677,856)	$ -	$ 4,987,888
State program revenues	991,298	991,298	-	1,193,427	202,129	-	1,193,426
Federal program revenues	159,050	159,050	-	159,229	179	-	159,229
TOTAL REVENUES	6,816,092	6,816,092	-	6,340,544	(475,548)	-	6,340,543
EXPENDITURES							
Regular programs	10,000	10,000	-	-	10,000	(631)	631
Special programs	123,331	103,491	19,840	98,497	4,994	(7,777)	106,274
Vocational programs	3,066,811	3,048,627	18,184	2,884,242	164,385	(72,087)	2,956,329
Adult education programs	1,176,279	1,176,279	-	980,217	196,062	(380,613)	1,360,830
Pupil personnel services	351,887	343,679	8,208	328,037	15,642	(62,939)	390,976
Instructional staff services	153,130	173,793	(20,663)	173,602	191	9,952	163,650
Administrative services	279,522	286,385	(6,863)	283,270	3,115	(63,384)	346,654
Pupil health	1,750	1,750	-	657	1,093	(110)	767
Business services	204,391	193,855	10,536	190,198	3,657	(12,889)	203,087
Operation and maintenance of plant services	602,750	633,657	(30,907)	595,729	37,928	(4,645)	600,374
Student transportation services	417,995	419,330	(1,335)	419,330	-	(26,359)	445,689
Central support services	68,616	65,616	3,000	64,879	737	(4,327)	69,206
Debt service	306,000	306,000	-	301,300	4,700	257,000	44,300
TOTAL EXPENDITURES	6,762,462	6,762,462	-	6,319,958	442,504	(368,809)	6,688,767
Excess (deficiency) of revenues over expenditures	53,630	53,630	-	20,586	(33,044)	(368,809)	(348,224)
OTHER FINANCING SOURCES (USES)							
Operating transfers in (out)	(53,630)	(53,630)	-	(51,427)	2,203	-	(51,427)
TOTAL OTHER FINANCING SOURCES (USES)	(53,630)	(53,630)	-	(51,427)	2,203	-	(51,427)
NET CHANGE IN FUND BALANCE	-	-	-	(30,841)	(30,841)	(368,809)	(399,651)
FUND BALANCE, JULY 1, 2016	441,184	441,184	-	441,184	-	(5,204,752)	(4,763,568)
FUND BALANCE, JUNE 30, 2017	$ 441,184	$ 441,184	$ -	$ 410,343	$ (30,841)	$ (5,573,561)	$ (5,163,219)

See accompanying notes to financial statements.

VENANGO TECHNOLOGY CENTER
STATEMENT OF NET POSITION
FIDUCIARY FUND
JUNE 30, 2017

	Private Purpose Trust
ASSETS	
Investments	$ 64,848
TOTAL ASSETS	64,848
LIABILITIES	
TOTAL LIABILITIES	-
NET POSITON	
Restricted for legal purposes	64,848
TOTAL NET POSITION	$ 64,848

See accompanying notes to financial statements.

VENANGO TECHNOLOGY CENTER
STATEMENT OF CHANGES IN NET POSITION
FIDUCIARY FUND
FOR THE YEAR ENDED JUNE 30, 2017

	Private Purpose Trust
ADDITIONS	
Investment income	$ 3,500
TOTAL ADDITIONS	3,500
DEDUCTIONS	
Distributions	900
TOTAL DEDUCTIONS	900
CHANGE IN NET POSITION	2,600
NET POSITION, JULY 1, 2016	62,248
NET POSITION, JUNE 30, 2017	$ 64,848

See accompanying notes to financial statements.

SECTION E

NOTES TO FINANCIAL STATEMENTS

NOTE A – 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 B – 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 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

These are the funds by which the governmental functions are furnished. The funds included in this category are:

General Fund

The general fund is the general operating fund of the School. It is used to account for all financial resources not accounted for in another fund.

Capital Projects Funds

Capital projects funds are used to account for all financial resources that are restricted, committed, or assigned to expenditures for capital outlay (other than those financed by proprietary funds, special assessment funds and trust funds).

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 position and the statement of activities include the financial activities of the primary government, except for fiduciary funds. As a general rule, the effect of interfund activity has been eliminated from these statements.

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 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.

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position and or balance sheet will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The Center has only one item that qualifies for reporting in this category. It is deferred outflows related to the pension reported on the statement of net position.

In addition to liabilities, the statement of net position and or balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, 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 Center has only one item that qualifies for reporting in this category. It is deferred inflows related to the pension reported on the statement of net position.

Fund Balance Reporting

The Governmental Accounting Standards Board (GASB) has issued Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* (GASB 54). This statement defines the different types of fund balances that a governmental entity must use for financial reporting purposes.

GASB 54 requires the fund balance amounts to be properly reported within one of the fund balance categories list below.

1. *Nonspendable,* such as fund balance associated with inventories, prepaids, long-term loans and notes receivable, and property held for resale (unless the proceeds are restricted, committed, or assigned),

2. *Restricted* fund balance category includes amounts that can be spent only for the specific purposes stipulated by constitution, external resource providers, or through enabling legislation,

3. *Committed* fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the Joint Operating Committee (Venango Technology Center's highest level of decision-making authority),

4. *Assigned* fund balance classification are intended to be used by the government for specific purposes but do not meet the criteria to be classified as restricted or committed, and

5. *Unassigned* fund balance is the residual classification for the government's general fund and includes all spendable amounts not contained in the other classifications.

Venango Technology Center's policy is to apply expenditures against non-spendable fund balance, restricted fund balance, committed fund balance, assigned fund balance, and unassigned fund balance at the end of the fiscal year by adjusting journal entries.

First non-spendable fund balances are determined. Then restricted fund balances for specific purposes are determined (not including non-spendable amounts). Then any remaining fund balance amounts for the non-general funds are classified as restricted fund balance.

It is possible for the funds to have negative unassigned fund balance when non-spendable amounts plus the restricted fund balances for specific purposes amounts exceed the positive fund balance for the non-general fund.

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.

Unearned Revenue

Unearned 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 unearned 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.

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, which are valued at estimated cost. The cost is recorded as an expenditure at the time the inventory is consumed.

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 position, 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:

Description	Governmental Activities Estimated Lives
Land improvements	20 years
Building and building improvements	25-40 years
Furniture and equipment	5-20 years
Vehicles	5-12 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, 2017, the accumulated benefit payable consists of:

Current:	
Accrued vacation	$ 34,039
Long term:	
Accumulated sick days	69,426
	$103,465

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.

Recently Issued Accounting Pronouncements

Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions,* is effective for periods beginning after June 15, 2017. The primary objective of this Statement is to improve accounting and financial reporting by governments for postemployment benefits other than pensions (OPEB). It also improves information provided by governmental employers about financial support for OPEB that is provided by other entities. Management is currently evaluating the impact of the adoption of this Statement on the District's financial statements.

GASB 85 addresses practice issues identified during implementation and application of certain other GASB Statements. Specifically, the Statement addresses the timing and measurement of pension or OPEB liabilities and expenditures in the fund financial statements, OPEB supplementary information, and simplifying certain aspects of the OPEB alternative measurement method. This statement is effective for fiscal years beginning after June 15, 2017. Management is currently evaluating the impact of the adoption of this Statement on the District's financial statements.

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 16, 2017.

NOTE C – 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, 2017, the deposits (cash) of Venango Technology consist of:

	General Fund	Capital Project Fund	Total
Bank balance	$904,923	$625,319	$1,530,242
FDIC insured	(258,712)	-	(258,712)
Collateralized by securities held by the pledging financial institution's trust department	$646,211	$625,319	$1,271,530
Carrying amount	$869,254	$625,319	$1,494,573

At June 30, 2017, Venango Technology Center's deposits exceeded the $250,000 Federal Depository Insurance Corporation limit by $1,271,530; 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).

Investments

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

The investments of Venango Technology Center at June 30, 2017 consist of:

Fiduciary Fund	Carrying Amount	Cost
Money Market (uninsured)	$12,901	$12,901
Marketable equities and mutual funds	51,947	49,174
	$64,848	$62,075

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:

PIMCO Active Bond	$ 9,332
Vanguard Short Term Corp Bond	7,284
iShares Russell 2000	3,523
SPDR S&P 500	5,803
Wisdomtree Trust Europe Hedged Equity Fund	4,301
First Trust IV Tactical High Yield	3,982
	$34,225

The following schedule summarizes the investment return for the year ended June 30, 2017:

Interest and dividend income	$1,354
Realized gain (loss) on investments, net	3,226
Unrealized gain (loss) on investments, net	(1,080)
	$3,500

NOTE D – FAIR VALUE MEASUREMENTS

Venango Technology Center measures fair value in accordance with Financial Accounting Standards Board (FASB), *Accounting Standards Codification (ASC) 820, Fair Value Measurements and Disclosures.* The codification provides a three level hierarchy that prioritizes the inputs of the valuation techniques used to measure fair value. Inputs are defined as assumptions used by market participants while pricing the asset or liability, including assumptions about risks. The following is a summary of the three levels, with level one having the highest priority and level three having the lowest priority:

Level 1 – Inputs to the valuation technique generally are quoted prices in active markets for identical assets or liabilities. Venango Technology Center has the ability to access these assets or liabilities at the measurement date.

Level 2 – Inputs to the valuation technique generally are available indirect information, such as quoted prices for similar assets or liabilities in active markets, or quoted prices for identical or similar assets or liabilities in markets that are not active.

Level 3 – Inputs are unobservable and generally allow for situations in which there is little, if any, market activity. The inputs are based on Venango Technology Center's own assumptions about the factors that market participants would use in pricing the asset or liability.

The following table sets forth by level, within the fair value hierarchy, Venango Technology Center's assets at fair value as of June 30, 2017:

	Level 1	Level 2	Level 3
Unrestricted investments			
Money market funds	$12,901	$ -	$ -
Bond funds	16,615	-	-
Equity funds	28,328	-	-
Mutual funds	7,004	-	-
Total unrestricted investments	$64,848	$ -	$ -

The valuation techniques used for the assets measured at fair value are as follows:

Mutual Funds

The investments are valued using the Net Asset Value (NAV) provided by the administrator of the fund. The NAV is calculated based on the value of the underlying assets owned by the fund, minus its liabilities, and then divided by the number of shares outstanding. The NAV is a quoted price from an active market and are classified as level 1 of the hierarchy. Valuation techniques that use quoted prices from a non-active market would be classified as level two of the hierarchy.

Bond & Equity Funds

These investments are valued at the closing price reported in the active market in which the individual security is traded. They are classified within level 1 of the valuation hierarchy.

Venango Technology Center has made no changes in the methodology of the valuation techniques.

NOTE E – FEDERAL AND STATE SUBSIDIES RECEIVABLES

Federal and state subsidies receivables consist of the following at June 30, 2017:

Social Security reimbursement	$ 36,857
Public School Employees' Retirement System	147,237
Perkins	(1,455)
	$182,639

NOTE F – INVESTMENT IN HEALTH CONSORTIUM

Venango Technology Center was a participant in the Northwest School Consortium for health insurance benefits. At July 1, 2016, Venango Technology Center withdrew from the Consortium. The remaining fund balance attributable to Venango Technology Center is not reimbursed to Venango Technology Center until two years from the withdrawal date to allow for any claims incurred prior to July 1, 2016 to be paid out. At June 30, 2017, Venango Technology Center's remaining portion of the Consortium fund balance was $76,264.

Venango Technology Center participates in the Northwestern Region Employee Benefit Trust for health insurance benefits. At June 30, 2017, Venango Technology Center's investment was $52,986, which represents Venango Technology Center's portion of the Trust fund balance at year end.

NOTE G – CAPITAL ASSETS

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

	Balance 06/30/16	Additions	Disposals	Balance 06/30/17
Land and land improvements	$ 57,637	$ -	$ -	$ 57,637
Buildings and building improvements	8,227,326	20,331	-	8,247,657
Furniture, equipment and vehicles	4,069,126	178,077	-	4,247,203
	$12,354,089	$198,408	$ -	$12,552,497
Accumulated depreciation	$ 7,750,209	$407,152	$ -	$ 8,157,361

Depreciation expense was charged to governmental functions as follows:

Instruction	$275,983
Instructional student support	36,284
Administrative and finance	30,516
Operation and maintenance of plant services	38,010
Student transportation	26,359
	$407,152

Assets acquired under capital lease obligation are $3,465,094. Related accumulated depreciation for year ended June 30, 2017 is $577,518.

NOTE H – DEFINED BENEFIT PENSION PLAN

1. Summary of Significant Accounting Policies

Pensions

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

General Information about the Pension Plan

Plan description

PSERS is a governmental cost-sharing multiple 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.

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 normal retirement age. Members over normal retirement age may apply for disability benefits.

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

Contributions

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 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 school districts' contractually required contribution rate for fiscal year ended June 30, 2017 was 29.20% of covered payroll, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the District were $522,000 for the year ended June 30, 2017.

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

At June 30, 2017, the District reported a liability $8,127,000 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by rolling forward the System's total pension liability as of June 30, 2015 to June 30, 2016. The District's proportion of the net pension liability was calculated utilizing the employer's one-year reported covered payroll as it relates to the total one-year reported covered payroll. At June 30, 2016, the District's proportion was .0164%, which was a decrease of .0003% from its proportion measured as of June 30, 2015.

For the year ended June 30, 2017, the District recognized pension expense of $801,000. At June 30, 2017, the District 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	$ -	($ 68,000)
Changes in assumptions	293,000	-
Net difference between projected and actual investment earnings	453,000	-
Changes in proportions	171,000	(334,000)
Difference between employer contributions and proportionate share of total contributions	110,000	-
Contributions subsequent to the measurement date	-	-
	$1,027,000	($402,000)

$-0- reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2017. 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:	
2018	$156,250
2019	156,250
2020	156,250
2021	156,250

Changes in Actuarial Assumptions

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

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

- The Investment Rate of Return was adjusted from 7.50% to 7.25%.
- The inflation assumption was decreased from 3.0% to 2.75%.
- Salary growth changed from an effective average of 5.50%, which was comprised of inflation of 3.00%, real wage growth and for merit or seniority increases of 2.50%, to an effective average of 5.00%, comprised of inflation of 2.75% and 2.25% for real wage growth and for merit or seniority increases.
- Mortality rates were modified from the RP-2000 Combined Healthy Annuitant Tables (male and female) with age set back 3 years for both males and females to the RP-2014 Mortality Tables for Males and Females, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2015 Mortality Improvement Scale. For disabled annuitants the RP-2000 Combined Disabled Tables (male and female) with age set back 7 years for males and 3 years for females to the RP-2014 Mortality Tables for Males and Females, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2015 Mortality Improvement Scale. The actuarial assumptions used in the June 30, 2016 valuation were based on the experience study that was performed for the five-year period ending June 30, 2015. The recommended assumption changes based on this experience study were adopted by the Board at its June 10, 2016 Board meeting, and were effective beginning with the June 30, 2016 actuarial valuation.

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

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Global public equity	22.5%	5.3%
Fixed income	28.5%	2.1%
Commodities	8.0%	2.5%
Absolute return	10.0%	3.3%
Risk parity	10.0%	3.9%
Infrastructure/MLPs	5.0%	4.8%
Real Estate	12.0%	4.0%
Alternative investments	15.0%	6.6%
Cash	3.0%	0.2%
Financing (LIBOR)	(14.0%)	0.5%
	100%	

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

Discount rate

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

Sensitivity of the District's proportionate share of the 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 6.25%	Current Discount Rate 7.25%	1% Rate Increase 8.25%
District's proportionate share of the net pension liability	$9,942,000	$8,127,000	$6,603,000

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 I – OPERATING LEASE COMMITMENTS

Venango Technology Center budgets annually for a non-cancelable operating lease for office and computer equipment. Total lease expense was $8,992 for the year ended June 30, 2017.

The following is a schedule, by years, of the future minimum rentals under the lease at June 30, 2017:

Years ending June 30,	
2018	$3,480
2019	2,610
	$6,090

NOTE J – CAPITAL LEASE OBLIGATION

Series of 2014

On July 7, 2014, Venango Technology Center refinanced the Series of 2009 with the Lease Revenue Note, Series of 2014, with the State Public School Building Authority in the aggregate amount of $2,632,000 with interest at 2.10%. The proceeds of the Series of 2014 were used to (a) satisfy the outstanding Series of 2009 obligation along with accrued interest and (b) related costs and expenses of refinancing.

On June 4, 2009 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. On July 7, 2014, the sublease agreement was amended and restated in accordance with the Lease Revenues Note, Series of 2014, principal and interest obligations. The security for the note 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 Capital Lease Obligations for the year ended June 30, 2017:

	Balance 06/30/16	Issued	Retired	Balance 06/30/17
Series of 2014	$2,238,000	$ -	$257,000	$1,981,000

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

Current portion	$ 265,000
Long-term portion	1,716,000
	$1,981,000

Venango County Area Vocational – Technical School Lease Revenue Note Series of 2014 will mature as follows:

Years ending June 30,	
2018	$ 303,818
2019	305,180
2020	301,447
2021	305,588
2022	304,571
2023	303,450
2024	306,182
	2,130,236
Less interest expense	(149,236)
	$1,981,000

NOTE K – JOINT VENTURE

The joint operating agreement with the participating school districts, as described in Note A, 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, 2017:

Member Districts	13-14 ADM%	14-15 ADM%	15-16 ADM%	3 Year Average Audit	ADM Expenditures
Cranberry	10.31	12.29	13.73	12.11	$ 502,819
Forest Area	8.86	8.85	6.66	8.12	337,280
Franklin	26.14	26.42	24.82	25.79	1,071,005
Oil City	21.30	21.52	25.13	22.65	940,492
Titusville	20.55	18.36	19.68	19.53	810,944
Valley Grove	12.84	12.56	9.98	11.80	489,793
	100.00%	100.00%	100.00%	100.00%	$4,152,333

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. At June 30, 2017, the amount due to the member schools was $350,970 and is reported as intergovernmental payables.

Audited financial statements for the year ended June 30, 2017 for the member districts are available at their business offices.

NOTE L – CONCENTRATION OF REVENUE

Of Venango Technology Center's total general fund's receipts, approximately 77% are derived from charges for tuition to individuals and the member school assessments in the fund financial statements and the government-wide financial statements.

NOTE M – FUND BALANCE REPORTING

Nonspendable Fund Balance

Venango Technology Center's nonspendable fund balance represents the amount of funds invested in inventories. At June 30, 2017, the total amount of nonspendable fund balance was $11,753.

Assigned Fund Balance

Venango Technology Center's assigned fund balance is fund balance reporting occurring by Joint Operating Committee authority, under the direction of the Chief Business Officer.

The Joint Operating Committee authorized the establishment of fund balances to retain the excess of revenue over expenditures directly related to the practical nursing and adult education programs. These funds are expressly assigned by the committee for the operation of these programs in future years and are considered to be general fund assigned fund balances. During the year ended June 30, 2017, program operations resulted in an increase of $6,420 to the practical nursing fund balance and a decrease of $37,261 to the adult education fund balance.

As of June 30, 2017, balances for each in the General Fund program are as follows:

Practical Nursing	$298,360
Adult Education Programs	98,463
Total assigned fund balances	$396,823

The capital project fund, formerly the capital reserve fund, is funded annually by a transfer from the general fund equal to 10% of the vocational subsidy received each year. The amount transferred for the year ended June 30, 2017 was $51,427. At June 30, 2017 the total amount assigned for future capital projects which have not been specifically identified by the board was $656,415.

NOTE N – 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, 2017, the projected hospitalization cost through age 65 was for 7 retirees and spouses of retirees and 26 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, 2017 the OPEB has the following components:

Annual required contribution (ARC)	$72,820
Interest on net OPEB obligation	22,908
Adjustment to ARC	(30,543)
Annual OPEB Costs	$65,185

At June 30, 2017 the net OPEB obligation was as follows:

Annual OPEB Costs	$ 65,185
Contributions	(46,343)
Net OPEB obligation – current year	18,842
Net OPEB obligation – prior years	916,295
Total OPEB obligation	$935,137

Other information:

Actuarial valuation was performed as of June 30, 2017

Actuarial value of plan assets	$ -0-
Actuarial accrued liability	763,254
Total unfunded actuarial accrued liability	763,254
Annual payroll for active participants	1,684,741
Ratio of unfunded accrued liability to covered payroll	.4530

The actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into 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
- Amortization method – Level Percentage of Payroll

- 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 5.0% in 2017 and fluctuating as high as .5% per year to an ultimate rate of 4.7% in 2027.

- Salary increases composed of a 3.0% annual increase.

- Discount rate 2.5%.

- 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.

NOTE O – 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 P – 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
REQUIRED SUPPLEMENTARY INFORMATION

VENANGO TECHNOLOGY CENTER

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY

YEAR ENDED JUNE 30, 2017

	2017	2016	2015	2014
District's proportion of the net pension liability	0.0164%	0.0167%	0.0176%	0.0166%
District's proportionate share of the net pension liability	$ 8,127,000	$ 7,233,000	$ 6,966,000	$ 6,795,000
District's covered-employee payroll	$ 2,128,189	$ 2,143,891	$ 2,252,276	$ 2,126,114
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	381.87%	337.38%	309.29%	319.60%
Plan fiduciary net position as a percentage of the total pension liability	50.14%	54.36%	57.24%	54.50%

Notes:
The District is required to present the information for the last ten fiscal years. Additional years will be displayed as they become available.

The data provided in this schedule is based as of the measurement date of PSERS' net pension liability, which is as of the beginning of the District's fiscal year.

VENANGO TECHNOLOGY CENTER
SCHEDULE OF DISTRICT CONTRIBUTIONS FOR THE PENSION PLAN
YEAR ENDED JUNE 30, 2017

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Contractually required contribution	$ 522,000	$ 431,000	$ 351,000	$ 373,287	$ 262,439	$ 187,786	$ 123,866	$ 105,206	$ 96,465	$ 136,407
Contributions in relation to the contractually required contribution	522,000	431,000	351,000	373,287	262,439	187,786	123,866	105,206	96,465	136,407
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
District's covered-employee payroll	$ 2,128,189	$ 2,143,891	$ 2,252,276	$ 2,126,114						
Contributions as a percentage of covered-employee payroll	24.53%	20.10%	15.58%	17.56%						

Notes to Schedule:

Changes of benefits terms:
There were no changes of benefit terms for the year ended June 30, 2017.

Changes of assumptions:
1) The Investment Rate of Return was adjusted from 7.50% to 7.25%
2) The inflation assumption was decreased from 3.0% to 2.75%
3) Salary growth changed from an effective average of 5.50%, which was comprised of inflation of 3.00%, real wage growth and for merit or seniority increases of 2.50%, to an effective average of 5.00%, comprised of inflation of 2.75% and 2.25% for real wage growth and for merit or seniority increases.
4) Mortality rates were modified from the RP-2000 Combined Healthy Annuitant Tables (male and female) with age set back 3 years for both males and females to the RP-2014 Morality Tables for Males and Females, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2015 Mortality Improvement Scale. For disabled annuitants the RP-2000 Combined Disabled Tables (male and female) with age set back 7 years for males and 3 years for females to the RP-2014 Mortality Tables for Males and Females, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2015 Mortality Improvement Scale. The actuarial assumptions used in the June 30, 2016 valuation were based on the experience study that was performed for the five-year period ending June 30, 2015. The recommended assumption changes based on this experience study were adopted by the Board at its June 10, 2016 Board meeting, and were effective beginning with the June 30, 2016 actuarial valuation.

The District is required to present the information for the last ten fiscal years. However, until a full ten-year trend is compiled, information for only those years for which information is available is shown.

SCHEDULE OF FUNDING PROGRESS

($000's)

Actuarial Valuation Date	Actuarial Value of Assets (a)	Accrued Liability (b)	Unfunded Accrued Liability (UAL) (b – a)	Funded Ration (a / b)	Covered Payroll (c)	UAL as of Percentage of Covered Payroll ((b –a) / c)
June 30 2011	$-0-	$1,441	$1,441	0.0%	$1,626	88.66%
June 30 2014	$-0-	$1,317	$1,317	0.0%	$1,613	81.62%
June 30 2017	$-0-	$ 763	$ 763	0.0%	$1,685	45.30%

SCHEDULE OF EMPLOYER CONTRIBUTIONS

($000's)

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2011	$171	18.7%	$273
June 30, 2012	$166	12.0%	$416
June 30, 2013	$169	13.7%	$565
June 30, 2014	$138	10.7%	$688
June 30, 2015	$140	18.5%	$802
June 30, 2016	$142	19.5%	$916
June 30, 2017	$ 65	71.1%	$935

SECTION G
SUPPLEMENTAL FINANCIAL INFORMATION

VENANGO TECHNOLOGY CENTER
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2017

Federal Grantor/ Project Title	Source Code	Federal CFDA Number	Pass Through Grantor's Number	Grant Period Beginning Date Ending Date		Total Received For the Year	Less Accruals 6/30/2016	Plus Deferred Revenue 6/30/2016	Revenue Recognized/ Expenditures	Accrued or (Deferred) Revenue 6/30/2017
U.S. DEPARTMENT OF EDUCATION										
Student Financial Assistance Cluster										
Federal Pell Grant Program (Pell)	D	84.063	P063P164155	07-01-16 to 06-30-17	F	$ 184,699	$ -	$ -	$ 184,699	$ -
Passed through PA Higher Education Assistance Agency:										
Federal Direct Student Loans (Direct Loan)	I	84.268	P268K174155	07-01-16 to 06-30-17	F	483,616	-	-	483,616	-
Total Student Financial Assistance Cluster						668,315	-	-	668,315	-
Passed through PA Department of Education:										
Career and Technical Education -										
Basic Grants to State (Perkins IV)	I	84.048	380-14-4036	07-01-16 to 06-30-17	F	159,229	-	-	159,229	-
Total Department of Education						827,544	-	-	827,544	-
U.S. DEPARTMENT OF LABOR										
Passed through PA Department OF Labor and Industry:										
Trade Adjustnent Assistance Program	I	17.245	TAA 0353-14	07-01-16 to 06-30-17	F	61,335	-	-	61,335	-
Total Department of Labor						61,335	-	-	61,335	-
Total Assistance						$ 888,879	$ -	$ -	$ 888,879	$ -

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

Note A - Basis of Presentation
The accompanying schedule of expenditures of federal and state awards (the Schedule) includes the federal and state grant activity of the Venango Technology Center under programs of the federal government for the year ended June 30, 2017. The information in this Schedule is presented in accordance with the requirements of *Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Venango Technology Center, it is not intended to and does not present the net position or changes in net position of Venango Technology Center.

Note B - Summary of Significant Accounting Policies
Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. Venango Technology Center has elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

Note C - Subrecipient Funding
There were no funds passed through to subrecipients from any of the federal programs.

See independent auditor's report.

VENANGO TECHNOLOGY CENTER
SCHEDULE OF RECONCILIATION OF FEDERAL DIRECT LOAN PROGRAM
FOR THE YEAR ENDED JUNE 30, 2017

RECEIVED FROM AES

Gross student loans	$ 483,616
Loan proceeds returned to students	-
Loan proceeds received by Venango Technology Center	$ 483,616

See independent auditor's report.

I. SUMMARY OF AUDITORS' RESULTS:

FINANCIAL STATEMENTS

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP: Unmodified opinion

Internal control over financial reporting:

- Material weakness(es) identified? ____Yes _X_No
- Significant deficiency(ies) identified? ____Yes _X_None Reported

Noncompliance material to financial statements noted? ____Yes _X_No

FEDERAL AWARDS

Internal control over major federal programs:

- Material weakness(es) identified? ____Yes _X_No
- Significant deficiency(ies) identified? ____Yes _X_None Reported

Type of auditor's report issued on compliance for major federal programs: Unmodified opinion

- Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? ____Yes _X_No

Identification of major federal program:

Student Financial Assistance Cluster (CFDA 84.063, CFDA 84.268)

Dollar threshold used to distinguish between type A and type B programs: $750,000

Auditee qualified as low-risk auditee? _X_Yes ____No

II. FINDINGS RELATING TO THE FINANCIAL STATEMENT AUDIT AS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GENERALLY ACCEPTED GOVERNMENT AUDITING STANDARDS

None Reported.

III. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None Reported.

VENANGO TECHNOLOGY CENTER
SCHEDULE OF SPECIAL ACCOUNTS
FOR THE YEAR ENDED JUNE 30, 2017

FOOD SERVICES		
Lunches, dinners, bakery and meat cutting	$ 37,525	
Cost of food consumed	48,236	
NET (LOSS)		(10,711)
MARKETING DEPARTMENT		
Sales	27,555	
Cost of sales	22,202	
NET INCOME		5,353
AUTO TRADES DEPARTMENT		
Sales	19,545	
Cost of sales	22,012	
NET INCOME (LOSS)		(2,467)
OTHER DEPARTMENTS		
Sales	11,049	
Cost of sales	4,769	
NET INCOME		6,280
OTHER EXPENSE		
Student Senate	60	
TOTAL OTHER EXPENSE		(60)
NET INCOME SPECIAL ACCOUNTS		$ (1,605)

See independent auditor's report.