



Dave Yost • Auditor of State

**UPPER VALLEY CAREER CENTER
MIAMI COUNTY
JUNE 30, 2017**

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**UPPER VALLEY CAREER CENTER
MIAMI COUNTY
JUNE 30, 2017**

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

Upper Valley Career Center
Miami County
8811 Career Drive
Piqua, Ohio 45356

To the Board of Education:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of Upper Valley Career Center, Miami County, Ohio (the Center), as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Center's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes designing, implementing, and maintaining internal control relevant to preparing and fairly presenting financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the Center's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the Center's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinions.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the major fund, and the aggregate remaining fund information of Upper Valley Career Center, Miami County, Ohio, as of June 30, 2017, and the respective changes in financial position thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require this presentation to include *management's discussion and analysis, required budgetary comparison schedule* and schedules of net pension liabilities and pension contributions listed in the table of contents, to supplement the basic financial statements. Although this information is not part of the basic financial statements, the Governmental Accounting Standards Board considers it essential for placing the basic financial statements in an appropriate operational, economic, or historical context. We applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, consisting of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, to the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not opine or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to opine or provide any other assurance.

Supplementary and Other Information

Our audit was conducted to opine on the Center's basic financial statements taken as a whole.

The Schedule of Expenditures of Federal Awards presents additional analysis as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards and is not a required part of the financial statements.

The schedule is management's responsibility, and derives from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. We subjected the schedule to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling the schedule directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 28, 2017, on our consideration of the Center's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Center's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

Dave Yost
Auditor of State
Columbus, Ohio

December 28, 2017

**Upper Valley Career Center
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2017
(Unaudited)**

The discussion and analysis of Upper Valley Career Center's (the "Center") financial performance provides an overall review of the Center's financial activities for the fiscal year ended June 30, 2017. The intent of this discussion and analysis is to look at the Center's financial performance as a whole, readers should also review the notes to the basic financial statements and the basic financial statements to enhance their understanding of the Center's performance.

Financial Highlights

Key financial highlights for 2017 are as follows:

- Net position of governmental activities increased \$1,121,372 which represents a 7% increase from 2016.
- General revenues accounted for \$17,943,350 in revenue or 82% of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$3,989,753 or 18% of total revenues of \$21,933,103.
- The Center had \$20,811,731 in expenses related to governmental activities; \$3,989,753 of these expenses were offset by program specific charges for services, grants or contributions. General revenues of \$17,943,350 were also used to provide for these programs.

Overview of the 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 the Center 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 Position* and *Statement of Activities* provide information about the activities of the whole Center, presenting both an aggregate view of the Center'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 Center's most significant funds with all other nonmajor funds presented in total in one column. The General Fund is the major fund of the Center.

Government-wide Financial Statements

While this document contains the large number of funds used by the Center to provide programs and activities, the view of the Center as a whole looks at all financial transactions and asks the question, "How did we do financially during 2017?" The Government-wide Financial Statements answers this question. These statements include *all assets and deferred outflows of resources and liabilities and deferred inflows of resources* 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 year's revenues and expenses regardless of when cash is received or paid.

**Upper Valley Career Center
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2017
(Unaudited)**

These two statements report the Center's net position and changes in net position. This change in net position is important because it tells the reader that, for the Center as a whole, the financial position has improved or diminished. The causes of this change may be the result of many factors, both financial and non-financial. Non-financial factors include the Center's property tax base, current property tax laws in Ohio restricting revenue growth, facility conditions, required educational programs and other factors.

In the Government-wide Financial Statements, the overall financial position of the Center is presented in the following manner:

- **Governmental Activities** – Most of the Center's programs and services are reported here including instruction, support services, operation of non-instructional services, extracurricular activities and interest and fiscal charges.

Fund Financial Statements

The analysis of the Center's major funds begins on the balance sheet. Fund financial reports provide detailed information about the Center's major funds. The Center uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the Center's most significant funds.

Governmental Funds Most of the Center's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at 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 Center'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 Position and the Statement of Activities) and governmental *funds* is reconciled in the financial statements.

Fiduciary Funds Fiduciary Funds are used to account for resources held for the benefits of parties outside the government. Fiduciary Funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the Center's own programs.

The Center as a Whole

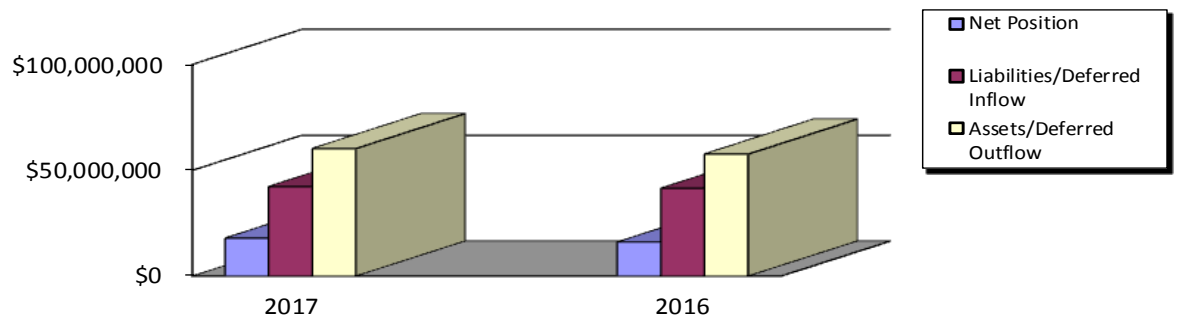
As stated previously, the Statement of Net Position looks at the Center as a whole. Table 1 provides a summary of the Center's net position for fiscal year 2017 compared to fiscal year 2016:

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**Upper Valley Career Center
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2017
(Unaudited)**

**Table 1
Net Position**

	Governmental Activities	
	2017	2016
Assets:		
Current and Other Assets	\$19,950,244	\$18,573,164
Capital Assets	34,262,130	34,854,953
Total Assets	54,212,374	53,428,117
Deferred Outflows of Resources:		
Pension	5,942,734	4,205,262
Total Deferred Outflows of Resources	5,942,734	4,205,262
Liabilities:		
Other Liabilities	1,299,082	1,321,345
Long-Term Liabilities	35,024,261	30,466,153
Total Liabilities	36,323,343	31,787,498
Deferred Inflows of Resources:		
Property Taxes	5,637,878	5,813,376
Pension	967,850	3,927,840
Total Deferred Inflows of Resources	6,605,728	9,741,216
Net Position:		
Net Investment in Capital Assets	32,464,587	32,194,443
Restricted	2,719,932	2,738,711
Unrestricted	(17,958,482)	(18,828,489)
Total Net Position	\$17,226,037	\$16,104,665



Over time, net position can serve as a useful indicator of a government's financial position. At June 30, 2017, the Center's assets and deferred outflows exceeded liabilities and deferred inflows of resources by \$17,226,037.

**Upper Valley Career Center
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2017
(Unaudited)**

At year-end, capital assets represented 63% of total assets. Capital assets include land, buildings and improvements, equipment, and vehicles. Capital assets, net of related debt to acquire the assets at June 30, 2017, were \$32,464,587. These capital assets are used to provide services to the students and are not available for future spending. Although the Center's investment in capital assets is reported net of related debt, it should be noted that the resources to repay the debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities.

A portion of the Center's net position, \$2,719,932 represents resources that are subject to external restriction on how they must be used. The external restriction will not affect the availability of fund resources for future use.

Current Assets increased from the prior year mainly due to an increase in cash and investments at fiscal year 2017 compared to fiscal year 2016. Capital Assets decreased from the prior year mainly due to depreciation expense and disposals being greater than current year additions. Total Liabilities increased mainly due to an increase in Net Pension Liabilities.

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**Upper Valley Career Center
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2017
(Unaudited)**

Table 2 shows the changes in net position for fiscal years 2017 and 2016.

**Table 2
Changes in Net Position**

	Governmental Activities	
	2017	2016
Revenues:		
Program Revenues		
Charges for Services	\$2,206,205	\$2,210,062
Operating Grants, Contributions	1,783,548	4,462,013
General Revenues:		
Property Taxes	6,709,811	5,394,554
Unrestricted Grants and Contributions	11,085,745	8,243,250
Other	147,794	152,899
Total Revenues	<u>21,933,103</u>	<u>20,462,778</u>
Program Expenses:		
Instruction	12,062,076	11,560,738
Support Services:		
Pupil and Instructional Staff	3,610,590	2,594,062
School Administrative, General		
Administration, Fiscal and Business	1,931,523	1,781,444
Operations and Maintenance	1,611,383	1,364,446
Pupil Transportation	62,024	57,976
Central	369,975	862,115
Operation of Non-Instructional Services	1,081,445	1,000,538
Extracurricular Activities	26,075	17,506
Interest and Fiscal Charges	56,640	80,030
Total Program Expenses	<u>20,811,731</u>	<u>19,318,855</u>
Change in Net Position	1,121,372	1,143,923
Net Position - Beginning of Year	<u>16,104,665</u>	<u>14,960,742</u>
Net Position - End of Year	<u>\$17,226,037</u>	<u>\$16,104,665</u>

The Center's revenues are mainly from two sources. Property taxes levied for general, and debt service, and grants and contributions (not restricted) comprised 81% of the Center's revenues for governmental activities.

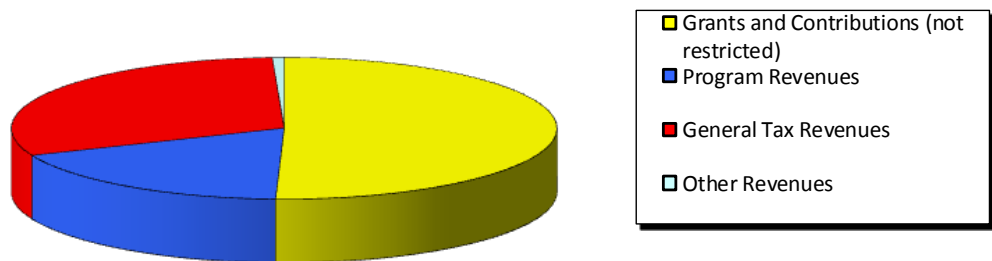
The Center depends greatly on property taxes as a revenue source. The unique nature of property taxes in Ohio creates the need to routinely seek voter approval for operating funds. The overall revenues generated by a levy will not increase solely as a result of inflation. As an example, a homeowner with a home valued at \$100,000 and taxed at 1.0 mill would pay \$35.00 annually in taxes. If three years later the home were reappraised and increased to \$200,000 (and this inflationary increase in value is comparable to other property owners) the effective tax rate would become .5 mills and the owner would still pay \$35.00.

**Upper Valley Career Center
 Management’s Discussion and Analysis
 For the Fiscal Year Ended June 30, 2017
 (Unaudited)**

Thus Ohio Schools do not receive additional property tax revenue from an increase in appraisal values and must regularly return to the voters to maintain a constant level of service. Property taxes made up 31% of revenues for governmental activities for the Center in fiscal year 2017. The Center’s reliance upon tax revenues is demonstrated by the following graph:

**Governmental Activities
 Revenue Sources**

Revenue Sources	2017	Percentage
Grants and Contributions (not restricted)	\$11,085,745	50.5%
Program Revenues	3,989,753	18.2%
General Tax Revenues	6,709,811	30.6%
Other Revenues	147,794	0.7%
Total Revenue Sources	\$21,933,103	100.00%



Instruction comprises 58% of governmental program expenses. Support services expenses were 36% of governmental program expenses. All other expenses were 6%.

Total revenues increased primarily due to an increase in grants and contributions revenue and property tax revenue. Total expenses increased primarily due to an increase in pupil and instructional staff support services expenses.

Governmental Activities

The Statement of Activities shows the cost of program services and the charges for services and grants offsetting those services. Table 3 shows, for government activities, 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.

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**Upper Valley Career Center
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2017
(Unaudited)**

**Table 3
Governmental Activities**

	Total Cost of Services		Net Cost of Services	
	2017	2016	2017	2016
Instruction	\$12,062,076	\$11,560,738	(\$9,825,517)	(\$6,777,818)
Support Services:				
Pupil and Instructional Staff	3,610,590	2,594,062	(3,208,186)	(2,222,159)
School Administrative, General				
Administration, Fiscal and Business	1,931,523	1,781,444	(1,541,872)	(1,301,494)
Operations and Maintenance	1,611,383	1,364,446	(1,568,290)	(1,329,341)
Pupil Transportation	62,024	57,976	(62,024)	(57,976)
Central	369,975	862,115	(262,125)	(740,293)
Operation of Non-Instructional Services	1,081,446	1,000,538	(271,506)	(197,499)
Extracurricular Activities	26,075	17,506	(25,819)	59,830
Interest and Fiscal Charges	56,640	80,030	(56,640)	(80,030)
Total Expenses	<u>\$20,811,732</u>	<u>\$19,318,855</u>	<u>(\$16,821,979)</u>	<u>(\$12,646,780)</u>

The Center's Funds

The Center has one major governmental fund: the General Fund. Assets of the General Fund comprised \$15,944,343 of the total \$20,008,192 governmental funds assets.

General Fund: Fund balance at June 30, 2017 was \$9,431,068, an increase in fund balance of \$1,531,863 from 2016. The fund balance increased primarily due to an increase in property tax revenue.

General Fund Budgeting Highlights

The Center'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 fiscal year 2017, the Center amended its General fund budgets; however none were significant. The Center uses site-based budgeting and the budgeting systems are designed to tightly control total site budgets but provide flexibility for site management. During the course of the year, the Center revised the Budgets in an attempt to deal with unexpected changes in revenues and expenditures.

For the General Fund, final budget basis revenue was \$16,776,800, compared to original budget estimates of \$17,602,772. Of the \$825,972 difference, most was due to overestimating taxes revenue and intergovernmental revenue in the original budget.

The Center's ending unobligated cash balance for the General Fund was \$9,616,682.

**Upper Valley Career Center
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2017
(Unaudited)**

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2017, the Center had \$34,262,130 invested in land, buildings and improvements, equipment, and vehicles. Table 4 shows fiscal year 2017 balances compared to fiscal year 2016:

**Table 4
Capital Assets at Year End
(Net of Depreciation)**

	Governmental Activities	
	2017	2016
Land	\$1,318,459	\$1,318,863
Buildings and Improvements	30,152,225	30,788,849
Equipment	2,582,410	2,556,079
Vehicles	209,036	191,162
Total Net Capital Assets	<u>\$34,262,130</u>	<u>\$34,854,953</u>

The decrease in capital assets is due to depreciation expense and disposals exceeding current year additions.

See Note 8 to the basic financial statements for further details on the Center's capital assets.

Debt

At June 30, 2017, the Center had \$1,797,543 in debt outstanding, \$877,231 due within one year. Table 5 summarizes debt outstanding:

**Table 5
Outstanding Debt, at Year End**

	Governmental Activities	
	2017	2016
School Facilities Bonds	\$1,770,000	\$2,615,000
Unamortized Bond Premiums	20,312	31,392
Capital Lease	7,231	14,118
Total Outstanding Debt	<u>\$1,797,543</u>	<u>\$2,660,510</u>

See Notes 9 and 10 in the notes to the basic financial statements for further details on the Center's outstanding debt.

**Upper Valley Career Center
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2017
(Unaudited)**

For the Future

The future finances of the Center present several challenges due to changes in the State funding formula and budget model, issues with State legislation and the composition of the Board of Education, and local economic issues and property valuations. These situations, along with potential changes in weighted funding and federal grants, pose significant uncertainty in future revenue streams and the operation of Center programs.

Contacting the Center's Financial Management

This financial report is designed to provide our citizens, taxpayers, and investors and creditors with a general overview of the Center's finances and to show the Center's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Treasurer, Upper Valley Career Center, 8811 Career Drive, Piqua, Ohio 45356.

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Upper Valley Career Center
Statement of Net Position
June 30, 2017

	Governmental Activities
Assets:	
Equity in Pooled Cash and Investments	\$12,952,867
Receivables:	
Property Taxes	6,751,394
Accounts	122,179
Accrued Interest	13,864
Intergovernmental	83,078
Prepays	20,145
Inventory	6,717
Nondepreciable Capital Assets	1,318,459
Depreciable Capital Assets, Net	<u>32,943,671</u>
Total Assets	<u>54,212,374</u>
Deferred Outflows of Resources:	
Pension	<u>5,942,734</u>
Total Deferred Outflows of Resources	<u>5,942,734</u>
Liabilities:	
Accounts Payable	16,626
Accrued wages and benefits payable	1,277,552
Accrued interest payable	4,904
Long-Term Liabilities:	
Due Within One Year	1,034,829
Due In More Than One Year:	
Net Pension Liability	31,866,519
Other Amounts	<u>2,122,913</u>
Total Liabilities	<u>36,323,343</u>
Deferred Inflows of Resources:	
Property Taxes levied for the next fiscal year	5,637,878
Pension	<u>967,850</u>
Total Deferred Inflows of Resources	<u>6,605,728</u>
Net Position:	
Net Investment in Capital Assets	32,464,587
Restricted for:	
Classroom facilities maintenance	1,388,586
Debt Service	764,156
Locally funded programs	36,346
Federally funded programs	11,278
Other Grants	60,680
Adult Education	449,149
Other Purposes	9,737
Unrestricted	<u>(17,958,482)</u>
Total Net Position	<u><u>\$17,226,037</u></u>

See accompanying notes to the basic financial statements.

Upper Valley Career Center
Statement of Activities
For the Fiscal Year Ended June 30, 2017

	Program Revenues		Net (Expense) Revenue and Changes in Net Position	
	Expenses	Charges for Services and Sales	Operating Grants and Contributions	Governmental Activities
Governmental Activities:				
Instruction:				
Regular	\$1,813,849	\$734,103	\$0	(\$1,079,746)
Special	456,096	0	0	(456,096)
Vocational	8,300,116	42,903	371,925	(7,885,288)
Adult/Continuing	1,107,813	644,786	431,293	(31,734)
Other	384,202	11,549	0	(372,653)
Support Services:				
Pupil	2,068,897	132,556	222,314	(1,714,027)
Instructional Staff	1,541,693	0	47,534	(1,494,159)
Board of Education	47,731	0	0	(47,731)
School Administration	1,038,050	244,617	145,034	(648,399)
Fiscal	613,932	0	0	(613,932)
Business	231,810	0	0	(231,810)
Operations and Maintenance	1,611,383	30,642	12,451	(1,568,290)
Pupil Transportation	62,024	0	0	(62,024)
Central	369,975	75,493	32,357	(262,125)
Operation of Non-Instructional Services	1,081,445	289,300	520,640	(271,505)
Extracurricular Activities	26,075	256	0	(25,819)
Interest and Fiscal Charges	56,640	0	0	(56,640)
Totals	\$20,811,731	\$2,206,205	\$1,783,548	(16,821,978)

General Revenues:	
Property Taxes Levied for:	
General Purposes	5,888,720
Debt Service Purposes	821,091
Grants and Contributions not restricted to	11,085,745
Investment Earnings	31,245
Other Revenues	116,549
Total General Revenues	17,943,350
Change in Net Position	1,121,372
Net Position - Beginning of Year	16,104,665
Net Position - End of Year	\$17,226,037

See accompanying notes to the basic financial statements.

Upper Valley Career Center
Balance Sheet
Governmental Funds
June 30, 2017

	General	Other Governmental Funds	Total Governmental Funds
Assets:			
Equity in Pooled Cash and Investments	\$9,840,926	\$3,111,941	\$12,952,867
Receivables:			
Property Taxes	5,956,747	794,647	6,751,394
Accounts	55,023	67,156	122,179
Interfund	57,948	0	57,948
Accrued Interest	13,864	0	13,864
Intergovernmental	0	83,078	83,078
Prepays	19,835	310	20,145
Inventory	0	6,717	6,717
Total Assets	15,944,343	4,063,849	20,008,192
Liabilities:			
Accounts Payable	16,626	0	16,626
Accrued wages and benefits payable	1,249,882	27,670	1,277,552
Compensated Absences	107,601	12,856	120,457
Interfund Payable	0	57,948	57,948
Total Liabilities	1,374,109	98,474	1,472,583
Deferred Inflows of Resources:			
Property Taxes levied for the next fiscal year	5,134,884	672,794	5,807,678
Unavailable Revenue	0	48,414	48,414
Investment Earnings	4,282	0	4,282
Total Deferred Inflows of Resources	5,139,166	721,208	5,860,374
Fund Balances:			
Nonspendable	19,835	310	20,145
Restricted	0	2,738,674	2,738,674
Assigned	551,033	528,470	1,079,503
Unassigned	8,860,200	(23,287)	8,836,913
Total Fund Balances	9,431,068	3,244,167	12,675,235
Total Liabilities, Deferred Inflows and Fund Balances	\$15,944,343	\$4,063,849	\$20,008,192

See accompanying notes to the basic financial statements.

Upper Valley Career Center
 Reconciliation of Total Governmental Fund Balance to
 Net Position of Governmental Activities
 June 30, 2017

Total Governmental Fund Balance		\$12,675,235
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		
Capital assets used in the operation of Governmental Funds		34,262,130
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.		
Delinquent Property Taxes	169,800	
Interest	4,282	
Intergovernmental	48,414	
		<u>222,496</u>
In the statement of net position interest payable is accrued when incurred; whereas, in the governmental funds interest is reported as a liability only when it will require the use of current financial resources.		
		(4,904)
Some liabilities reported in the statement of net position do not require the use of current financial resources and, therefore, are not reported as liabilities in governmental funds.		
Compensated Absences		(1,239,742)
Deferred outflows and inflows or resources related to pensions are applicable to future periods and, therefore, are not reported in the funds.		
Deferred outflows of resources related to pensions	5,942,734	
Deferred inflows of resources related to pensions	(967,850)	
		<u>4,974,884</u>
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.		
Net Pension Liability	(31,866,519)	
Other Amounts	(1,797,543)	
		<u>(33,664,062)</u>
Net Position of Governmental Activities		<u>\$17,226,037</u>

See accompanying notes to the basic financial statements.

Upper Valley Career Center
Statement of Revenues, Expenditures
and Changes in Fund Balance
Governmental Funds
For the Fiscal Year Ended June 30, 2017

	General	Other Governmental Funds	Total Governmental Funds
Revenues:			
Property and Other Taxes	\$5,880,166	\$822,594	\$6,702,760
Tuition and Fees	786,715	1,122,647	1,909,362
Investment Earnings	9,517	17,446	26,963
Intergovernmental	10,963,318	1,929,410	12,892,728
Extracurricular Activities	256	0	256
Charges for Services	69,701	223,574	293,275
Other Revenues	85,941	29,546	115,487
Total Revenues	17,795,614	4,145,217	21,940,831
Expenditures:			
Current:			
Instruction:			
Regular	1,648,664	0	1,648,664
Special	416,911	0	416,911
Vocational	7,462,213	371,331	7,833,544
Adult/Continuing	0	1,076,546	1,076,546
Other	230,289	0	230,289
Support Services:			
Pupil	1,611,183	340,527	1,951,710
Instructional Staff	1,347,493	55,384	1,402,877
Board of Education	47,069	0	47,069
School Administration	548,901	393,426	942,327
Fiscal	567,371	16,893	584,264
Business	211,968	0	211,968
Operations and Maintenance	1,200,809	425,424	1,626,233
Pupil Transportation	50,816	0	50,816
Central	273,737	103,275	377,012
Operation of Non-Instructional Services	251,481	769,468	1,020,949
Extracurricular Activities	24,689	0	24,689
Capital Outlay	44,275	25,000	69,275
Debt Service:			
Principal Retirement	6,887	845,000	851,887
Interest and Fiscal Charges	706	69,144	69,850
Total Expenditures	15,945,462	4,491,418	20,436,880
Excess of Revenues Over (Under) Expenditures	1,850,152	(346,201)	1,503,951
Other Financing Sources (Uses):			
Proceeds from Sale of Capital Assets	19,261	0	19,261
Transfers In	0	337,550	337,550
Transfers (Out)	(337,550)	0	(337,550)
Total Other Financing Sources (Uses)	(318,289)	337,550	19,261
Net Change in Fund Balance	1,531,863	(8,651)	1,523,212
Fund Balance - Beginning of Year	7,899,205	3,252,818	11,152,023
Fund Balance - End of Year	\$9,431,068	\$3,244,167	\$12,675,235

See accompanying notes to the basic financial statements.

Upper Valley Career Center
 Reconciliation of the Statement of Revenues, Expenditures, and Changes
 in Fund Balance of Governmental Funds to the Statement of Activities
 For the Fiscal Year Ended June 30, 2017

Net Change in Fund Balance - Total Governmental Funds \$1,523,212

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

Governmental funds report capital asset additions as expenditures.
 However, in the statement of activities, the cost of those assets is
 allocated over their estimated useful lives as depreciation
 expense. This is the amount of the difference between capital
 asset additions and depreciation in the current period.

Capital assets used in governmental activities	475,846	
Depreciation Expense	<u>(1,068,265)</u>	(592,419)

Governmental funds only report the disposal of assets to the
 extent proceeds are received from the sale. In the statement
 of activities, a gain or loss is reported for each disposal. The
 amount of the proceeds must be removed and the gain or loss
 on the disposal of capital assets must be recognized. This is the
 amount of the difference between the proceeds and the gain or loss. (404)

Governmental funds report center pension contributions as
 expenditures. However in the Statement of Activities, the cost
 of pension benefits earned net of employee contributions is
 reported as pension expense.

Center pension contributions	1,774,375	
Cost of benefits earned net of employee contributions	<u>(2,287,594)</u>	(513,219)

Revenues in the statement of activities that do not provide
 current financial resources are not reported as revenues in
 the funds.

Delinquent Property Taxes	7,051	
Interest	4,282	
Intergovernmental	<u>(37,918)</u>	(26,585)

Repayment of bond and lease principal is an expenditure in the
 governmental funds, but the repayment reduces long-term
 liabilities in the statement of net position. 851,887

In the statement of activities interest expense is accrued when incurred;
 whereas, in governmental funds an interest expenditure is reported
 when due. 2,130

Some expenses 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.

Compensated Absences	(134,310)	
Amortization of Bond Premium	<u>11,080</u>	<u>(123,230)</u>

Change in Net Position of Governmental Activities \$1,121,372

See accompanying notes to the basic financial statements.

Upper Valley Career Center
Statement of Assets and Liabilities
Fiduciary Funds
June 30, 2017

	Private Purpose Trust	Agency
	<u> </u>	<u> </u>
Assets:		
Equity in Pooled Cash and Investments	\$6,491	\$127,974
Receivables:		
Total Assets	<u>6,491</u>	<u>127,974</u>
Liabilities:		
Other Liabilities	<u>0</u>	<u>127,974</u>
Total Liabilities	<u>0</u>	<u>\$127,974</u>
Net Position:		
Held in Trust	<u>6,491</u>	
Total Net Position	<u>\$6,491</u>	

See accompanying notes to the basic financial statements.

Upper Valley Career Center
Statement of Changes in Fiduciary Net Position
Fiduciary Fund
For the Fiscal Year Ended June 30, 2017

	Private Purpose Trust
Additions:	
Investment Earnings	\$42
Total Additions	42
Change in Net Position	42
Net Position - Beginning of Year	6,449
Net Position - End of Year	\$6,491

See accompanying notes to the basic financial statements.

**Upper Valley Career Center
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017**

Note 1 – Description of the Career Center

The Upper Valley Career Center (the “Career Center”) 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. The Career Center 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 Career Center 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 Career Center Board of Education was formed in 1972. Before the beginning of fiscal year 2012, the Career Center changed its designation from Joint Vocational School District to Career Center.

The Career Center operates under a Board of Education consisting of eleven representatives who are members of the Boards of Education of the participating school districts. One member is appointed from each of 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 Career Center is staffed by 65 classified employees and 115 certified employees who provide services to 1,111 students and other community members.

Note 2 – Summary of Significant Accounting Policies

The basic financial statements (BFS) of the Career Center have been prepared in conformity with accounting principles generally accepted in the United States of America (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 Career Center’s significant accounting policies are described below.

Reporting Entity

The reporting entity has been defined in accordance with GASB Statement No. 14, “The Financial Reporting Entity” as amended by GASB Statement No. 39, “Determining Whether Certain Organizations Are Component Units” and GASB Statement No. 61, “The Financial Reporting Entity: Omnibus an Amendment of GASB Statements No. 14 and No. 34”. The reporting entity is composed of the primary government and component units. The primary government consists of all funds, departments, boards and agencies that are not legally separate from the Career Center. For the Career Center, this includes general operations, food service, continuing education, and student related activities of the Career Center.

Component units are legally separate organizations for which the Career Center is financially accountable. The Career Center is financially accountable for an organization if the Career Center appoints a voting majority of the organization’s Governing Board and (1) the Career Center is able to significantly influence the programs or services performed or provided by the organization; or (2) the Career Center is legally entitled to or can otherwise access the organization’s resources; or (3) the Career Center is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or (4) the Career Center is obligated for the debt of the

**Upper Valley Career Center
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017**

organization. Component units may also include organizations that are fiscally dependent on the Career Center in that the Career Center approves the budget, the issuance of debt or the levying of taxes. Certain organizations are also included as component units if the nature and significance of the relationship between the primary government and the organization is such that exclusion by the primary government would render the primary government's financial statements incomplete or misleading. Based upon the application of these criteria, the Career Center has no component units. The basic financial statements of the reporting entity include only those of the Career Center (the primary government).

The following organizations are described due to their relationship to the Career Center:

Jointly Governed Organizations

Western Ohio Computer Organization (WOCO)

The Career Center is a participant in the Western Ohio Computer Organization (WOCO), which is a computer consortium. WOCO is an association of various public school districts within the boundaries of Auglaize, Champaign, Hardin, Logan, Shelby, and Miami Counties. 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 of member school districts. Each of the governments of these school districts supports WOCO based upon a per-pupil charge dependent on the software package utilized. In accordance with GASB Statement No. 14, the Career Center does not have an equity interest in WOCO, as the residual interest in net resources of the joint venture upon dissolution is not equivalent to an equity interest. WOCO is governed by a Board of Directors consisting of the Superintendents of the member school districts and the degree of control is limited to the representation on the Board of Directors. The Career Center paid WOCO \$79,768 for services provided during the fiscal year. Financial information can be obtained from the Director at 129 East Court Street, Sidney, Ohio 45365.

Southwestern Ohio Educational Purchasing Council (SOEPC)

The Southwestern Ohio Educational Purchasing Council (SOEPC) is a purchasing cooperative made up of over 150 school districts in 18 counties. The purpose of this purchasing cooperative 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. Title to any and all equipment, furniture and supplies purchased by the SOEPC is held in trust for the member districts. Any member district withdrawing from the SOEPC forfeits its claim to any and all SOEPC assets. One year prior notice is necessary for withdrawal from the SOEPC. During this time, the withdrawing member district is liable for all member obligations. The Career Center paid the SOEPC \$54,099 for services provided during the fiscal year. To obtain financial information, write to the Director at Southwestern Ohio Educational Purchasing Council, 303 Corporate Center Drive, Suite 208, Vandalia, Ohio 45377.

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Upper Valley Career Center
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

Southwestern Ohio Instructional Technology Association (SOITA)

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 SOITA is to serve the regional instructional technology needs of the SOITA member schools by facilitating the use of high quality instructional technology to improve both teaching and learning. The Board of Trustees is comprised of 21 representatives of SOITA member schools or institutions.

The 21 representatives are elected from within the counties by the qualified members within the counties, i.e., Auglaize, Brown, Butler, Champaign, Clark, Clermont, Clinton, Darke, Fayette, Greene, Hamilton, Logan, Mercer, Miami, Montgomery, Preble, Shelby and Warren Counties. Montgomery, Greene and Butler Counties elect two representatives per area. All others elect one representative per area. One at-large nonpublic 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 schools are obligated to pay all fees, charges, or other assessments as established by the SOITA. Upon dissolution, the net position shall be distributed to the federal government, or to a State or local government, for a public purpose. The Career Center paid the SOITA \$1,001 for services provided during the fiscal year. To obtain financial information, write to the Director at Southwestern Ohio Instructional Technology Association at 1205 E. Fifth Street, Dayton, Ohio 45402.

Upper Valley and Buckeye OTC Consortium (UVBOTCC)

The Career Center is a participant in the Upper Valley and Buckeye OTC Consortium (UVBOTCC), which is a joint consortium for the receipt of secondary, adult, and postsecondary Carl D. Perkins grant monies. UVBOTCC is an association of Upper Valley Career Center and Buckeye Career Center. The organization was formed for the purpose of applying for and receipting funds of the Carl D. Perkins Career and Technical Education Grant. UVBOTCC is governed equally by a representative of each of the member career centers.

Insurance Purchasing Pools

Southwestern Ohio Educational Purchasing Council Workers' Compensation Group Rating Plan

The Career Center 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 Montgomery County Educational Service Center and eight other members elected by majority vote of all member school districts. The Chief Administrator of the GRP serves as the coordinator of the program. Each year, the participating member school districts pay an enrollment fee to the GRP to cover the costs of administering the program.

**Upper Valley Career Center
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017**

Southwestern Ohio Educational Purchasing Cooperative Benefit Plan Trust

The Southwestern Ohio Educational Purchasing Cooperative Benefit Plan Trust (the "Trust") is a public entity shared risk pool consisting of 55 school districts. The Trust is organized as a Voluntary Employee Benefit Association under Section 501 (c)(9) of the Internal Revenue Code, and offers medical, dental and vision insurance benefits to the employees of the participating members. The Trust is governed by the Southwestern Ohio Educational Purchasing Council and its participating members. Each participating member decides which plan offered by the Trust will be extended to its employees. Participation in the Trust is by written application subject to acceptance by the Trust and payment of the monthly premiums. Financial information may be obtained from the Southwestern Ohio Educational Purchasing Council, 303 Corporate Center Drive, Suite 208, Vandalia, Ohio 45377.

Fund Accounting

The Career Center uses funds to report its financial position and the results of its operations. A fund is a separate accounting entity with a self-balancing set of accounts. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain Career Center activities or functions. Funds are classified into three categories: governmental, proprietary and fiduciary. Each category is divided into separate fund types.

Governmental Funds

Governmental funds are those through which most governmental functions of the Career Center 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 deferred outflows of resources and liabilities and deferred inflows of resources is reported as fund balance. The following is the Career Center's major governmental fund:

General Fund – The general fund is used to account for and report all financial resources not accounted for and reported in another fund. The general fund balance is available for any purpose provided it is expended or transferred according to the general laws of Ohio.

Other governmental funds of the Career Center are used to account for (a) financial resources that are restricted, committed, or assigned to expenditures for capital outlays including the acquisition or construction of capital facilities and other capital assets and (b) specific revenue sources that are restricted or committed to an expenditure for specified purposes other than debt service or capital projects and (c) financial resources restricted for debt service.

Proprietary Funds – Proprietary funds are used to account for the Career Center's ongoing activities which are similar to those often found in the private sector. The Career Center has no proprietary funds.

Fiduciary Funds – Fiduciary fund reporting focuses on net position and changes in net position. 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

Upper Valley Career Center
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

Career Center under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the Career Center's own programs. The private-purpose trust fund accounts for scholarship programs for students. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The Career Center's agency funds account for center and student-related activities.

Basis of Presentation

Measurement Focus

Government-wide Financial Statements

The statement of net position and the statement of activities display information about the Career Center as a whole. These statements include the financial activities of the primary government, except for fiduciary funds.

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

The government-wide financial statements are prepared using the economic resources measurement focus. All assets, deferred outflows of resources, liabilities, and deferred inflows of resources associated with the operation of the Career Center are included on the statement of net position.

Fund Financial Statements

Fund financial statements report detailed information about the Career Center. The focus of governmental fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Non-major funds are aggregated and presented in a single column. Fiduciary funds are reported by fund type.

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and deferred outflows of resources and current liabilities and deferred inflows of resources 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

Upper Valley Career Center
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

therefore include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

The private-purpose trust fund is reported using the economic resources measurement focus. Agency funds do not report a measurement focus as they do not report results of operations.

Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting on the fund financial statements. Proprietary and fiduciary funds also use the accrual basis of accounting. Differences in the accrual and modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred inflows of resources and deferred outflows of resources, and in the presentation of expenses versus expenditures.

Revenues – Exchange and Non-exchange Transactions

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

Non-exchange transactions, in which the Career Center 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 6).

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 year when use is first permitted, matching requirements, in which the Career Center must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the Career Center on a reimbursement basis. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at fiscal year-end: property taxes available as an advance, interest, tuition, grants, student fees and rentals.

Deferred Outflows of Resources

In addition to assets, the government-wide statement of net position will report a separate section for deferred outflows of resources. Deferred outflows of resources represents a consumption of net position that applies to a future period and will not be recognized as an

Upper Valley Career Center
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

outflow of resources (expense/expenditure) until then. The deferred outflows of resources related to pension are reported on the governmental-wide statement of net position. For more pension related information, see Note 13.

Deferred Inflows of Resources

In addition to liabilities, both the government-wide statement of net position and the governmental fund financial statements report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. For the Career Center, deferred inflows of resources include property taxes, unavailable revenue, investment earnings, and pension. Property taxes represent amounts for which there is an enforceable legal claim as of June 30, 2017, but which were levied to finance fiscal year 2018 operations. These amounts have been recorded as a deferred inflow of resources on both the government-wide statement of net position and the governmental fund financial statements. Unavailable revenue is reported only on the governmental funds balance sheet, and represents receivables which will not be collected within the available period. For the Career Center, unavailable revenue includes, but is not limited to, intergovernmental grants. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available. Investment earnings have been recorded as deferred inflows on the governmental fund financial statements. Deferred inflows of resources related to pension are reported on the government-wide statement of net position. For more pension related information, see Note 13.

Expenses/Expenditures

On the accrual basis of accounting, expenses are recognized at the time they are incurred. The entitlement value of donated commodities received during the year is reported in the statement of revenues, expenditures and changes in fund balances as an expenditure with a like amount reported as intergovernmental revenue.

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

Cash and Investments

To improve cash management, cash received by the Career Center is pooled. Monies for all funds are maintained in this pool. Individual fund integrity is maintained through the Career Center's records. Each fund's interest in the pool is presented as "equity in pooled cash and investments" on the basic financial statements.

STAR Ohio (the State Treasury Asset Reserve of Ohio), is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but has adopted Governmental Accounting Standards Board (GASB), Statement No. 79, "Certain External Investment Pools and Pool Participants." The Center measures their investment in STAR Ohio at the net asset value

Upper Valley Career Center
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

(NAV) per share provided by STAR Ohio. The NAV per share is calculated on an amortized cost basis that provides an NAV per share that approximates fair value.

For 2017, there were no limitations or restrictions on any participant withdrawals due to redemption notice periods, liquidity fees, or redemption gates. However, notice must be given 24 hours in advance of all deposits and withdrawals exceeding \$25 million. STAR Ohio reserves the right to limit the transaction to \$50 million, requiring the excess amount to be transacted the following business day(s), but only to the \$50 million limit. All accounts of the participant will be combined for these purposes.

Under existing Ohio statute, interest earnings are allotted to the general fund unless the Board of Education has, by resolution, specified funds to receive an allocation of interest earnings. Interest revenue credited to the General Fund during fiscal year 2017 amounted to \$9,517 and \$17,446 credited to other governmental.

For presentation on the basic financial statements, investments of the cash management pool and investments with original maturities of three months or less at the time they are purchased by the Career Center are considered to be cash equivalents. Investments with an initial maturity of more than three months are reported as investments.

An analysis of the Career Center's investment account at fiscal year end is provided in Note 4.

Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2017, 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 year in which services are consumed.

Inventory

Inventories are recorded on a first-in, first-out basis and are expensed/expended when used. Inventories are accounted for using the consumption method on both the government-wide and fund financial statements.

Inventory consists of expendable supplies held for consumption, donated food and purchased food.

Capital Assets

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

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and deductions during the year. Donated capital assets are recorded at their fair market values as of the date received. The Career Center maintains a capitalization threshold of \$2,500. 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. The Career Center does not possess infrastructure.

**Upper Valley Career Center
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017**

All reported capital assets except land 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>Governmental Activities Estimated Lives</u>
Building and Building Improvements	75 years
Furniture, Fixtures and Equipment	8 - 20 years
Vehicles	10 - 12 years

Interfund Balances

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as “interfund receivable” and “interfund payable”. These interfund balances are eliminated in the governmental activities column on the statement of net position.

Compensated Absences

Compensated absences of the Career Center consist of vacation leave and sick leave to the extent that payments to the employee for these absences are attributable to services already rendered and are not contingent on a specific event that is outside the control of the Career Center and the employee.

In accordance with the provisions of GASB Statement No. 16, “Accounting for Compensated Absences”, a liability for vacation leave is accrued if a) the employees’ rights to payment are attributable to services already rendered; and b) it is probable that the employer will compensate the employees for the benefits through paid time off or other means, such as cash payment at termination or retirement. An accrual for earned sick leave is made to the extent that it is probable that the benefits will result in termination (severance) payments. A liability for sick leave is accrued using the termination method. The liability is an estimate based on the Career Center’s past experience of making termination (severance) payments.

The total liability for vacation leave and sick leave payments has been calculated using pay rates in effect at June 30, 2017 and reduced to the maximum payment allowed by labor contract and/or statute, plus any additional salary related payments.

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

For governmental fund financial statements, compensated absences are recognized as liabilities and expenditures as payments come due each period upon the occurrence of employee resignations and retirements. These amounts are recorded in the account “compensated absences payable” in the fund from which the employees who have accumulated unpaid leave are paid.

Accrued Liabilities and Long Term Obligations

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements.

Upper Valley Career Center
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

In general, governmental fund 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 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 year. Bonds and capital lease obligations are recognized as liabilities on the fund financial statements when due.

Fund Balance

Fund balance is divided into five classifications based primarily on the extent to which the Career Center is bound to observe constraints imposed upon the use of the resources in the governmental funds. The classifications are as follows:

Nonspendable – The non-spendable fund balance classification includes amounts that cannot be spent because they are not in spendable form or legally required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash.

Restricted – Fund balance is reported as restricted when constraints are placed on the use of resources that are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments, or imposed by law through constitutional provisions or enabling legislation.

Committed – The committed fund balance classification includes amounts that can be used only for the specific purposes imposed by a formal action (resolution) of the Career Center Board of Education (the highest level of decision making authority). Those committed amounts cannot be used for any other purpose unless the Career Center Board of Education removes or changes the specified use by taking the same type of action (resolution) it employed to previously commit those amounts. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

Assigned – Amounts in the assigned fund balance classification are intended to be used by the Career Center for specific purposes, but do not meet the criteria to be classified as restricted nor committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the general fund, assigned amounts represent intended uses established by policies of the Career Center Board of Education, which includes giving the Treasurer the authority to constrain monies for intended purposes.

Unassigned – Unassigned fund balance is the residual classification for the general fund and includes all spendable amounts not contained in the other classifications. In other governmental funds, the unassigned classification is only used to report a deficit fund balance resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned.

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Upper Valley Career Center
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

The Career Center applies restricted resources first when expenditures are incurred for purposes for which restricted and unrestricted (committed, assigned, and unassigned) fund balance is available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

Net Position

Net position represents the difference between assets plus deferred outflows of resources and liabilities plus deferred inflows of resources. The net position component “net investment in capital assets,” consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing or liabilities used for the acquisition, construction or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction or improvement of those assets or related debt also should be included in this component of net position. Net position is reported as restricted when there are limitations imposed on its use either through the enabling legislation adopted by the Career Center or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. The amount restricted for other purposes represents amounts restricted for food service operations and special trust activities.

The Career Center applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

Estimates

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

Unamortized Bond Premium and Discount

On the government-wide financial statements, bond premiums are deferred and amortized over the term of the bonds using the straight-line method, which approximates the effective interest method. Bond premiums are presented as an addition to the face amount of the bonds.

On the governmental fund financial statements, bond premiums are recognized in the current period.

Interfund Activity

Exchange transactions between funds are reported as revenues in the seller funds and as expenses/expenditures 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 expenses/expenditures to the funds that initially paid for them are not presented on the basic financial statements.

**Upper Valley Career Center
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017**

Pensions

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

Note 3 – Accountability

Deficit Fund Balance

Fund balances at June 30, 2017 included the following individual fund deficits:

<u>Fund</u>	<u>Deficit</u>
Other Governmental Funds:	
Tech Health Technology	\$1,115
Adult Basic Ed	21,832
Carl Perkins	340
Total	<u>\$23,287</u>

These funds complied with Ohio State law, which does not permit a cash basis deficit at year end. The general fund is liable for any deficits in these funds and provides transfers when cash is required, not when accruals occur. The deficit fund balances are a result of adjustments for accrued liabilities and the reporting of short-term interfund loans as a fund liability rather than as another financing source.

Note 4 – Deposits and Investments

State statutes classify monies held by the Career Center 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 Career Center treasury, in commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

Inactive deposits 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 deposits 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 passbook accounts.

Upper Valley Career Center
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

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 items (1) and (2) above 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 Treasury Asset Reserve of Ohio investment pool (STAR Ohio);
- (7) Certain banker's acceptance 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, corporate debt interests rated in either of the two highest classifications by at least two nationally recognized rating agencies.

Protection of Career Center'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.

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 Career Center, and must be purchased with the expectation that 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, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

**Upper Valley Career Center
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017**

Cash on hand

At fiscal year end, the Career Center had \$0 in un-deposited cash on hand.

Deposits with Financial Institutions

At June 30, 2017, the carrying amount of all Career Center deposits was \$2,779,414. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of June 30, 2017, \$2,236,362 of the Career Center's bank balance of \$3,226,303 was exposed to custodial credit risk as discussed below, while \$989,941 was covered by the FDIC.

Custodial credit risk is the risk that, in the event of bank failure, the Career Center's deposits may not be returned. All deposits are collateralized with eligible securities in amounts equal to at least 105% of the carrying value of the deposits. Such collateral, as permitted by the Ohio Revised Code, is held in single financial institution collateral pools at Federal Reserve Banks, or at member banks of the federal reserve system, in the name of the respective depository bank and pledged as a pool of collateral against all of the public deposits it holds or as specific collateral held at the Federal Reserve Bank in the name of the Career Center. The Career Center has no deposit policy for custodial credit risk beyond the requirements of State statute. Although the securities were held by the pledging institutions' trust department and all statutory requirements for the deposit of money had been followed, noncompliance with federal requirements could potentially subject the Career Center to a successful claim by the FDIC.

Investments

As of June 30, 2017, the Career Center had the following investments and maturities:

	Fair Value	Fair Value Hierarchy	Weighted Average Maturity (Years)
Federal Home Loan Mortgage Corporation	\$2,238,235	Level 2	1.84
Federal National Mortgage Association	2,716,697	Level 2	2.70
Commercial Paper	5,037,413	Level 2	0.10
STAR Ohio	308,512	N/A	0.12
Money Market Funds	7,061	N/A	0.00
Total Fair Value	<u>\$10,307,918</u>		
Portfolio Weighted Average Maturity			1.30

The Center categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets. Level 2 inputs are significant other observable inputs. Level 3 inputs are significant unobservable inputs. The above table identifies the Center's recurring fair value measurements as of June 30, 2017. STAR Ohio is reported at its share price (Net Asset value per share). All other investments of the Center are valued using quoted market prices.

Interest Rate Risk – The Career Center has no investment policy that addresses interest rate risk. State statute requires that an investment mature within five years from the date of purchase, unless matched to a specific obligation or debt of the Career Center, and that an investment

Upper Valley Career Center
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

must be purchased with the expectation that it will be held to maturity. State statute limits investments in commercial paper to a maximum maturity of 180 days from the date of purchase.

Credit Risk – The Career Center’s investment policy does not specifically address credit risk beyond the adherence to all relevant sections of the Ohio Revised Code. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service. The Career Center’s investments in Federal Home Loan Mortgage Corporation and Federal National Mortgage Association were rated AA+ by Standard & Poor’s and Aaa by Moody’s Investor Services. Investments in Commercial Paper were rated A-1+ by Standard & Poor’s and P-1 by Moody’s Investor Services. Investments in STAR Ohio were rated AAAM by Standard & Poor’s. Money Market Funds were not rated.

Custodial Credit Risk – For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Career Center will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The federal agency securities and commercial paper are exposed to custodial credit risk in that they are uninsured, unregistered and held by the counterparty’s trust department or agent, but not in the Career Center’s name. The Career Center has no investment policy dealing with investment custodial risk beyond the requirement in State statute that prohibits payment for investments prior to the delivery of the securities representing such investments to the Treasurer or qualified trustee.

Concentration of Credit Risk – The Career Center places no limit on the amount that may be invested in any one issuer. The Career Center has invested 21% in Federal Home Loan Mortgage Corporation, 26% in Federal National Mortgage Association, 49% in Commercial Paper, 3% in STAR Ohio, and 1% in Money Market Funds.

Note 5 – Interfund Transactions/Transfers

Interfund transactions at June 30, 2017, consisted of the following interfund receivables and interfund payables, and transfers in and transfers out:

	Interfund		Transfers	
	Receivable	Payable	In	Out
General Fund	\$57,948	\$0	\$0	\$337,550
Other Governmental Funds	0	57,948	337,550	0
Total All Funds	\$57,948	\$57,948	\$337,550	\$337,550

Interfund transactions are used to move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them and unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations; to segregate money for anticipated capital projects; to provide additional resources for current operations or debt service; and to return money to the fund from which it was originally provided once a project is completed.

**Upper Valley Career Center
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017**

Note 6 – Property Taxes

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

Property taxes include amounts levied against all real property and public utility property. Real property tax revenues received in calendar year 2017 represent the collection of calendar year 2016 taxes. Real property taxes received in calendar year 2017 were levied after April 1, 2016, on the assessed values as of January 1, 2016, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, 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 revenues received in calendar year 2017 represent the collection of calendar year 2016 taxes. Public utility real and personal property taxes received in calendar year 2017 became a lien on December 31, 2015, were levied after April 1, 2016, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

The Career Center receives property taxes from Miami, Shelby, Logan, Auglaize, and Darke Counties. The County Auditors periodically advance to the Career Center its portion of the taxes collected. Second-half real property tax payments collected by the Counties by June 30, 2017, are available to finance fiscal year 2017 operations. The amount available as an advance at June 30, 2017 was \$821,863 in the General Fund and \$121,853 in the Debt Service Fund. This amount is recorded as revenue. The amount of second-half real property taxes available for advance at fiscal year-end can vary based on the date the tax bills are sent.

Accrued property taxes receivable includes real property, public utility property and delinquent tangible personal property taxes which are measurable as of June 30, 2017 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reported as revenue at fiscal year-end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred inflows of resources.

On the accrual basis of accounting, collectible delinquent property taxes have been recorded as a receivable and revenue, while on a modified accrual basis of accounting the revenue has been reported as a deferred inflow of resources.

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**Upper Valley Career Center
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017**

The assessed values upon which the fiscal year 2017 taxes were collected are:

	2017 First Half Collections		2016 Second Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/residential and other real estate	\$2,386,061,280	96.70%	\$2,319,370,880	96.83%
Public Utility	81,443,710	3.30%	75,963,520	3.17%
Total Assessed Value	<u>\$2,467,504,990</u>	<u>100.00%</u>	<u>\$2,395,334,400</u>	<u>100.00%</u>

Note 7 – Receivables

Receivables at June 30, 2017 consisted of taxes, accounts, interest, intergovernmental, and interfund. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current year guarantee of federal funds. Receivables have been disaggregated on the face of the basic financial statements. All receivables are expected to be collected in the subsequent year.

Note 8 – Capital Assets

Capital asset activity for the fiscal year ended June 30, 2017, was as follows:

	Beginning Balance	Additions	Deletions	Ending Balance
Governmental Activities				
<i>Capital Assets, not being depreciated:</i>				
Land	\$1,318,863	\$0	\$404	\$1,318,459
<i>Capital Assets, being depreciated:</i>				
Buildings and Improvements	35,729,612	0	0	35,729,612
Furniture, Fixtures and Equipment	4,980,218	440,873	45,633	5,375,458
Vehicles	371,544	34,973	4,500	402,017
Totals at Historical Cost	<u>42,400,237</u>	<u>475,846</u>	<u>50,537</u>	<u>42,825,546</u>
Less Accumulated Depreciation:				
Building Improvements	4,940,763	636,624	0	5,577,387
Furniture, Fixtures and Equipment	2,424,139	414,542	45,633	2,793,048
Vehicles	180,382	17,099	4,500	192,981
Total Accumulated Depreciation	<u>7,545,284</u>	<u>1,068,265</u>	<u>50,133</u>	<u>8,563,416</u>
Governmental Activities Capital Assets, Net	<u>\$34,854,953</u>	<u>(\$592,419)</u>	<u>\$404</u>	<u>\$34,262,130</u>

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Upper Valley Career Center
Notes to the Basic Financial Statements
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Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$120,103
Special	13,855
Vocational	497,791
Adult Education	62,203
Support Services:	
Pupils	58,668
Instructional Staff	33,788
School Administration	55,395
Fiscal	17,038
Business	6,720
Operations and Maintenance	103,846
Pupil Transportation	10,111
Central	36,737
Operation of Non-Instructional Services	51,201
Extracurricular Activities	809
Total Depreciation Expense	<u>\$1,068,265</u>

Note 9 – Capitalized Leases – Lessee Disclosure

In a prior fiscal year, the Career Center entered into a capitalized lease for copier equipment. This lease agreement meets the criteria of a capital lease as defined by generally accepted accounting principles, which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee. Capital lease payments have been reclassified and are reflected as debt service expenditures in the fund financial statements for the governmental funds. These expenditures are reported as function expenditures on the budgetary statements.

Capital assets consisting of copier equipment have been capitalized in the amount of \$34,203. This amount represents the present value of the minimum lease payments at the time of acquisition. A corresponding liability is recorded in the government-wide financial statements. Principal payments in fiscal year 2017 totaled \$6,887 paid by the general fund.

The following is a schedule of the future long-term minimum lease payments required under the capital lease obligation and the present value of the future minimum lease payments as of June 30, 2017:

Fiscal Year Ending June 30	Lease Payment
2018	<u>\$7,593</u>
Total Minimum Lease Payments	7,593
Less Amount Representing Interest	<u>(362)</u>
Present Value of Minimum Lease Payments	<u>\$7,231</u>

**Upper Valley Career Center
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017**

Note 10 – Long-Term Obligations

The changes in the Career Center’s long-term obligations during fiscal year 2017 consist of the following:

	Beginning Balance	Additions	Deletions	Ending Balance	Due In One Year
Governmental Activities:					
<u>BONDS PAYABLE:</u>					
School Facilities Bonds	\$2,615,000	\$0	\$845,000	\$1,770,000	\$870,000
Unamortized Bond Premiums	31,392	0	11,080	20,312	0
Subtotal Bonds	2,646,392	0	856,080	1,790,312	870,000
Capital Lease	14,118	0	6,887	7,231	7,231
Compensated Absences	1,149,805	328,886	118,492	1,360,199	157,598
Subtotal Bonds and Other Amounts	3,810,315	328,886	981,459	3,157,742	1,034,829
<u>Net Pension Liability:</u>					
STRS	21,954,077	3,931,790	0	25,885,867	0
SERS	4,701,761	1,278,891	0	5,980,652	0
Subtotal Net Pension Liability	26,655,838	5,210,681	0	31,866,519	0
Total Long-Term Obligations	\$30,466,153	\$5,539,567	\$981,459	\$35,024,261	\$1,034,829

School Facilities General Obligation Bonds – Series 2010 – On May 20, 2010, the Career Center issued \$7,285,000 in school facilities general obligation bonds. These serial bonds are not subject to prior redemption. The bonds bear interest at rates ranging from 2.00%-3.25%, with interest payments due on June 1 and December 1 of each year. The final maturity stated in the issue is December 1, 2018. Principal and interest payments are made from the debt service fund.

The following is a summary of the Career Center’s future annual principal and interest requirements to maturity for its general obligation bonds:

Fiscal Year Ending June 30	General Obligation Bonds		
	Principal	Interest	Total
2018	\$870,000	\$57,525	\$927,525
2019	900,000	29,250	929,250
Total	\$1,770,000	\$86,775	\$1,856,775

Capital Lease Obligations – The capital lease obligations will be paid from the general fund. See Note 9 for details.

Compensated Absences – Compensated absences will be paid from the funds from which the employees’ salaries are paid, which for the Career Center is primarily the general fund and the adult education fund (a non-major governmental fund).

Net Pension Liability – See Note 13 for detail.

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Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017**

Legal Debt Margin

The Ohio Revised Code provides that voted net general obligation debt of the Career Center shall never exceed 9% of the total assessed valuation of the Career Center. The Code further provides that un-voted indebtedness shall not exceed 1/10 of 1% of the property valuation of the Career Center. The Code additionally states that un-voted indebtedness related to energy conservation debt shall not exceed 9/10 of 1% of the property valuation of the Career Center. The assessed valuation used in determining the Career Center's legal debt margin has been modified by House Bill 530 which became effective March 30, 2006. In accordance with House Bill 530, the assessed valuation used in the Career Center's legal debt margin calculation excluded tangible personal property used in business, telephone or telegraph property, interexchange telecommunications company property, and personal property owned or leased by a railroad company and used in railroad operations. The effects of these debt limitations at June 30, 2017, are a voted debt margin of \$213,712,969 (including available funds of \$747,873) and an un-voted debt margin of \$2,395,334.

Note 11 – Other Employee Benefits

Compensated Absences

The criteria for determining vacation leave 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 are granted two weeks of paid vacation. They are granted one additional day of paid vacation for every full year of service to the Career Center after the completion of five years. After 20 years of service, classified employees are granted 25 days of paid vacation. Teachers and administrators do not earn vacation time, with the exception of the Superintendent, Directors, and the 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 1.25 days per month. Sick leave may be accumulated up to a maximum of 220 days. Upon retirement, payment is made for one-fourth of the total sick leave accumulation to a maximum of 52.5 days.

Life Insurance Benefits

The Career Center provides life insurance and accidental death and dismemberment insurance to most employees through Sun Life.

Note 12 – Risk Management

Property and Liability

The Career Center 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 2017, the Career Center contracted with the Selective Insurance Company of South Carolina for property, fleet, stop-gap, employee benefits, and liability insurance. Settled claims have not exceeded this commercial coverage in the past three fiscal years. There have been no significant changes in coverage from the last fiscal year.

**Upper Valley Career Center
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017**

Medical/Dental/Vision Insurance Benefits

For fiscal year 2017, the Career Center participated in the Southwestern Ohio Educational Purchasing Cooperative Benefit Plan Trust (the "Trust"), a public entity shared risk pool consisting of 55 school districts (See Note 2). The Career Center pays monthly premiums to the Trust for employee medical and dental insurance benefits. The Trust is responsible for the management and operations of the program. Upon withdrawal from the Trust, a participant is responsible for the payment of all Trust liabilities to its employees, dependents, and designated beneficiaries accruing as a result of withdrawal.

The Career Center also provides vision insurance benefits to employees through Vision Service Plan (VSP).

Workers' Compensation

For fiscal year 2017, the Career Center participated in the Southwestern Ohio Educational Purchasing Council Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool (See Note 2). The intent of the GRP is to achieve the benefit of a reduced premium for the Career Center by virtue of its grouping and representation with other participating school districts 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 participating school districts in the GRP. Each participating school district pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of Integrated Corvel Corporation provides administrative, cost control, and actuarial services to the GRP.

Note 13 - Defined Benefit Pension Plans

Net Pension Liability

The net pension liability reported on the statement of net position represents a liability to employees for pensions. Pensions are a component of exchange transactions—between an employer and its employees—of salaries and benefits for employee services. Pensions are provided to an employee—on a deferred-payment basis—as part of the total compensation package offered by an employer for employee services each financial period. The obligation to sacrifice resources for pensions is a present obligation because it was created as a result of employment exchanges that already have occurred.

The net pension liability represents the employer's proportionate share of each pension plan's collective actuarial present value of projected benefit payments attributable to past periods of service, net of each pension plan's fiduciary net position. The net pension liability calculation is dependent on critical long-term variables, including estimated average life expectancies, earnings on investments, cost of living adjustments and others. While these estimates use the best information available, unknowable future events require adjusting this estimate annually.

Ohio Revised Code limits the obligation for this liability to annually required payments. The employer cannot control benefit terms or the manner in which pensions are financed; however, the employer does receive the benefit of employees' services in exchange for compensation including pension.

GASB 68 assumes the liability is solely the obligation of the employer, because (1) they benefit from employee services; and (2) State statute requires all funding to come from these employers. All

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Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017**

contributions to date have come solely from these employers (which also includes costs paid in the form of withholdings from employees). State statute requires the pension plans to amortize unfunded liabilities within 30 years. If the amortization period exceeds 30 years, each pension plan’s board must propose corrective action to the State legislature. Any resulting legislative change to benefits or funding could significantly affect the net pension liability. Resulting adjustments to the net pension liability would be effective when the changes are legally enforceable.

The proportionate share of each plan’s unfunded benefits is presented as a long-term net pension liability on the accrual basis of accounting. Any liability for the contractually-required pension contribution outstanding at the end of the year is included in accrued wages and benefits on both the accrual and modified accrual bases of accounting.

Plan Description - School Employees Retirement System (SERS)

Plan Description – Non-teaching employees participate in SERS, a cost-sharing multiple-employer defined benefit pension plan administered by SERS. SERS provides retirement, disability and survivor benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Ohio Revised Code Chapter 3309. SERS issues a publicly available, stand-alone financial report that includes financial statements, required supplementary information and detailed information about SERS’ fiduciary net position. That report can be obtained by visiting the SERS website at www.ohsers.org under Employers/Audit Resources.

Age and service requirements for retirement are as follows:

	Eligible to Retire on or before August 1, 2017 *	Eligible to Retire on or after August 1, 2017
Full Benefits	Any age with 30 years of service credit	Age 67 with 10 years of service credit; or Age 57 with 30 years of service credit
Actuarially Reduced Benefits	Age 60 with 5 years of service credit Age 55 with 25 years of service credit	Age 62 with 10 years of service credit; or Age 60 with 25 years of service credit

* Members with 25 years of service credit as of August 1, 2017, will be included in this plan.

Annual retirement benefits are calculated based on final average salary multiplied by a percentage that varies based on year of service; 2.2 percent for the first thirty years of service and 2.5 percent for years of service credit over 30 or \$86.00 multiplied by the years of service credit. Final average salary is the average of the highest three years of salary.

One year after an effective benefit date, a benefit recipient is entitled to a three percent cost-of-living adjustment (COLA). This same COLA is added each year to the base benefit amount on the anniversary date of the benefit.

Funding Policy – Plan members are required to contribute 10 percent of their annual covered salary and the employer is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the SERS’ Retirement Board up to statutory maximum amounts of 10 percent for plan members and 14 percent for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the System’s funds (Pension Trust Fund, Death Benefit Fund, Medicare

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For the Fiscal Year Ended June 30, 2017

B Fund, and Health Care Fund). For the fiscal year ended June 30, 2017, the allocation to pension, death benefits, and Medicare B was 14.00 percent. None of the 14 percent contribution rate was allocated to the Health Care Fund.

The contractually required contribution to SERS was \$374,551 for fiscal year 2017. Of this amount \$17,190 is reported as accrued wages and benefits.

Plan Description - State Teachers Retirement System (STRS)

Plan Description – Licensed teachers and other faculty members participate in STRS Ohio, a cost-sharing multiple-employer public employee retirement system administered by STRS. STRS provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS issues a stand-alone financial report that includes financial statements, required supplementary information and detailed information about STRS' fiduciary net position. That report can be obtained by writing to STRS, 275 E. Broad St., Columbus, OH 43215-3771, by calling (888) 227-7877, or by visiting the STRS Web site at 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. Benefits are established by Ohio Revised Code Chapter 3307. The DB plan offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service. Effective August 1, 2015, the calculation will be 2.2 percent of final average salary for the five highest years of earnings multiplied by all years of service. With certain exceptions, the basic benefit is increased each year by two percent of the original base benefit. For members retiring August 1, 2013, or later, the first two percent is paid on the fifth anniversary of the retirement benefit. Members are eligible to retire at age 60 with five years of qualifying service credit, or age 55 with 25 years of service, or 30 years of service regardless of age. Age and service requirements for retirement increased effective August 1, 2015, and will continue to increase periodically until they reach age 60 with 35 years of service or age 65 with five years of service on August 1, 2026.

The DC Plan allows members to place all their member contributions and 9.5 percent of the 14 percent employer contributions into an investment account. Investment allocation decisions are determined by the member. The remaining 4.5 percent of the 14 percent employer rate is allocated to the defined benefit unfunded liability. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal.

The Combined Plan offers features of both the DB Plan and the DC Plan. In the Combined Plan, member contributions are allocated among investment choices by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The defined benefit portion of the Combined Plan payment is payable to a member on or after age 60 with five years of services. The defined contribution portion of the account may be taken as a lump sum payment or converted to a lifetime monthly annuity at age 50.

New members who choose the DC plan or Combined Plan will have another opportunity to reselect a permanent plan during their fifth year of membership. Members may remain in the same plan or transfer to another STRS plan. The optional annuitization of a member's defined contribution account or the defined contribution portion of a member's Combined Plan account to a lifetime benefit results

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Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017**

in STRS bearing the risk of investment gain or loss on the account. STRS has therefore included all three plan options as one defined benefit plan for GASB 68 reporting purposes.

A DB or Combined Plan member with five or more years of credited service who is determined to be disabled may qualify for a disability benefit. Eligible survivors of members who die before service retirement may qualify for monthly benefits. New members on or after July 1, 2013, must have at least ten years of qualifying service credit that apply for disability benefits. Members in the DC Plan who become disabled are entitled only to their account balance. If a member of the DC Plan dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

Funding Policy – Employer and member contribution rates are established by the State Teachers Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. The statutory maximum employee contribution rate was increased one percent July 1, 2014, and will be increased one percent each year until it reaches 14 percent on July 1, 2016. For the fiscal year ended June 30, 2017, plan members were required to contribute 14 percent of their annual covered salary. The employer was required to contribute 14 percent; the entire 14 percent was the portion used to fund pension obligations. The fiscal year 2017 contribution rates were equal to the statutory maximum rates.

The contractually required contribution to STRS was \$1,399,824 for fiscal year 2017. Of this amount \$8,022 is reported as accrued wages and benefits.

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

The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The proportion of the net pension liability was based on the share of contributions to the pension plan relative to the contributions of all participating entities. Following is information related to the proportionate share and pension expense:

	SERS	STRS	Total
Proportionate Share of the Net Pension Liability	\$5,980,652	\$25,885,867	\$31,866,519
Proportion of the Net Pension Liability	0.08171320%	0.07733354%	
Pension Expense	611,239	1,676,355	2,287,594

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Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

At June 30, 2017, reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Deferred Outflows of Resources			
Differences between expected and actual experience	\$80,665	\$1,045,914	\$1,126,579
Changes of assumptions	399,241	0	399,241
Net difference between projected and actual earnings on pension plan investments	493,317	2,149,222	2,642,539
Contributions subsequent to the measurement date	<u>374,551</u>	<u>1,399,824</u>	<u>1,774,375</u>
Total Deferred Outflows of Resources	<u>\$1,347,774</u>	<u>\$4,594,960</u>	<u>\$5,942,734</u>
Deferred Inflows of Resources			
Changes in employer proportionate share of net pension liability	<u>49,367</u>	<u>918,483</u>	<u>967,850</u>
Total Deferred Inflows of Resources	<u>\$49,367</u>	<u>\$918,483</u>	<u>\$967,850</u>

\$1,774,375 reported as deferred outflows of resources related to pension resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

Fiscal Year			
Ending June 30:	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
2018	\$223,321	\$239,503	\$462,824
2019	222,967	239,502	462,469
2020	335,760	1,064,219	1,399,979
2021	<u>141,808</u>	<u>733,429</u>	<u>875,237</u>
Total	<u>\$923,856</u>	<u>\$2,276,653</u>	<u>\$3,200,509</u>

Actuarial Assumptions - SERS

SERS' total pension liability was determined by their actuaries in accordance with GASB Statement No. 67, as part of their annual actuarial valuation for each defined benefit retirement plan. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts (e.g., salaries, credited service) and assumptions about the probability of occurrence of events far into the future (e.g., mortality, disabilities, retirements, employment termination). Actuarially determined amounts are subject to continual review and potential modifications, as actual results are compared with past expectations and new estimates are made about the future.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time

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of each valuation and the historical pattern of sharing benefit costs between the employers and plan members to that point. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations.

Actuarial calculations reflect a long-term perspective. For a newly hired employee, actuarial calculations will take into account the employee's entire career with the employer and also take into consideration the benefits, if any, paid to the employee after termination of employment until the death of the employee and any applicable contingent annuitant. In many cases actuarial calculations reflect several decades of service with the employer and the payment of benefits after termination.

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation, prepared as of June 30, 2016, are presented below:

Wage Inflation	3.00 percent
Future Salary Increases, including inflation	3.50-18.20 percent
COLA or Ad Hoc COLA	3.00 percent
Investment Rate of Return	7.50 percent net of investments expense, including inflation
Actuarial Cost Method	Entry Age Normal

For post-retirement mortality, the table used in evaluating allowances to be paid is the 1994 Group Annuity Mortality Table set back one year for both men and women. Special mortality tables are used for the period after disability retirement. The most recent experience study was completed June 30, 2010.

The long-term return expectation for the Pension Plan Investments has been determined using a building-block approach and assumes a time horizon, as defined in SERS' Statement of Investment Policy. A forecasted rate of inflation serves as the baseline for the return expectation. Various real return premiums over the baseline inflation rate have been established for each asset class. The long-term expected nominal rate of return has been determined by calculating a weighted averaged of the expected real return premiums for each asset class, adding the projected inflation rate, and adding the expected return from rebalancing uncorrelated asset classes. The target allocation and best estimates of arithmetic real rates of return for each major assets class are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Cash	1.00 %	0.50 %
US Stocks	22.50	4.75
Non-US Stocks	22.50	7.00
Fixed Income	19.00	1.50
Private Equity	10.00	8.00
Real Assets	15.00	5.00
Multi-Asset Strategies	10.00	3.00
Total	100.00 %	

Discount Rate

The total pension liability was calculated using the discount rate of 7.50 percent. The projection of cash flows used to determine the discount rate assumed the contributions from employers and from the

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members would be computed based on contribution requirements as stipulated by State statute. Projected inflows from investment earning were calculated using the long-term assumed investment rate of return (7.50 percent). Based on those assumptions, the plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefits to determine the total pension liability.

Sensitivity of the Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

Net pension liability is sensitive to changes in the discount rate, and to illustrate the potential impact the following table presents the net pension liability calculated using the discount rate of 7.50 percent, as well as what each plan's net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.50 percent), or one percentage point higher (8.50 percent) than the current rate.

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
Proportionate share of the net pension liability	\$7,918,011	\$5,980,652	\$4,359,003

Actuarial Assumptions - STRS

The total pension liability in the July 1, 2016, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.75 percent
Projected salary increases	2.75 percent at age 70 to 12.25 percent at age 20
Investment Rate of Return	7.75 percent, net of investment expenses, including inflation
Cost-of-Living Adjustments (COLA)	2 percent simple applied as follows: for members retiring before August 1, 2013, 2 percent per year; for members retiring August 1, 2013, or later, 2 percent COLA paid on fifth anniversary of retirement date.

Mortality rates were based on the RP-2000 Combined Mortality Table (Projection 2022—Scale AA) for Males and Females. Males' ages are set-back two years through age 89 and no set-back for age 90 and above. Females younger than age 80 are set back four years, one year set back from age 80 through 89 and not set back from age 90 and above.

Actuarial assumptions used in the June 30, 2016, valuation are based on the results of an actuarial experience study, effective July 1, 2012.

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The 10 year expected real rate of return on pension plan investments was determined by STRS' investment consultant by developing best estimates of expected future real rates of return for each major asset class. The target allocation and best estimates of geometric real rates of return for each major asset class are summarized as follows:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic Equity	31.00 %	8.00 %
International Equity	26.00	7.85
Alternatives	14.00	8.00
Fixed Income	18.00	3.75
Real Estate	10.00	6.75
Liquidity Reserves	1.00	3.00
Total	100.00 %	

Discount Rate

The discount rate used to measure the total pension liability was 7.75 percent as of June 30, 2016. The projection of cash flows used to determine the discount rate assumes member and employer contributions will be made at the statutory contribution rates in accordance with rate increases described above. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on those assumptions, STRS' fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2016. Therefore, the long-term expected rate of return on pension plan investments of 7.75 percent was applied to all periods of projected benefit payment to determine the total pension liability as of June 30, 2016.

Sensitivity of the Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following table presents the proportionate share of the net pension liability calculated using the current period discount rate assumption of 7.75 percent, as well as what the proportionate share of the net pension liability would be if it were calculated using a discount rate that is one-percentage-point lower (6.75 percent) or one-percentage-point higher (8.75 percent) than the current rate:

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
Proportionate share of the net pension liability	\$34,400,214	\$25,885,867	\$18,703,514

Changes Between Measurement Date and Report Date

In March 2017, the STRS Board adopted certain assumption changes which will impact their annual actuarial valuation prepared as of June 30, 2017. The most significant change is a reduction in the discount rate from 7.75 percent to 7.45 percent. In April 2017, the STRS Board voted to suspend cost of

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Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

living adjustments granted on or after July 1, 2017. Although the exact amount of these changes is not known, the overall decrease to the net pension liability is expected to be significant.

Note 14 - Post Employment Benefits

School Employees Retirement System

Health Care Plan Description – Sections 3309.375 and 3309.69 of the Ohio Revised Code permit SERS to offer health care benefits to eligible retirees and beneficiaries. SERS' Retirement Board reserves the right to change or discontinue any health plan or program. SERS offers several types of health plans from various vendors, including HMOs, PPOs, Medicare Advantage and traditional indemnity plans. A prescription drug program is also available to those who elect health coverage. SERS employs two third-party administrators and a pharmacy benefit manager to manage the self-insurance and prescription drug plans, respectively.

The Ohio Revised Code provides the statutory authority to fund SERS' postemployment benefits through employer contributions. Active members do not make contributions to the postemployment benefit plan.

The Health Care Fund was established under, and is administered in accordance with Internal Revenue Code 105(e). Each year after the allocation for statutorily required pensions and benefits, the Retirement Board may allocate the remainder of the employer 14% contribution to the Health Care Fund in accordance with the funding policy. For the year ended June 30, 2017, the health care allocation is 0.00%. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated if less than a full year of service credit was earned. By statute no employer shall pay a health care surcharge greater than 2.0% of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5% of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2017, the minimum compensation level was established at \$23,500. The surcharge, added to the unallocated portion of the 14% employer contribution rate is the total amount assigned to the Health Care Fund. The Center's contributions assigned to health care for the years ended June 30, 2017, 2016, and 2015 were \$0, \$0, and \$36,956, respectively.

The SERS Retirement Board establishes the rules for the premiums paid by the retirees for health care coverage for themselves and their dependents or for their surviving beneficiaries. Premiums vary depending on the plan selected, qualified years of service, Medicare eligibility, and retirement status.

The financial reports of SERS' Health Care plan are included in its Comprehensive Annual Financial Report. That report can be obtained on SERS' website at www.ohsers.org under Employers/Audit Resources.

State Teachers Retirement System

Plan Description – The Center participates in the cost-sharing multiple-employer defined benefit Health Plan administered by the State Teachers Retirement System of Ohio (STRS) for eligible retirees who participated in the defined benefit or combined pension plans offered by STRS. Ohio law authorizes STRS to offer this plan. Benefits include hospitalization, physicians' fees, prescription drugs and

Upper Valley Career Center
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

reimbursement of monthly Medicare Part B premiums. The Plan is included in the report of STRS which can be obtained by visiting www.strsoh.org or by calling (888) 227-7877.

Funding Policy – Ohio Revised Code Chapter 3307 authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS. Active employee members do not contribute to the Health Care Plan. All benefit recipients, for the most recent year, pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For fiscal year 2017, STRS did not allocate any employer contributions to post-employment health care. The Center's contributions for health care for the fiscal years ended June 30, 2017, 2016, and 2015 were \$0, \$0, and \$0, respectively.

Note 15 – Contingencies

Foundation Funding

Foundation funding is based on the annualized full-time equivalent (FTE) enrollment of each student. Effective for the 2014-2015 school year, traditional schools must comply with minimum hours of instruction, instead of a minimum number of school days each year. The funding formula the Ohio Department of Education (ODE) is legislatively required to follow will continue to adjust as enrollment information is updated by the Center, which can extend past the fiscal year end. As of the date of this report, ODE has not finalized the impact of enrollment adjustments to the June 30, 2017 Foundation funding for the Center; therefore, the financial statement impact is not determinable at this time. ODE and management believe this will result in either a receivable to or liability of the Center.

Grants

The Career Center receives significant financial assistance from numerous federal, State and local agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the Career Center. However, in the opinion of management, any such disallowed claims will not have a material effect on the financial position of the Career Center.

Litigation

The Career Center is involved in no material litigation as either plaintiff or defendant.

Note 16 – Set-Asides

The Career Center is required by State law to annually set-aside certain general fund revenue amounts, as defined by statutory formula, for the acquisition and construction of capital improvements. Amounts not spent by the end of the fiscal year or offset by similarly restricted resources received during the year must be held in cash at fiscal year-end. This amount must be carried forward to be used for the same purpose in future years. Expenditures and other applicable offsets exceeding the set-aside requirement may not be carried forward to the next fiscal year.

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

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Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017**

	Capital Improvements
Set Aside Reserve Balance as of June 30, 2016	\$0
Current Year Set Aside Requirements	206,046
Qualified Disbursements	(150,769)
Current Year Offsets	(55,277)
Set Aside Balance as of June 30, 2017	<u>0</u>
Restricted Cash as of June 30, 2017	<u>0</u>
Balance carried forward as of June 30, 2017	<u>\$0</u>

During fiscal year 2010, the Career Center issued \$7,285,000 in capital related school facilities general obligation bonds. The amount presented for prior year offset from bond proceeds is limited to an amount needed to reduce the capital improvements set-aside balance to \$0. The Career Center is responsible for tracking the amount of bond proceeds that may be used as an offset in future periods, which was \$6,960,450 at June 30, 2017.

Note 17 – Commitments

The Career Center utilizes encumbrance accounting as part of its budgetary controls. Encumbrances outstanding at year end may be reported as part of restricted, committed, or assigned classifications of fund balance. At year end, the Career Center’s commitments for encumbrances in the governmental funds were as follows:

Fund	Year End Encumbrances
General Fund	\$40,930
Other Governmental Funds	75,697
Total	<u>\$116,627</u>

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Upper Valley Career Center
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

Note 18 – Fund Balances

Fund balance is classified as nonspendable, restricted, committed, assigned and/or unassigned based primarily on the extent to which the Center is bound to observe constraints imposed upon the use of the resources in the government funds. The constraints placed on fund balance for the major governmental funds and all other governmental funds are presented below:

Fund Balances	General	Other Governmental Funds	Total
Nonspendable on:			
Prepays	\$19,835	\$310	\$20,145
Total Nonspendable	19,835	310	20,145
Restricted for:			
Lunch Room	0	21,442	21,442
Adult Scholarship	0	1,293	1,293
Adult Education	0	488,909	488,909
Career Enhancement	0	60,680	60,680
Classroom Facilities Maintenance	0	1,388,586	1,388,586
Adult Full Service Grant	0	25,000	25,000
OSFC School Security Grant	0	1,351	1,351
Debt Service	0	751,413	751,413
Total Restricted	0	2,738,674	2,738,674
Assigned to:			
Encumbrances	24,304	0	24,304
Permanent Improvement	0	528,470	528,470
Budgetary Resource	525,028	0	525,028
Public School	1,701	0	1,701
Total Assigned	551,033	528,470	1,079,503
Unassigned	8,860,200	(23,288)	8,836,912
Total Fund Balance	\$9,431,068	\$3,244,166	\$12,675,234

Note 19 – Implementation of New Accounting Principles

For the fiscal year ended June 30, 2017, the Center has implemented Governmental Accounting Standards Board (GASB) Statement No. 77, *Tax Abatement Disclosures*, and GASB Statement No. 80, *Blending Requirements For Certain Component Units – An Amendment of GASB No. 14*.

GASB Statement No. 77 establishes improved financial reporting by giving users of financial statements essential information that is not consistently or comprehensively reported to the public at present. Disclosure of information about the nature and magnitude of tax abatements will make these transactions more transparent to financial statement users. As a result, users will be better equipped to understand (1) how tax abatements affect a government’s future ability to raise resources and meet its financial obligations and (2) the impact those abatements have on a government’s financial position and

Upper Valley Career Center
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

economic condition. The implementation of GASB Statement No 77 did not have an effect on the financial statements of the Center.

GASB Statement No. 80 amends the blending requirements for the financial statement presentation of component units of all state and local governments. The additional criterion requires blending of a component unit incorporated as a not-for-profit corporation in which the primary government is the sole corporate member. The additional criterion does not apply to component units included in the financial reporting entity pursuant to the provisions of Statement No. 39, *Determining Whether Certain Organizations Are Component Units*. The implementation of GASB Statement No. 80 did not have an effect on the financial statements of the Center.

Note 20 – Tax Abatements Entered Into by Other Governments

Other governments entered into property tax abatement agreements with property owners under the Ohio Community Reinvestment Area (“CRA”) and Enterprise Zone (“EZ”) programs with the taxing districts of the Center. The CRA and EZ programs are directive incentive tax exemption programs benefiting property owners who renovate or construct new buildings. Under these programs, the other governments designated areas to encourage revitalization of the existing housing stock and the development of new structures. Within the taxing districts of the Center, Miami County and Shelby County have entered into such an agreement. Under this agreement the Center’s property taxes were reduced by approximately \$56,020 and \$18,768 respectively. The Center is not receiving any amounts from this other government in association with the forgone property tax revenue.

Note 21 – Subsequent Event

On July 27, 2017 the Center issued \$1.5 million of General Obligation School Improvement Bonds that will mature on December 1, 2026 for the construction of a vet tech building. The Bonds are payable semiannually on each June 1 and December 1, commencing December 1, 2017. The bonds will be repaid with general fund resources.

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REQUIRED SUPPLEMENTARY INFORMATION

Upper Valley Career Center
 Required Supplementary Information
 Schedule of the Center's Proportionate Share
 of the Net Pension Liability
 State Teachers Retirement System of Ohio
 Last Four Fiscal Years (1)

	2017	2016	2015	2014
Center's Proportion of the Net Pension Liability	0.07733354%	0.07943705%	0.08200887%	0.08200887%
Center's Proportionate Share of the Net Pension Liability	\$25,885,867	\$21,954,077	\$19,947,395	\$23,761,207
Center's Covered-Employee Payroll	\$9,421,421	\$8,355,100	\$8,379,046	\$9,279,715
Center's Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Employee Payroll	274.76%	262.76%	238.06%	256.06%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	66.80%	72.10%	74.70%	69.30%

(1) - Information prior to 2014 is not available

Note- Amounts presented as of the Center's measurement date which is the prior fiscal year end.

Upper Valley Career Center
 Required Supplementary Information
 Schedule of the Center's Proportionate Share
 of the Net Pension Liability
 School Employees Retirement System of Ohio
 Last Four Fiscal Years (1)

	2017	2016	2015	2014
Center's Proportion of the Net Pension Liability	0.08171320%	0.08239890%	0.08307200%	0.08307200%
Center's Proportionate Share of the Net Pension Liability	\$5,980,652	\$4,701,761	\$4,204,227	\$4,940,025
Center's Covered-Employee Payroll	\$2,537,707	\$2,480,637	\$2,413,903	\$1,883,945
Center's Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Employee Payroll	235.67%	189.54%	174.17%	262.22%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	62.98%	69.16%	71.70%	65.52%

(1) - Information prior to 2014 is not available

Note- Amounts presented as of the Center's measurement date which is the prior fiscal year end.

Upper Valley Career Center
 Required Supplementary Information
 Schedule of Center Contributions
 State Teachers Retirement System of Ohio
 Last Ten Fiscal Years

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Contractually Required Contribution	\$1,399,824	\$1,318,999	\$1,169,714	\$1,089,276	\$1,206,363	\$1,355,441	\$1,484,754	\$1,635,605	\$1,657,331	\$1,604,167
Contributions in Relation to the Contractually Required Contribution	(1,399,824)	(1,318,999)	(1,169,714)	(1,089,276)	(1,206,363)	(1,355,441)	(1,484,754)	(1,635,605)	(1,657,331)	(1,604,167)
Contribution Deficiency (Excess)	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Center Covered-Employee Payroll	\$9,998,743	\$9,421,421	\$8,355,100	\$8,379,046	\$9,279,715	\$10,426,469	\$11,421,185	\$12,581,577	\$12,748,700	\$12,339,746
Contributions as a Percentage of Covered-Employee Payroll	14.00%	14.00%	14.00%	13.00%	13.00%	13.00%	13.00%	13.00%	13.00%	13.00%

Upper Valley Career Center
 Required Supplementary Information
 Schedule of Center Contributions
 School Employees Retirement System of Ohio
 Last Ten Fiscal Years

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Contractually Required Contribution	\$374,551	\$355,279	\$326,948	\$334,567	\$260,738	\$275,006	\$254,196	\$290,660	\$212,768	\$198,747
Contributions in Relation to the Contractually Required Contribution	(374,551)	(355,279)	(326,948)	(334,567)	(260,738)	(275,006)	(254,196)	(290,660)	(212,768)	(198,747)
Contribution Deficiency (Excess)	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Center Covered-Employee Payroll	\$2,675,364	\$2,537,707	\$2,480,637	\$2,413,903	\$1,883,945	\$2,044,654	\$2,022,243	\$2,146,677	\$2,162,276	\$2,023,900
Contributions as a Percentage of Covered-Employee Payroll	14.00%	14.00%	13.18%	13.86%	13.84%	13.45%	12.57%	13.54%	9.84%	9.82%

Upper Valley Career Center
 Schedule of Revenues, Expenditures and Changes in Fund Balance
 Budget and Actual (Non-GAAP Budgetary Basis)
 For the Fiscal Year Ended June 30, 2017

	General Fund			
	Original Budget	Final Budget	Actual	Variance from Final Budget
Revenues:				
Taxes	\$5,755,139	\$5,485,092	\$5,755,139	\$270,047
Tuition and Fees	\$748,680	\$713,550	\$748,680	\$35,130
Investment Earnings	60,876	58,020	60,876	2,856
Intergovernmental	10,963,319	10,448,888	10,963,318	514,430
Charges for Services	3,500	3,336	3,500	164
Other Receipts	71,258	67,914	71,258	3,344
Total Revenues	17,602,772	16,776,800	17,602,771	825,971
Expenditures:				
Current:				
Instruction:				
Regular	1,789,739	1,821,360	1,668,692	152,668
Special	423,444	430,925	394,805	36,120
Vocational	7,978,681	8,119,648	7,439,054	680,594
Other	285,641	290,688	266,322	24,366
Support Services:				
Pupil	1,702,186	1,732,260	1,587,061	145,199
Instructional Staff	1,445,909	1,471,455	1,348,117	123,338
General Administration	58,216	59,245	54,279	4,966
School Administration	592,448	602,916	552,379	50,537
Fiscal	606,549	617,266	565,526	51,740
Business	227,344	231,361	211,968	19,393
Operations and Maintenance	1,297,111	1,320,029	1,209,383	110,646
Pupil Transportation	54,672	55,638	50,974	4,664
Central	315,726	321,304	294,372	26,932
Operation of Non-Instructional Services	51,083	51,985	47,628	4,357
Extracurricular Activities	26,480	26,948	24,689	2,259
Capital Outlay	49,476	50,350	46,130	4,220
Total Expenditures	16,904,705	17,203,378	15,761,379	1,441,999
Excess of Revenues Over (Under)				
Expenditures	698,067	(426,578)	1,841,392	2,267,970
Other Financing Sources (Uses):				
Proceeds from Sale of Capital Assets	19,261	18,357	19,261	904
Advances In	131,049	124,900	131,049	6,149
Advances (Out)	(62,152)	(63,250)	(57,948)	5,302
Transfers (Out)	(362,036)	(368,432)	(337,550)	30,882
Total Other Financing Sources (Uses)	(273,878)	(288,425)	(245,188)	43,237
Net Change in Fund Balance	424,189	(715,003)	1,596,204	2,311,207
Fund Balance - Beginning of Year (includes prior year encumbrances appropriated)	8,020,478	8,020,478	8,020,478	0
Fund Balance - End of Year	\$8,444,667	\$7,305,475	\$9,616,682	\$2,311,207

See accompanying notes to the required supplementary information.

**Upper Valley Career Center
Notes to the Required Supplementary Information
For The Fiscal Year Ended June 30, 2017**

Note 1 – Budgetary Process

All funds, except agency funds, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the appropriations 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 amount that the Board of Education may appropriate. The appropriation resolution is Board's authorization to spend resources and sets annual limits on expenditures plus encumbrances at the level of control selected by Board. The legal level of control has been established by Board at the fund level. Any budgetary modifications at this level may only be made by resolution of the Board of Education.

The certificate of estimated resources may be amended during the year if projected increases or decreases in revenue are identified by the Career Technology Center Treasurer. The amounts reported as the original budgeted amounts on the budgetary schedules reflect the amounts on the certificate of estimated resources when the original appropriations were adopted. The amounts reported as the final budgeted amounts on the budgetary schedules reflect the amounts on the final amended certificate of estimated resources issued during the fiscal year 2017.

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

While the Center is reporting financial position, results of operations and changes in fund balance 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 Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual (Non-GAAP Budgetary Basis) 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 basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Outstanding year end encumbrances are treated as expenditures (budget basis) rather than restricted, committed, or assigned fund balance (GAAP basis).
4. Advances in and advances out are operating transactions (budget basis) as opposed to balance sheet transactions.

Upper Valley Career Center
Notes to the Required Supplementary Information
For The Fiscal Year Ended June 30, 2017

The following table summarizes the adjustments necessary to reconcile the GAAP basis to the budgetary basis for the general fund.

	<u>General</u>
GAAP Basis	\$1,531,863
Revenue Accruals	(192,941)
Expenditure Accruals	224,851
Advances In	131,049
Advances (Out)	(57,948)
Encumbrances	(40,930)
Funds Budgeted Elsewhere	<u>260</u>
Budget Basis	<u>\$1,596,204</u>

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**UPPER VALLEY CAREER CENTER
MIAMI COUNTY**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

FEDERAL GRANTOR Pass Through Grantor Program / Cluster Title	Federal CFDA Number	Passed Through to Subrecipients	Expenditures	Non-Cash Expenditures
U.S. DEPARTMENT OF AGRICULTURE				
<i>Passed Through Ohio Department of Education</i>				
Child Nutrition Cluster :				
School Breakfast Program	10.553		29,112	
National School Lunch Program	10.555		123,401	24,907
Total Child Nutrition Cluster			152,513	24,907
Total U.S. Department of Agriculture			152,513	24,907
U.S. DEPARTMENT OF EDUCATION				
<i>Direct Award</i>				
Student Financial Aid Cluster:				
Federal Pell Grant Program	84.063		369,476	
Federal Direct Student Loans	84.268		603,375	
Total Student Financial Aid Cluster			972,851	
<i>Passed Through Ohio Board of Regents</i>				
Adult Education - Basic Grants to States	84.002		232,440	
<i>Passed Through Ohio Department of Education</i>				
Career and Technical Education - Basic Grants to States	84.048	79,257	450,742	
Supporting Effective Instruction State Grants	84.367		4,574	
Total U.S. Department of Education		79,257	1,660,607	
Total Expenditures of Federal Awards		\$79,257	\$1,813,120	\$24,907

The accompanying notes are an integral part of this schedule.

**UPPER VALLEY CAREER CENTER
MIAMI COUNTY**

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
2 CFR 200.510(b)(6)
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

NOTE A – BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal award activity of Upper Valley Career Center (the Center) under programs of the federal government for the year ended June 30, 2017. The information on this Schedule is prepared in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Center, it is not intended to and does not present the financial position and changes in net position of the Center.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the cash basis of accounting. Such expenditures are recognized following the cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, wherein certain types of expenditures may or may not be allowable or may be limited as to reimbursement. The Center has elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

NOTE C - SUBRECIPIENTS

The Center passes certain federal awards received from the Ohio Department of Education to other governments or not-for-profit agencies (subrecipients). As Note B describes, the Center reports expenditures of Federal awards to subrecipients when paid in cash.

As a subrecipient, the Center has certain compliance responsibilities, such as monitoring its subrecipients to help assure they use these subawards as authorized by laws, regulations, and the provisions of contracts or grant agreements, and that subrecipients achieve the award's performance goals.

NOTE D - CHILD NUTRITION CLUSTER

The Center commingles cash receipts from the U.S. Department of Agriculture with similar State grants. When reporting expenditures on this Schedule, the Center assumes it expends federal monies first.

NOTE E – FOOD DONATION PROGRAM

The Center reports commodities consumed on the Schedule at the entitlement value. The Center allocated donated food commodities to the respective program that benefitted from the use of those donated food commodities.

NOTE F - MATCHING REQUIREMENTS

Certain Federal programs require the Center to contribute non-Federal funds (matching funds) to support the Federally-funded programs. The Center has met its matching requirements. The Schedule does not include the expenditure of non-Federal matching funds.



Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

Upper Valley Career Center
Miami County
8811 Career Drive
Piqua, Ohio 45356

To the Board of Education:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of the Upper Valley Career Center, Miami County, (the Center) as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Center's basic financial statements and have issued our report thereon dated December 28, 2017.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the Center's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinions on the financial statements, but not to the extent necessary to opine on the effectiveness of the Center's internal control. Accordingly, we have not opined on it.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Center's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings that we consider a material weakness. We consider finding 2017-001 to be a material weakness.

Compliance and Other Matters

As part of reasonably assuring whether the Center's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

Center's Response to Finding

The Center's response to the finding identified in our audit is described in the accompanying schedule of findings. We did not audit the Center's response and, accordingly, we express not opinion on it.

Purpose of this Report

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the Center's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the Center's internal control and compliance. Accordingly, this report is not suitable for any other purpose.



Dave Yost
Auditor of State
Columbus, Ohio

December 28, 2017



Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO THE MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

Upper Valley Career Center
Miami County
8811 Career Drive
Piqua, Ohio 45356

To the Board of Education:

Report on Compliance for the Major Federal Program

We have audited Upper Valley Career Center's (the Center) compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could directly and materially affect Upper Valley Career Center's major federal program for the year ended June 30, 2017. The *Summary of Auditor's Results* in the accompanying schedule of findings identifies the Center's major federal program.

Management's Responsibility

The Center's Management is responsible for complying with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal program.

Auditor's Responsibility

Our responsibility is to opine on the Center's compliance for the Center's major federal program based on our audit of the applicable compliance requirements referred to above. Our compliance audit followed auditing standards generally accepted in the United States of America; the standards for financial audits included in the Comptroller General of the United States' *Government Auditing Standards*; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). These standards and the Uniform Guidance require us to plan and perform the audit to reasonably assure whether noncompliance with the applicable compliance requirements referred to above that could directly and materially affect a major federal program occurred. An audit includes examining, on a test basis, evidence about the Center's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe our audit provides a reasonable basis for our compliance opinion on the Center's major program. However, our audit does not provide a legal determination of the Center's compliance.

Opinion on the Major Federal Program

In our opinion, Upper Valley Career Center complied, in all material respects with the compliance requirements referred to above that could directly and materially affect its major federal program for the year ended June 30, 2017.

Report on Internal Control Over Compliance

The Center's management is responsible for establishing and maintaining effective internal control over compliance with the applicable compliance requirements referred to above. In planning and performing our compliance audit, we considered the Center's internal control over compliance with the applicable requirements that could directly and materially affect a major federal program, to determine our auditing procedures appropriate for opining on the major federal program's compliance and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not to the extent needed to opine on the effectiveness of internal control over compliance. Accordingly, we have not opined on the effectiveness of the Center's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, when performing their assigned functions, to prevent, or to timely detect and correct, noncompliance with a federal program's applicable compliance requirement. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a federal program compliance requirement will not be prevented, or timely detected and corrected. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with federal program's applicable compliance requirement that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

This report only describes the scope of our internal control over compliance tests and the results of this testing based on Uniform Guidance requirements. Accordingly, this report is not suitable for any other purpose.



Dave Yost
Auditor of State
Columbus, Ohio

December 28, 2017

**UPPER VALLEY CAREER CENTER
MIAMI COUNTY**

**SCHEDULE OF FINDINGS
2 CFR § 200.515
JUNE 30, 2017**

1. SUMMARY OF AUDITOR'S RESULTS

<i>(d)(1)(i)</i>	Type of Financial Statement Opinion	Unmodified
<i>(d)(1)(ii)</i>	Were there any material weaknesses in internal control reported at the financial statement level (GAGAS)?	Yes
<i>(d)(1)(ii)</i>	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(iii)</i>	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
<i>(d)(1)(iv)</i>	Were there any material weaknesses in internal control reported for major federal programs?	No
<i>(d)(1)(iv)</i>	Were there any significant deficiencies in internal control reported for major federal programs?	No
<i>(d)(1)(v)</i>	Type of Major Programs' Compliance Opinion	Unmodified
<i>(d)(1)(vi)</i>	Are there any reportable findings under 2 CFR § 200.516(a)?	No
<i>(d)(1)(vii)</i>	Major Programs (list):	Career and Technical Education – Basic Grants to States CFDA# 84.048
<i>(d)(1)(viii)</i>	Dollar Threshold: Type A/B Programs	Type A: > \$ 750,000 Type B: all others
<i>(d)(1)(ix)</i>	Low Risk Auditee under 2 CFR §200.520?	Yes

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

FINDING NUMBER 2017-001

Material Weakness – Financial Statement Errors

The Center's fiscal year 2017 financial statements contained the following errors:

- In the general fund, property tax revenue was overstated by \$601,694, property taxes receivable was overstated by \$105,281, and deferred inflows of resources (property taxes levied for the next fiscal year) was understated by \$496,413 due to the inclusion of incorrect information in the property taxes receivable calculation.
- In governmental activities, property taxes levied for general purposes was overstated by \$706,975, property taxes receivable was overstated by \$105,281, and deferred inflows of resources (property taxes levied for the next fiscal year) was understated by \$601,694 due to the inclusion of incorrect information in the property taxes receivable calculation.

**FINDING NUMBER 2017-001
(Continued)**

The above errors were adjusted on the Center's financial statements.

Sound financial reporting is the responsibility of the Center and is essential to ensure the information provided to the readers of the financial statements is complete and accurate. At year-end the cash basis information from the accounting system is converted into the financial statements reported under Accounting Principles Generally Accepted in the United States of America. This responsibility remains intact, even if management outsources this function for efficiency purposes, or any other reason, to another accountant or consultant. Failure by the Center to review the financial statements for accuracy could lead to misstated financial statements and unreliable financial statement information.

The Center should implement procedures to review the basic financial statements to improve the completeness and accuracy of financial information reported within the annual report and to provide for comparative financial statements from year to year. Such procedures may include review of the financial statements and related components by a member of management.

Officials' Response:

We will work more closely with our GAAP Compilers to be sure that the correct counties are being included when reporting our tax revenues.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS
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None



Nancy D. Luce, Ph.D., Superintendent
 Anthony S. Fraley, Treasurer/CFO

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 Piqua, OH 45356-9254
 937.778.1980
 Fax 937.778.0103
 www.uppervalleycc.org

CORRECTIVE ACTION PLAN
2 CFR § 200.511(c)
JUNE 30, 2017

Finding Number	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2017-001	As the Treasurer of Upper Valley Career Center, I will work more closely with our GAAP Compilers to be sure that the correct counties are being included when reporting our tax revenues.	Before our next Audit.	Anthony Fraley, Treasurer

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UPPER VALLEY CAREER CENTER

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
FEBRUARY 6, 2018