

Venango Technology Center

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

Audit Report

For the Year Ended June 30, 2014

Venango Technology Center

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June 30, 2014

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Venango Technology Center

June 30, 2014

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SECTION A
MANAGEMENT DISCUSSION AND ANALYSIS

**Venango Technology Center
Management Discussion and Analysis
June 30, 2014**

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, 2014. 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 2014

- The Venango Technology Center's assets for the year ended June 30, 2014 totaled \$6,810,368 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 2013-14 school year were \$6,058,046. The following is a breakdown of the various funding sources:

Local Sources	\$ 4,890,451	(81%)
State Sources	\$ 999,780	(17%)
Federal Sources	\$ 167,815	(2%)

- 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 \$121,423 or approximately 1.93% of the amount budgeted.
- Total General Fund expenditures for the 2013-14 school year, as reported in the Statement of Revenues, Expenditures and Changes in Fund Balance, were \$6,107,413. The following is a breakdown of the expenditures by major function:

1000	Instruction	\$ 2,735,181	(44.78%)
1600	Adult programs	\$ 1,031,676	(16.89%)
2000	Support Services	\$ 1,929,223	(31.59%)
5000	Debt Service	\$ 307,089	(5.03%)
5000	Fund Transfers	\$ 104,242	(1.71%)

- 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 20% of these monies. The General Fund transfers to the Capital Projects during 2013-14 amounted to \$104,242. During 2013-14, \$132,000 of these funds were used to resurface the parking lot and to replace the air compressors that supply air to the entire building.

- 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, 2014, the balance in this fund was \$60,397, as reported in the Statement of Net Position – 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 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 they have 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 position is that over time, increases or decreases in the Center's net position 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 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 Position 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 Position. 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 position are invested in capital assets net of related debt. Capital assets include building, land and equipment. Of the total Net Position, \$528,198 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.

Change in Accounting Principles and Restatement

For the year ended June 30, 2014, Venango Technology Center's Venango Technology Center implemented GASB No. 65, *Items Previously Reported as Assets and Liabilities*. This statement improves financial reporting by clarifying the appropriate use of the financial statement elements deferred outflows of resources and deferred inflows of resources to ensure consistency in financial reporting.

However, no restatement in fund balance was necessary as a result of the change in accounting principles.

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, 2014, the Center had \$12,005,599 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, 2014	June 30, 2013
Land and Improvements	\$ 32,737	\$ 32,737
Buildings and Improvements	\$ 8,146,383	\$8,025,612
Furniture and Equipment	\$ 3,826,479	\$3,671,032
Total Capital Assets	\$12,005,599	\$11,729,381
LESS: Accumulated Depreciation	(\$6,957,628)	(\$6,578,100)
Total Capital Assets, Net Accumulated Depreciation	\$5,047,971	\$5,151,281

The primary changes in equipment relate to the resurfacing the parking lot \$117,609, \$21,592 in new building air compressor, alignment rack in Auto Trades for \$30,860, adding a new ironworker in Welding for \$29,486 and lastly, updating technology hardware for \$22,312.

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, 2014, the balance in each of the areas is as follows:

	<u>Short-Term</u>	<u>Long-Term</u>	<u>Total</u>
Accrued Vacation	\$ 28,764	\$ -	\$ 28,764
Post-employment Health Care Benefits	-	687,776	687,776
Accumulated Sick Days	-	110,459	110,459
Total	<u>\$ 28,764</u>	<u>\$ 798,235</u>	<u>\$826,999</u>

Comparative Analysis

Assets	<u>6/30/2014</u>	<u>6/30/2013</u>	<u>\$ Variance</u>	<u>% Variance</u>
Current Assets:				
Cash and cash equivalents	\$1,387,013	\$1,697,209	\$(310,196)	-18.28%
Accounts receivable	17,720	-	17,720	100.00%
Federal and state subsidies receivable	108,874	86,564	22,310	25.77%
Inventories	16,988	14,063	2,925	20.80%
Prepaid expenses	<u>75,637</u>	<u>326,920</u>	<u>(251,283)</u>	-76.86%
Total current assets	<u>1,606,232</u>	<u>2,124,756</u>	<u>(518,524)</u>	-24.40%
Noncurrent assets:				
Investment in Health Consortium	156,165	185,393	(29,228)	-15.77%
Capital Assets:				
Land and land improvements	32,737	32,737	-	0.00%
Buildings and building improvements	8,146,383	8,025,612	120,771	1.50%
Furniture, equipment, and vehicles	3,826,479	3,671,032	155,447	4.37%
Accumulated depreciation	<u>(6,957,628)</u>	<u>(6,578,100)</u>	<u>(379,528)</u>	5.77%
Total noncurrent assets	<u>5,204,136</u>	<u>5,336,674</u>	<u>(132,538)</u>	-2.48%
Total assets	<u><u>\$6,810,368</u></u>	<u><u>\$7,461,430</u></u>	<u><u>(\$651,062)</u></u>	-8.73%
Current liabilities:				
Accounts payable	\$ 58,626	\$ 51,163	\$ 7,463	15.59%
Intergovernmental payable	121,422	497,384	(375,962)	-75.59%
Current portion of compensated absences	28,764	28,764	-	0.00%
Current portion of capital lease obligation	215,000	210,000	-	0.00%

Accrued salaries and benefits	177,063	276,512	(99,449)	-35.97%
Payroll deductions and withholdings	14,287	8,096	6,191	76.47%
Deferred revenues	<u>30,927</u>	<u>11,699</u>	<u>19,228</u>	164.36%
Total current liabilities	<u>646,089</u>	<u>1,083,618</u>	<u>(442,529)</u>	-40.81%
Noncurrent liabilities:				
Compensated absences	110,459	93,101	17,358	18.64%
Other post employment benefits	687,776	564,936	122,840	21.74%
Capital lease obligation	<u>2,305,000</u>	<u>2,515,000</u>	<u>(210,000)</u>	-8.35%
Total noncurrent liabilities	<u>3,103,235</u>	<u>3,173,037</u>	<u>(69,802)</u>	-22.00%
Total liabilities	<u>3,744,324</u>	<u>4,256,655</u>	<u>(512,331)</u>	-12.04%
Net Position:				
Invested in capital assets net of related debt	2,527,971	2,426,281	106,690	4.40%
Unrestricted (deficit)	<u>538,073</u>	<u>778,494</u>	<u>(245,421)</u>	-31.53%
Total Net Position	<u>3,066,044</u>	<u>3,204,775</u>	<u>(138,731)</u>	-4.33%
Total liabilities and net position	<u><u>\$6,810,368</u></u>	<u><u>\$7,461,430</u></u>	<u><u>(\$651,062)</u></u>	-8.73%

- Cash is lower primarily due to the additional refund that was due to the sending schools of \$395,931 during 2012-13.
- Federal and state receivables were higher because the employer contribution rate increased by over 4% which results in a significant increase in subsidy.
- Prepaid expense decreased by \$251,283. The difference was the prepayment of the bond payment due in July that was made early in the 2012-13 year of \$258,374.
- Capital assets changes were described in the capital asset section above.
- Accounts payable were up due to a significant amount due to PA Pride LLC for tuition reimbursements received late from the state in 2013-14.
- Accrued salary and benefits were down significantly due to two retiring employee who took lump sum payments and had not done this in the past.
- Post employment benefits, is an actuarial formula that generates the change in this category.

- Capital Lease is less by the amount of the Capital Lease payment.

Comparative Revenues and Expenditures – Fund Accounting

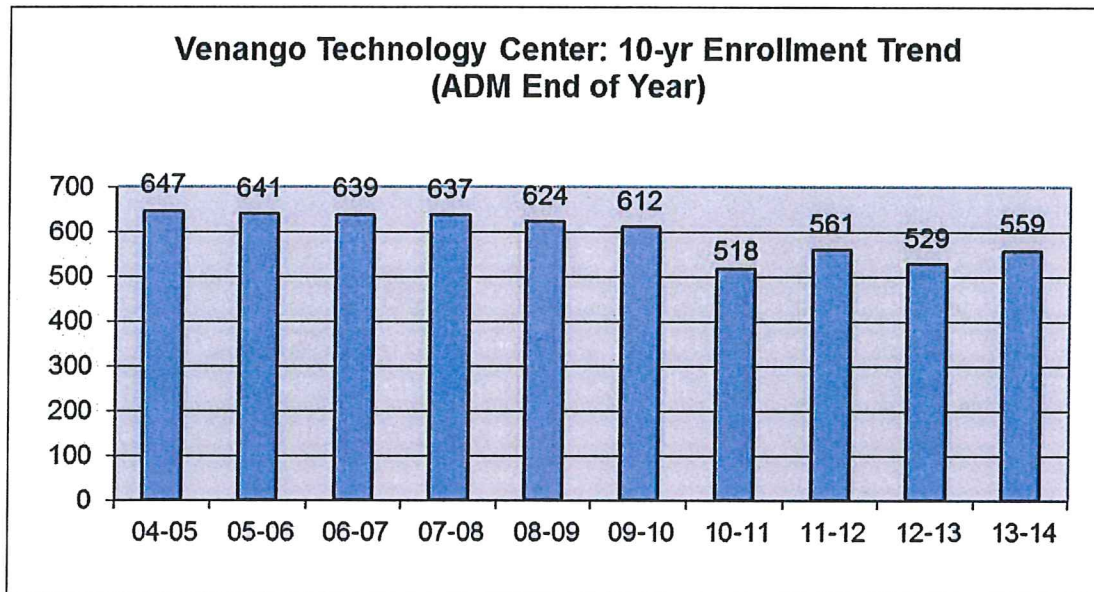
	6/30/2014	6/30/2013	\$ Variance	% Variance
REVENUE				
Local revenues	\$ 4,890,451	\$ 4,724,787	\$ 165,664	3.51%
State program revenues	999,780	1,003,353	(3,573)	-.36%
Federal program revenues	167,815	212,155	(44,340)	-20.90%
	<u>\$ 6,058,046</u>	<u>\$ 5,940,295</u>	<u>\$ 117,751</u>	1.98%
EXPENDITURES				
Special programs	102,337	95,861	6,476	6.76%
Vocational programs	2,632,844	2,451,462	183,146	7.47%
Adult education programs	1,031,676	998,225	33,451	3.35%
Pupil personnel services	318,159	310,867	7,292	2.35%
Instructional staff services	109,105	104,354	4,751	4.55%
Administrative services	258,975	226,659	32,316	14.26%
Pupil Health	772	979	(207)	-21.14%
Business services	163,909	153,427	10,482	6.83%
Operation and maintenance of plant	583,123	597,313	(15,952)	-2.67%
Student transportation services	357,681	344,866	12,815	3.72%
Central and other support services	137,499	131,547	5,952	4.52%
Fund Transfers	104,242	174,383	(70,141)	-40.22%
Refund Prior Yr Receipts		274	(274)	-100.00%
Debt service	307,089	303,793	3,296	9.03%
	<u>\$ 6,107,411</u>	<u>\$ 5,894,010</u>	<u>\$ 213,403</u>	3.62%

- The reason for increased funding in Vocational programs was due to an instructor being on paid administrative leave and paying for a replacement substitute for 8 of the 9 months of school.
- The increase in Adult program expense reflects the higher rates for retirement and benefits associated to this year.
- Instructional staff services increased because normal salary and benefit increases.
- Administrative services increased due to personnel legal costs and associated legal advertising.
- Business services increased as a result normal salary and benefit increase and the implementation of new child accounting software of \$16,000.
- Fund transfers are down because the amount of vocational subsidy decreased from 30% to 20% of Vocational Subsidy.

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 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 2015-2016. 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. Funding for the Capital Projects fund has been reduced to 20% of the annual Vocational subsidy beginning in the 2013-2014 school year.

Capital projects scheduled for the 2014-2015 school year include replacing the doors on the ends of the building, replacement of the school's dump truck and assisting with renovations for program changes.

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



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, business type 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, 2014, 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, the business-type activities, each major fund and the aggregate remaining fund information of the Venango Technology Center, as of June 30, 2014, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Change in Accounting Principle

As discussed in Note Q to the financial statements, in 2014 Venango Technology Center adopted new accounting guidance, *GASB Statement No. 65, Items Previously Reported as Assets and Liabilities*. Our opinion is not modified with respect to this matter.

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 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.

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 U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements.

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 December 19, 2014, 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

December 19, 2014
Franklin, Pennsylvania



**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, the business-type 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, 2014, 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 December 19, 2014.

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.

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

December 19, 2014
Franklin, Pennsylvania



INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

Joint Operating Committee of
Venango Technology Center

Report on Compliance for Each Major Federal Program

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, 2014. 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 the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of 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 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 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, 2014.

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 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. *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 OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

McGill, Power, Bell & Associates, LLP

December 19, 2014
Franklin, Pennsylvania

SECTION C
GOVERNMENT-WIDE FINANCIAL STATEMENTS

Venango Technology Center
Statement of Net Position
June 30, 2014

	<u>Governmental Activities</u>
Assets	
Current assets	
Cash	\$ 1,387,013
Accounts receivable	17,720
Federal and state subsidies receivable	108,874
Inventories	16,988
Prepaid expenses	<u>75,637</u>
Total current assets	<u>1,606,232</u>
Noncurrent assets	
Investment in health consortium	<u>156,165</u>
Capital assets	
Land and land improvements	32,737
Building and building improvements	8,146,383
Furniture, equipment and vehicles	3,826,479
Accumulated depreciation	<u>(6,957,628)</u>
Total capital assets	<u>5,047,971</u>
Total noncurrent assets	<u>5,204,136</u>
Total assets	<u>6,810,368</u>
Liabilities and net position	
Current liabilities	
Accounts payable	58,626
Intergovernmental accounts payable	121,422
Current portion of compensated absences	28,764
Current portion of capital lease obligation	215,000
Accrued salaries and benefits	177,063
Payroll deductions and withholdings	14,287
Unearned revenues	<u>30,927</u>
Total current liabilities	<u>646,089</u>
Noncurrent liabilities	
Compensated absences	110,459
Other post employment benefits	687,776
Capital lease obligation	<u>2,300,000</u>
Total noncurrent liabilities	<u>3,098,235</u>
Total liabilities	<u>3,744,324</u>
Net position	
Invested in capital assets net of related debt	2,532,971
Unrestricted	<u>533,073</u>
Total net position	<u><u>\$ 3,066,044</u></u>

Venango Technology Center
Statement of Activities
For the Year Ended June 30, 2014

Functions/Programs	Expenses	Indirect Expense Allocation	Program Revenues			Net (Expense) Revenue and Changes in Net Position
			Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental activities						
Instruction	\$ 4,061,425	\$ -	\$ 3,266,523	\$ 834,883	\$ 28,147	\$ 68,128
Instructional student support	582,903		423,245	91,914		(67,744)
Administrative and financial support services	480,939		308,247	73,265		(99,427)
Operation and maintenance of plant services	596,871		462,596	93,241		(41,034)
Pupil transportation	378,681		267,239	36,728		(74,714)
Interest on long-term debt	97,089		72,577	9,417		(15,095)
Total governmental activities	\$ 6,197,908	\$ -	\$ 4,800,427	\$ 1,139,448	\$ 28,147	(229,886)
General revenues						
Investment earnings						2,718
Miscellaneous income						88,437
Total general revenues						91,155
Change in net position						(138,731)
Net position, July 1, 2013						3,204,775
Net position, June 30, 2014						\$ 3,066,044

See accompanying notes to financial statements

SECTION D
FUND FINANCIAL STATEMENTS

**Venango Technology Center
Balance Sheet
Governmental Funds
June 30, 2014**

	<u>General</u>	<u>Capital Project Fund (Major Fund)</u>	<u>Total Government Funds</u>
Assets			
Cash	\$ 857,829	\$ 529,184	\$ 1,387,013
Accounts receivable	17,720		17,720
Due (to) from other funds	(104,242)	104,242	
Federal and state subsidies receivable	108,874		108,874
Prepaid expenses	75,637		75,637
Inventories	16,988		16,988
Total assets	<u><u>\$ 972,806</u></u>	<u><u>\$ 633,426</u></u>	<u><u>\$ 1,606,232</u></u>
Liabilities and fund balance			
Liabilities			
Payroll taxes payable	\$ 14,287	\$ -	\$ 14,287
Accrued salaries and benefits	177,063		177,063
Accounts payable	58,626		58,626
Intergovernmental accounts payable	121,422		121,422
Unearned revenues	30,927		30,927
Compensated absences	28,764		28,764
Total liabilities	<u>431,089</u>		<u>431,089</u>
Fund balance			
Fund balance - nonspendable	16,988		16,988
- assigned	528,198	633,426	1,161,624
- unassigned	(3,469)		(3,469)
Total fund balance	<u>541,717</u>	<u>633,426</u>	<u>1,175,143</u>
Total liabilities and fund balance	<u><u>\$ 972,806</u></u>	<u><u>\$ 633,426</u></u>	<u><u>\$ 1,606,232</u></u>

Venango Technology Center
Reconciliation of the Governmental Funds Balance Sheet
To the Statement of Net Position
June 30, 2014

Total fund balances - governmental funds	\$ 1,175,143
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 \$12,005,599, and the accumulated depreciation is \$6,957,628.	5,047,971
Investment in health consortium, which is expensed in the fund financial statement	156,165
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	(110,459)
Other post employment benefits	(687,776)
Capital lease obligation	<u>(2,515,000)</u>
Total net position - governmental activities	<u>\$ 3,066,044</u>

Venango Technology Center
Statement of Revenues, Expenditures and
Changes in Fund Balance - All Governmental Fund Types
For the Year Ended June 30, 2014

	<u>General</u>	<u>Capital Project Fund (Major Fund)</u>	<u>Total Government Funds</u>
Revenues and other financing sources			
Revenues			
Local sources	\$ 4,890,451	\$ 1,128	\$ 4,891,579
State sources	999,780		999,780
Federal sources	167,815		167,815
Other financing sources			
Operating transfers		104,242	104,242
	<u>6,058,046</u>	<u>105,370</u>	<u>6,163,416</u>
Total revenues and other financing sources			
Expenditures and other financing uses			
Expenditures			
Instruction	3,766,857		3,766,857
Support services	1,929,223		1,929,223
Facilities acquisition and improvements		132,000	132,000
Other financing uses			
Debt service	307,089		307,089
Operating transfers	104,242		104,242
	<u>6,107,411</u>	<u>132,000</u>	<u>6,239,411</u>
Total expenditures and other financing uses			
Revenues and other financing sources over (under) expenditures and other financing uses	(49,365)	(26,630)	(75,995)
Fund balance, July 1, 2013	<u>591,082</u>	<u>660,056</u>	<u>1,251,138</u>
Fund balance, June 30, 2014	<u><u>\$ 541,717</u></u>	<u><u>\$ 633,426</u></u>	<u><u>\$ 1,175,143</u></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, 2014

Total net change in fund balances - governmental funds	\$ (75,995)
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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	\$379,528	
Capital outlays	\$276,218	(103,310)

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

210,000

Other

Increase in investment in health consortium	(29,228)
Increase in compensated absences	(17,359)
Increase in other post employment benefits	(122,839)

Change in net position of governmental activities	<u><u>\$ (138,731)</u></u>
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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, 2014

	Budgeted Amounts		Variance - Original with Final Budget		Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)	Budgetary basis to GAAP Difference	Actual Amounts GAAP basis
	Original	Final	Positive (Negative)	Positive (Negative)				
Revenues								
Local revenues								
State program revenues	\$ 5,191,223	\$ 5,191,223	\$ -		\$ 4,890,451	\$ (300,772)	\$ -	\$ 4,890,451
Federal program revenues	894,217	894,217			999,780	105,563		999,780
	212,155	212,155			167,815	(44,340)		167,815
Total revenues	6,297,595	6,297,595			6,058,046	(239,549)		6,058,046
Expenditures								
Regular programs	10,000	10,000			102,337	10,000	4,792	4,792
Special programs	103,674	103,674			2,632,844	1,337	6,015	108,352
Vocational programs	2,738,279	2,732,165	6,114		1,031,676	99,321	214,798	2,847,642
Adult education programs	1,097,565	1,097,565			318,159	65,889	68,962	1,100,638
Pupil personnel services	330,257	333,293	(3,036)		109,105	15,134	26,911	345,070
Instructional staff services	125,409	122,108	3,301		258,975	13,003	(17,955)	91,150
Administrative services	248,647	259,689	(11,042)		772	714	48,395	307,370
Pupil health	1,750	1,750			163,909	978	102	874
Business services	166,515	164,486	2,029		583,123	577	9,660	173,569
Operation and maintenance of plant services	560,500	562,605	(2,105)		357,681	(20,518)	13,748	596,871
Student transportation services	361,975	359,236	2,739		137,499	1,555	21,000	378,681
Central and other support services	143,237	140,748	2,489			3,249	8,310	145,809
Total expenditures	5,887,808	5,887,319	489		5,696,080	191,239	404,738	6,100,818
Excess (deficiency) of revenues over expenditures	409,787	410,276	489		361,966	(48,310)	(404,738)	(42,772)
Other financing sources (uses)								
Debt service	(308,500)	(308,989)	(489)		(307,089)	1,900	210,000	(97,089)
Refund of prior year receipts								
Fund transfers	(101,287)	(101,287)			(104,242)	(2,955)		(104,242)
Total other financing sources (uses)	(409,787)	(410,276)	(489)		(411,331)	(1,055)	210,000	(201,331)
Net change in fund balances					(49,365)	(49,365)	(194,738)	(244,103)
Fund balance, July 1, 2013	591,082	591,082			591,082	591,082	1,972,602	2,563,684
Fund balance, June 30, 2014	\$ 591,082	\$ 591,082	\$ -		\$ 541,717	\$ 541,717	\$ 1,777,864	\$ 2,319,581

See accompanying notes to financial statements

Venango Technology Center
Statement of Net Position
Fiduciary Funds
June 30, 2014

Private Purpose
Trust

Assets	
Investments	<u>\$ 60,397</u>
Total assets	<u><u>\$ 60,397</u></u>
Liabilities and net position	
Total liabilities	<u>\$ -</u>
Net position	
Restricted for legal purposes	<u>60,397</u>
Total net position	<u>60,397</u>
Total liabilities and net position	<u><u>\$ 60,397</u></u>

Venango Technology Center
Statement of Changes in Net Position
Fiduciary Funds
For the Year Ended June 30, 2014

	Private Purpose Trust
Additions	
Investment income	\$ 1,232
Gain on investments	<u>4,910</u>
Total additions	<u>6,142</u>
Change in net position	6,142
Net position, July 1, 2013	<u>54,255</u>
Net position, June 30, 2014	<u><u>\$ 60,397</u></u>

SECTION E
NOTES TO FINANCIAL STATEMENTS

Venango Technology Center
Notes to Financial Statements
June 30, 2014

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.

Venango Technology Center
Notes to Financial Statements, continued
June 30, 2014

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 position 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, 2014

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. No deferred outflows of resources affect the governmental funds financial statements in the current year.

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. No deferred inflows of resources affect the governmental funds financial

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.

Venango Technology Center
Notes to Financial Statements, continued
June 30, 2014

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.

Venango Technology Center
Notes to Financial Statements, continued
June 30, 2014

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, including food and donated commodities, which are valued at estimated cost. The cost is recorded as an expenditure at the time the inventory is consumed.

Venango Technology Center
Notes to Financial Statements, continued
June 30, 2014

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:

<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, 2014, the accumulated benefit payable consists of:

Accrued vacation	\$ 28,764
Accumulated sick days	<u>110,459</u>
	<u>\$139,223</u>

Use of Estimates

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

Venango Technology Center
Notes to Financial Statements, continued
June 30, 2014

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 December 19, 2014.

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, 2014, the deposits (cash) of Venango Technology consist of:

	<u>General Fund</u>	<u>Capital Reserve Fund</u>	<u>Total</u>
Bank balance	\$919,531	\$529,184	\$1,448,715
FDIC insured	(251,557)	_____	(251,557)
Collateralized by securities held by the pledging financial institution's trust department	<u>\$667,974</u>	<u>\$529,184</u>	<u>\$1,197,158</u>
Carrying amount	<u>\$857,829</u>	<u>\$529,184</u>	<u>\$1,387,013</u>

At June 30, 2014, Venango Technology Center's deposits exceeded the \$250,000 Federal Depository Insurance Corporation limit by \$1,197,158; however, no losses occurred due to this situation. For the uninsured balances, the financial institution pledges U.S. Government Securities for these deposits in accordance with the Act of August 6, 1971 (P.L. 281 No. 72).

Venango Technology Center
Notes to Financial Statements, continued
June 30, 2014

Investments

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

The investments of Venango Technology Center at June 30, 2014 consist of:

<u>Fiduciary Fund</u>	<u>Carrying Amount</u>	<u>Cost</u>
Money Market (uninsured)	\$ 7,855	\$ 7,855
Marketable equities and mutual funds	<u>52,542</u>	<u>51,520</u>
	<u>\$60,397</u>	<u>\$59,375</u>

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

iShares – Intl Inflation – Linked Bond ETF	\$ 4,090
iShares Trust – Barclays 1-3 Year Credit Bond Fund	4,333
PIMCO ETF Trust Total Return	8,611
Power Shares Senior Loan Port ETF	<u>4,253</u>
	<u>\$21,287</u>

The following schedule summarizes the investment return for the year ended June 30, 2014:

Interest and dividend income	\$1,232
Realized gain (loss) on investments, net	1,966
Unrealized gain (loss) on investments, net	<u>2,944</u>
	<u>\$6,142</u>

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:

Venango Technology Center
Notes to Financial Statements, continued
June 30, 2014

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, 2014:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Unrestricted Investments			
Money market funds	\$ 7,855	\$	\$
Bond funds	4,333		
Equity funds	24,439		
Bonds	<u> </u>	<u>23,770</u>	<u> </u>
Total unrestricted investments	<u>\$36,627</u>	<u>\$23,770</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. They are classified within level 1 of the valuation hierarchy.

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

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

Venango Technology Center
Notes to Financial Statements, continued
June 30, 2014

Note E – Receivables

Receivables consist of the following at June 30, 2014:

<u>Subsidies receivable</u>	
Social Security reimbursement	\$ 14,715
Public School Employees' Retirement System	64,826
Perkins	6,161
State adult program	<u>23,172</u>
	<u>\$108,874</u>

Note F – Investment in Health Consortium

Venango Technology Center participates in the Northwest School Consortium for health insurance benefits. At June 30, 2014, Venango Technology Center's investment was \$156,165, which represents Venango Technology Center's portion of the Consortium fund balance at year end.

Note G – Capital Assets

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

	<u>Balance</u> <u>06/30/13</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance</u> <u>06/30/14</u>
Land and land improvements	\$ 32,737	\$	\$	\$ 32,737
Buildings and building improvements	8,025,612	120,771		8,146,383
Furniture, equipment and vehicles	<u>3,671,032</u>	<u>155,447</u>	<u> </u>	<u>3,826,479</u>
	<u>\$11,729,381</u>	<u>\$276,218</u>	<u>\$ </u>	<u>\$12,005,599</u>

Depreciation expense was charged to governmental functions as follows:

Instruction	\$263,284
Instructional student support	34,847
Administrative and finance	24,844
Operation and maintenance of plant services	35,553
Student transportation	<u>21,000</u>
	<u>\$379,528</u>

Assets acquired under capital lease obligation are \$3,465,094. Accumulated depreciation for year ended June 30, 2014 is \$310,971.

Venango Technology Center
Notes to Financial Statements, continued
June 30, 2014

Note H – 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 401(a) defined benefit 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, 2014 was \$2,227,769; Venango Technology Center's total payroll was \$2,289,605. The total pension expense for Venango Technology Center at June 30, 2014 was \$373,287 which the state reimbursed \$208,394.

The System issues a comprehensive annual financial report (CAFR) that includes financial statements and required supplementary information for the plan. A copy of the report may be obtained by writing to Beth Girman, Office of Financial Management and Budgets, Public School Employees' Retirement System, 5 N. 5th Street, Harrisburg, PA 17108-1905 or by emailing Beth at bgirman@pa.gov. The CAFR is also available on the publications page of the PSERS website at www.psers.state.pa.

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% (Membership Class TC) or at 6.50% (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% (Membership Class TC) or at 7.50% (Membership Class TD) of the member's qualifying compensation. Members who joined the System after June 30, 2001, or before July 1, 2011, contribute at 7.50% (automatic Membership Class TD). 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%.

Contributions required of employers are based upon an actuarial valuation. For the fiscal year ended June 30, 2014, the rate of employer's contribution was 16.93% of covered payroll. The 16.93% is composed of a pension contribution rate of 16.07% for pension benefits and 0.86% for healthcare insurance premium assistance.

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 \$16,736 for the year ended June 30, 2014.

Venango Technology Center
Notes to Financial Statements, continued
June 30, 2014

The following is a schedule, by years, of the future minimum rentals under the lease at June 30, 2014:

Years ending June 30,	
2015	\$5,609
2016	<u>3,384</u>
	<u>\$8,993</u>

Note J – 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. (See Note R.)

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. (See Note R.)

The following is a summary of changes in the lease Revenue bond Service of 2009 for the year ended June 30, 2014:

	Balance <u>06/30/13</u>	<u>Issued</u>	<u>Retired</u>	Balance <u>06/30/14</u>
Series of 2009	<u>\$2,725,000</u>	<u>\$</u>	<u>\$210,000</u>	<u>\$2,515,000</u>

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

Current portion	\$ 215,000
Long-term portion	<u>2,300,000</u>
	<u>\$2,515,000</u>

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

Years ending June 30,	
2015	\$ 304,900
2016	303,912
2017	302,069
2018	304,472
2019	306,069

Venango Technology Center
Notes to Financial Statements, continued
June 30, 2014

Years ending June 30,	
2020	301,720
2021	306,420
2022	305,345
2023	303,586
2024	<u>306,300</u>
	3,044,793

Less interest expense (529,793)

\$ 2,515,000

Note K – Joint Venture

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

The distribution of expenditures is as follows at June 30, 2014:

<u>Member Districts</u>	<u>10-11 ADM%</u>	<u>11-12 ADM%</u>	<u>12-13 ADM%</u>	<u>3 Year Average Audit</u>	<u>ADM Expenditures</u>
Cranberry	10.32	10.84	10.07	10.54	\$ 422,850
Forest Area	7.54	6.77	9.00	7.95	318,835
Franklin	26.44	25.25	26.46	26.06	1,044,710
Oil City	22.65	25.47	22.92	23.68	949,808
Titusville	19.11	19.34	19.49	19.31	774,663
Valley Grove	<u>13.94</u>	<u>11.39</u>	<u>12.06</u>	<u>12.46</u>	<u>499,915</u>
	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>	<u>\$4,010,781</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, 2014 for the member districts are available at their business offices.

Venango Technology Center
Notes to Financial Statements, continued
June 30, 2014

Note L – Concentration of Revenue

Of Venango Technology Center's total general fund's receipts, approximately 79% 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, 2014, the total amount of nonspendable fund balance was \$16,988.

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, 2014, program operations resulted in a decrease of \$38,225 to the practical nursing fund balance and a decrease of \$11,140 to the adult education fund balance.

As of June 30, 2014, balances for each program are as follows:

Practical Nursing	\$421,592
Adult Education Programs	<u>106,606</u>
Total assigned fund balances	<u>\$528,198</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, 2014 was \$104,242. At June 30, 2014 the total amount assigned for future capital projects which have not been specifically identified by the board was \$633,426.

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.

Venango Technology Center
Notes to Financial Statements, continued
June 30, 2014

As of June 30, 2014, the projected hospitalization cost through age 65 was for 5 retirees and spouses of retirees and 28 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, 2014 the OPEB has the following components:

Annual required contribution (ARC)	\$143,704
Interest on net OPEB obligation	11,299
Adjustment to ARC	<u>(17,441)</u>
 Annual OPEB Costs	 <u>\$137,562</u>

At June 30, 2014 the net OPEB obligation was as follows:

Annual OPEB Costs	\$137,562
Contributions	<u>(14,722)</u>
 Net OPEB obligation – current year	 122,840
Net OPEB obligation – prior years	<u>564,936</u>
 Total OPEB obligation	 <u>\$687,776</u>

Other information:

Actuarial valuation was performed as of June 30, 2014

Actuarial value of plan assets	\$ -0-
Actuarial accrued liability	1,316,738
Total unfunded actuarial accrued liability	1,316,738
Annual payroll for active participants	1,405,360
Ratio of unfunded accrued liability to covered payroll	.9369

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.

Venango Technology Center
Notes to Financial Statements, continued
June 30, 2014

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.
- Discount rate 2.%.
- 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.

Venango Technology Center
Notes to Financial Statements, continued
June 30, 2014

Note Q – Change in Accounting Principles

For the year ended June 30, 2014, Venango Technology Center implemented GASB No. 65, *Items Previously Reported as Assets and Liabilities*. This statement improves financial reporting by clarifying the appropriate use of the financial statement elements deferred outflows of resources and deferred inflows of resources to ensure consistency in financial reporting. However, no restatement in fund balance was necessary as a result of the change in accounting principles.

Note R – Subsequent Events

On July 7, 2014 Venango Technology Center refinanced the Lease Revenue Bond Series of 2009 via the issuance of the General Obligation Note, Series of 2014, in the aggregate amount of \$2,632,000, including the cost of issuance. The security for the bonds is the payments received from the participating schools for their respective share of the payments on the capital lease.

SECTION F
REQUIRED SUPPLEMENTARY INFORMATION

Venango Technology Center
Schedule of Funding Progress and Employer Contributions
For the Year Ended June 30, 2014

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, 2011	\$-0-	\$1,441	\$1,441	0.0%	\$1,626	88.66%
July 1, 2012	\$-0-	\$1,441	\$1,441	0.0%	\$1,683	85.65%
July 1, 2013	\$-0-	\$1,441	\$1,441	0.0%	\$1,702	84.66%
July 1, 2014	\$-0-	\$1,317	\$1,317	0.0%	\$1,405	93.69%

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

SECTION G
SUPPLEMENTAL FINANCIAL INFORMATION

Venango Technology Center
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2014

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 6/30/2013	Plus Deferred Revenue 6/30/2013	Revenue Recognized/ Expenditures	Accrued or (Deferred) Revenue 6/30/2014
U.S. Department of Education									
Federal Pell Grant Program (Pell)	D	84.063		07-01-13 to 06-30-14	F * \$ 202,947	\$ -	\$ -	\$ 202,947	\$ -
Passed through PA Department of Education:									
Career and Technical Education - Basic Grants to State (Perkins IV)	I	84.048	380-14-4036	07-01-13 to 06-30-14	F 167,815			167,815	
Passed through PA Higher Education Assistance Agency									
Federal Direct Student Loans (Direct Loan)	I	84.268		07-01-13 to 06-30-14	F * 607,871			607,871	
Passed through Lenape Technical School									
Basic Grants to State - Vocational Education	I	84.048A		07-01-13 to 06-30-14	F 18,119			18,119	
Total Department of Education					996,752			996,752	
U.S. Department of Health & Human Services									
Passed through Venango Training and Development Corporation									
Temporary Assistance for Needy Families (TANF)	I	93.558		07-01-13 to 06-30-14	F 4,500			4,500	
Total Department of Health & Human Services					4,500			4,500	
Total Assistance					\$ 1,001,252	\$ -	\$ -	\$ 1,001,252	\$ -

* Major programs

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

Notes:

Schedule of Expenditures of Federal Awards is prepared on the accrual basis of accounting

Student Financial Assistance Cluster consists of :
CFDA 84.063 Federal Pell Grant Program (Pell)
CFDA 84.268 Federal Direct Student Loans (Direct Loans)

See independent auditor's report

**Venango Technology Center
Schedule of Reconciliation of Federal Direct Loan Program
For the Year Ended June 30, 2014**

Received from AES

Gross student loans	\$ 607,871
Loan proceeds returned to students	<hr/>
Loan proceeds received by Venango Technology Center	<u><u>\$ 607,871</u></u>

**Venango Technology Center
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2014**

A. Summary of auditor's 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:

Federal Pell Grant Program (Pell) (CFDA 84.063)	\$202,947
Federal Direct Student Loans (Direct Loans) (CFDA 84.268)	<u>607,871</u>
	<u>\$810,818</u>

Total federal expenditures per schedule of federal awards are \$1,001,252.

80.98% of federal expenditures were tested as a major program (\$810,818/\$1,001,252).

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, 2014**

Food services		
Lunches, dinners, bakery and meat cutting	\$ 31,130	
Cost of food consumed	<u>43,086</u>	
Net (loss)		(11,956)
Marketing department		
Sales	30,023	
Cost of sales	<u>25,031</u>	
Net income		4,992
Auto trades department		
Sales	12,759	
Cost of sales	<u>11,869</u>	
Net income		890
Other departments		
Sales	11,231	
Cost of sales	<u>6,671</u>	
Net income		4,560
Other expenses		
Student Senate	<u>194</u>	
Total other expenses		<u>(194)</u>
Net income (loss) special accounts		<u>\$ (1,708)</u>