

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

Audit Report

For the Year Ended June 30, 2012



Certified Public Accountants & Advisors

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Venango Technology Center

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June 30, 2012

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Venango Technology Center

June 30, 2012

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SECTION A
MANAGEMENT DISCUSSION AND ANALYSIS



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**Venango Technology Center
Management Discussion and Analysis
June 30, 2012**

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, 2012. 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 2012

- The Venango Technology Center's net assets for the year ended June 30, 2012 totaled \$7,375,517 as reported in the Statement of Net Assets. This total is comprised entirely of net assets attributable to Governmental Activities.
- Total General Fund revenues as reported in the Statement of Revenues, Expenditures and Changes in Fund Balance received during the 2011-12 school year were \$5,753,032. The following is a breakdown of the various funding sources:

Local Sources	\$ 4,602,873	(80%)
State Sources	\$ 880,171	(15%)
Federal Sources	\$ 269,988	(5%)

- 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 \$315,672 or approximately 5.033% of the amount budgeted.
- Total General Fund expenditures for the 2011-12 school year, as reported in the Statement of Revenues, Expenditures and Changes in Fund Balance, were \$5,744,051. The following is a breakdown of the expenditures by major function:

1000	Instruction	\$ 2,410,583	(41.97%)
1600	Adult programs	\$ 1,072,987	(18.68%)
2000	Support Services	\$ 1,801,355	(31.36%)
5000	Debt Service	\$ 302,697	(5.27%)
5000	Fund Transfers	\$ 156,429	(2.72%)

- 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 30% of these monies. The General Fund transfers to the Capital Projects during 2011-12 amounted to \$156,429. During 2011-12, \$79,020 of these funds were used to replace the phone system.

- 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, 2012, the balance in this fund was \$52,366, as reported in the Statement of Net Assets – Fiduciary Funds. It is important to note that these funds are never used for expenses in the general fund.

Overview of the Annual Financial Report

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

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

- Government Wide Statements

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

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

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

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

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

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

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

- Fund Financial Statements

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

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

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

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

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

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

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 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 assets, \$961,020 is designated 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 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, 2012, the Center had \$11,521,071 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, 2012	June 30, 2011
Land and Improvements	\$ 32,737	\$ 32,737
Buildings and Improvements	\$ 7,970,872	\$7,846,356
Furniture and Equipment	\$ 3,517,462	\$3,527,563
Construction in progress	\$ -	\$ -
Total Capital Assets	\$11,521,071	\$11,406,656
LESS: Accumulated Depreciation	(\$6,208,974)	(\$5,837,398)
Total Capital Assets, Net Accumulated Depreciation	\$5,312,097	\$5,569,258

The primary changes in equipment relate to the replacement of the school's phone system for \$79,020, construction of a maintenance pavilion to house equipment for \$16,544, adding a new paint mixing room in the Autobody shop for \$18,899, adding a new Tractor to the Natural Resources curriculum for \$33,747 and a new sound system in the cafeteria for \$6,303.

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, 2012, the balance in each of the areas is as follows:

	<u>Short-Term</u>	<u>Long-Term</u>	<u>Total</u>
Accrued Vacation	\$ 27,595	\$ -	\$ 27,595
Post-employment Health Care Benefits	-	419,076	419,076
Accumulated Sick Days	-	65,160	65,160
Total	<u>\$ 27,595</u>	<u>\$ 484,236</u>	<u>\$511,831</u>

Comparative Analysis

	<u>6/30/2012</u>	<u>6/30/2011</u>	<u>\$ Variance</u>	<u>% Variance</u>
Assets				
Current Assets:				
Cash and cash equivalents	\$1,478,111	\$1,087,604	\$390,507	35.91%
Intergovernmental receivables	15,163	75,242	(60,079)	-79.85%
Federal and state subsidies receivable	64,241	46,115	18,126	39.31%
Other receivables	-	43,872	(43,872)	-100.00%
Inventories	10,258	7,513	2,745	36.54%
Prepaid expenses	<u>320,391</u>	<u>321,304</u>	<u>(912)</u>	-0.28%
Total current assets	<u>1,888,164</u>	<u>1,581,650</u>	<u>306,515</u>	19.38%
Noncurrent assets:				
Investment in Health Consortium	175,256	151,543	23,713	15.65%
Capital Assets:				
Land and land improvements	32,737	32,737	-	0.00%
Buildings and building improvements	7,970,872	7,846,356	124,516	1.59%
Furniture, equipment, and vehicles	3,517,462	3,527,563	(10,101)	-0.28%
Accumulated depreciation	<u>(6,208,974)</u>	<u>(5,837,398)</u>	<u>(371,576)</u>	6.37%
Total noncurrent assets	<u>5,487,353</u>	<u>5,720,801</u>	<u>(233,448)</u>	-4.08%
Total assets	<u><u>\$7,375,517</u></u>	<u><u>\$7,302,449</u></u>	<u><u>\$73,068</u></u>	1.00%
Current liabilities:				
Accounts payable	\$ 63,183	\$ 29,043	\$ 34,140	117.54%
Intergovernmental payable	418,683	243,628	175,055	71.85%
Current portion of compensated absences	27,595	31,978	(4,383)	-13.71%

Current portion of capital lease obligation	205,000	200,000	5,000	2.50%
Accrued salaries and benefits	178,463	174,778	3,685	2.11%
Payroll deductions and withholdings	62,446	44,508	17,938	40.30%
Deferred revenues	<u>14,234</u>	<u>21,552</u>	<u>(7,318)</u>	-33.96%
Total current liabilities	<u>969,604</u>	<u>745,487</u>	<u>224,117</u>	30.06%
Noncurrent liabilities:				
Compensated absences	65,160	68,605	(3,445)	-5.02%
Other post employment benefits	419,076	272,636	-	0.00%
Capital lease obligation	<u>2,725,000</u>	<u>2,930,000</u>	<u>(205,000)</u>	-7.00%
Total noncurrent liabilities	<u>3,209,236</u>	<u>3,271,241</u>	<u>(208,445)</u>	-6.37%
Total liabilities	<u>4,178,840</u>	<u>4,016,728</u>	<u>15,672</u>	0.39%
Net assets:				
Invested in capital assets net of related debt	2,382,097	2,439,258	(57,161)	-2.34%
Unrestricted (deficit)	<u>814,580</u>	<u>846,463</u>	<u>114,557</u>	13.53%
Total net assets	<u>3,196,677</u>	<u>3,285,721</u>	<u>57,396</u>	1.75%
Total liabilities and net assets	<u><u>\$7,375,517</u></u>	<u><u>\$7,302,449</u></u>	<u><u>\$73,068</u></u>	1.00%

- Cash is higher primarily due to the additional refund that was due to the sending schools of \$315,671 during 2011-12.
- Intergovernmental receivable's is down because the ADM calculation did not result in the sending schools owing the Tech Center as much as the prior year.
- Federal and state receivables were higher because there was a balance due from the Perkins grant in 2011-12 of \$22,393.
- Other receivables were composed primarily of funds due from ARRA from Venango County in 2010-11 for the reimbursement of PN salaries and student tuition. These did not exist in 2011-12.
- Capital assets were up due to the normal additions of equipment and renovations that occur.

- Accounts payable were up due to two projects that had not been paid for at the end of the year. These two projects accounted for \$30,014 of the increase.
- Intergovernmental payables were up primarily due to an increase of \$88,196 in the amount due to the sending schools.

Comparative Revenues and Expenditures – Fund Accounting

	<u>6/30/2012</u>	<u>6/30/2011</u>	<u>\$ Variance</u>	<u>% Variance</u>
REVENUE				
Local revenues	\$ 4,602,873	\$ 4,789,328	\$ (186,455)	-3.89%
State program revenues	880,171	1,003,337	(123,166)	-12.28%
Federal program revenues	<u>269,988</u>	<u>200,518</u>	<u>69,470</u>	<u>34.65%</u>
	<u>\$ 5,753,032</u>	<u>\$ 5,993,183</u>	<u>\$ (240,151)</u>	<u>-4.01%</u>
EXPENDITURES				
Regular programs	\$ -	\$ 11,519	\$ (11,519)	-100.00%
Special programs	90,208	86,339	3,869	4.48%
Vocational programs	2,437,677	2,529,918	(92,242)	-3.65%
Adult education programs	955,685	941,549	14,136	1.50%
Pupil personnel services	294,052	343,907	(49,855)	-14.50%
Instructional staff services	119,044	183,148	(64,104)	-35.00%
Administrative services	234,349	230,406	3,943	1.71%
Pupil Health	1,756	986	770	78.09%
Business services	139,335	134,452	4,883	3.63%
Operation and maintenance of plant	568,386	590,219	(21,833)	-3.70%
Student transportation services	317,801	308,094	9,707	3.15%
Central and other support services	126,632	115,349	11,283	9.78%
Refund of prior year receipts	-	5,299	(5,299)	-100.00%
Fund Transfers	156,429	183,479	(27,049)	-14.74%
Debt service	<u>302,697</u>	<u>306,047</u>	<u>(3,350)</u>	<u>-1.09%</u>
	<u>\$ 5,744,051</u>	<u>\$ 5,970,711</u>	<u>\$ (226,660)</u>	<u>-3.80%</u>

- The decrease in regular programs reflects the funding cuts in New Choices and GED funding for 2010-11.
- The decrease in Vocational programs reflects the elimination of the VisionQuest satellite program after the 2010-11 school year.
- The increase in Adult program expense reflects a higher attendance from 2010-11 to 2011-12.
- Pupil personnel services decreased as a result of the loss in new Choices funding from

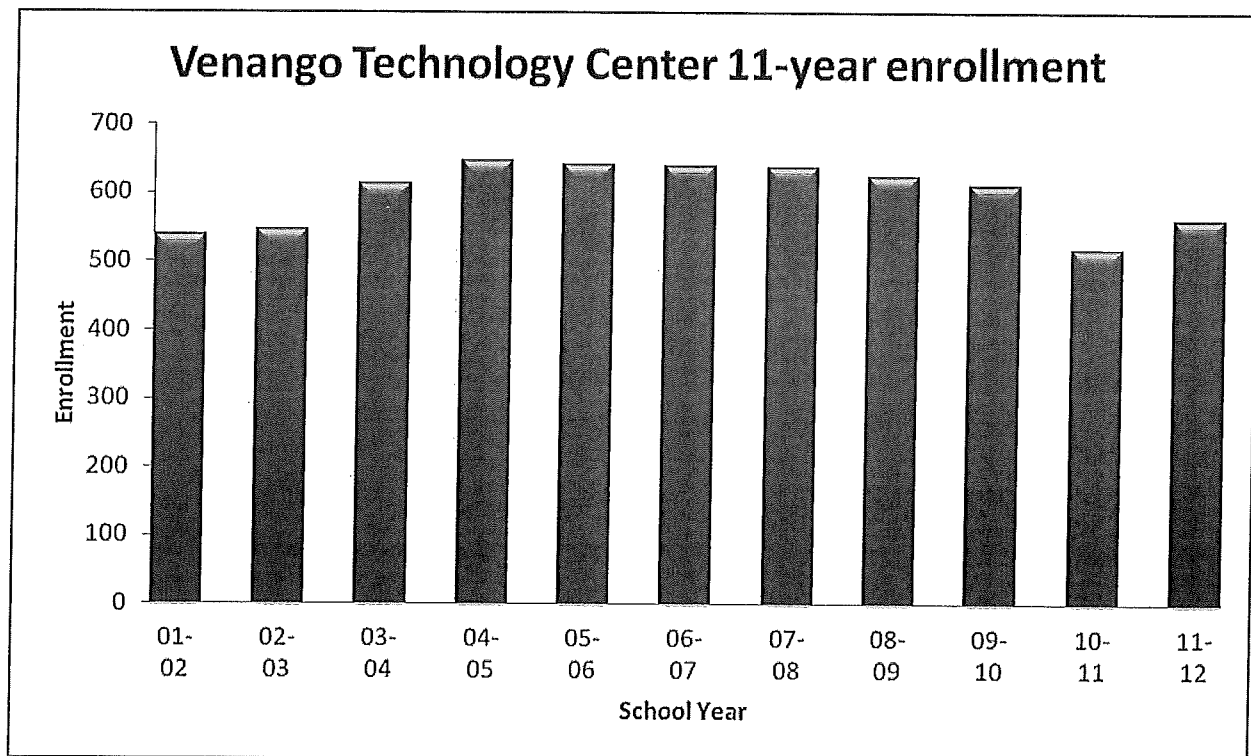
2010-11.

- Instructional staff services decreased because we did not need to purchase the additional equipment necessary for server environment in 2011-12.
- Operation and maintenance decreased because we did not have as many maintenance issues in 2011-12.
- Fund transfers are down because the amount of vocational subsidy decreased during 2011-12 by \$90,314. 30% of these funds are transferred to the Capital Projects fund.
- Health insurances increased 5.5% in all areas from 2010-11 to 2011-12.

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

Looking Forward

The financial outlook for the Venango Technology Center depends entirely on the enrollment provided by the sending schools. This enrollment has 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 11 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 2013-2014. 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.

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 to offer 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
AUDITORS' REPORTS



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INDEPENDENT AUDITORS' REPORT

Joint Operating Committee of
Venango Technology Center

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Venango County Area Vocational – Technical School (doing business as Venango Technology Center) as of and for the year ended June 30, 2012, which collectively comprise Venango Technology Center's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Venango Technology Center's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of Venango Technology Center, as of June 30, 2012, and the respective changes in financial position, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 12, 2012 on our consideration of Venango Technology Center's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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 funding progress and employer contributions on page F-1 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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Venango Technology Center's financial statements as a whole. The supplemental schedule of special accounts is presented for purposes of additional analysis and is not a required part of the financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the 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 financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

O'Polka & Company, Inc.

November 12, 2012
Franklin, Pennsylvania



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

Joint Operating Committee of
Venango Technology Center

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Venango County Area Vocational – Technical School (doing business as Venango Technology Center), as of and for the year ended June 30, 2012, which collectively comprise Venango Technology Center's basic financial statements and have issued our report thereon dated November 12, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

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

O'Polka & Company, Inc.

November 12, 2012
Franklin, Pennsylvania



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

Joint Operating Committee of
Venango Technology Center

Compliance

We have audited Venango County Area Vocational – Technical School's (doing business as Venango Technology Center) compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Venango Technology Center's major federal programs for the year ended June 30, 2012. Venango Technology Center's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Venango Technology Center's management. Our responsibility is to express an opinion on Venango Technology Center's compliance based on our audit.

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

In our opinion, Venango Technology Center complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2012.

Internal Control Over Compliance

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

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

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

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

O'Polka & Company, Inc.

November 12, 2012
Franklin, Pennsylvania



Certified Public Accountants & Advisors

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SECTION C
GOVERNMENT-WIDE FINANCIAL STATEMENTS



Certified Public Accountants & Advisors

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Venango Technology Center
Statement of Net Assets
June 30, 2012

	<u>Governmental Activities</u>
Assets	
Current assets	
Cash	\$ 1,478,111
Intergovernmental receivables	15,163
Federal and state subsidies receivable	64,241
Inventories	10,258
Prepaid expenses	<u>320,391</u>
Total current assets	<u>1,888,164</u>
Noncurrent assets	
Investment in health consortium	<u>175,256</u>
Capital assets	
Land and land improvements	32,737
Building and building improvements	7,970,872
Furniture, equipment and vehicles	3,517,462
Accumulated depreciation	<u>(6,208,974)</u>
Total capital assets	<u>5,312,097</u>
Total noncurrent assets	<u>5,487,353</u>
Total assets	<u><u>\$ 7,375,517</u></u>
Liabilities and net assets	
Current liabilities	
Accounts payable	\$ 63,183
Intergovernmental payable	418,683
Current portion of compensated absences	27,595
Current portion of capital lease obligation	205,000
Accrued salaries and benefits	178,463
Payroll deductions and withholdings	62,446
Deferred revenues	<u>14,234</u>
Total current liabilities	<u>969,604</u>
Noncurrent liabilities	
Compensated absences	65,160
Other post employment benefits	419,076
Capital lease obligation	<u>2,725,000</u>
Total noncurrent liabilities	<u>3,209,236</u>
Total liabilities	<u>4,178,840</u>
Net assets	
Invested in capital assets net of related debt	2,382,097
Unrestricted	<u>814,580</u>
Total net assets	<u>3,196,677</u>
Total liabilities and net assets	<u><u>\$ 7,375,517</u></u>

See accompanying notes to financial statements

Venango Technology Center
Statement of Activities
For the Year Ended June 30, 2012

Functions/Programs	Expenses	Indirect Expense Allocation	Program Revenues			Net (Expense) Revenue and Changes in Net Assets
			Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental activities						
Instruction	\$ 3,737,765	\$ -	\$ 2,780,946	\$ 927,675	\$ -	\$ (29,144)
Instructional student support	557,117		482,717	62,590		(11,810)
Administrative and financial support services	434,040		331,962	43,043		(59,035)
Operation and maintenance of plant services	597,072		510,289	66,165		(20,618)
Pupil transportation	335,877		283,311	36,735		(15,831)
Interest on long-term debt	102,697		91,550	13,951		2,804
Total governmental activities	<u>\$ 5,764,568</u>	<u>\$ -</u>	<u>\$ 4,480,775</u>	<u>\$ 1,150,159</u>	<u>\$ -</u>	<u>(133,634)</u>
General revenues						
Investment earnings						1,009
Loss on disposal of assets						(78,518)
Miscellaneous income						<u>122,099</u>
Total general revenues						<u>44,590</u>
Change in net assets						(89,044)
Net assets, July 1, 2011						<u>3,285,721</u>
Net assets, June 30, 2012						<u>\$ 3,196,677</u>

See accompanying notes to financial statements

SECTION D
FUND FINANCIAL STATEMENTS



Certified Public Accountants & Advisors

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**Venango Technology Center
Balance Sheet
Governmental Funds
June 30, 2012**

	<u>General</u>	<u>Capital Project Fund (Major Fund)</u>	<u>Total Government Funds</u>
Assets			
Cash	\$ 976,758	\$ 501,353	\$ 1,478,111
Due (to) from other funds	(77,410)	77,410	
Intergovernmental receivables	15,163		15,163
Federal and state subsidies receivable	64,241		64,241
Prepaid expenses	320,391		320,391
Inventories	10,258		10,258
Total assets	<u><u>\$ 1,309,401</u></u>	<u><u>\$ 578,763</u></u>	<u><u>1,888,164</u></u>
Liabilities and fund balance			
Liabilities			
Payroll taxes payable	\$ 62,446	\$ -	\$ 62,446
Accrued salaries and benefits	178,463		178,463
Accounts payable	63,183		63,183
Intergovernmental payable	418,683		418,683
Deferred revenues	14,234		14,234
Compensated absences	27,595		27,595
Total liabilities	<u>764,604</u>		<u>764,604</u>
Fund balance			
Fund balance - nonspendable	10,258		10,258
- assigned	531,276	578,763	1,110,039
- unassigned	3,263		3,263
Total fund balance	<u>544,797</u>	<u>578,763</u>	<u>1,123,560</u>
Total liabilities and fund balance	<u><u>\$ 1,309,401</u></u>	<u><u>\$ 578,763</u></u>	<u><u>\$ 1,888,164</u></u>

**Venango Technology Center
Reconciliation of the Governmental Funds Balance Sheet
To the Statement of Net Assets
June 30, 2012**

Total fund balances - governmental funds	\$ 1,123,560
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds. The cost of assets is \$11,521,071, and the accumulated depreciation is \$6,208,974.	5,312,097
Investment in health consortium, which is expensed in the fund financial statement	175,256
Long-term liabilities are not due and payable in the current period, and therefore are not reported as liabilities in the funds. Long-term liabilities at year end consist of:	
Compensated absences	(65,160)
Other post employment benefits	(419,076)
Capital lease obligation	<u>(2,930,000)</u>
Total net assets - governmental activities	<u><u>\$ 3,196,677</u></u>

Venango Technology Center
Statement of Revenues, Expenditures and
Changes in Fund Balance - All Governmental Fund Types
For the Year Ended June 30, 2012

	<u>General</u>	<u>Capital Project Fund (Major Fund)</u>	<u>Total Government Funds</u>
Revenues and other financing sources			
Revenues			
Local sources	\$ 4,602,873	\$ -	\$ 4,602,873
State sources	880,171		880,171
Federal sources	269,988		269,988
Other financing sources			
Interest income		1,009	1,009
Operating transfers		156,429	156,429
	<u>5,753,032</u>	<u>157,438</u>	<u>5,910,470</u>
Total revenues and other financing sources			
Expenditures and other financing uses			
Expenditures			
Instruction	3,483,570		3,483,570
Support services	1,801,355		1,801,355
Facilities acquisition and improvements		79,020	79,020
Other financing uses			
Debt service	302,697		302,697
Operating transfers	156,429		156,429
	<u>5,744,051</u>	<u>79,020</u>	<u>5,823,071</u>
Total expenditures and other financing uses			
Revenues and other financing sources over (under) expenditures and other financing uses	8,981	78,418	87,399
Fund balance, July 1, 2011	<u>535,816</u>	<u>500,345</u>	<u>1,036,161</u>
Fund balance, June 30, 2012	<u>\$ 544,797</u>	<u>\$ 578,763</u>	<u>1,123,560</u>

Venango Technology Center
Reconciliation of the Governmental Funds
Statement of Revenues, Expenditures and Changes in Fund Balance
To the Statement of Activities
June 30, 2012

Total net change in fund balances - governmental funds	\$	87,399
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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 exceeds capital outlays in the period.

Depreciation expense	\$ 360,045	
Capital outlays	\$ 181,402	(178,643)

Repayment of capital lease obligation is an expenditure in the governmental funds but, the repayment reduced long-term liabilities in the statement of net assets.

200,000

Other

Increase in investment in health consortium	23,713	
Decrease in compensated absences	3,445	
Increase in other post employment benefits	(146,440)	
Loss on disposals of assets	(78,518)	
		(89,044)

Change in net assets of governmental activities	\$	(89,044)
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Venango Technology Center
Statement of Revenue, Expenditures and Changes in Fund Balances, Budget and Actual
General Fund
For the Year Ended June 30, 2012

	Budgeted Amounts		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
	Original	Final					
Revenues							
Local revenues	\$ 5,092,420	\$ 5,092,420	\$ -	\$ 4,602,873	\$ (489,547)	\$ -	\$ 4,602,873
State program revenues	963,971	963,971		880,171	(83,800)		880,171
Federal program revenues	215,518	215,518		269,988	54,470		269,988
Total revenues	6,271,909	6,271,909		5,753,032	(518,877)		5,753,032
Expenditures							
Regular programs	20,779	20,779			20,779	4,219	4,219
Special programs	95,723	95,723			5,515	5,302	95,510
Vocational programs	2,728,459	2,721,971	6,488	2,437,677	284,294	187,140	2,624,817
Adult education programs	1,072,987	1,029,572	43,415	955,685	73,887	57,531	1,013,216
Pupil personnel services	356,393	356,393		294,052	62,341	19,740	313,792
Instructional staff services	118,869	125,869	(7,000)	119,044	6,825	(11,391)	107,653
Administrative services	254,543	254,537	6	234,349	20,188	51,429	285,778
Pupil health	1,750	1,756	(6)	1,756	97	97	1,853
Business services	161,165	161,165		139,335	21,830	8,927	148,262
Operation and maintenance of plant services	583,483	582,971	512	568,386	14,585	28,686	597,072
Student transportation services	326,350	326,350		317,801	8,549	18,076	335,877
Central and other support services	129,757	129,757		126,632	3,125	7,187	133,819
Total expenditures	5,850,258	5,806,843	43,415	5,284,925	521,918	376,944	5,661,869
Excess (deficiency) of revenues over expenditures	421,651	465,066	43,415	468,107	3,041	(376,944)	91,163
Other financing sources (uses)							
Debt service	(303,100)	(303,100)		(302,697)	403	200,000	(102,697)
Fund transfers	(118,551)	(161,966)	(43,415)	(156,429)	5,537	(79,518)	(156,429)
Loss on disposal of assets							(79,518)
Total other financing sources (uses)	(421,651)	(465,066)	(43,415)	(459,126)	5,940	120,482	(338,644)
Net change in fund balances							
				8,981	8,981	(256,462)	(247,481)
Fund balance, July 1, 2011	535,186	535,816		535,816	535,816	2,442,774	2,978,590
Fund balance, June 30, 2012	\$ 535,186	\$ 535,816	\$ -	\$ 544,797	\$ 544,797	\$ 2,186,312	\$ 2,731,109

See accompanying notes to financial statements

Venango Technology Center
Statement of Net Assets
Fiduciary Funds
June 30, 2012

	Private Purpose Trust
Assets	
Investments	<u>\$ 52,366</u>
Total assets	<u><u>\$ 52,366</u></u>
Liabilities and net assets	
Total liabilities	<u>\$ -</u>
Net assets	
Restricted for legal purposes	<u>52,366</u>
Total net assets	<u><u>52,366</u></u>
Total liabilities and net assets	<u><u>\$ 52,366</u></u>

Venango Technology Center
Statement of Changes in Net Assets
Fiduciary Funds
For the Year Ended June 30, 2012

	Private Purpose Trust
Additions	
Investment income	\$ 1,188
Gain (loss) on investments	<u>(1,492)</u>
Total additions	<u>(304)</u>
Change in net assets	(304)
Net assets, July 1, 2011	<u>52,670</u>
Net assets, June 30, 2012	<u><u>\$ 52,366</u></u>

SECTION E
NOTES TO FINANCIAL STATEMENTS



Certified Public Accountants & Advisors

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**Venango Technology Center
Notes to Financial Statements
June 30, 2012**

Note 1 – Entity

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

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

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

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

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

Note 2 – Summary of Significant Accounting Policies

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

Fund Account Structure

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

Venango Technology Center
Notes to Financial Statements, continued
June 30, 2012

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

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

General Fund – The general fund is the general operating fund of the School. It is used to account for all financial resources 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 assets and the statement of activities include the financial activities of the primary government, except for fiduciary funds.

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

Venango Technology Center
Notes to Financial Statements, continued
June 30, 2012

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.

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),

Venango Technology Center
Notes to Financial Statements, continued
June 30, 2012

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.

Basis of Accounting

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

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

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

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

Venango Technology Center
Notes to Financial Statements, continued
June 30, 2012

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

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

Budgets

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

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

Encumbrances

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

Cash

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

Inventories

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

Capital Assets

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

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

Venango Technology Center
Notes to Financial Statements, continued
June 30, 2012

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

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

Compensated Absences

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

At June 30, 2012, the accumulated benefit payable consists of:

Accrued vacation	\$27,595
Accumulated sick days	<u>65,160</u>
	<u>\$92,755</u>

Use of Estimates

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

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 12, 2012.

Note 3 – Cash and Investments

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

Venango Technology Center
Notes to Financial Statements, continued
June 30, 2012

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, 2012, the deposits (cash) of Venango Technology consist of:

	<u>General Fund</u>	<u>Capital Reserve Fund</u>	<u>Total</u>
Bank balance	\$1,044,482	\$501,353	\$1,545,835
FDIC insured	(258,881)	_____	(258,881)
Collateralized by securities held by the pledging financial institution's trust department	<u>\$ 785,601</u>	<u>\$501,353</u>	<u>\$1,286,954</u>
Carrying amount	<u>\$ 976,758</u>	<u>\$501,353</u>	<u>\$1,478,111</u>

At June 30, 2012, Venango Technology Center's deposits exceeded the \$250,000 Federal Depository Insurance Corporation limit by \$1,286,954; 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, 2012 consist of:

<u>Fiduciary Fund</u>	<u>Carrying Amount</u>	<u>Cost</u>
Money Market (uninsured)	\$ 7,604	\$ 7,604
Marketable equities and mutual funds	<u>44,762</u>	<u>49,228</u>
	<u>\$52,366</u>	<u>\$56,832</u>

Venango Technology Center
Notes to Financial Statements, continued
June 30, 2012

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:

iShares Trust – Barclays Tips Bond Fund	\$ 2,633
iShares Trust – Barclays 1-3 Year Credit Bond Fund	9,947
iShares Trust – iBoxx\$ High Yield Corp Bond Fund	5,112
PIMCO ETF Trust Total Return	7,490
Power Shares Trust II	<u>2,565</u>
	<u>\$27,747</u>

The following schedule summarizes the investment return for the year ended June 30, 2012:

Interest and dividend income	\$1,188
Realized gain (loss) on investments, net	(1,134)
Unrealized gain (loss) on investments, net	<u>(358)</u>
	<u>(\$ 304)</u>

Note 4 – 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.

Venango Technology Center
Notes to Financial Statements, continued
June 30, 2012

The following table sets forth by level, within the fair value hierarchy, Venango Technology Center's assets at fair value as of June 30, 2012:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
June 30, 2012			
Unrestricted			
Investments			
Money market funds	\$7,604	\$	\$
Mutual funds	7,490		
Fixed income funds	17,692		
Equity funds	<u>19,580</u>	<u> </u>	<u> </u>
Total unrestricted investments	<u>\$52,366</u>	<u>\$ </u>	<u>\$ </u>

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 one of the hierarchy. Valuation techniques that use quoted prices from a non-active market would be classified as level two of the hierarchy.

Equity Funds – These investments are valued at the closing price reported in the active market in which the individual security is traded.

Bonds – Fair value is estimated using pricing modules, quoted prices of securities with similar characteristics on discounted cash flow. They are classified within level 2 of the valuation hierarchy.

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

Note 5 – Receivables

Receivables consist of the following at June 30, 2012:

<u>Intergovernmental receivables</u>	
Due from participating schools	<u>\$15,163</u>
<u>Subsidies receivable</u>	
Social Security reimbursement	\$ 3,519
Public School Employees' Retirement System	38,329
Perkins	<u>22,393</u>
	<u>\$64,241</u>

Venango Technology Center
Notes to Financial Statements, continued
June 30, 2012

Note 6 – Investment in Health Consortium

Venango Technology Center participates in the Northwest School Consortium for health insurance benefits. At June 30, 2012, Venango Technology Center's investment was \$175,256, which represents Venango Technology Center's portion of the Consortium fund balance at year end.

Note 7 – Capital Assets

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

	<u>Balance</u> <u>06/30/11</u>	<u>Additions</u>	<u>Reclassification</u> <u>(Disposals)</u>	<u>Balance</u> <u>06/30/12</u>
Land and land improvements	\$ 32,737	\$	\$	\$ 32,737
Buildings and building improvements	7,846,356	35,443	89,073	7,970,872
Furniture, equipment and vehicles	<u>3,527,563</u>	<u>145,959</u>	<u>(156,060)</u>	<u>3,517,462</u>
	<u>\$11,406,656</u>	<u>\$181,402</u>	<u>(\$ 66,987)</u>	<u>\$11,521,071</u>

Depreciation expense was charged to governmental functions as follows:

Instruction	\$249,416
Instructional student support	33,608
Administrative and finance	23,746
Operation and maintenance of plant services	35,199
Student transportation	<u>18,076</u>
	<u>\$360,045</u>

Assets acquired under capital lease obligation are \$3,465,094. Accumulated depreciation for year ended June 30, 2012 is \$133,273.

Note 8 – Defined Benefit Pension Plan

All full-time employees of Venango Technology Center are eligible to participate in the Public School Employees' Retirement System (the System), a governmental cost sharing multiple-employer defined benefit pension plan (PSERS). Benefits consist of retirement and disability, legislative mandated ad hoc cost of living adjustments and health care insurance premium assistance to qualifying annuitants. The payroll for Venango Technology Center employees covered by the System for the year ended June 30, 2012 was \$2,168,829; Venango Technology Center's total payroll was \$2,221,513. The total pension expense for Venango Technology Center at June 30, 2012 was \$187,786 which the state reimbursed \$110,671.

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

Venango Technology Center
Notes to Financial Statements, continued
June 30, 2012

The contribution is set by Act 96, dated October 2, 1975, as amended (24 Pa. C.S. 8101-8535), and requires contributions by active members, employers and the Commonwealth. Active members who joined the System prior to July 22, 1983, contribute at 5.25 percent (Membership Class TC) or at 6.50 percent (Membership Class TD) of the member's qualifying compensation. Members who joined the System on or after July 22, 1983, and who were active or inactive as of July 1, 2001 contribute at 6.25 percent (Membership Class TC) or at 7.50 percent (Membership Class TD) of the member's qualifying compensation. Members who joined the System after June 30, 2001, contribute at 7.50 percent (automatic Membership Class TD). For all new hires and for members who elected Class TD membership, the higher contribution rates began with service rendered on or after January 1, 2002. Contributions required of employers are based upon an actuarial valuation. For fiscal year ended June 30, 2012, the rate of employer's contribution was 8.65 percent of covered payroll. The 8.65 percent is composed of a pension contribution rate of 8.00 percent for pension benefits and .65 percent for healthcare insurance premium assistance.

Note 9 – Operating Lease Commitments

Venango Technology Center budgets annually for a non-cancelable operating lease for office and computer equipment. Total lease expense was \$16,256 for the year ended June 30, 2012.

The following is a schedule, by years, of the future minimum rentals under the lease at June 30, 2012:

Years ending June 30,	
2013	\$16,256
2014	13,352
2015	<u>2,225</u>
	<u>\$31,833</u>

Note 10 – Capital Lease Obligation

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

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

Venango Technology Center
Notes to Financial Statements, continued
June 30, 2012

The following is a summary of changes in the lease Revenue bond Service of 2009 for the year ended June 30, 2012:

	Balance <u>06/30/11</u>	Issued	Retired	Balance <u>06/30/12</u>
Series of 2009	\$3,130,000	\$ _____	\$200,000	\$2,930,000

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

Current portion	\$ 205,000
Long-term portion	<u>2,725,000</u>
	<u>\$2,930,000</u>

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

Years ending June 30,	
2013	\$ 304,152
2014	304,845
2015	304,900
2016	303,912
2017	302,069
2018	304,472
2019	306,069
2020	301,720
2021	306,420
2022	305,345
2023	303,586
2024	<u>306,300</u>
	3,653,790
Less interest expense	(<u>723,790</u>)
	<u>\$2,930,000</u>

Note 11 – Joint Venture

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

Venango Technology Center
Notes to Financial Statements, continued
June 30, 2012

The distribution of expenditures is as follows at June 30, 2012:

<u>Member Districts</u>	<u>08-09 ADM%</u>	<u>09-10 ADM%</u>	<u>10-11 ADM%</u>	<u>3 Year Average Audit</u>	<u>ADM Expenditures</u>
Cranberry	13.14	10.97	10.32	11.48	\$ 423,557
Forest Area	6.07	5.47	7.54	6.36	234,677
Franklin	26.85	27.40	26.44	26.90	992,468
Oil City	27.99	27.51	22.65	26.05	961,087
Titusville	14.52	16.99	19.11	16.87	622,589
Valley Grove	<u>11.43</u>	<u>11.66</u>	<u>13.94</u>	<u>12.34</u>	<u>455,368</u>
	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>	<u>\$3,689,746</u>

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

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

Audited financial statements for the year ended June 30, 2012 for the member districts are available at their business offices.

Note 12 – Concentration of Revenue

Of Venango Technology Center's total general fund's receipts, approximately 81% 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 13 – Fund Balance Reporting

Nonspendable Fund Balance

Venango Technology Center's nonspendable fund balance represents the amount of funds invested in inventories. At June 30, 2012, the total amount of nonspendable fund balance was \$10,258.

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.

Venango Technology Center
Notes to Financial Statements, continued
June 30, 2012

The Joint Operating Committee authorized the establishment of fund balances to retain the excess of revenue over expenditures directly related to the practical nursing, adult education programs, and VisionQuest programs. These funds are expressly 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, 2012, program operations resulted in an increase of \$12,659 to the practical nursing fund balance, a decrease of \$3,683 to the adult education fund balance, and no changes to the New Choices/New Option Reserve fund balance and to the VisionQuest fund balance.

As of June 30, 2012, balances for each program are as follows:

Practical Nursing	\$422,664
Adult Education	100,606
New Choices/New Option Reserve Funding	3,299
VisionQuest	<u>4,707</u>
Total assigned fund balances	<u>\$531,276</u>

The capital project fund, formerly the capital reserve fund, is funded annually by a transfer from the general fund equal to 30% of the vocational subsidy received each year. The amount transferred for the year ended June 30, 2012 was \$156,429. At June 30, 2012 the total amount assigned for future capital projects which have not been specifically identified by the board was \$578,763.

Note 14 – 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, 2012, the projected hospitalization cost through age 65 was for 6 retirees and spouses of retirees and 31 active participants.

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

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

Venango Technology Center
Notes to Financial Statements, continued
June 30, 2012

For the year ended June 30, 2012 the OPEB has the following components:

Annual required contribution (ARC)	\$169,429
Interest on net OPEB obligation	5,453
Adjustment to ARC	<u>(8,417)</u>
Annual OPEB Costs	<u>\$166,465</u>

At June 30, 2012 the net OPEB obligation was as follows:

Annual OPEB Costs	\$166,465
Contributions	<u>(20,025)</u>
Net OPEB obligation – current year	146,440
Net OPEB obligation – prior year	<u>272,636</u>
Total OPEB obligation	<u>\$419,076</u>

Other information:

Actuarial valuation was performed as of June 30, 2012

Actuarial value of plan assets	\$ -0-
Actuarial accrued liability	1,441,291
Total unfunded actuarial accrued liability	1,441,291
Annual payroll for active participants	1,682,856
Ratio of unfunded accrued liability to covered payroll	.8565

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

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

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

- Actuarial cost method – Entry Age Normal
- The method used to determine the actuarial value of assets is the fair market value of the assets.
- The inflation rate assumed for health care cost is 8.0% in 2010 and decreasing .1% to 1% per year to an ultimate rate of 4.7% in 2020.
- Salary increases composed of a 2.5% annual increase.

Venango Technology Center
Notes to Financial Statements, continued
June 30, 2012

- 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 15 – 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 16 – 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



Certified Public Accountants & Advisors

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Venango Technology Center
Schedule of Funding Progress and Employer Contributions
For the Year Ended June 30, 2012

SCHEDULE OF FUNDING PROGRESS

(\$000's)

Actuarial Valuation Date	Actuarial Value of Assets (a)	Accrued Liability (b)	Unfunded Accrued Liability (UAL) (b - a)	Funded Ratio (a / b)	Covered Payroll (c)	UAL as of Percentage of Covered Payroll ((b - a) / c)
July 1, 2010	\$-0-	\$1,441	\$1,441	0.0%	\$1,626	88.66%
July 1, 2011	\$-0-	\$1,441	\$1,441	0.0%	\$1,683	85.65%

SCHEDULE OF EMPLOYER CONTRIBUTIONS

(\$000's)

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2010	\$165	19.2%	\$134
June 30, 2011	\$171	18.7%	\$273
June 30, 2012	\$166	12.0%	\$416

SECTION G
SUPPLEMENTAL FINANCIAL INFORMATION



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Venango Technology Center
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2012

Federal Grantor/ Project Title	Source Code	Federal CFDA Number	Pass Through Grantor's Number	Grant Period Beginning Date Ending Date	Program or Award Amount	Total Received For the Year	Less Accruals 6/30/2011	Plus Deferred Revenue 6/30/2011	Revenue Recognized/ Expenditures	Accrued or (Deferred) Revenue 6/30/2012
<u>U.S. Department of Education</u>										
Pell Grants	D	84.063		07-01-11 to 06-30-12	F *	\$ 244,717	\$ -	\$ -	\$ 244,717	\$ -
Passed through PA Department of Education:										
Career and Technical Education - Basic Grants to State (Perkins IV)	I	84.048	380-12-2031	07-01-11 to 06-30-12	\$ 219,988 F *	247,595			269,988	22,393
Passed through PA Higher Education Assistance Agency										
Federal Family Education Loan Program - GS	I	84.032		07-01-11 to 06-30-12	F *	715,664			715,664	
Passed through PA Career Link										
WIA Incentive Grant	I	17.267		07-01-11 to 06-30-12	F	400			400	
Total Department of Education						1,208,376			1,230,769	22,393
Total Assistance						\$ 1,208,376	\$ -	\$ -	\$ 1,230,769	\$ 22,393

* Major programs

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

**Venango Technology Center
Schedule of Reconciliation of Federal Family Loan Program
For the Year Ended June 30, 2012**

Received from AES

Gross student loans	\$ 715,664
Loan proceeds returned to students	<hr/>
Loan proceeds received by Venango Technology Center	<hr/> <hr/>

**Venango Technology Center
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2012**

A. Summary of auditors' results:

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

Perkins (IV) (CFDA 84.048)	\$ 269,988
Pell Grants (CFDA 84.063)	244,717
Federal Family Education Loan Program (CFDA 84.032)	<u>715,664</u>
	<u>\$1,230,369</u>

Total federal expenditures per schedule of federal awards are \$1,230,769.

99.97% of federal expenditures were tested as a major program (\$1,230,369/\$1,230,769).

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

Venango Technology Center
Schedule of
Special Accounts
For the Year Ended June 30, 2012

Food services		
Lunches, dinners, bakery and meat cutting	\$ 35,505	
Cost of food consumed	<u>45,939</u>	
Net Income (loss)		(10,434)
Marketing department		
Sales	46,760	
Cost of sales	<u>39,394</u>	
Net income		7,366
Auto trades department		
Sales	10,038	
Cost of sales	<u>10,568</u>	
Net income		(530)
Other departments		
Sales	13,409	
Cost of sales	<u>7,350</u>	
Net income		6,059
Other expenses		
Community awareness	45	
Miscellaneous	<u>298</u>	
Total other expenses		<u>(343)</u>
Net income special accounts		<u>\$ 2,118</u>