



**Auditor of State  
Betty Montgomery**



**UPPER VALLEY JOINT VOCATIONAL SCHOOL DISTRICT  
MIAMI COUNTY**

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## Auditor of State Betty Montgomery

### INDEPENDENT ACCOUNTANTS' REPORT

Upper Valley Joint Vocational School District  
Miami County  
8811 Career Dr.  
Piqua, Ohio 45356

To the Board of Education:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Upper Valley Joint Vocational School District, Miami County, (the District), as of and for the year ended June 30, 2004, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. 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 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 Upper Valley Joint Vocational School District, as of June 30, 2004, and the respective changes in financial position and cash flows where applicable, and the respective budgetary comparisons of the General and Adult Education Funds, 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 January 21, 2005, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The Management's Discussion and Analysis is not a required part of the basic financial statements but is supplementary information the Governmental Accounting Standards Board requires. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

We conducted our audit to form opinions on the financial statements that collectively comprise the District's basic financial statements. The schedule of federal awards expenditure is 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. We subjected the schedule of federal awards expenditure to the auditing procedures applied in the audit of the basic financial statements. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

**Betty Montgomery**  
Auditor of State

January 21, 2005

**UPPER VALLEY JOINT VOCATIONAL SCHOOL DISTRICT  
MIAMI COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

The discussion and analysis of Upper Valley Joint Vocational School District's financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2004. The intent of this discussion and analysis is to look at the School District's financial performance as a whole; readers should also review the notes to the basic financial statements and financial statements to enhance their understanding of the School District's financial performance.

**Financial Highlights**

Key financial highlights for 2004 are as follows:

- In total, net assets increased \$1,902,085, which represents a 12.3 percent increase from 2003.
- Total assets of governmental activities increased by \$10,578,144 as cash and cash equivalents increased by \$8,529,492, accrued interest receivable decreased by \$46,083, accounts receivable decreased by \$103,399, and capital assets increased by \$471,322.
- General revenues accounted for \$14,202,277 in revenue or 69.5 percent of all revenues. Program specific revenues in the form of charges for services, operating grants, contributions and interest, and capital grants and contributions accounted for \$6,226,372 or 30.5 percent of total revenues of \$20,428,649.
- The School District had \$18,526,564 in expenses; only \$6,226,372 of these expenses were offset by program specific charges for services, grants, interest, or contributions. General revenues (primarily taxes) of \$14,202,277 were adequate to provide for these programs.
- Among major funds, the General Fund had \$16,267,198 in revenues and \$15,074,066 in expenditures. The General Fund's balance increased \$1,165,994 over 2003.
- The School District issued \$7,000,000 in Bond Anticipation Notes to finance the construction and equipping of a Science and Technology addition to the main campus facility. The notes are expected to be retired over a six-year period.

**Using the Basic Financial Statements**

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand Upper Valley Joint Vocational School District as a financial whole, an entire operating entity. The statements then proceed to provide an increasingly detailed look at specific financial activities.

The Statement of Net Assets and Statement of Activities provide information about the activities of the whole School District, presenting both an aggregate view of the School District's finances and a longer-term view of those finances. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the School District's most significant funds with all other non-major funds presented in total in one column.

**UPPER VALLEY JOINT VOCATIONAL SCHOOL DISTRICT  
MIAMI COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004  
(Continued)**

**Reporting the School District as a Whole**

**Statement of Net Assets and the Statement of Activities**

While this document contains the large number of funds used by the School District to provide programs and activities, the view of the School District as a whole looks at all financial transactions and asks the question, "How did we do financially during 2004?" The Statement of Net Assets and the Statement of Activities answer this question. These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current fiscal year's revenues and expenses regardless of when cash is received or paid.

These two statements report the School District's net assets and changes in those assets. This change in net assets is important because it tells the reader that, for the School District as a whole, the financial position of the School District has improved or diminished. The causes of this change may be the result of many factors, some financial, and some not. Non-financial factors include the School District's property tax base, current property tax laws in Ohio restricting revenue growth, facility condition, required educational programs and other factors.

In the Statement of Net Assets and the Statement of Activities, the School District reports governmental activities. Governmental activities are the activities where all of the School District's programs and services are reported including, but not limited to, instruction, support services, operation and maintenance of plant, pupil transportation and extracurricular activities. The School District does have internal service funds that are accounted for as governmental activities.

**Reporting the School District's Most Significant Funds**

**Fund Financial Statements**

The analysis of the School District's major funds begins on page 8. Fund financial reports provide detailed information about the School District's major funds. The School District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the School District's most significant funds. The School District's major governmental funds are the General Fund, the Adult Education Fund, Note Retirement, and the Building Fund.

**Governmental Funds**

Most of the School District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at fiscal year-end available for spending in future periods. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the School District's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance 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.



**UPPER VALLEY JOINT VOCATIONAL SCHOOL DISTRICT  
MIAMI COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004  
(Continued)**

**Proprietary Funds**

Proprietary funds use the same basis of accounting as business-type activities; therefore, these statements will essentially match. Internal service funds are used to report activities that provide services to the School District's other funds and departments.

**Fiduciary Funds**

The School District has three private purpose trust funds and two agency funds. All of the School District's fiduciary activities are reported in separate Statements of Fiduciary Net Assets and Changes in Fiduciary Net Assets. We exclude these activities from the School District's other financial statements because the School District cannot use these assets to finance its operations. The School District is responsible for ensuring that the assets reported in these funds are used for their intended purposes. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. Fiduciary funds use the accrual basis of accounting.

**The School District as a Whole**

Recall that the Statement of Net Assets provides the perspective of the School District as a whole.

Table 1 provides a summary of the School District's net assets for 2004 compared to 2003:

	<b>Table 1 Net Assets</b>	
	<b>2003</b>	<b>2004</b>
<b>Assets</b>		
Current Assets	\$16,568,077	\$26,674,899
Capital Assets	8,369,694	8,841,016
Total Assets	24,937,771	35,515,915
<b>Liabilities</b>		
Long-Term Liabilities	1,034,531	8,028,776
Other Liabilities	8,502,281	10,184,095
Total Liabilities	9,536,812	18,212,871
<b>Net Assets</b>		
Invested in Capital Assets, Net of Debt	8,218,919	8,213,708
Restricted	1,596,884	2,095,268
Unrestricted	5,585,156	6,994,068
Total Net Assets	\$15,400,959	\$17,303,044

Total assets of governmental activities increased by \$10,578,144 as cash and cash equivalents increased by \$8,529,492, accrued interest receivable decreased by \$46,083, accounts receivable decreased by \$103,399, and capital assets increased by \$471,322. Capital assets increased mainly due to construction in progress for the building project.

During fiscal year 2004, the School District invested in The Fifth Third U. S. Treasury Money Market Mutual Fund, Corporate Bonds, U. S. Treasury Notes, Federal Farm Credit Bank Notes, Federal Home Loan Bank Bonds, Freddie Mac Notes, Fannie Mae Notes, Federal National Mortgage Association Notes and STAROhio.

**UPPER VALLEY JOINT VOCATIONAL SCHOOL DISTRICT  
MIAMI COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004  
(Continued)**

Unrestricted net assets, the part of net assets that can be used to finance day-to-day activities without constraints established by grants or legal requirements, of the School District increased by \$1,408,912, mainly due to revenues exceeding expenditures during the fiscal year. This was due primarily to the increase in grants and entitlements, which included a 2.2% increase in the per pupil state foundation formula coupled with a 7% increase in high school student enrollment and a 6% increase in unrestricted tax collections.

Table 2 shows the changes in net assets for fiscal year 2004.

**Table 2  
Changes in Net Assets**

	<u>2003</u>	<u>2004</u>
<b>Revenues</b>		
Program Revenues:		
Charges for Services	\$1,753,721	\$1,877,114
Operating Grants, Contributions, and Interest	4,314,156	4,324,718
Capital Grants and Contributions	317,410	24,540
Total Program Revenues	<u>6,385,287</u>	<u>6,226,372</u>
General Revenues:		
Property Taxes	6,930,647	8,314,538
Grants and Entitlements	4,984,780	5,727,288
Investment Earnings	116,495	97,525
Miscellaneous	15,995	62,926
Total General Revenues	<u>12,047,917</u>	<u>14,202,277</u>
Total Revenues	<u>\$18,433,204</u>	<u>\$20,428,649</u>
<b>Program Expenses</b>		
Instruction:		
Regular	\$1,386,529	\$1,517,498
Special	652,523	893,115
Vocational	7,554,876	7,850,454
Adult/Continuing	1,514,040	1,627,063
Other	27,161	0
Support Services:		
Pupils	1,279,571	1,334,659
Instructional Staff	217,099	293,484
Board of Education	54,539	44,932
Administration	1,928,435	1,948,369
Fiscal	460,258	521,949
Business	132,331	121,587
Operation and Maintenance of Plant	1,180,106	1,215,569
Pupil Transportation	43,581	44,193
Central	512,476	485,285
Operation of Non-Instructional Services	473,438	525,292
Extracurricular Activities	43,944	37,657
Interest and Fiscal Charges	3,917	65,458
Total Expenses	<u>17,464,770</u>	<u>18,526,564</u>
Increase in Net Assets	<u>\$968,434</u>	<u>\$1,902,085</u>

**UPPER VALLEY JOINT VOCATIONAL SCHOOL DISTRICT  
MIAMI COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004  
(Continued)**

**Governmental Activities**

The unique nature of property taxes in Ohio creates the need to routinely seek voter approval for the School District's operations. Property taxes made up 40.7 percent of revenues for governmental activities for the Upper Valley Joint Vocational School District for fiscal year 2004.

Instruction comprises 64.2 percent of district expenses. Support services expenses make up 32.4 percent of the expenses.

The Statement of Activities shows the cost of program services and the charges for services and grants offsetting those services. Table 3 shows the total cost of services and the net cost of services. That is, it identifies the cost of these services supported by tax revenue and unrestricted State entitlements.

	<b>Table 3</b>	<b>Net Cost</b>	<b>Total Cost</b>	<b>Net Cost</b>
	<b>Of Services</b>	<b>of Services</b>	<b>of Services</b>	<b>of Services</b>
	<b>2003</b>	<b>2003</b>	<b>2004</b>	<b>2004</b>
Instruction	\$11,135,129	\$6,087,938	\$11,888,130	\$7,073,587
Support Services:				
Pupils	1,279,571	924,976	1,334,659	1,059,624
Instructional Staff	217,099	178,928	293,484	201,227
Board of Education	54,539	54,539	44,932	44,932
Administration	1,928,435	1,589,023	1,948,369	1,610,036
Fiscal	460,258	435,510	521,949	490,292
Business	132,331	132,331	121,587	121,587
Operation and Maintenance of Plant	1,180,106	1,113,499	1,215,569	1,150,655
Pupil Transportation	43,581	43,581	44,193	44,193
Central	512,476	453,121	485,285	454,305
Operation of Non-Instructional Services	473,384	18,176	525,292	(53,361)
Extracurricular Activities	43,944	43,944	37,657	37,657
Interest and Fiscal Charges	3,917	3,917	65,458	65,458
<b>Total Expenses</b>	<b>\$17,464,770</b>	<b>\$11,079,483</b>	<b>\$18,526,564</b>	<b>\$12,300,192</b>

Instruction expenses include activities directly dealing with the teaching of pupils and the interaction between teacher and pupil.

Pupils and instructional staff include the activities involved with assisting staff with the content and process of teaching to pupils.

Board of education, administration, fiscal and business includes expenses associated with administrative and financial supervision of the School District.

Operation and maintenance of plant activities involve keeping the school's grounds, buildings, and equipment in an effective working condition.

Pupil transportation includes activities involved with the conveyance of students to and from school activities, as provided by State law.

Central includes expenses related to planning, research, development and evaluation of support services, as well as the reporting of this information internally and to the public.

Operation of non-instructional services includes the preparation, delivery, and servicing of lunches, snacks and other incidental meals to students and school staff in connection with school activities.

**UPPER VALLEY JOINT VOCATIONAL SCHOOL DISTRICT  
MIAMI COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004  
(Continued)**

Extracurricular activities include expenses related to student activities provided by the School District which are designed to provide opportunities for pupils to participate in school events, public events, or a combination of these for the purposes of motivation, enjoyment and skill improvement.

Interest and fiscal charges involves the transactions associated with the payment of interest and other related charges to debt of the School District.

The dependence upon tax revenues is apparent. Instruction activities are supported through taxes and other general revenues by 59.5 percent; for all activities general revenue support is 66.3 percent.

**The School District's Funds**

Information about the School District's major funds starts on page 14. These funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues of \$20,123,816 and expenditures of \$19,084,887. The net change in fund balance for the year in the General Fund, the Adult Education Fund, Note Retirement and the Building Fund were \$1,165,994, (\$6,437), 587,632 and \$6,468,020, respectively.

The net change in fund balance was caused in the General Fund by tightly monitoring expenditures. The Building Fund reflects the expenditure of architect's fees and the awarding of construction contracts for the Science and Technology addition. The increase in fund balance was caused by the note proceeds issued during the fiscal year.

**General Fund Budgeting Highlights**

The School District's budget is prepared according to Ohio law and is based on accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The most significant budgeted fund is the General Fund.

During the course of the fiscal year 2004, the School District amended its General Fund budget numerous times, which resulted in appropriations increasing \$114,137. The School District uses site-based budgeting and the budgeting systems are designed to tightly control total site budgets but provide flexibility for site management.

For the General Fund, the final budgeted revenue and other financing sources only differed from the original budgeted estimates of \$15,445,705 by \$54,279 to \$15,499,984.

During fiscal year 2004, the General Fund had a final budget of \$7,162,629 and \$7,804,328 for property taxes and intergovernmental revenues, respectively. The General Fund received \$7,228,505 in property taxes revenue, while the School District received \$8,419,760 in intergovernmental revenue. The property taxes and intergovernmental revenues both had favorable variances for the fiscal year. The favorable variance in intergovernmental revenue was the result of a conservative budget estimate of high school enrollment growth of <1% compared to an actual enrollment growth of slightly over 7%. The School District budgeted \$12,376,136 for Vocational Education and Capital Outlay while expending only \$7,886,824. This was due to vocational equipment and capital outlay expenditures being kept at a minimum in anticipation of the construction and equipping of a Science and Technology addition to the building. The School District's ending unobligated cash balance was \$7,101,240 above the final budgeted amount.

**UPPER VALLEY JOINT VOCATIONAL SCHOOL DISTRICT  
MIAMI COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004  
(Continued)**

**Capital Assets**

At the end of the fiscal year 2004, the School District had \$8,841,016 invested in land, construction in progress, buildings and improvements, furniture, fixtures, and equipment, and vehicles.

Table 4 shows fiscal 2004 balances compared to fiscal year 2003.

**Table 4  
Capital Assets (Net of Depreciation) at June 30,**

	<b>2003</b>	<b>2004</b>
Land	\$1,125,330	\$1,149,186
Construction in Progress	260,980	630,383
Buildings and Improvements	3,933,829	4,093,924
Furniture, Fixtures, and Equipment	2,961,669	2,893,883
Vehicles	87,886	73,640
<b>Totals</b>	<b>\$8,369,694</b>	<b>\$8,841,016</b>

Overall capital assets increased \$471,322 from fiscal year 2003 to fiscal year 2004. Increases in capital assets (primarily building and improvements and construction in progress) were offset by depreciation expense for the year. The buildings and improvements relate to the wetlands development at Willowbrook Land Laboratory in response to a conservation easement acquired by the United States Natural Resources Conservation Service for the construction of a wetlands habitat. The construction in progress relates to the building project with construction underway in fiscal year 2004 and should be completed during fiscal year 2005. The majority of equipment purchased during fiscal year 2004 was for new computer equipment and the replacement of a cooling tower.

At fiscal year-end, the School District had contractual commitments with various vendors with a balance of \$4,870,206. For more information on capital assets, refer to Notes 9 and 20 of the basic financial statements.

**Debt Administration**

At June 30, 2004, the School District had \$7,079,125 in debt outstanding.

**Table 5  
Outstanding Debt at Year End**

	<b>Governmental Activities</b>	
	<b>2003</b>	<b>2004</b>
School Improvement Bond Anticipation Note	\$0	\$7,000,000
Applied Technology Loan	\$110,775	79,125
Energy Conservation Loan	40,000	0
<b>Total</b>	<b>\$150,775</b>	<b>\$7,079,125</b>

The applied technology loan will be paid from the Note Retirement Debt Service Fund with transfers from the General Fund. The energy conservation loan, paid from the General Fund, was retired in fiscal year 2004. Debt increased due to the School District issuing \$7,000,000 in Bond Anticipation Notes to finance the construction and equipping of a Science and Technology addition to the facility. The notes are expected to be retired over a six-year period.

**UPPER VALLEY JOINT VOCATIONAL SCHOOL DISTRICT  
MIAMI COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004  
(Continued)**

At June 30, 2004, the School District's overall legal debt margin was \$202,406,401 and the unvoted debt margin was \$2,321,088. See Note 14 of the notes to the basic financial statements for more detailed information.

**Current Financial Issues and Concerns**

The Upper Valley Joint Vocational School District is financially stable. The School District is proud of its community support of the public schools. The School District's voters finally approved the last levy, specifically a bond levy, in November, 2003.

Piqua is experiencing some losses of business based on the closing of several manufacturing facilities. The impact of these closings with little promise of new manufacturing and industrial base creates concern for local government and school officials. The School District's strong financial position will not force an immediate reaction to these losses. However, should there be a continuation of this trend, the results may begin to impact the School District's cash flow and require a differing list of priorities in future years.

Externally, the State of Ohio was found by the Ohio Supreme Court in March 1997 to be operating an unconstitutional system of school funding, one that was neither "adequate" nor "equitable." Since 1997, the State has directed its tax revenue growth toward school districts with little property tax wealth. The legislators and government officials continue to negotiate the plan for improvement of the financing of public schools in the State of Ohio.

In comparison to other school districts in the state, the Upper Valley Joint Vocational School District would not be considered a School District suffering with low wealth. Therefore, the Upper Valley Joint Vocational School District has not anticipated any meaningful growth in State revenue. The concern is that, to meet the requirements of the court, the State may require redistribution of commercial and industrial property tax.

Both scenarios require management to plan carefully and prudently to provide the resources to meet student needs over the next several years.

In conclusion, the Upper Valley Joint Vocational School District has committed itself to financial excellence for many years. In addition, the School District's system of financial planning, budgeting, and internal financial controls are well regarded. The School District plans to continue its sound fiscal management to meet the challenges of the future and to provide the best educational opportunities to its children.

**Contacting the School District's Financial Management**

This financial report is designed to provide our citizens, taxpayers, investors and creditors with a general overview of the School District's finances and to show the School District's accountability for the money it receives. If you have questions about this report or need additional financial information contact William Stump, Treasurer at Upper Valley Joint Vocational School District, 8811 Career Drive, Piqua, Ohio 45356 or e-mail at [stumpw@uvjvs.org](mailto:stumpw@uvjvs.org).

**UPPER VALLEY JOINT VOCATIONAL SCHOOL DISTRICT  
MIAMI COUNTY**

**STATEMENT OF NET ASSETS  
JUNE 30, 2004**

	<u><b>Governmental Activities</b></u>
<b>Assets:</b>	
Equity in Pooled Cash and Cash Equivalents	\$16,867,556
Accounts Receivable	164,767
Accrued Interest Receivable	27,380
Intergovernmental Receivable	251,417
Inventory of Supplies and Materials	83,674
Prepaid Items	6,814
Property and Other Taxes Receivable	9,045,491
Assets Held for Resale	227,800
Nondepreciable Capital Assets	1,779,569
Depreciable Capital Assets, Net	7,061,447
<b>Total Assets</b>	<u><b>35,515,915</b></u>
<b>Liabilities:</b>	
Accounts Payable	287,881
Contracts Payable	310,147
Retainage Payable	19,791
Accrued Wages and Benefits Payable	1,089,931
Matured Compensated Absences Payable	18,119
Claims Payable	107,503
Accrued Interest Payable	65,333
Intergovernmental Payable	217,756
Deferred Revenue	8,067,634
Long Term Liabilities:	
Due Within One Year	106,916
Due In More Than One Year	7,921,860
<b>Total Liabilities</b>	<u><b>18,212,871</b></u>
<b>Net Assets:</b>	
Invested in Capital Assets, Net of Related Debt	8,213,708
Restricted for:	
Capital Projects	1,088,931
Debt Service	563,501
Other Purposes	372,829
Set-Asides	70,007
Unrestricted	6,994,068
<b>Total Net Assets</b>	<u><u><b>\$17,303,044</b></u></u>

*See accompanying notes to the basic financial statements.*

**UPPER VALLEY JOINT VOCATIONAL SCHOOL DISTRICT  
MIAMI COUNTY**

**STATEMENT OF ACTIVITIES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

	<u>Program Revenues</u>		
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants, Contributions and Interest</u>
<b>Governmental Activities</b>			
Instruction:			
Regular	\$1,517,498		\$17,149
Special	893,115		298,956
Vocational	7,850,454	146,118	2,757,624
Adult/Continuing	1,627,063	919,022	659,471
Support Services:			
Pupils	1,334,659	23,565	251,470
Instructional Staff	293,484		92,257
Board of Education	44,932		
Administration	1,948,369	200,300	129,696
Fiscal	521,949	31,657	
Business	121,587		
Operation and Maintenance of Plant	1,215,569	23,565	41,349
Pupil Transportation	44,193		
Central	485,285	11,781	19,199
Operation of Non-Instructional Services	525,292	521,106	57,547
Extracurricular Activities	37,657		
Interest and Fiscal Charges	65,458		
<b>Total Governmental Activities</b>	<u><u>\$18,526,564</u></u>	<u><u>\$1,877,114</u></u>	<u><u>\$4,324,718</u></u>

General Revenues:  
Property Taxes Levied for:  
    General Purposes  
    Debt Service  
Grants and Entitlements not Restricted to  
    Specific Programs  
Investment Earnings  
Miscellaneous  
Total General Revenues

Change in Net Assets  
Net Assets Beginning of  
Year (Restated - Note 3)

Net Assets End of Year

*See accompanying notes to the basic financial statements.*



<u>Program Revenues</u>	<u>Net (Expense) Revenue and Changes in Net Assets</u>
<u>Capital Grants and Contributions</u>	<u>Total Governmental Activities</u>
	(\$1,500,349)
	(594,159)
\$16,203	(4,930,509)
	(48,570)
	(1,059,624)
	(201,227)
	(44,932)
8,337	(1,610,036)
	(490,292)
	(121,587)
	(1,150,655)
	(44,193)
	(454,305)
	53,361
	(37,657)
	(65,458)
<u>\$24,540</u>	<u>(12,300,192)</u>
	7,743,637
	570,901
	5,727,288
	97,525
	62,926
	<u>14,202,277</u>
	1,902,085
	<u>15,400,959</u>
	<u>\$17,303,044</u>

**UPPER VALLEY JOINT VOCATIONAL SCHOOL DISTRICT  
MIAMI COUNTY**

**BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2004**

	<u>General</u>	<u>Adult Education</u>	<u>Note Retirement</u>	<u>Building</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Assets:</b>						
Equity in Pooled Cash and Cash Equivalents	\$7,503,107	\$207,967	\$554,074	\$6,792,326	\$1,440,409	\$16,497,883
Receivables:						
Property Taxes	7,820,579		1,224,912			9,045,491
Accounts	2,596	86,944			11,212	100,752
Intergovernmental	4,677	78,397			168,343	251,417
Accrued Interest	18,268		1,305	5,632	2,175	27,380
Interfund	232,098					232,098
Assets Held for Resale	227,800					227,800
Inventory of Supplies and Materials	1,627				21,131	22,758
Prepaid Items	6,814					6,814
Restricted Assets:						
Equity in Pooled Cash and Cash Equivalents	70,007					70,007
<b>Total Assets</b>	<b>15,887,573</b>	<b>373,308</b>	<b>1,780,291</b>	<b>6,797,958</b>	<b>1,643,270</b>	<b>26,482,400</b>
<b>Liabilities and Fund Balances</b>						
<b>Liabilities:</b>						
Accounts Payable	217,910	18,800			49,408	286,118
Contracts Payable				310,147		310,147
Retainage Payable				19,791		19,791
Accrued Wages and Benefits	1,016,441	24,869			48,621	1,089,931
Intergovernmental Payable	169,497	7,904			7,639	185,040
Interfund Payable	24,698	2,248			232,402	259,348
Deferred Revenue	7,449,478	40,189	1,192,659		144,857	8,827,183
Matured Compensated Absences Payable	14,866				3,253	18,119
<b>Total Liabilities</b>	<b>8,892,890</b>	<b>94,010</b>	<b>1,192,659</b>	<b>329,938</b>	<b>486,180</b>	<b>10,995,677</b>
<b>Fund Balances:</b>						
Reserved for Encumbrances	433,901	19,016		4,573,669	23,837	5,050,423
Reserved for Property Taxes	373,125		32,253			405,378
Reserved for Textbooks and Instructional Materials	70,007					70,007
Reserved for Unclaimed Monies	1,322					1,322
Reserved for Assets Held for Resale	227,800					227,800
Unreserved:						
Unreserved, Undesignated (Deficit), Reported in:						
General Fund	5,888,528					5,888,528
Special Revenue Funds		260,282			(3,264)	257,018
Debt Service Fund			555,379			555,379
Capital Projects Funds				1,894,351	1,136,517	3,030,868
<b>Total Fund Balances</b>	<b>6,994,683</b>	<b>279,298</b>	<b>587,632</b>	<b>6,468,020</b>	<b>1,157,090</b>	<b>15,486,723</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$15,887,573</b>	<b>\$373,308</b>	<b>\$1,780,291</b>	<b>\$6,797,958</b>	<b>\$1,643,270</b>	<b>\$26,482,400</b>

See accompanying notes to the basic financial statements.

**UPPER VALLEY JOINT VOCATIONAL SCHOOL DISTRICT  
MIAMI COUNTY**

**RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO  
NET ASSETS OF GOVERNMENTAL ACTIVITIES  
JUNE 30, 2004**

Total Governmental Fund Balance	\$15,486,723
---------------------------------	--------------

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 in the funds. These assets consist of:

Land	\$1,149,186	
Construction in Progress	630,383	
Building and Improvements	6,167,549	
Furniture, Fixture and Equipment	6,310,080	
Vehicles	232,824	
Accumulated Depreciation	<u>(5,649,006)</u>	
Total Capital Assets		8,841,016

Two internal service funds are used by management to charge the costs of insurance and supplies to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net assets.

341,434

Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds:

Property Taxes Receivable	572,479	
Intergovernmental Receivable	133,619	
Accounts Receivable	<u>53,451</u>	
		759,549

Some liabilities are not due and payable in the current period and therefore are not reported in the funds. Those liabilities consist of:

Notes Payable	(7,000,000)	
Applied Technology Loan	(79,125)	
Accrued Interest on Notes	(65,333)	
Compensated Absences Payable	(948,504)	
Intergovernmental Payable	<u>(32,716)</u>	
Total Liabilities		<u>(8,125,678)</u>

Net assets of Governmental Activities

\$17,303,044

*See accompanying notes to the basic financial statements.*

UPPER VALLEY JOINT VOCATIONAL SCHOOL DISTRICT  
MIAMI COUNTY

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

	<u>General</u>	<u>Adult Education</u>	<u>Note Retirement</u>	<u>Building</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Revenues:</b>						
Property Taxes	\$7,366,293		\$536,418			\$7,902,711
Tuition and Fees	26,168	\$1,154,643			\$189,731	1,370,542
Interest	70,483		2,963	\$30,265	8,369	112,080
Intergovernmental	8,378,109	616,577	58,614		1,006,266	10,059,566
Charges for Services	232,430				231,715	464,145
Gifts and Donations	5,852	21,550			700	28,102
Rent	10,227					10,227
Increase (Decrease) in Fair Value of Investments	21,177		(457)	(14,062)	3,359	10,017
Miscellaneous	156,459	9,967				166,426
<b>Total Revenues</b>	<u>16,267,198</u>	<u>1,802,737</u>	<u>597,538</u>	<u>16,203</u>	<u>1,440,140</u>	<u>20,123,816</u>
<b>Expenditures:</b>						
Current:						
Instruction:						
Regular	1,490,527				16,691	1,507,218
Special	872,114					872,114
Vocational	7,486,049				342,200	7,828,249
Adult/Continuing		1,429,371			206,444	1,635,815
Support Services:						
Pupils	1,029,534	36,332			274,508	1,340,374
Instructional Staff	165,640				114,007	279,647
Board of Education	44,932					44,932
Administration	1,560,569	306,316			51,756	1,918,641
Fiscal	477,423		9,906		30,130	517,459
Business	128,416					128,416
Operation and Maintenance of Plant	1,178,170	45,627			9,907	1,233,704
Pupil Transportation	38,401					38,401
Central	402,291	16,528			66,631	485,450
Operation of Non-Instructional Services	63,037				460,047	523,084
Extracurricular Activities	37,657					37,657
Capital Outlay	57,166			548,183	14,587	619,936
Debt Service:						
Principal Retirement	40,000		31,650			71,650
Interest and Fiscal Charges	2,140					2,140
<b>Total Expenditures</b>	<u>15,074,066</u>	<u>1,834,174</u>	<u>41,556</u>	<u>548,183</u>	<u>1,586,908</u>	<u>19,084,887</u>
Excess of Revenues Over (Under) Expenditures	<u>1,193,132</u>	<u>(31,437)</u>	<u>555,982</u>	<u>(531,980)</u>	<u>(146,768)</u>	<u>1,038,929</u>
<b>Other Financing Sources (Uses):</b>						
Proceeds from Sale of Fixed Assets	117,175					117,175
Proceeds from Sale of Notes				7,000,000		7,000,000
Transfers - In		25,000	31,650		95,247	151,897
Transfers - Out	(144,313)				(7,584)	(151,897)
<b>Total Other Financing Sources (Uses)</b>	<u>(27,138)</u>	<u>25,000</u>	<u>31,650</u>	<u>7,000,000</u>	<u>87,663</u>	<u>7,117,175</u>
Net Change in Fund Balances	1,165,994	(6,437)	587,632	6,468,020	(59,105)	8,156,104
Fund Balances at Beginning of Year	<u>5,828,689</u>	<u>285,735</u>			<u>1,216,195</u>	<u>7,330,619</u>
<b>Fund Balances at End of Year</b>	<u>\$6,994,683</u>	<u>\$279,298</u>	<u>\$587,632</u>	<u>\$6,468,020</u>	<u>\$1,157,090</u>	<u>\$15,486,723</u>

See accompanying notes to the basic financial statements.

**UPPER VALLEY JOINT VOCATIONAL SCHOOL DISTRICT  
MIAMI COUNTY**

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

Net Change in Fund Balances - Total Governmental Funds \$8,156,104

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. In the current period, these amounts are:

Capital Outlay	\$1,182,765	
Depreciation Expense	<u>(467,751)</u>	
Excess of Capital Outlay Over Depreciation Expense		715,014

The cost of disposed capital assets is removed from the capital assets account on the statement of net assets resulting in a loss on disposal of capital assets on the statement of activities.

Proceeds from Sale of Capital Assets	(117,175)	
Loss on Disposal of Capital Assets	<u>(126,517)</u>	
		(243,692)

Repayment of long-term debt is reported as an expenditure in governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.

71,650

Note Proceeds are reported as other financing sources in governmental funds and thus contribute to the change in fund balances. In the government-wide statements, however, issuing debt increases long-term liabilities in the statement of net assets and does not affect the statement of activities.

(7,000,000)

The internal service funds, used by management to charge the costs of insurance and supplies to individual funds, are not reported in the statement of activities. Governmental fund expenditures and related internal service fund's revenues are eliminated. The net revenue (expense) of the internal service funds are allocated among the governmental activities.

40,098

Some revenues that will not be collected for several months after the School District's fiscal year-end are not considered "available" revenues and are deferred in the governmental funds. Deferred revenues decreased by this amount this year.

Property Taxes	411,827	
Miscellaneous	(103,500)	
Tuition and Fees	32,200	
Intergovernmental Grants	<u>(35,694)</u>	
Total		304,833

Some items reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. These activities consist of:

Increase in Accrued Interest	(63,318)	
Increase in Compensated Absences	(65,494)	
Increase in Intergovernmental Payable	<u>(13,110)</u>	
Total		<u>(141,922)</u>

Change in Net Assets of Governmental Activities

\$1,902,085

See accompanying notes to the basic financial statements.

**UPPER VALLEY JOINT VOCATIONAL SCHOOL DISTRICT  
MIAMI COUNTY**

**STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES - BUDGET (NON-GAAP BASIS) AND ACTUAL  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance With Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues:</b>				
Property Taxes	\$7,162,629	\$7,162,629	\$7,228,505	\$65,876
Tuition and Fees	248,600	18,600	36,806	18,206
Interest	75,000	75,000	116,128	41,128
Intergovernmental	7,566,139	7,804,328	8,419,760	615,432
Charges for Services	197,850	197,850	230,292	32,442
Gifts and Donations	1,000	1,000	5,852	4,852
Rent	11,087	11,087	10,227	(860)
Miscellaneous	63,400	109,490	109,062	(428)
<b>Total Revenues</b>	<u>15,325,705</u>	<u>15,379,984</u>	<u>16,156,632</u>	<u>776,648</u>
<b>Expenditures:</b>				
Current:				
Instruction:				
Regular	1,539,485	1,539,485	1,478,168	61,317
Special	904,259	904,259	852,715	51,544
Vocational	10,998,825	11,117,732	7,812,762	3,304,970
Support Services:				
Pupils	1,171,954	1,171,954	1,038,866	133,088
Instructional Staff	232,360	232,360	185,526	46,834
Board of Education	90,687	90,687	47,949	42,738
Administration	1,684,718	1,684,718	1,585,280	99,438
Fiscal	502,384	502,384	484,134	18,250
Business	129,032	129,032	128,644	388
Operation and Maintenance of Plant	1,707,732	1,707,732	1,225,997	481,735
Pupil Transportation	93,805	93,805	52,205	41,600
Central	549,974	549,974	416,227	133,747
Operation of Non-Instructional Services	245,222	245,222	205,808	39,414
Extracurricular Activities	52,515	52,515	37,884	14,631
Capital Outlay	1,263,174	1,258,404	74,062	1,184,342
Debt Service:				
Principal Retirement	40,000	40,000	40,000	
Interest and Fiscal Charges	2,140	2,140	2,140	
<b>Total Expenditures</b>	<u>21,208,266</u>	<u>21,322,403</u>	<u>15,668,367</u>	<u>5,654,036</u>
<b>Excess of Revenues Over (Under) Expenditures</b>	<u>(5,882,561)</u>	<u>(5,942,419)</u>	<u>488,265</u>	<u>6,430,684</u>
<b>Other Financing Sources (Uses):</b>				
Refund of Prior Year Expenditures	3,000	3,000	46,411	43,411
Refund of Prior Year Receipts	(1,581)	(1,581)		1,581
Proceeds from Sale of Fixed Assets	117,000	117,000	117,175	175
Advances - In			151,800	151,800
Advances - Out	(500,000)	(500,000)	(232,098)	267,902
Transfers - Out	(350,000)	(350,000)	(144,313)	205,687
<b>Total Other Financing Sources (Uses)</b>	<u>(731,581)</u>	<u>(731,581)</u>	<u>(61,025)</u>	<u>670,556</u>
<b>Net Change in Fund Balances</b>	<u>(6,614,142)</u>	<u>(6,674,000)</u>	<u>427,240</u>	<u>7,101,240</u>
Fund Balances at Beginning of Year	5,991,699	5,991,699	5,991,699	
Prior Year Encumbrances Appropriated	530,497	530,497	530,497	
<b>Fund Balances (Deficit) at End of Year</b>	<u>(\$91,946)</u>	<u>(\$151,804)</u>	<u>\$6,949,436</u>	<u>\$7,101,240</u>

See accompanying Notes to the Basic financial statements.

**UPPER VALLEY JOINT VOCATIONAL SCHOOL DISTRICT  
MIAMI COUNTY**

**STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES - BUDGET (NON-GAAP BASIS) AND ACTUAL  
ADULT EDUCATION FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

	<u>Budgeted Amounts</u>			<b>Variance With Final Budget Positive (Negative)</b>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
<b>Revenues:</b>				
Tuition and Fees	\$749,000	\$1,074,000	\$1,151,039	\$77,039
Intergovernmental	616,000	616,000	613,652	(2,348)
Gifts and Donations	32,000	32,000	21,550	(10,450)
Miscellaneous	7,000	7,000	9,967	2,967
<b>Total Revenues</b>	<u>1,404,000</u>	<u>1,729,000</u>	<u>1,796,208</u>	<u>67,208</u>
<b>Expenditures:</b>				
Current:				
Instruction:				
Adult/Continuing	1,261,839	1,518,939	1,443,158	75,781
Support Services:				
Pupils	44,478	46,878	36,376	10,502
Administration	274,169	326,169	311,974	14,195
Operation and Maintenance of Plant	42,571	54,571	46,966	7,605
Central	15,800	17,300	16,741	559
Capital Outlay	200	200	200	200
<b>Total Expenditures</b>	<u>1,639,057</u>	<u>1,964,057</u>	<u>1,855,215</u>	<u>108,842</u>
Excess of Revenues Under Expenditures	(235,057)	(235,057)	(59,007)	176,050
<b>Other Financing Sources:</b>				
Transfers - In	25,000	25,000	25,000	
Net Change in Fund Balances	(210,057)	(210,057)	(34,007)	176,050
Fund Balances at Beginning of Year	181,514	181,514	181,514	
Prior Year Encumbrances Appropriated	28,543	28,543	28,543	
<b>Fund Balances at End of Year</b>	<u>\$0</u>	<u>\$0</u>	<u>\$176,050</u>	<u>\$176,050</u>

*See accompanying notes to the basic financial statements.*

**UPPER VALLEY JOINT VOCATIONAL SCHOOL DISTRICT  
MIAMI COUNTY**

**STATEMENT OF FUND NET ASSETS  
INTERNAL SERVICE FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

	<b>Governmental Activities</b>
<b>Assets:</b>	
Current Assets:	
Equity in Pooled Cash and Cash Equivalents	\$299,666
Inventory of Supplies and Materials	60,916
Accounts Receivable	64,015
Interfund Receivable	27,250
Total Assets	<u>451,847</u>
<b>Liabilities:</b>	
Current Liabilities:	
Accounts Payable	1,763
Claims Payable	107,503
Compensated Absences Payable	364
Total Current Liabilities	<u>109,630</u>
Long-Term Liabilities:	
Compensated Absences Payable	783
Total Liabilities	<u>110,413</u>
Net Assets:	
Unrestricted	341,434
Total Net Assets	<u><u>\$341,434</u></u>

*See accompanying notes to the basic financial statements.*



**UPPER VALLEY JOINT VOCATIONAL SCHOOL DISTRICT  
MIAMI COUNTY**

**STATEMENT OF REVENUES, EXPENSES AND  
CHANGES IN FUND NET ASSETS  
INTERNAL SERVICE FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

	<b>Governmental Activities</b>
<b>Operating Revenues:</b>	
Charges for Services	\$1,447,175
Other	395,757
Total Operating Revenues	1,842,932
 <b>Operating Expenses:</b>	
Salaries and Wages	8,072
Fringe Benefits	2,283
Purchased Services	311,138
Cost of Sales	112,674
Claims	1,371,160
Other	24
Total Operating Expenses	1,805,351
 Operating Income	37,581
 Non-Operating Revenue:	
Interest Revenue	2,517
	2,517
 Change in Net Assets	40,098
 Net Assets Beginning of Year	301,336
	301,336
 Net Assets End of Year	\$341,434
	\$341,434

*See accompanying notes to the basic financial statements.*

**UPPER VALLEY JOINT VOCATIONAL SCHOOL DISTRICT  
MIAMI COUNTY**

**STATEMENT OF CASH FLOWS  
INTERNAL SERVICE FUNDS  
FOR THE FISCAL YEAR ENDED JUNE, 2004**

	<b><u>Governmental Activities</u></b>
Increase (Decrease) in Cash and Cash Equivalents	
Cash Flows from Operating Activities:	
Cash Received from Other Operating Receipts	\$109,269
Cash Received for Interfund Services Provided	1,732,013
Cash Payments for Employee Services and Benefits	(9,954)
Cash Payments to Suppliers for Goods and Services	(423,376)
Cash Payments for Employee Medical Insurance Claims	(1,351,203)
Other Operating Expenses	(24)
Net Cash Provided by Operating Activities	<u>56,725</u>
Cash Flows from Investing Activities:	
Interest	<u>2,517</u>
Net Increase in Cash and Cash Equivalents	59,242
Cash and Cash Equivalents Beginning of Year	<u>240,424</u>
Cash and Cash Equivalents End of Year	<u><u>\$299,666</u></u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:	
Operating Income	\$37,581
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:	
Changes in Assets and Liabilities:	
Decrease in Accounts Receivable	22,668
Increase in Inventory of Supplies and Materials	(896)
Increase in Interfund Receivable	(24,318)
Increase in Accounts Payable	1,332
Increase in Compensated Absences Payable	401
Increase in Claims Payable	19,957
Net Cash Provided by Operating Activities	<u><u>\$56,725</u></u>

*See accompanying notes to the basic financial statements.*

**UPPER VALLEY JOINT VOCATIONAL SCHOOL DISTRICT  
MIAMI COUNTY**

**STATEMENT OF FIDUCIARY NET ASSETS  
FIDUCIARY FUNDS  
JUNE 30, 2004**

	<b>Private Purpose Trust</b>	
	<b>Scholarship</b>	<b>Agency</b>
<b>Assets:</b>		
Equity in Pooled Cash and Cash Equivalents	\$8,356	\$55,534
<b>Liabilities:</b>		
Undistributed Monies		\$55,534
<b>Net Assets:</b>		
Held in Trust for Scholarships	951	
Held in Trust for Other Governments	7,405	
<b>Total Net Assets</b>	<b>\$8,356</b>	

*See accompanying notes to the basic financial statements.*

UPPER VALLEY JOINT VOCATIONAL SCHOOL DISTRICT  
MIAMI COUNTY

STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS  
FIDUCIARY FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

	<u>Private Purpose Trust</u>
<b>Additions:</b>	
Interest	\$129
Gifts and Donations	18,500
Total Additions	<u>18,629</u>
<b>Deletions:</b>	
Adult/Continuing Instruction	<u>15,537</u>
Change in Net Assets	3,092
Net Assets Beginning of Year	<u>5,264</u>
Net Assets End of Year	<u><u>\$8,356</u></u>

*See accompanying notes to the basic financial statements.*

**UPPER VALLEY JOINT VOCATIONAL SCHOOL DISTRICT  
MIAMI COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

**1. DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY**

Upper Valley Joint Vocational School District (the "School District") as defined by Section 3311.18 of the Ohio Revised Code, is a body politic and corporate established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. A vocational school exposes high school and adult students to academic preparation and job training which lead to employment and/or further education upon graduation from high school. The School District includes fourteen member school districts throughout all or portions of Auglaize, Darke, Logan, Miami, and Shelby Counties. The first official body designated as the Upper Valley Joint Vocational School District Board of Education was formed in 1972.

The School District operates under a Board of Education consisting of eleven representatives from the seven participating school districts' elected boards. One member is appointed from the following: Bradford Exempted Village School District, Covington Exempted Village School District, and Miami County Educational Service Center. Two members are appointed from the following city and/or county school districts: Piqua, Shelby, Sidney, and Troy. The Board of Education is responsible for providing vocational job training to residents of the participating school districts. The School District employs 310 certified teaching personnel, including 16 administrators, and 116 classified staff members who annually serve approximately 3,028 secondary students and 5,724 adult students.

**Reporting Entity:**

A reporting entity is comprised of the primary government, component units, and other organizations that are included to insure that the financial statements are not misleading. The primary government of the School District consists of all funds, departments, boards, and agencies that are not legally separate from the School District. For Upper Valley Joint Vocational School District, this includes general operations, food service, continuing education, and student related activities of the School District.

Component units are legally separate organizations for which the School District is financially accountable. The School District is financially accountable for an organization if the School District appoints a voting majority of the organization's governing board and (1) the School District is able to significantly influence the programs or services performed or provided by the organization; or (2) the School District is legally entitled to or can otherwise access the organization's resources; the School District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the School District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the School District in that the School District approves the budget, the issuance of debt, or the levying of taxes. The School District has no component units.

The School District participates in three jointly governed organizations and one insurance purchasing pool. These organizations are discussed in Note 16 to the basic financial statements. These organizations are:

Jointly Governed Organizations:

Southwestern Ohio Educational Purchasing Council  
Southwestern Ohio Instructional Technology Association  
Western Ohio Computer Organization

Insurance Purchasing Pool:

Southwestern Ohio Educational Purchasing Council Workers'  
Compensation Group Rating Plan

**UPPER VALLEY JOINT VOCATIONAL SCHOOL DISTRICT  
MIAMI COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial statements of Upper Valley Joint Vocational School District have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The School District also applies Financial Accounting Standards Board (FASB) Statements and Interpretations issued on or before November 30, 1989, to its governmental activities and to its Internal Service Funds provided they do not conflict with or contradict GASB pronouncements. The most significant of the School District's accounting policies are described below.

**A. Basis of Presentation**

The School District's basic financial statements consist of government-wide statements, including a statement of net assets and a statement of activities, and fund financial statements, which provide a more detailed level of financial information.

**1. Government-wide Financial Statements:**

The statement of net assets and the statement of activities display information about the School District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The activities of the Internal Service Funds are eliminated to avoid "doubling up" revenues and expenses. The government-wide financial statements distinguish between those activities that are governmental and those that are business-type. The School District, however, has no activities which are reported as business-type.

The statement of net assets presents the financial condition of the governmental activities of the School District at fiscal year-end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the School District'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, grants and contributions that are restricted to meeting the operational or capital requirements of a particular program and interest earned on grants that is required to be used to support a particular program. Revenues which are not classified as program revenues are presented as general revenues of the School District with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the School District.

**2. Fund Financial Statements:**

During the fiscal year, the School District segregates transactions related to certain School District functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the School District at this more detailed level. The focus of governmental fund financial statements is on major funds. Each major fund is presented in a separate column. Non-major funds are aggregated and presented in a single column. The Internal Service Funds are presented on the face of the proprietary fund statements. Fiduciary funds are reported by type.

**UPPER VALLEY JOINT VOCATIONAL SCHOOL DISTRICT  
MIAMI COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**B. Fund Accounting**

The School District uses funds to maintain its financial records during the fiscal year. Fund accounting is designed to demonstrate legal compliance and to aid management by segregating transactions related to certain School District functions or activities. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. There are three categories of funds utilized by the School District: governmental, proprietary, and fiduciary.

**1. Governmental Funds:**

Governmental funds are those through which most governmental functions of the School District typically are financed. Governmental fund reporting focuses on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance. The following are the School District's major governmental funds:

**General Fund** - The General Fund is the operating fund of the School District and is used to account for all financial resources except those required to be accounted for in another fund. The General Fund balance is available to the School District for any purpose provided it is expended or transferred according to the general laws of Ohio.

**Adult Education Fund** - The Adult Education Fund accounts for transactions made in connection with adult education classes. Receipts include, but are not limited to, tuition from patrons and students and reimbursements from the State Department of Education. Expenditures include supplies, salaries and textbooks.

**Note Retirement Fund** - The Note Retirement Debt Service Fund accounts for property tax revenues and State exemption reimbursements collected for the payment of the School District's debt.

**Building Fund** - The Building Fund accounts for the financial resources associated with the construction of the Science and Technology addition to the main instructional building.

The other governmental funds of the School District account for grants and other resources whose use is restricted to a particular purpose.

**2. Proprietary Funds:**

Proprietary funds focus on the determination of operating income, changes in net assets, financial position, and cash flows. The School District's proprietary funds are Internal Service Funds. The Internal Service Funds account for the financing of services provided by one department or agency to another department or agency of the School District on a cost-reimbursement basis. The School District's two Internal Service Funds include a Warehouse Fund and a Self-Insured Health Insurance Fund.

**UPPER VALLEY JOINT VOCATIONAL SCHOOL DISTRICT  
MIAMI COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**3. Fiduciary Funds:**

Fiduciary fund reporting focuses on net assets and changes in net assets. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds and agency funds. Trust funds are used to account for assets held by the School District under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the School District's own programs. The School District's three trust funds are private purpose trusts which account for scholarship programs for students and money which benefits other governments. The agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The School District's agency funds accounts for those student activities which consist of a student body, student president, student treasurer, and faculty advisor, along with Pell grants.

**C. Measurement Focus**

**1. Government-wide Financial Statements:**

The government-wide financial statements are prepared using the economic resources measurement focus. All assets and liabilities associated with the operation of the School District are included on the statement of net assets. The statement of activities presents increases (e.g. revenues) and decreases (e.g. expenses) in total net assets.

**2. Fund Financial Statements**

All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. The statement of revenues, expenditures and changes in fund balances reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements therefore include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

Like the government-wide financial statements, both Internal Service Funds are accounted for using a flow of economic resources measurement focus. All assets and all liabilities associated with the operation of these funds are included on the statement of fund net assets. The statement of changes in fund net assets presents increases (e.g., revenues) and decreases (e.g., expenses) in total net assets. The statement of cash flows provides information about how the School District finances and meets the cash flows needs of its internal service activities.

The private purpose trust funds are reported using the economic resources measurement focus.



**UPPER VALLEY JOINT VOCATIONAL SCHOOL DISTRICT  
MIAMI COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**D. Basis of Accounting**

The 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. Fiduciary funds also use the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Differences in the accrual and the modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred revenue, and in the presentation of expenses versus expenditures.

**1. 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. "Measurable" means the amount of the transaction can be determined and "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 the School District, available means expected to be received within sixty days of fiscal year-end.

Non-exchange transactions, in which the School District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied (See Note 7). 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 the School District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the School District 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: property taxes available as an advance, interest, tuition, grants, student fees, and charges for services.

**2. Deferred Revenue:**

Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied.

Property taxes for which there is an enforceable legal claim as of June 30, 2004, but which were levied to finance fiscal year 2005 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

On governmental fund financial statements, receivables that will not be collected within the available period have also been reported as deferred revenue.

**UPPER VALLEY JOINT VOCATIONAL SCHOOL DISTRICT  
MIAMI COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**3. Expenses/Expenditures:**

On the accrual basis of accounting, expenses are recognized at the time they are incurred.

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. Allocation of costs, such as depreciation and amortization, are not recognized in governmental funds.

**E. Cash and Cash Equivalents**

To improve cash management, all cash received by the School District is pooled. Monies for all funds are maintained in this pool. Individual fund integrity is maintained through School District records. Interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents".

During fiscal year 2004, the School District invested in the Fifth Third U. S. Treasury Money Market Mutual Fund, Corporate Bonds, U.S. Treasury Notes, Federal Farm Credit Bank Notes, Federal Home Loan Bank Bonds, Freddie Mac Notes, Fannie Mae Notes, Federal National Mortgage Association Notes and the State Treasury Assets Reserve of Ohio (STAROhio). Investments are reported at fair value which is based on quoted market prices. For investments in open-end mutual funds, fair value is determined by the fund's share price.

STAROhio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAROhio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAROhio are valued at STAROhio's share price which is the price the investment could be sold for on June 30, 2004.

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the General Fund during fiscal year 2004 amounted to \$70,483 which includes \$28,185 assigned from other School District funds.

Investments of the cash management pool and investments with an original maturity of three months or less at the time they are purchased by the School District are presented on the financial statements as cash equivalents.

**F. Interfund Balances**

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "Interfund Receivables" and "Interfund Payables". These amounts are eliminated in the governmental activities column of the statement of net assets.

**G. Assets Held for Resale**

As an integral part of the instructional laboratory experience for the Construction Trades programs, houses are constructed on lots purchased by the School District for the purpose of being sold at public auction upon completion. Transactions are conducted through the School District's Patronage Fund which is combined with the General Fund for reporting purposes.

**UPPER VALLEY JOINT VOCATIONAL SCHOOL DISTRICT  
MIAMI COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**H. Inventory**

Inventories are presented at cost on a first-in, first-out basis and are expensed/expensed when used.

Inventory consists of administrative and school supplies held for resale, expendable supplies held for consumption, purchased and donated food held for resale, and non-food supplies.

**I. Prepaid Items**

Payments made to vendors for services that will benefit periods beyond June 30, 2004, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the fiscal year in which services are consumed.

**J. Restricted Assets**

Assets are reported as restricted when limitations on their use change the normal understanding of the availability of the asset. Such constraints are either imposed by creditors, contributors, grantors, or laws of other governments or imposed by law through constitutional provisions or enabling legislation. Restricted assets in the General Fund represent amounts required by statute to be set aside by the School District for the purchase of textbooks and instructional materials. See Note 17 for additional information regarding set-asides.

**K. Capital Assets**

All capital assets of the School District are general capital assets that are associated with governmental activities. General capital assets 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.

Capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their fair market values as of the date received. The School District maintains a capitalization threshold of twelve hundred dollars. The School District 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 capitalized.

All reported capital assets except land and construction in progress are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives:

<u>Description</u>	<u>Estimated Lives</u>
Buildings and Improvements	75 years
Furniture, Fixtures, and Equipment	8-20 years
Vehicles	10-12 years

**UPPER VALLEY JOINT VOCATIONAL SCHOOL DISTRICT  
MIAMI COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**L. Accrued Liabilities and Long-term Obligations**

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements. All payables, accrued liabilities, and long-term obligations payable from the Internal Service Funds are reported on the fund financial statements.

In general, governmental payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources, are reported as obligations of the funds. However, compensated absences and contractually required pension contributions that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment during the current fiscal year. Long-term notes and loans that will be paid from governmental funds are recognized as a liability in the fund financial statements when due.

**M. Compensated Absences**

Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the School District will compensate the employees for the benefits through paid time off or some other means. The School District records a liability for accumulated unused vacation time when earned for all employees with more than one year of service.

Sick leave benefits are accrued as a liability using the termination method. An accrual for earned sick leave is made to the extent it is probable that benefits will result in termination payments. The liability is an estimate based on the School District's past experience of making termination payments.

The entire compensated absences liability is reported on the government-wide financial statements.

For governmental fund financial statements, compensated absences are reported as liabilities and expenditures to the extent payments come due each period upon the occurrence of employee resignations and retirements. These amounts are recorded in the account "Matured Compensated Absences Payable" in the funds from which the employees will be paid.

**N. Net Assets**

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the School District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. Net assets restricted for other purposes include activities for required budget reserves, food service operations and federal and state grants restricted to expenditures for specified purposes.

The School District applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

**UPPER VALLEY JOINT VOCATIONAL SCHOOL DISTRICT  
MIAMI COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**O. Fund Balance Reserves and Designation**

The School District reserves those portions of fund balance which are legally segregated for a specific future use or which do not represent available expendable resources and therefore are not available for appropriation or expenditure. Unreserved fund balance indicates that portion of fund equity which is available for appropriation in future periods. Fund balance reserves have been established for encumbrances, property taxes, textbooks and instructional materials, unclaimed monies, and assets held for resale.

The reserve for property taxes represents taxes recognized as revenue under generally accepted accounting principles but not available for appropriation under State statute. Under Ohio law, unclaimed money must be held for five years before it becomes available for appropriation. Money not yet held for the five year period is presented as reserved.

**P. Operating Revenues and Expenses**

Operating revenues are those revenues that are generated directly from the primary activity of the internal service funds. For the School District, these revenues are charges for services for supplies and health insurance. Operating expenses are the necessary costs incurred to provide the service that is the primary activity of the fund. Revenues and expenses that do not meet these definitions are reported as non-operating.

**Q. Interfund Activity**

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements.

**R. Estimates**

The preparation of the financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

**S. Budgetary Process**

All funds, other than the agency funds, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the appropriation resolution and the certificate of estimated resources, which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amounts that the Board of Education may appropriate. The appropriation resolution is the Board's authorization to spend resources and sets annual limits on expenditures plus encumbrances at a level of control selected by the Board. The legal level of budgetary control has been established by the Board of Education at the fund and function level for the General Fund and at the fund level for all other funds. Any budgetary modifications at this level may only be made by resolution of the Board of Education. Advances-in and advances-out are not required to be budgeted since they represent a cash flow resource and are intended to be repaid.

**UPPER VALLEY JOINT VOCATIONAL SCHOOL DISTRICT  
MIAMI COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

The certificate of estimated resources may be amended during the fiscal year if projected increases or decreases in revenue are identified by the School District Treasurer. The amounts reported as the original budgeted amounts in the budgetary statements reflect the amounts in the certificate when the original appropriations were adopted. The amounts reported as the final budgeted amounts in the budgetary statements reflect the amounts in the certificate that were in effect at the time the final appropriations were passed by the Board of Education.

The appropriation resolution is subject to amendment by the Board throughout the fiscal year with the restriction that appropriations may not exceed estimated revenues. The amounts reported as the original budgeted amounts reflect the first appropriation for that fund that covered the entire fiscal year, including amounts automatically carried over from prior fiscal years. The amounts reported as the final budgeted amounts represent the final appropriation amounts passed by the Board during the fiscal year.

**3. CHANGE IN ACCOUNTING PRINCIPLES**

For fiscal year 2004, the School District has implemented *GASB Statement No. 39, "Determining Whether Certain Organizations are Component Units"*. This Statement further defines the guidelines of *GASB Statement No. 14, "The Financial Reporting Entity"*. The implementation of this new statement had no effect on the School District's financial statements for fiscal year 2004.

A restatement of net assets was necessary do to an error in the calculation of capital assets in prior years. This caused net assets at June 30, 2003 to change by \$21,141 from \$15,422,100 to \$15,400,959.

**4. COMPLIANCE AND ACCOUNTABILITY**

**A. Compliance**

The General Fund had an excess of appropriations over estimated resources plus available balances for the original and final budgets at June 30, 2004 of \$91,946 and \$151,804, respectively. The School District will monitor budgetary controls more closely to ensure appropriations due not exceed estimated resources and available balances in the future.

**B. Accountability**

The Adult Full Service Center, Public School Preschool, Technology Preparatory Career Education, ABLE, Carl D. Perkins, Title VI, Title II-A and Miscellaneous Federal Grants Special Revenue Funds, had deficit fund balances at June 30, 2004, of \$10,738, \$14,245, \$17,749, \$17,025, \$26,637, \$10,520, \$765, and \$1,470, respectively. The fund deficits will be eliminated when the advances - in, shown as interfund payable, are paid off. The advances were made to cover expected cash flow problems. Future grant receipts will be used to pay the advances.

**UPPER VALLEY JOINT VOCATIONAL SCHOOL DISTRICT  
MIAMI COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004  
(Continued)**

**5. BUDGETARY BASIS OF ACCOUNTING**

While the School District is reporting financial position, results of operations and changes in fund balances on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances. The Statement of Revenues, Expenditures and Changes in Fund Balances - Budget (Non-GAAP Basis) and Actual presented for the General Fund and Adult Education Fund is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget.

The major differences between the budget basis and GAAP basis are as follows:

1. Revenues are recorded when received in cash (budget) as opposed to when susceptible to accrual (GAAP).
2. Expenditures are recorded when paid in cash (budget) as opposed to when the fund liability is incurred (GAAP).
3. Encumbrances are treated as expenditures (budget) rather than as a reservation of fund balance (GAAP).
4. Advances are operating transactions (budget) as opposed to balance sheet transactions (GAAP).
5. The change in the fair value of investments is not included on the budget basis operating statement. This amount is included as revenue on the GAAP basis operating statement.

The following table summarizes the adjustments necessary to reconcile the GAAP basis statements to the budgetary basis statements for the General Fund and Adult Education Fund.

**Net Change in Fund Balances**

	<b>General</b>	<b>Adult Education</b>
GAAP Basis	\$1,165,994	(\$6,437)
Net Adjustment for Revenue Accruals	(42,978)	(6,529)
Net Adjustment for Expenditure Accruals	2,536	10,876
Prior Year Change in Fair Value of Investments	(27,572)	0
Current Year Change in Fair Value of Investments	6,395	0
Prepaid Items	33,236	0
Advances	(80,298)	0
Adjustment for Encumbrances	(630,073)	(31,917)
Budget Basis	\$427,240	(\$34,007)

**6. DEPOSITS AND INVESTMENTS**

State statutes classify monies held by the School District into three categories.

Active deposits are public deposits necessary to meet current demands on the treasury. Such monies must be maintained either as cash in the School District Treasury, in commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

**UPPER VALLEY JOINT VOCATIONAL SCHOOL DISTRICT  
MIAMI COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004  
(Continued)**

**6. DEPOSITS AND INVESTMENTS (Continued)**

Inactive monies are public deposits that the Board of Education has identified as not required for use within the current five year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

Interim deposits are deposits of interim monies. Interim monies are those monies which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories. Interim monies must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit, or by savings or deposit accounts including, but not limited to, passbook accounts.

Protection of the School District's deposits is provided by the Federal Deposit Insurance Corporation (FDIC), by eligible securities pledged by the financial institution as security for repayment, by surety company bonds deposited with the Treasurer by the financial institution, or by a single collateral pool established by the financial institution to secure the repayment of all public monies deposited with the institution.

Interim monies may be deposited or invested in the following securities:

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool (STAR Ohio);
7. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred eighty days from the purchase date in an amount not to exceed twenty-five percent of the interim monies available for investment at any one time; and,
8. Under limited circumstances, debt interests rated in either of the two highest rating classifications by at least two nationally recognized rating agencies.



**UPPER VALLEY JOINT VOCATIONAL SCHOOL DISTRICT  
MIAMI COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004  
(Continued)**

**6. DEPOSITS AND INVESTMENTS (Continued)**

Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the School District, and must be purchased with the expectation it will be held to maturity.

Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the Treasurer or qualified trustee or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

**A. Cash on Hand:**

At fiscal year-end, the School District had \$535 in undeposited cash on hand which is included on the financial statements of the School District as part of "Equity in Pooled Cash and Cash Equivalents."

The following information classifies deposits and investments by categories of risk as defined in *GASB Statement No. 3, "Deposits with Financial Institutions, Investments (including Repurchase Agreements) and Reverse Repurchase Agreements"*.

**B. Deposits:**

At fiscal year-end, the carrying amount of the School District's deposits was \$3,365,143 and the bank balance was \$3,645,985. \$406,944 of the bank balance was covered by federal depository insurance and \$3,239,041 considered uninsured and uncollateralized. Although the securities serving as collateral were held by the pledging financial institution's trust department in the School District's name and all State statutory requirements for the deposit of money had been followed, noncompliance with federal requirements could potentially subject the School District to a successful claim by the Federal Deposit Insurance Corporation.

**C. Investments:**

The School District's investments are required to be categorized to give an indication of the level of risk assumed by the School District at fiscal year-end. Category 1 includes investments that are insured or registered or for which the securities are held by the School District or its agent in the School District's name. Category 2 includes uninsured and unregistered investments for which securities are held by the counterparty's trust department or an agent in the School District's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty, or by its trust department or agent but not in the School District's name. STAROhio and the Fifth Third U. S. Treasury Money Market Mutual Fund are unclassified investments since they are not evidenced by securities that exist in physical or book entry form.

**UPPER VALLEY JOINT VOCATIONAL SCHOOL DISTRICT  
MIAMI COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004  
(Continued)**

**6. DEPOSITS AND INVESTMENTS (Continued)**

	<b>Category 2</b>	<b>Unclassified</b>	<b>Fair Value</b>
Fifth Third U. S. Treasury Money Market Mutual Fund	\$0	\$7,747	\$7,747
Corporate Bonds	4,097,876	0	4,097,876
U.S. Treasury Notes	513,905	0	513,905
Federal Farm Credit Bank Notes	450,054	0	450,054
Federal Home Loan Bank Bonds (FHLB)	2,668,537	0	2,668,537
Freddie Mac Notes	2,538,808	0	2,538,808
Fannie Mae Notes	1,070,114	0	1,070,114
Federal National Mortgage Association Notes (FNMA)	1,359,877	0	1,359,877
STAROhio	0	858,850	858,850
<b>Total</b>	<b>\$12,699,171</b>	<b>\$866,597</b>	<b>\$13,565,768</b>

The classification of cash and cash equivalents and investments on the basic financial statements is based on criteria set forth in *GASB Statement No. 9, "Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting."*

A reconciliation between the classifications of cash and cash equivalents and investments on the basic financial statements and the classification of deposits and investments presented above per *GASB Statement No. 3* is as follows:

	<b>Cash and Cash Equivalents/ Deposits</b>	<b>Investments</b>
<i>GASB Statement No. 9</i>	\$16,931,446	\$0
Cash on Hand	(535)	
Investments of Cash Management Pool:		
Fifth Third U. S. Treasury Money Market Mutual Fund	(7,747)	\$7,747
Corporate Bonds	(4,097,876)	4,097,876
U.S. Treasury Notes	(513,905)	513,905
Federal Farm Credit Bank Notes	(450,054)	450,054
Federal Home Loan Bank Bonds (FHLB)	(2,668,537)	2,668,537
Freddie Mac Notes	(2,538,808)	2,538,808
Fannie Mae Notes	(1,070,114)	1,070,114
Federal National Mortgage Association Notes (FNMA)	(1,359,877)	1,359,877
STAROhio	(858,850)	858,850
<i>GASB Statement No. 3</i>	<b>\$3,365,143</b>	<b>\$13,565,768</b>

**7. PROPERTY TAXES**

Property taxes are levied and assessed on a calendar year basis while the School District fiscal year runs from July through June. First half tax collections are received by the School District in the second half of the fiscal year. Second half tax distributions occur in the first half of the following fiscal year.

**UPPER VALLEY JOINT VOCATIONAL SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004  
(Continued)**

**7. PROPERTY TAXES (Continued)**

Property taxes include amounts levied against all real, public utility and tangible personal property (used in business) located in the School District. Real property tax revenue received in calendar year 2004 represents collections of calendar year 2003 taxes. Real property taxes received in calendar year 2004 were levied after April 1, 2003, on the assessed value listed as of January 1, 2003, the lien date. Assessed values for real property taxes are established by State law at thirty-five percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenue received in calendar year 2004 represents collections of calendar year 2003 taxes. Public utility real and tangible personal property taxes received in calendar year 2004 became a lien December 31, 2002, were levied after April 1, 2003 and are collected in 2004 with real property taxes. Public utility real property is assessed at thirty-five percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

Tangible personal property tax revenue received during calendar year 2004 (other than public utility property) represents the collection of 2004 taxes. Tangible personal property taxes received in calendar year 2004 were levied after April 1, 2003, on the value as of December 31, 2003. Tangible personal property is currently assessed at twenty-five percent of true value for capital assets and twenty-four percent of true value for inventory. Payments by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the School District prior to June 30.

The School District receives property taxes from Miami, Darke, Shelby, Auglaize, and Logan Counties. The County Auditors periodically advances to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2004, are available to finance fiscal year 2004 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable includes real, personal property, and public utility taxes which are measurable as of June 30, 2004, and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the delayed settlement of personal property tax and the amount of real property taxes available as an advance at June 30 were levied to finance current fiscal year operations. The receivable is therefore offset by a credit to deferred revenue for that portion not levied to finance current year operations. The amount available as an advance at June 30, 2004, was \$405,378 and is recognized as revenue: \$373,125 in the General Fund and \$32,253 in the Note Retirement Debt Service Fund. The amount available as an advance at June 30, 2003, was \$235,337 and was recognized as revenue in the General Fund. On a full accrual basis, collectible delinquent property taxes have been recorded as a receivable and revenue while on a modified accrual basis the revenue is deferred.

**UPPER VALLEY JOINT VOCATIONAL SCHOOL DISTRICT  
MIAMI COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004  
(Continued)**

**7. PROPERTY TAXES (Continued)**

The assessed values upon which the fiscal year 2004 taxes were collected are:

	<b>2003 Second – Half Collections</b>		<b>2004 First - Half Collections</b>	
	<b>Amount</b>	<b>Percent</b>	<b>Amount</b>	<b>Percent</b>
Agricultural/Residential and Other Real Estate	\$1,707,962,620	74.37%	\$1,748,660,730	75.34%
Public Utility Personal	78,214,120	3.41	76,478,410	3.29
Tangible Personal Property	510,259,976	22.22	495,948,568	21.37
<b>Total</b>	<b>\$2,296,436,716</b>	<b>100.00%</b>	<b>\$2,321,087,708</b>	<b>100.00%</b>
Tax Rate per \$1,000 of Assessed Valuation	\$4.90		\$5.46	

**8. RECEIVABLES**

Receivables at June 30, 2004, consisted of property taxes, accounts receivable (tuition, charges for services, and student fees), intergovernmental receivables (grants and charges for services), interfund and interest. All receivables are considered collectible in full and will be received within one year.

A summary of the principal items of intergovernmental receivables follows:

	<b>Amounts</b>
Governmental Activities:	
Food Service Subsidies	\$5,610
Auditor of State/GED Fees	2,925
Bureau of Workers' Compensation	1,273
Miami East Local Schools Fees	2,119
Russia Local Schools Fees	1,285
Adult Education Fees	75,472
School District Tuition and Fees	27,014
Adult Full Service Center Grant	12,600
Preschool Grant	14,245
Career Education Grant	24,264
Agricultural Education Grant	2,100
ABLE Grant	30,700
Carl D. Perkins	32,307
Title V	10,809
Title II-A	5,194
ACRN Grant	3,500
<b>Total Intergovernmental Receivables</b>	<b>\$251,417</b>

**UPPER VALLEY JOINT VOCATIONAL SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004  
(Continued)**

**9. CAPITAL ASSETS**

Capital asset activity for the fiscal year ended June 30, 2004, was as follows:

<b>Governmental Activities</b>	<b>Balance 6/30/03</b>	<b>Additions</b>	<b>Deductions</b>	<b>Balance 6/30/04</b>
Capital Assets, not Being Depreciated:				
Land	\$1,125,330	\$23,856	\$0	\$1,149,186
Construction in Progress	260,980	548,183	(178,780)	630,383
Total Capital Assets, not Being Depreciated	<u>1,386,310</u>	<u>572,039</u>	<u>(178,780)</u>	<u>1,779,569</u>
Capital Assets, Being Depreciated:				
Buildings and Improvements	5,928,865	238,684	0	6,167,549
Furniture, Fixtures, and Equipment	6,252,711	372,042	(314,673)	6,310,080
Vehicles	262,817	0	(29,993)	232,824
Total Capital Assets, Being Depreciated	<u>12,444,393</u>	<u>610,726</u>	<u>(344,666)</u>	<u>12,710,453</u>
Less Accumulated Depreciation:				
Buildings and Improvements	(1,995,036)	(78,589)	0	(2,073,625)
Furniture, Fixtures, and Equipment	(3,291,042)	(374,916)	249,761	(3,416,197)
Vehicles	(174,931)	(14,246)	29,993	(159,184)
Total Accumulated Depreciation	<u>(5,461,009)</u>	<u>(467,751)</u>	<u>279,754</u>	<u>(5,649,006)</u>
Capital Assets, Being Depreciated, Net	<u>6,983,384</u>	<u>142,975</u>	<u>(64,912)</u>	<u>7,061,447</u>
Governmental Activities Capital Assets, Net	<u>\$8,369,694</u>	<u>\$715,014</u>	<u>(\$243,692)</u>	<u>\$8,841,016</u>

Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$8,743
Special	9,219
Vocational	325,530
Adult/Continuing	14,675
Support Services:	
Pupils	6,588
Instructional Staff	13,005
Administration	22,911
Fiscal	74
Business	1,207
Operation and Maintenance of Plant	47,960
Pupil Transportation	5,583
Central	11,416
Operation of Non-Instructional Services	840
Total Depreciation Expense	<u>\$467,751</u>

**10. RISK MANAGEMENT**

**A. Property and Liability**

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. During fiscal year 2004, the School District contracted with Selective Insurance Company of South Carolina for property, fleet, stop gap, employee benefits, and liability insurance. Insurance coverage provided includes the following:

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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
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(Continued)**

**10. RISK MANAGEMENT (Continued)**

Building and Contents – replacement cost (\$1,000 deductible)	\$29,942,412
Stop Gap Coverage (Included in Liability)	
Commercial General Liability (included in Liability)	
General Aggregate Limit (with \$5,000,000 Umbrella)	8,000,000
Products – Completed Operations – Aggregate Limit (included with General Aggregate)	
Personal and Advertising – Injury Limit (Included with General Aggregate)	
Each Occurrence Limit (with \$5,000,000 Umbrella)	6,000,000
Damage to Premises Rented to School District Limit – Any One Premise	1,000,000
Medical Expense Limit – Any One Person	5,000
Employee Benefits – Each Claim (\$1,000 deductible)	1,000,000
Employee Benefits – Annual Aggregate (\$1,000 deductible)	1,000,000
Automobile Liability (\$500 Comprehensive/Collision deductibles)	1,000,000

Settled claims have not exceeded this commercial coverage in the past three fiscal years. There has not been a significant change in insurance coverage from the last fiscal year.

**B. Employee Benefits**

The School District has elected to provide employee medical/surgical benefits through a self-insurance internal service fund. The employees share the cost of the monthly premium with the board. The premium varies with each employee depending on the type of coverage they select. Premiums are paid into a self-insurance fund by all other funds and are available to pay claims, claim reserves and administrative costs of the program. CoreSource is the School District's third party administrator who informs the School District of claim payments needed. The claims liability of \$107,503 reported in the Self-Insured Health Insurance Internal Service Fund at June 30, 2004, is based on an estimate provided by CoreSource and the requirements of GASB Statement No. 30, which requires that a liability for unpaid claim costs, including estimates of costs relating to incurred but not reported claims, be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and that the amount of the loss can be reasonably estimated. The estimate was not affected by incremental claim adjustment expenses and does not include other allocated or unallocated claim adjustment expenses.

Changes in claims activity for the past two fiscal years are as follows:

	<b>Balance at Beginning of Fiscal Year</b>	<b>Current Year Claims</b>	<b>Claim Payments</b>	<b>Balance at End of Fiscal Year</b>
2003	\$84,113	\$1,202,104	\$1,198,671	\$87,546
2004	87,546	1,371,160	1,351,203	107,503

Interfund premiums are based primarily upon the insured funds' claims experience and are reported as quasi-external interfund transactions.

**UPPER VALLEY JOINT VOCATIONAL SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004  
(Continued)**

**10. RISK MANAGEMENT (Continued)**

**C. Workers' Compensation**

For fiscal year 2004, the School District participated in the Southwestern Ohio Educational Purchasing Council Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool (Note 16). The intent of the GRP is to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of the GRP. A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund." This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of Integrated Comp Inc. provides administrative, cost control, and actuarial services to the GRP.

**11. DEFINED BENEFIT PENSION PLANS**

**A. School Employees Retirement System**

The School District contributes to the School Employees Retirement System (SERS), a cost-sharing multiple-employer defined benefit pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746 or by calling (614) 222-5853.

Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute at an actuarially determined rate. The current School District rate is 14 percent of annual covered payroll. A portion of the School District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2004, 9.09 percent of annual covered salary was the portion used to fund pension obligations. For fiscal year 2003, 8.17 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to a statutory maximum amount, by the SERS' Retirement Board. The School District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2004, 2003, and 2002 were \$148,246, \$105,931, and \$80,555 respectively; 99.15 percent has been contributed for fiscal year 2004 and 100 percent for fiscal years 2003 and 2002.

**UPPER VALLEY JOINT VOCATIONAL SCHOOL DISTRICT  
MIAMI COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004  
(Continued)**

**11. DEFINED BENEFIT PENSION PLANS (Continued)**

**B. State Teachers Retirement System of Ohio**

The School District participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple-employer public employee retirement system. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a stand-alone financial report that may be obtained by writing to STRS Ohio, 275 E. Broad St., Columbus, OH 43215-3371, by calling (614) 227-4090, or by visiting the STRS Ohio website at [www.strsoh.org](http://www.strsoh.org).

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on member contributions and earned interest matched by STRS Ohio funds times an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5 percent of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. DC and Combined Plan members will transfer to the Defined Benefit Plan during their fifth year of membership unless they permanently select the DC or Combined Plan. Existing members with less than five years of service credit as of June 30, 2001, were given the option of making a one time irrevocable decision to transfer their account balances from the existing DB Plan into the DC Plan or the Combined Plan. This option expired on December 31, 2001. Benefits are established by Chapter 3307 of the Ohio Revised Code.

A DB or Combined Plan member with five or more years credited service who becomes disabled may qualify for a disability benefit. Eligible spouses and dependents of these active members who die before retirement may qualify for survivor benefits. Members in the DC Plan who become disabled are entitled only to their account balance. If a member dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

For the fiscal year ended June 30, 2004, plan members were required to contribute 10 percent of their annual covered salaries. The School District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. For fiscal year 2003, the portion used to fund pension obligations was 13 percent. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The School District's required contributions for pension obligations to the DB Plan for the fiscal years ended June 30, 2004, 2003, and 2002 were \$1,436,598, \$1,277,405, and \$830,347 respectively; 90.26 percent has been contributed for fiscal year 2004 and 100 percent for fiscal years 2003 and 2002. Contributions to the DC and Combined Plans for fiscal year 2004 were \$11,141 made by the School District and \$33,228 made by the plan members.



**UPPER VALLEY JOINT VOCATIONAL SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
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(Continued)**

**11. DEFINED BENEFIT PENSION PLANS (Continued)**

**C. Social Security System**

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System of Ohio have an option to choose Social Security or the School Employees Retirement System. As of June 30, 2004, four members of the Board of Education have elected Social Security. The remaining Board members contribute to SERS. The Board's liability is 6.2 percent of wages paid.

**12. POSTEMPLOYMENT BENEFITS**

The School District provides comprehensive health care benefits to retired teachers and their dependents through the State Teachers Retirement System of Ohio (STRS Ohio), and to retired non-certified employees and their dependents through the School Employees Retirement System (SERS). Benefits include hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare premiums. Benefit provisions and the obligations to contribute are established by the Systems based on authority granted by State statute. Both systems are on a pay-as-you-go basis.

All STRS Ohio benefit recipients and sponsored dependents are eligible for health care coverage. The STRS Ohio Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS Ohio funds is included in the employer contribution rate, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2004, the STRS Ohio Board allocated employer contributions equal to 1 percent of covered payroll to the Health Care Reserve Fund. For the School District, this amount equaled \$110,508 for fiscal year 2004.

STRS Ohio pays health care benefits from the Health Care Stabilization Fund. At June 30, 2004, (the latest information available) the balance in the Fund was \$2.8 billion. For the year ended June 30, 2004, net health care costs paid by STRS Ohio were \$268,739,000 and STRS Ohio had 111,853 eligible benefit recipients.

For SERS, coverage is made available to service retirees with ten or more fiscal years of qualifying service credit, and to disability and survivor benefit recipients. Members retiring on or after August 1, 1989, with less than twenty-five years of service credit must pay a portion of their premium for health care. The portion is based on years of service up to a maximum of 75 percent of the premium.

After the allocation for basic benefits, the remainder of the employers 14 percent contribution is allocated to providing health care benefits. For the fiscal year ended June 30, 2004, employer contributions to fund health care benefits were 4.91 percent of covered payroll. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the members pay, pro-rated for partial service credit. For fiscal year 2004, the minimum pay was established at \$25,400. For the School District, the amount contributed to fund health care benefits during the 2004 fiscal year equaled \$102,783.

The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund. The target level for the health care reserve is 150 percent of the annual health care expenses. Expenses for health care for the fiscal year ended June 30, 2004 (the latest information available), were \$223,443,805 and the target level was \$335.2 million. At June 30, 2004, SERS had net assets available for payment of health care benefits of \$300.8 million. SERS has approximately 62,000 participants currently receiving health care benefits.

**UPPER VALLEY JOINT VOCATIONAL SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
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(Continued)**

**13. OTHER EMPLOYEE BENEFITS**

**A. Compensated Absences**

The criteria for determining vacation and sick leave benefits are derived from the Board of Education's administrative regulations and State laws. Full-time classified employees for annual terms on regular contracts will be granted two weeks paid vacation. They are granted one additional day of paid vacation for every full year of service to the School District after completion of five years not to exceed five extra days. After twenty years of service, the employee will have twenty days of paid vacation. Teachers and administrators do not earn vacation time, with the exception of the Superintendent and Treasurer. Accumulated, unused vacation time is paid to classified employees upon termination of employment.

Teachers, administrators, and classified employees earn sick leave at the rate of one and one-fourth days per month. Sick leave may be accumulated up to a maximum of 210 days. Upon retirement, payment is made for one-fourth of the total sick leave accumulation to a maximum of 49 days.

**B. Health Care Benefits**

The School District provides life insurance and accidental death and dismemberment insurance to most employees through United of Omaha. Medical/surgical benefits are provided to most employees through the School District's self-insurance program.

**14. LONG-TERM OBLIGATIONS**

The changes in the School District's long-term obligations during fiscal year 2004 were as follows:

	<b>Amount Outstanding 6/30/03</b>	<b>Additions</b>	<b>Deductions</b>	<b>Amount Outstanding 6/30/04</b>	<b>Amounts Due Within One Year</b>
Governmental Activities					
Energy Conservation					
Loan Roof Replacement					
1994 5.35%	\$40,000	\$0	\$40,000	\$0	\$0
Applied Technology					
Loan 1992 0.00%	110,775	0	31,650	79,125	31,650
Total Unvoted Long-Term Loans	150,775	0	71,650	79,125	0
School Improvement Bond					
Anticipation Note					
2004 1.6%	0	7,000,000	0	7,000,000	0
Compensated Absences	883,756	156,984	91,089	949,651	75,266
Total Governmental Activities Long-Term Liabilities	<u>\$1,034,531</u>	<u>\$7,156,984</u>	<u>\$162,739</u>	<u>\$8,028,776</u>	<u>\$106,916</u>

**1994 Energy Conservation Loan - Roof Replacement** – This loan was authorized under House Bill 264 on July 21, 1994, and consists of ten \$40,000 notes (\$400,000) at an annual rate of 5.35 percent with one note maturing annually through December 15, 2003. The loan was completely paid off during fiscal year 2004.

**UPPER VALLEY JOINT VOCATIONAL SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
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(Continued)**

**14. LONG-TERM OBLIGATIONS (continued)**

**1992 Applied Technology Loan** – This loan is an interest free loan acquired from the State Board of Education on July 31, 1991, as authorized under House Bill 808. The original loan amount was \$474,750 for the building and \$75,250 for equipment for a total of \$550,000. The final payment on the loan is scheduled September 30, 2006, making this a fifteen year loan. The loan will be paid from the Note Retirement Debt Service Fund with transfers from the General Fund.

**2004 School Improvement Note** – On December 1, 2003 the School District issued a bond anticipation note in the amount of \$7,000,000 for the purpose of improving the existing school building by constructing a new addition and renovation and remodeling, acquiring equipment and furnishings, and making related site improvements. The note was issued for a 6 year period with final maturity during fiscal year 2009. As of June 30, 2004, \$548,183 of the proceeds had been spent toward the project. The note will be paid from the Note Retirement Debt Service Fund, with the proceeds of a .56 mill voted property tax levy.

Compensated Absences will be paid from the following: General Fund and Adult Education Major Special Revenue Fund; Food Service, Uniform School Supplies, Education Management Information Systems, Adult Basic Education, Carl D. Perkins, and Miscellaneous Federal Grants Non-major Special Revenue Funds; and the Warehouse Internal Service Fund.

The School District's overall legal debt margin was \$201,289,751 and the unvoted debt margin was \$2,321,088 at June 30, 2004.

Principal requirements to retire loans outstanding at June 30, 2004, are as follows:

<u>Fiscal Year Ending June 30,</u>	<u>Principal</u>
2005	\$31,650
2006	31,650
2007	15,825
Totals	<u>\$79,125</u>

**15. INTERFUND ASSETS/LIABILITIES AND TRANSFERS**

		<b>Interfund Receivable</b>		
		<b>General</b>	<b>Internal Service</b>	<b>Total</b>
<b>Interfund</b>	General	\$0	\$24,698	\$24,698
	Adult Education	0	2,248	2,248
<b>Payable</b>	Other Governmental	232,098	304	232,402
	Total	\$232,098	\$27,250	\$259,348

**UPPER VALLEY JOINT VOCATIONAL SCHOOL DISTRICT  
MIAMI COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004  
(Continued)**

**15. INTERFUND ASSETS/LIABILITIES AND TRANSFERS (Continued)**

Interfund balances represent charges for services and General Fund advances. These remaining balances resulted from the time lag between the dates that (1) interfund goods or services are provided, (2) transactions are recorded in the accounting, and (3) payments between funds are made. General Fund advances are made to move unrestricted balances to support programs and projects accounted for in other funds. Restricted monies are used to reimburse the General Fund for advancing monies to other funds due to timing differences in the receiving of grant monies. When the monies are finally received, the grant fund reimburses the General Fund for the initial advance. All are expected to be paid within one year.

The General Fund had transfers out to the Adult Education Fund, Note Retirement Fund, and Nonmajor Funds of \$25,000, \$31,650, and \$87,663, respectively. Nonmajor Funds had transfers out to other Nonmajor Funds in the amount of \$7,584. Transfers are used to move General Fund revenues that are used to subsidize various programs in other funds.

**16. JOINTLY GOVERNED ORGANIZATIONS AND INSURANCE PURCHASING POOL**

**A. Jointly Governed Organizations**

**Southwestern Ohio Educational Purchasing Council** -The School District participates in the Southwestern Ohio Educational Purchasing Council (SOEPC), a purchasing council made up of nearly 100 school districts in 12 counties. The purpose of the council is to obtain prices for quality merchandise and services commonly used by schools. All member districts are obligated to pay all fees, charges, or other assessments as established by the SOEPC. Each member district has one voting representative. Any district withdrawing from the SOEPC forfeits its claim to any and all SOEPC assets. One year prior notice is necessary for withdrawal from the group. During this time, the withdrawing member is liable for all member obligations during the one year period. Payments to SOEPC are made from the General Fund. During fiscal year 2004, the School District paid \$54,820 to SOEPC. To obtain financial information, write to the Southwestern Ohio Educational Purchasing Council, Ken Swink, who serves as Director, at 1831 Harshman Road, Dayton, Ohio 45424.

**Southwestern Ohio Instructional Technology Association** - The Southwestern Ohio Instructional Technology Association (SOITA) is a not-for-profit corporation formed under section 1702.01 of the Ohio Revised Code. The purpose of the corporation is to serve the educational needs of the area through television programming for the advancement of educational programs. The Board of Trustees is comprised of twenty-one representatives of SOITA member schools or institutions. Nineteen representatives are elected from within the counties by the qualified members within the counties, i.e, Auglaize, Butler, Champaign, Clark, Clinton, Darke, Fayette, Greene, Hamilton, Logan, Mercer, Miami, Montgomery, Preble, Shelby, and Warren. Montgomery, Greene and Butler Counties elect two representatives per area. All others elect one representative per area. One at-large non-public representative is elected by the non-public school SOITA members. One at-large higher education representative is elected by higher education SOITA members from within the State-assigned SOITA service area.

All member districts are obligated to pay all fees, charges, or other assessments as established by the SOITA. Upon dissolution, the net assets shall be distributed to the federal government, or to a state or local government, for a public purpose. Payments to SOITA are made from the General Fund. During fiscal year 2004, the School District paid \$1,542 to SOITA for services provided during the fiscal year. To obtain financial information, write to the Southwestern Ohio Instructional Technology Association, Steve Strouse, who serves as Director, at 150 East Sixth Street, Franklin, Ohio 45005.

**UPPER VALLEY JOINT VOCATIONAL SCHOOL DISTRICT  
MIAMI COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004  
(Continued)**

**16. JOINTLY GOVERNED ORGANIZATIONS AND INSURANCE PURCHASING POOL (Continued)**

**Western Ohio Computer Organization** - The School District is a participant in the Western Ohio Computer Organization (WOCO) which is a computer consortium. WOCO is an association of public school districts in a geographic area determined by the Ohio Department of Education. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member school districts.

The governing board of WOCO consists of two representatives from each county elected by majority vote of all charter member school districts within each county plus one representative from the fiscal agent. Payments to WOCO are made from the General Fund. The School District paid WOCO \$41,542 for services provided during the fiscal year. Financial information can be obtained from Louis Ivey, who serves as Director, at 129 East Court Street, Sidney, Ohio 45365.

**B. Insurance Purchasing Pool**

**Southwestern Ohio Educational Purchasing Council Workers' Compensation Group Rating Plan** - The School District participates in the Southwestern Ohio Educational Purchasing Council Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool. The GRP's business and affairs are conducted by an eleven member Executive Committee consisting of the Chairperson, the Vice-Chairperson, a representative from the Miami County Educational Service Center and eight other members elected by majority vote of all member school districts. The Chief Administrator of GRP serves as the coordinator of the program. Each fiscal year, the participating school districts pay an enrollment fee to the GRP to cover the costs of administering the program.

**17. SET-ASIDE CALCULATIONS**

The School District is required by State statute to annually set aside in the General Fund an amount based on a statutory formula for the purchase of textbooks and other instructional materials and an equal amount for the acquisition and construction of capital improvements. Amounts not spent by fiscal year-end or offset by similarly restricted resources received during the fiscal year must be held in cash at fiscal year-end and carried forward to be used for the same purposes in future fiscal years.

The following cash basis information describes the change in the fiscal year-end set-aside amounts for textbooks and instructional materials and capital improvements. Disclosure of this information is required by State statute.

	<b>Textbooks and Instructional Materials</b>	<b>Capital Improvements</b>
Set-aside Reserve Balance as of June 30, 2003	\$17,032	(\$103,671)
Current Year Set-aside Requirement	181,324	181,324
Qualifying Disbursements	(128,349)	(147,559)
Current Year Offsets	0	(7,000,000)
<b>Total</b>	<b>\$70,007</b>	<b>(\$7,069,906)</b>
Set-aside Balances Carried Forward to Future Fiscal Years	<b>\$70,007</b>	<b>\$0</b>
Set-aside Reserve Balances as of June 30, 2004	<b>\$70,007</b>	<b>\$0</b>

**UPPER VALLEY JOINT VOCATIONAL SCHOOL DISTRICT  
MIAMI COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004  
(Continued)**

**17. SET-ASIDE CALCULATIONS (Continued)**

Although the School District had qualifying disbursements during the fiscal year that reduced the set-aside amount below zero for the capital improvements set-aside, the negative amount can be carried forward.

**18. SCHOOL FUNDING DECISION**

On December 11, 2002, the Ohio Supreme Court issued its latest opinion regarding the State's school funding plan. The decision reaffirmed earlier decisions that Ohio's current school-funding decision is unconstitutional.

The Supreme Court relinquished jurisdiction over the case and directed "...the Ohio General Assembly to enact a school-funding scheme that is thorough and efficient..."

The School District is currently unable to determine what effect, if any, this decision will have on its future State funding and on its financial operations.

**19. CONTINGENCIES**

The School District received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 2004.

**20. SIGNIFICANT CONTRACTUAL COMMITMENTS**

As of June 30, 2004, the School District had contractual purchase commitments as follows:

<u>Company</u>	<u>Project</u>	<u>Contract Amount</u>	<u>Amount Expended</u>	<u>Balance at 6/30/04</u>
Levin Porter Associates	Building Addition	\$76,561	\$0	\$76,561
Pence Bulldozing	Wetlands Development	18,797	0	18,797
Rayner Electric	Classroom Lighting	24,393	0	24,393
Central Fire Protection	Building Addition	87,775	0	87,775
Stonecreek Interior Systems	Building Addition	242,350	0	242,350
Slagle Mechanical	Building Addition	409,000	0	409,000
Sollman Electric	Building Addition	623,150	0	623,150
Wat-Kem Mechanical Inc.	Building Addition	666,561	0	666,561
Ferguson Construction	Building Addition	2,798,180	0	2,798,180
<b>Totals</b>		<u>\$4,870,206</u>	<u>\$0</u>	<u>\$4,870,206</u>

UPPER VALLEY JOINT VOCATIONAL SCHOOL DISTRICT  
MIAMI COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004  
(Continued)

**21. SUBSEQUENT EVENTS**

**A. Insurance Coverage**

The School District contracted with the Southwestern Ohio Educational Purchasing Council Group Insurance Pool for medical/surgical benefits coverage on October 1, 2004.

**B. Debt Issue**

On December 1, 2004, the School District reissued the \$7,000,000 bond anticipation note in the amount of \$6,100,000 for the purpose of improving the existing school building by constructing a new addition and renovation and remodeling, acquiring equipment and furnishings, and making related site improvements. The interest rate of the note is 2.62% and it matures on November 29, 2005.

UPPER VALLEY JOINT VOCATIONAL SCHOOL  
MIAMI COUNTY

SCHEDULE OF FEDERAL AWARDS EXPENDITURES  
FOR THE YEAR ENDED JUNE 30, 2004

Federal Grantor/ Pass Through Grantor Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Non-Cash Receipts	Disbursements	Non-Cash Disbursements
<b>U.S. DEPARTMENT OF AGRICULTURE</b>						
<i>Passed Through Ohio Department of Education:</i>						
Nutrition Cluster:						
Food Distribution Program	Not Available	10.550		\$13,194		\$13,194
School Breakfast Program	05PU-2003 05PU-2004	10.553	\$553 4,892 <u>5,445</u>		\$553 4,892 <u>5,445</u>	
National School Lunch Program	LL-PP4 2003 LL-PP4 2004	10.555	10,377 26,441 <u>36,818</u>		10,377 26,441 <u>36,818</u>	
Total U.S. Department of Agriculture - Nutrition Cluster			42,263	13,194	42,263	13,194
<b>U.S. DEPARTMENT OF EDUCATION</b>						
<i>Passed Through Ohio Department of Education:</i>						
Adult Education & Community Education	ABS1-2003 ABS1-2003-C ABS2-2003-C ABS1-2004 ABS2-2004	84.002	(20,845) 40,969  138,811 <u>28,832</u> 187,767		984 20,125 12,663 151,474 <u>26,115</u> 211,361	
Carl D. Perkins Vocational Education - Basic Grants	20C1-2003 20C1-2004 20C2-2003 20C2-2004	84.048	64,835 255,846 30,857 <u>117,176</u> 468,714		44,159 241,236 17,730 <u>119,298</u> 422,423	
Drug Free Schools and Communities	DR-S1-04	84.186	2,437		2,437	
Innovative Educational Program Strategies	C2S1-2003 C2S1-2004	84.298	4,954 <u>2,357</u> 7,311		6,042 <u>409</u> 6,451	
Vocational Education -Occupational and Employment Information State Grants	OE00-2004	84.346	1,500		3,250	
Title II-A Improving Teacher Quality	TRS1-2003 TRS1-2004	84.367	(2,336) <u>7,600</u> 5,264		7,950 <u>7,950</u>	
(Direct Payments from U.S. Department of Education) Pell Education Grant	PO13448 PO23764	84.063	29,795 <u>188,559</u> 218,354		29,795 <u>187,238</u> 217,033	
Total U.S. Department of Education			891,347		870,905	
<b>Total Federal Assistance</b>			<b><u>\$933,610</u></b>	<b><u>\$13,194</u></b>	<b><u>\$913,168</u></b>	<b><u>\$13,194</u></b>

The accompanying notes to this schedule are an integral part of this schedule.



**UPPER VALLEY JOINT VOCATIONAL SCHOOL DISTRICT  
MIAMI COUNTY**

**NOTES TO SCHEDULE OF FEDERAL AWARDS EXPENDITURES  
FOR THE YEAR ENDED JUNE 30, 2004**

**NOTE A - SIGNIFICANT ACCOUNTING POLICIES**

The accompanying Schedule of Federal Awards Expenditures (the Schedule) summarizes activity of the District's federal award programs. The schedule has been prepared on the cash basis of accounting.

**NOTE B – NUTRITION CLUSTER**

Nonmonetary assistance, such as food received from the U.S. Department of Agriculture, is reported in the Schedule at the fair market value of the commodities received and consumed. Cash receipts from the U.S. Department of Agriculture are commingled with State grants. It is assumed federal monies are expended first. At June 30, 2004, the District did not have a significant inventory of food commodities.

**NOTE C - MATCHING REQUIREMENTS**

Certain Federal programs require that the District contribute non-Federal funds (matching funds) to support the Federally-funded programs. The expenditure of non-Federal matching funds is not included on the Schedule.

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## Auditor of State Betty Montgomery

### INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE AND ON INTERNAL CONTROL REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

Upper Valley Joint Vocational School District  
Miami County  
8811 Career Dr.  
Piqua, Ohio 45356

To the Board of Education:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information, of Upper Valley Joint Vocational School District, Miami County, (the District), as of and for the year ended June 30, 2004, which collectively comprise the District's basic financial statements, and have issued our report thereon dated January 21, 2005. 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.

#### Compliance

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, 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 an instance of noncompliance that we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2004-001. We also noted certain immaterial instances of noncompliance that we have reported to the management of the District in a separate letter dated January 21, 2005.

#### Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting which do not require inclusion in this report, which we have reported to management of the District in a separate letter dated January 21, 2005.

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This report is intended for the information and use of the audit committee, management, Board of Education, 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.

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

**Betty Montgomery**  
Auditor of State

January 21, 2005



## Auditor of State Betty Montgomery

### INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO MAJOR FEDERAL PROGRAMS AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

Upper Valley Joint Vocational School District  
Miami County  
8811 Career Dr.  
Piqua, Ohio 45356

To the Board of Education:

#### Compliance

We have audited the compliance of Upper Valley Joint Vocation School District, Miami County, (the District), with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement* that are applicable to its major federal program for the year ended June 30, 2004. The District's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of the District's management. Our responsibility is to express an opinion on the District'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 occurred with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program. An audit includes examining, on a test basis, evidence about the District'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 on the District's compliance with those requirements.

In our opinion, the District complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended June 30, 2004.

#### Internal Control Over Compliance

The management of the District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order 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.

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**Internal Control Over Compliance  
(Continued)**

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended for the information and use of the audit committee, management, Board of Education, 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.



**Betty Montgomery**  
Auditor of State

January 21, 2005

**UPPER VALLEY JOINT VOCATIONAL SCHOOL DISTRICT  
MIAMI COUNTY**

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A -133 § .505  
FOR THE YEAR ENDED JUNE 30, 2004**

**1. SUMMARY OF AUDITOR'S RESULTS**

<b>(d)(1)(i)</b>	<b>Type of Financial Statement Opinion</b>	<b>Unqualified</b>
<b>(d)(1)(ii)</b>	<b>Were there any material control weakness conditions reported at the financial statement level (GAGAS)?</b>	<b>No</b>
<b>(d)(1)(ii)</b>	<b>Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?</b>	<b>No</b>
<b>(d)(1)(iii)</b>	<b>Was there any reported material non-compliance at the financial statement level (GAGAS)?</b>	<b>Yes</b>
<b>(d)(1)(iv)</b>	<b>Were there any material internal control weakness conditions reported for major federal programs?</b>	<b>No</b>
<b>(d)(1)(iv)</b>	<b>Were there any other reportable internal control weakness conditions reported for major federal programs?</b>	<b>No</b>
<b>(d)(1)(v)</b>	<b>Type of Major Programs' Compliance Opinion</b>	<b>Unqualified</b>
<b>(d)(1)(vi)</b>	<b>Are there any reportable findings under § .510?</b>	<b>No</b>
<b>(d)(1)(vii)</b>	<b>Major Programs (list):</b>	Carl D. Perkins Vocational Education-Basic Grants – CFDA # 84.048
<b>(d)(1)(viii)</b>	<b>Dollar Threshold: Type A\B Programs</b>	<b>Type A: &gt; \$ 300,000 Type B: all others</b>
<b>(d)(1)(ix)</b>	<b>Low Risk Auditee?</b>	<b>Yes</b>

**2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS  
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS**

**FINDING NUMBER 2004-001**

**\*Ohio Rev. Code Section 5705.41(D)** prohibits a subdivision or taxing entity from making any contract or ordering any expenditure of money unless a certificate signed by the fiscal officer is attached thereto. The fiscal officer must certify that the amount required to meet any such contract or expenditure has been lawfully appropriated and is in the treasury, or is in the process of collection to the credit of an appropriate fund free from any previous encumbrance.

There are several exceptions to the standard requirement stated above that a fiscal officer's certificate must be obtained prior to a subdivision or taxing authority entering into a contract or order involving the expenditure of money. The main exceptions are: "then and now" certificates, blanket certificates, and super blanket certificates, which are provided for in sections 5705.41(D)(1) and 5705.41(D)(3), respectively, of the Ohio Revised Code.

1. **"Then and Now" certificate** – If the fiscal officer can certify that both at the time that the contract or order was made ("then"), and at the time that the fiscal officer is completing the certification ("now"), that sufficient funds were available or in the process of collection, to the credit of a proper fund, properly appropriated and free from any previous encumbrance, the District can authorize the drawing of a warrant for the payment of the amount due. The District has thirty days from the receipt of the "then and now" certificate to approve payment by ordinance or resolution.

Amounts of less than \$3,000 may be paid by the fiscal officer without a resolution or ordinance upon completion of the "then and now" certificate, provided that the expenditure is otherwise lawful. This does not eliminate any otherwise applicable requirement for approval of expenditures by the District.

2. **Blanket certificate** – Fiscal officers may prepare "blanket" certificates not exceeding \$5,000 (an amount established by resolution or ordinance adopted by the legislative authority, effective September 26, 2003) against any specific line item account over a period not exceeding three months (three month limitation was eliminated effective September 26, 2003) or running beyond the current year. The blanket certificates may, but need not, be limited to a specific vendor. Only one blanket certificate may be outstanding at one particular time for any one particular line item appropriation.
3. **Super Blanket certificate** – The District may also make expenditures and contracts for any amount from a specific line-item appropriation account in a specified fund upon certification of the fiscal officer for most professional services, fuel, oil, food items, and any other specific recurring and reasonably predictable operating expense. This certification is not to extend beyond the current year. More than one super blanket certificate may be outstanding at a particular time for any one line item appropriation.

The District did not properly certify the availability of funds prior to purchase commitment for 11.6% expenditures tested and there was no evidence that the District followed the aforementioned exceptions. The failure to properly certify the availability of funds can result in overspending and negative cash fund balances.



**FINDING NUMBER 2004-001  
(Continued)**

Unless the exceptions noted above are used, prior certification is not only required by statute but is a key control in the disbursement process to assure that purchase commitments receive prior approval. To improve controls over disbursements and to help reduce the possibility of the District's funds exceeding budgetary spending limitations, we recommend that the District's Fiscal Officer certify that the funds are or will be available prior to the obligation by the District. When prior certification is not possible, "then and now" certification should be used.

The District should certify purchases to which section 5705.41(D) applies. The most convenient certification method is to use purchase orders that include the certification language 5705.41(D) requires to authorize disbursements. The fiscal officer should sign the certification at the time the District incurs a commitment, and only when the requirements of 5705.41(D) are satisfied. The fiscal officer should post approved purchase commitments to the proper appropriation code, to reduce the available appropriation.

<b>3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS</b>
--

None





**Auditor of State  
Betty Montgomery**

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**UPPER VALLEY JOINT VOCATIONAL SCHOOL DISTRICT**

**MIAMI COUNTY**

**CLERK'S CERTIFICATION**

**This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.**

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
MARCH 10, 2005**