

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

Audit Report

For the Year Ended June 30, 2011



Certified Public Accountants & Advisors
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Venango Technology Center

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**SECTION A
MANAGEMENT DISCUSSION AND ANALYSIS**



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**Venango Technology Center
Management Discussion and Analysis
June 30, 2011**

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, 2011. 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 2011

The Venango Technology Center's net assets for the year ended June 30, 2011 totaled \$5,704,079 as reported in the Statement of Net Assets. This total is comprised entirely of net assets attributable to Governmental Activities.

Total General Fund revenues as reported in the Statement of Revenues, Expenditures and Changes in Fund Balance received during the 2009-10 school year were \$5,808,632. The following is a breakdown of the various funding sources:

Local Sources	\$ 4,789,328	(79%)
State Sources	\$ 1,003,337	(17%)
Federal Sources	\$ 200,518	(4%)

The revenue and expenditure activity includes adult programs, unreimbursed after school programs and the activity attributable to regular day school. The day school programs' actual revenue and expenditure activity net to zero on the financial statements presented. Any budgeted amount paid by the sending schools for regular day school activity in excess of the actual is returned at the end of the fiscal year. This is primarily due to the effect of estimating the average daily membership for the amount to be provided by the sending schools. The net result was a refund to the sending schools of \$239,885 or approximately 5.76% of the amount budgeted.

Total General Fund expenditures for the 2010-11 school year, as reported in the Statement of Revenues, Expenditures and Changes in Fund Balance, were \$5,970,711. The following is a breakdown of the expenditures by major function:

1000 Instruction	\$ 2,615,284	(43.80%)
1600 Adult programs	\$ 954,041	(15.98%)
2000 Support Services	\$ 1,906,561	(30.96%)
5000 Debt Service	\$ 306,047	(5.13%)
5000 Refund of Prior Years Receipts	\$ 5,299	(1.06%)
5000 Fund Transfers	\$ 183,479	(3.07%)

During 2010-11, Practical Nursing received ARRA funds to offset salaries and tuition for the program costs resulting in a substantial increase to the fund balance. However, it turned out that these funds were to be recorded entirely in 2009-10 and were adjusted to this year with a prior period adjustment to fund balance.

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.

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

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

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

• Government Wide Statements

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

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).

Overview of the Annual Financial Report

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, 2011, the balance in this fund was \$52,670, as reported in the Statement of Net Assets – Fiduciary Funds. It is important to note that these funds are never used for expenses in the general fund.

The Joint Committee of the Venango Technology Center authorized the establishment of a Capital Projects fund during the 2007-08 school year. The Venango Technology Center had previously returned all of the vocational subsidy to the sending schools. To fund the Capital Projects fund, the Venango Technology Center will retain 30% of these monies. The General Fund transfers to the Capital Projects during 2010-11 amounted to \$183,479. These funds were used to make renovations to the building for program changes.

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

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

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

- Fund Financial Statements

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

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

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

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

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

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

Fund Balance Reporting

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

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

1. *Nonspendable*, such as fund balance associated with inventories, prepaids, long-term loans and notes receivable, and property held for resale (unless the proceeds are restricted, committed, or assigned).
2. *Restricted* fund balance category includes amounts that can be spent only for the specific purposes stipulated by constitution, external resource providers, or through enabling legislation.
3. *Committed* fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the Joint Operating Committee (Venango Technology Center's highest level of decision-making authority).
4. *Assigned* fund balance classification are intended to be used by the government for specific purposes but do not meet the criteria to be classified as restricted or committed, and
5. *Unassigned* fund balance is the residual classification for the government's general fund and includes all spendable amounts not contained in the other classifications.

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

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

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

Financial Analysis of the Venango Technology Center As A Whole

Nearly all of the Center's net assets are invested in capital assets net of related debt. Capital assets include building, land and equipment. Of the total net assets, \$846,463 is designated for adult programs, secondary programs that are not state reimbursable and the Capital Projects Fund. The unrestricted deficit relates to short and long-term liabilities necessary to fund payroll, compensated absences and deferred revenues in excess of current assets and investments.

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

Capital Assets

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

As of June 30, 2011, the Center had \$8,331,333 invested in capital assets. The table below illustrates the breakdown of these capital assets and reflects a bottom line total of Capital Assets, Net of Accumulated Depreciation.

	June 30, 2011	June 30, 2010
Land and Improvements	\$ 32,737	\$ 32,737
Buildings and Improvements	\$ 7,846,356	\$ 4,258,334
Furniture and Equipment	\$ 3,527,563	\$ 3,351,405
Construction in progress	\$ -	\$ 3,560,000
Total Capital Assets	\$ 11,406,656	\$ 11,202,476
LESS: Accumulated Depreciation	(\$ 5,837,398)	(\$ 5,465,660)
Total Capital Assets, Net Accumulated Depreciation	\$ 5,569,258	\$ 5,736,816

The primary changes in equipment relate to renovations to various areas and new flooring in some areas in the amount of \$36,983, purchased a virtual server environment in the amount of \$81,547 for the school, \$69,477 for new instructional equipment and \$16,173 for security upgrades.

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, 2011, the balance in each of the areas is as follows:

	Short-Term	Long-Term	Total
Accrued Vacation	\$ 31,978	\$ -	\$ 31,978
Post-employment Health Care Benefits	-	272,636	272,636
Accumulated Sick Days	-	68,605	68,605
	\$ 31,978	\$ 341,241	\$ 373,219

Comparative Analysis

Assets	6/30/2011	6/30/2010	\$ Variance	% Variance
Current Assets:				
Cash and cash equivalents	\$1,087,604	\$859,608	\$227,996	26.52%
Intergovernmental receivables	75,242	105,801	(30,559)	-28.83%
Federal and state subsidies receivable	46,115	96,077	(17,363)	-15.31%
Other receivables	43,872	109,423	(65,551)	-59.91%
Inventories	7,513	6,767	746	11.02%
Prepaid expenses	321,303	260,105	61,198	23.53%
Total current assets	1,581,649	1,437,781	143,868	10.01%
Noncurrent assets:				
Investment in Health Consortium	151,543	108,066	43,477	40.23%
Capital Assets:				
Land and land improvements	32,737	32,737	-	0.00%
Buildings and building improvements	7,846,356	4,258,334	3,588,022	84.26%
Furniture, equipment, and vehicles	3,351,405	3,351,405	66,471	2.02%
Construction in progress	-	3,560,000	3,560,000	100.00%
Accumulated depreciation	(5,837,398)	(5,465,660)	(371,738)	6.80%
5,569,258	5,736,816	(167,558)	-2.92%	
Total noncurrent assets	5,720,801	5,736,816	(16,015)	-2.79%
Total assets	\$7,302,448	\$7,282,663	\$19,785	0.27%
Current liabilities:				
Accounts payable	\$ 29,042	\$409,795	\$(380,753)	-92.91%
Intergovernmental payable	243,628	-	243,628	100.00%
Current portion of compensated absences	31,978	30,852	1,126	3.65%

Current portion of capital lease obligation	200,000	200,000	200,000	0.00%
Accrued salaries and benefits	175,066	154,253	20,813	13.49%
Payroll deductions and withholdings	44,220	39,342	4,878	12.40%
Deferred revenues	21,552	15,422	6,130	39.75%
Total current liabilities	745,486	849,664	(104,178)	-12.26%
Noncurrent liabilities:				
Compensated absences	68,605	61,142	7,463	12.21%
Other post employment benefits	272,636	133,569	139,067	104.12%
Capital lease obligation	2,930,000	3,130,000	(200,000)	-6.39%
Total noncurrent liabilities	3,271,241	3,324,711	(53,470)	-1.61%
Total liabilities	4,016,727	4,174,375	(157,648)	-3.78%
Net assets:				
Invested in capital assets net of related debt	2,439,258	2,406,816	32,442	1.35%
Unrestricted (deficit)	846,463	701,472	144,991	20.67%
Total net assets	3,285,721	3,108,288	177,433	5.71%
Total liabilities and net assets	\$7,302,448	\$7,282,663	\$19,785	0.27%

- Cash is higher primarily due to the additional funds that were transferred to the Capital Projects fund during 2010-11.
- Federal and state receivables were lower due to decreased funding in the New Choices grant from the prior year.
- Other receivables were composed primarily of funds due from AFRAs from Venango County in 2009-10 for the reimbursement of PN salaries and student tuition.
- The primary difference in intergovernmental receivables is the timing of receipt of payments from the sending schools.

- The difference in prepaid expenses is the general insurance was paid early in 2010-11 as it was not in 2009-10.
- Capital assets were up due to the normal additions of equipment and renovations that occur.
- The primary item affecting accounts payable are tuition refunds due to PN students related to the ARRA funding in 2009-10.

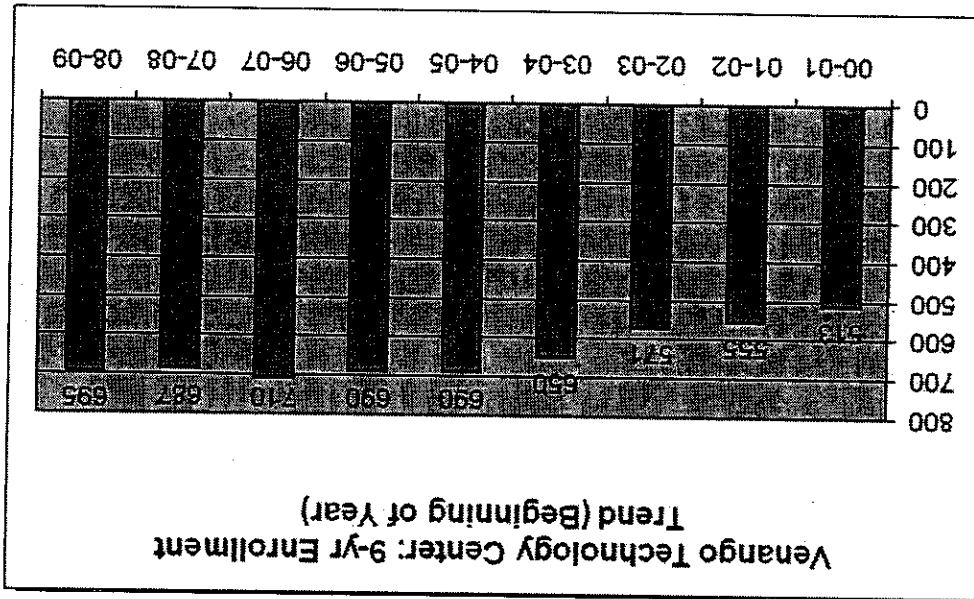
Comparative Revenues and Expenditures – Fund Accounting

	6/30/2011	6/30/2010	\$ Variance	% Variance
REVENUE				
Local revenues	\$ 4,789,328	\$ 4,660,624	\$ 128,704	2.76%
State program revenues	1,003,337	963,180	40,157	4.17%
Federal program revenues	200,518	184,828	15,690	8.49%
	<u>\$ 5,993,183</u>	<u>\$ 5,808,632</u>	<u>\$ 184,551</u>	<u>3.18%</u>
EXPENDITURES				
Regular programs	\$ 11,518	\$ 19,104	\$ (7,586)	-39.71%
Special programs	86,339	76,233	10,106	13.26%
Vocational programs	2,529,918	2,489,583	40,355	1.62%
Adult education programs	941,549	807,912	133,637	16.54%
Pupil personnel services	343,907	314,546	29,361	3.63%
Instructional staff services	183,148	85,143	98,005	115.11%
Administrative services	230,406	311,346	(80,940)	-25.99%
Pupil Health	986	1,757	(771)	-43.88%
Business services	134,452	126,050	8,402	6.67%
Operation and maintenance of plant	590,219	502,745	87,474	17.40%
Student transportation services	308,094	296,062	12,032	4.06%
Central and other support services	115,349	99,480	15,869	15.95%
Refund of prior year receipts	5,299	-	5,299	100.00%
Fund Transfers	183,479	181,121	2,358	1.30%
Debt service	306,047	299,182	6,865	2.29%
	<u>\$ 5,970,711</u>	<u>\$ 5,610,264</u>	<u>\$ 360,447</u>	<u>6.42%</u>

- The decrease in regular programs reflects the funding cuts in GED funding for 2010-11.
- The increase in Adult program expense reflects the addition of the PN Warren satellite program with a complete year of operation.

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

old building continue to surface. 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 2012-2013. Because the numbers have been consistently high over the past several years in Welding Technology, discussion has begun to consider expanding this program. 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



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

Looking Forward

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.

- Instructional staff service expense increased as a result of the Joint Committee authorizing the purchase of the virtual environment in 2010-11.
- Administrative services decreased due to eliminating the principal position.
- Operation and maintenance increased due to the benefits achieved by the energy project.
- Health insurances increased 5.5% in all areas from 2009-10 to 2010-11.

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 Transport Tech to offer CDL training and will continue to pursue degree programs through relationships with community colleges.

Contacting the Venango Technology Center Financial Management

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

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**SECTION B
AUDITORS' REPORTS**

Joint Operating Committee of
Venango Technology Center

INDEPENDENT AUDITORS' REPORT

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Venango County Area Vocational – Technical School (doing business as Venango Technology Center) as of and for the year ended June 30, 2011, which collectively comprise Venango Technology Center's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Venango Technology Center's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of Venango Technology Center, as of June 30, 2011, and the respective changes in financial position, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 21, 2011 on our consideration of Venango Technology Center's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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

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

O'Polka & Company, Inc.

November 21, 2011
Franklin, Pennsylvania



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

Joint Operating Committee of
Venango Technology Center

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Venango County Area Vocational - Technical School (doing business as Venango Technology Center), as of and for the year ended June 30, 2011, which collectively comprise Venango Technology Center's basic financial statements and have issued our report thereon dated November 21, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

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

O'Polka & Company, Inc.

November 21, 2011
Franklin, Pennsylvania



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

Joint Operating Committee of
 Venango Technology Center

Compliance

We have audited Venango County Area Vocational – Technical School's (doing business as Venango Technology Center) compliance with the types of compliance requirements described in the OMB Circular A-133 *Compliance Supplement* that could have a direct and material effect on each of Venango Technology Center's major federal programs for the year ended June 30, 2011. Venango Technology Center's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Venango Technology Center's management. Our responsibility is to express an opinion on Venango Technology Center's compliance based on our audit.

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

In our opinion, Venango Technology Center complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2011.

Internal Control Over Compliance

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

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

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

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

Polka & Company, Inc.

November 21, 2011
Franklin, Pennsylvania



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**SECTION C
GOVERNMENT-WIDE FINANCIAL STATEMENTS**

Venango Technology Center
Statement of Net Assets
June 30, 2011

Governmental Activities	
	Assets
	Current assets
	Cash
\$ 1,087,604	Accounts receivable
43,872	Intergovernmental receivables
75,242	Federal and state subsidies receivable
46,115	Inventories
7,513	Prepaid expenses
321,304	Total current assets
1,581,650	Noncurrent assets
	Investment in health consortium
151,543	Capital assets
	Land and land improvements
32,737	Building and building improvements
7,846,356	Furniture, equipment and vehicles
3,527,563	Accumulated depreciation
(5,837,398)	Total capital assets
5,569,258	Total noncurrent assets
5,720,801	Total assets
\$ 7,302,449	Liabilities and net assets
	Current liabilities
	Accounts payable
29,043	Intergovernmental payable
243,628	Current portion of compensated absences
31,978	Current portion of capital lease obligation
200,000	Accrued salaries and benefits
174,778	Payroll deductions and withholdings
44,508	Deferred revenues
21,552	Total current liabilities
745,487	Noncurrent liabilities
	Compensated absences
68,605	Other post employment benefits
272,636	Capital lease obligation
2,930,000	Total noncurrent liabilities
3,271,241	Total liabilities
4,016,728	Net assets
	Invested in capital assets net of related debt
2,439,258	Unrestricted
846,463	Total net assets
3,285,721	Total liabilities and net assets
\$ 7,302,449	

See accompanying notes to financial statements

Venango Technology Center
Statement of Activities
For the Year Ended June 30, 2011

Functions/Programs	Expenses	Indirect Expense Allocation	Program Revenues		Net (Expense) Revenue and Changes in Net Assets
			Charges for Services	Operating Grants and Contributions	
Governmental activities					
Instruction	\$ 3,866,324	\$ -	\$ 3,298,623	\$ 908,112	\$ 340,411
Instructional student support	593,265	-	408,560	90,892	(93,813)
Administrative and financial support services	427,611	-	294,480	65,513	(67,618)
Operation and maintenance of plant services	562,828	-	387,599	86,228	(89,001)
Pupil transportation	325,975	-	224,487	40,074	(61,414)
Interest on long-term debt	106,047	-	73,030	13,037	(19,980)
Total governmental activities	<u>\$ 5,882,050</u>	<u>\$ -</u>	<u>\$ 4,686,779</u>	<u>\$ 1,203,856</u>	<u>\$ 8,585</u>
General revenues					
Investment earnings					1,009
Miscellaneous income					65,921
Total general revenues					<u>66,930</u>
Change in net assets					75,515
Net assets, July 1, 2010, as previously stated					3,108,288
Prior period adjustment					101,918
Net assets, June 30, 2011					<u>\$ 3,285,721</u>

See accompanying notes to financial statements

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**SECTION D
FUND FINANCIAL STATEMENTS**

Venango Technology Center
Balance Sheet
Governmental Funds
June 30, 2011

	Capital Project Fund (Major Fund)	General	Total Government Funds
Assets			
Cash	\$ 268,195	\$ 819,409	\$ 1,087,604
Accounts receivable		43,872	43,872
Due (to) from other funds	232,150	(232,150)	
Intergovernmental receivables		75,242	75,242
Federal and state subsidies receivable		46,115	46,115
Prepaid expenses		321,304	321,304
Inventories		7,513	7,513
Total assets	\$ 500,345	\$ 1,081,305	\$ 1,581,650
Liabilities and fund balance			
Liabilities			
Payroll taxes payable		44,508	44,508
Accrued salaries and benefits		174,778	174,778
Accounts payable		29,045	29,045
Intergovernmental payable		243,628	243,628
Deferred revenues		21,552	21,552
Compensated absences		31,978	31,978
Total liabilities		545,489	545,489
Fund balance			
Fund balance - nonspendable	7,513	7,513	7,513
- assigned	522,299	522,299	1,022,644
- unassigned	1,022,644	6,004	6,004
Total fund balance	500,345	535,816	1,036,161
Total liabilities and fund balance	\$ 500,345	\$ 1,081,305	\$ 1,581,650

See accompanying notes to financial statements

Venango Technology Center
 Reconciliation of the Governmental Funds Balance Sheet
 To the Statement of Net Assets
 6/30/2011

Total fund balances - governmental funds	\$ 1,036,161
Amounts reported for governmental activities in the statement of net assets are different because	
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds. The cost of assets is \$11,406,656, and the accumulated depreciation is \$5,837,398	5,569,258
Investment in health consortium, which is expensed in the fund financial statement	151,543
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	(68,605)
Other post employment benefits	(272,636)
Capital lease obligation	(3,130,000)
Total net assets - governmental activities	<u>\$ 3,285,721</u>

See accompanying notes to financial statements

Venango Technology Center
 Statement of Revenues, Expenditures and
 Changes in Fund Balance - All Governmental Fund Types
 For the Year Ended June 30, 2011

	Capital Project Fund (Major Fund)	General	Total Government Funds
Revenues and other financing sources			
Revenues			
Local sources		\$ 4,789,328	\$ 4,789,328
State sources		1,003,337	1,003,337
Federal sources		200,518	200,518
Other financing sources	1,009		1,009
Interest income			
Operating transfers	183,479		183,479
Total revenues and other financing sources	184,488	5,993,183	6,177,671
Expenditures and other financing uses			
Expenditures			
Instruction		3,569,325	3,569,325
Support services		1,906,561	1,906,561
Facilities acquisition and improvements	60,834		60,834
Other financing uses			
Debt service		306,047	306,047
Refund of prior year receipts		5,299	5,299
Operating transfers		183,479	183,479
Total expenditures and other financing uses	60,834	5,970,711	6,031,545
Revenues and other financing sources over (under)			
expenditures and other financing uses		22,472	146,126
Fund balance, July 1, 2010 as previously stated	376,691	411,426	788,117
Prior period adjustment		101,918	101,918
Fund balance, June 30, 2011	\$ 500,345	\$ 535,816	\$ 1,036,161

See accompanying notes to financial statements

Venango Technology Center
Reconciliation of the Governmental Funds
Statement of Revenues, Expenditures and Changes in Fund Balance
To the Statement of Activities
June 30, 2011

		Total net change in fund balances - governmental funds	\$ 146,126
		Amounts reported for governmental activities in the statement of activities are different because	
		Capital outlays are reported in governmental funds as expenditures allocated over their estimated useful lives as depreciation expense. However, in the statement of activities, the cost of those assets is This is the amount by which depreciation exceeds capital outlays in the period	
		Depreciation expense \$ 371,738	
		Capital outlays \$ 204,180	
		Repayment of capital lease obligation is an expenditure in the governmental funds but the repayment reduced long-term liabilities in the statement of net assets	200,000
		Other	
		Increase in investment in health consortium	43,477
		Increase in compensated absences	(7,463)
		Increase in other post employment benefits	(139,067)
		Change in net assets of governmental activities	75,515

See accompanying notes to financial statements

Venango Technology Center
Statement of Revenue, Expenditures and Changes in Fund Balances, Budget and Actual
General Fund
For the Year Ended June 30, 2011

	Budgeted Amounts		Variance - Original with Final Budget	Actual	Variance with Final Budget	Budgetary basis to GAAP	Actual Amounts
	Original	Final	Positive (Negative)	(Budgetary Basis)	Positive (Negative)	Difference	GAAP Basis
Revenues							
Local revenues	\$ 5,080,697	\$ 5,080,697	\$ -	\$ 4,789,328	\$ (291,369)	\$ -	\$ 4,789,328
State program revenues	916,058	916,058	-	1,003,337	87,279	-	1,003,337
Federal program revenues	201,615	201,615	-	200,518	(1,097)	-	200,518
Total revenues	6,198,370	6,198,370		5,993,183	(205,187)		5,993,183
Expenditures							
Regular programs	18,017	18,017	-	11,519	6,498	3,634	15,153
Special programs	89,995	89,995	-	86,339	3,656	5,245	91,584
Vocational programs	2,732,906	2,659,673	73,033	2,529,918	129,655	207,322	2,737,240
Adult education programs	954,041	954,041	-	941,549	12,492	51,295	992,844
Pupil personnel services	375,955	391,620	(15,665)	343,907	47,713	22,588	366,495
Instructional staff services	105,661	188,001	(82,340)	183,148	4,853	(79,336)	103,812
Administrative services	333,523	272,123	61,400	230,406	41,717	53,692	284,097
Pupil health	1,500	1,500	-	986	514	87	1,073
Business services	155,492	155,492	-	134,452	21,040	9,062	143,514
Operation and maintenance of plant services	557,339	596,757	(39,418)	580,219	6,538	(27,392)	562,827
Student transportation services	309,800	306,810	2,990	308,094	(1,284)	17,881	325,975
Central and other support services	122,161	122,161	-	115,348	6,812	6,537	121,886
Total expenditures	5,756,390	5,756,390		5,475,886	280,504	270,615	5,746,501
Excess (deficiency) of revenues over expenditures	441,980	441,980	-	517,297	75,317	(270,615)	246,682
Other financing sources (uses)							
Debt service	(303,100)	(303,100)	-	(306,047)	(2,947)	200,000	(106,047)
Refund of prior year receipts	(138,880)	(138,880)	-	(5,299)	(5,299)	-	(5,299)
Fund transfers	(441,980)	(441,980)	-	(183,479)	(44,599)	-	(183,479)
Total other financing sources (uses)	(441,980)	(441,980)		(494,825)	(52,845)	200,000	(294,825)
Net change in fund balances	213,058 *	213,058	-	22,472	22,472	(70,615)	(48,143)
Fund balance, July 1, 2010	213,058	213,058	-	411,426	411,426	2,411,471	2,822,897
Prior period adjustment				101,918	101,918	101,918	101,918
Fund balance, June 30, 2011	\$ 213,058	\$ 213,058	\$ -	\$ 535,816	\$ 535,816	\$ 2,442,774	\$ 2,876,672

* As per original budget
See accompanying notes to financial statements

Venango Technology Center
 Fiduciary Funds
 Statement of Net Assets
 June 30, 2011

	Assets
	Investments
\$ 52,670	Total assets
\$ 52,670	Liabilities and net assets
	Total liabilities
	Net assets
	Restricted for legal purposes
52,670	Total net assets
52,670	Total liabilities and net assets
\$ -	
\$ 52,670	
\$ 52,670	

Private Purpose
 Trust

See accompanying notes to financial statements

Venango Technology Center
 Statement of Changes in Net Assets
 Fiduciary Funds
 For the Year Ended June 30, 2011

Private Purpose Trust	
\$	715
6,960	
7,675	
3,000	
3,000	
4,675	
47,995	
\$	52,670

Additions
 Investment income
 Unrealized gain on investments
 Total additions
 Deductions
 Scholarships
 Total deductions
 Change in net assets
 Net assets, July 1, 2010
 Net assets, June 30, 2011

See accompanying notes to financial statements

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SECTION E
NOTES TO FINANCIAL STATEMENTS

Note 1 – Entity

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

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

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

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

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

Note 2 – Summary of Significant Accounting Policies

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

Fund Account Structure

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

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

Governmental Fund Type

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

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

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

Fiduciary Fund Types

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

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

Government-Wide Financial Statements – Basis of Presentation

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

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

Venango Technology Center
Notes to Financial Statements, continued
June 30, 2011

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

Fund Financial Statements – Basis of Presentation

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

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

Fiduciary funds are reported using the economic resources measurement focus.

Fund Balance Reporting

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

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

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

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

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

Venango Technology Center
Notes to Financial Statements, continued
June 30, 2011

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 exceed the positive fund balance for the non-general fund.

Basis of Accounting

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

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

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

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

Venango Technology Center
Notes to Financial Statements, continued
June 30, 2011

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

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

Budgets

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

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

Encumbrances

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

Cash

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

Investments

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

Inventories

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

Capital Assets

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

**Venango Technology Center
Notes to Financial Statements, continued
June 30, 2011**

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

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

Description	Estimated Lives
Land improvements	20 years
Building and building improvements	25-40 years
Furniture and equipment	5-20 years
Vehicles	10 years

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, 2011, the accumulated benefit payable consists of:

Accrued vacation	\$ 31,978
Accumulated sick days	68,605
	<u>\$100,583</u>

Use of Estimates

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

Review of Subsequent Events

Venango Technology Center has evaluated subsequent events for potential recognition and/or disclosure through the date the financial statements were available for issuance which was November 21, 2011.