



**Auditor of State
Betty Montgomery**

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

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Auditor of State Betty Montgomery

INDEPENDENT ACCOUNTANTS' REPORT

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

To the Board of Education:

We have audited the accompanying financial statements of the governmental activities, the major funds, and the aggregate remaining fund information of Upper Valley Joint Vocational School District, Miami County, Ohio, (the District) as of and for the year ended June 30, 2003, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the major funds, the aggregate remaining fund information of Upper Valley Joint Vocational School District, as of June 30, 2003, and the respective changes in financial position and cash flows where applicable, and the respective budgetary comparison of the General Fund and Adult Education Fund, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 3, during the year ended June 30, 2003, the District implemented a new financial reporting model, as required by the provisions of Government Accounting Standards Board Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 2, 2004, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

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

We conducted our audit to form opinions on the financial statements that collectively comprise the District's basic financial statements. The federal awards expenditure schedule is required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements. We subjected the federal awards expenditure schedule to the auditing procedures applied in the audit of the basic financial statements. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



Betty Montgomery
Auditor of State

March 2, 2004

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003**

The discussion and analysis of Upper Valley Joint Vocational School District's financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2003. The intent of this discussion and analysis is to look at the School District's financial performance as a whole; readers should also review the notes to the basic financial statements and financial statements to enhance their understanding of the School District's financial performance.

Financial Highlights

Key financial highlights for 2003 are as follows:

- In total, net assets increased \$968,434, which represents a 6.7 percent increase from 2002.
- General revenues accounted for \$12,047,917 in revenue or 65.4 percent of all revenues. Program specific revenues in the form of charges for services, operating grants, interest, and contributions, and capital grants, interest, and contributions accounted for \$6,385,287 or 34.6 percent of total revenues of \$18,433,204.
- Total assets of governmental activities increased by \$1,523,576 as cash and cash equivalents increased by \$669,331, accrued interest receivable increased by \$73,463, accounts receivable increased by \$188,288, and capital assets increased by \$473,829.
- The School District had \$17,464,770 in expenses; only \$6,385,287 of these expenses were offset by program specific charges for services, grants, interest, or contributions. General revenues (primarily taxes) of \$12,047,917 were adequate to provide for these programs.
- Among major funds, the general fund had \$14,952,140 in revenues and \$14,128,113 in expenditures. The general fund's balance increased \$708,280 over 2002.

Using the Basic Financial Statements

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

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

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003
(Continued)**

Reporting the School District as a Whole

Statement of Net Assets and the Statement of Activities

While this document contains the large number of funds used by the School District to provide programs and activities, the view of the School District as a whole looks at all financial transactions and asks the question, "How did we do financially during 2003?" The Statement of Net Assets and the Statement of Activities answer this question. These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current fiscal year's revenues and expenses regardless of when cash is received or paid.

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

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

Reporting the School District's Most Significant Funds

Fund Financial Statements

The analysis of the School District's major funds begins on page 15. Fund financial reports provide detailed information about the School District's major funds. The School District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the School District's most significant funds. The School District's major governmental funds are the general fund and the adult education fund.

Governmental Funds

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

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003
(Continued)**

Proprietary Funds

When the School District charges students for the services it provides, with the intent of recapturing operating costs, these services are generally reported in proprietary funds. Proprietary funds use the same basis of accounting as business-type activities; therefore, these statements will essentially match. Internal service funds are used to report activities that provide services to the School District's other funds and departments.

Fiduciary Funds

The School District has three private purpose trust funds and two agency funds. All of the School District's fiduciary activities are reported in separate Statements of Fiduciary Net Assets and Changes in Fiduciary Net Assets. We exclude these activities from the School District's other financial statements because the School District cannot use these assets to finance its operations. The School District is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

The School District as a Whole

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

Table 1 provides a summary of the School District's net assets for 2003 compared to 2002:

	2002	2003
Table 1 Net Assets		
Assets		
Current and Other Assets	\$15,518,329	\$16,568,076
Capital Assets	7,917,007	8,390,836
Total Assets	23,435,336	24,958,912
Liabilities		
Long-Term Liabilities	991,702	1,034,531
Other Liabilities	7,989,967	8,502,280
Total Liabilities	8,981,669	9,536,811
Net Assets		
Invested in Capital Assets, Net of Debt	7,694,582	8,240,061
Restricted	1,601,785	1,596,884
Unrestricted	5,157,300	5,585,156
Total Net Assets	\$14,453,667	\$15,422,101

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003
(Continued)**

Total assets of governmental activities increased by \$1,523,576 as cash and cash equivalents increased by \$669,331, accrued interest receivable increased by \$73,463, accounts receivable increased by \$188,288, and capital assets increased by \$473,829. The School District spent less during fiscal year 2003 than what came in for revenues, adding \$645,365 to ending cash.

During fiscal year 2003, the School District opened an investment account with Fifth Third that holds The Fifth Third U. S. Treasury Money Market Mutual Fund, U. S. Treasury Notes, Federal Farm Credit Bank Notes, Federal Home Loan Bank Bonds, Federal Home Loan Mortgage Notes, and Federal National Mortgage Association Notes. This investment account was opened to replace the repurchase agreement due to a better interest rate. Accounts receivable increased mainly due to one of the houses that sold at public auction did not have all of the proceeds come through until after fiscal year-end. Accounts receivable also increased for refunds from stop-loss insurance. Capital assets increased for construction in progress on the Garbry project, along with land purchases. The Garbry property was donated to the School District during fiscal year 2002, and renovations are underway.

Unrestricted net assets, the part of net assets that can be used to finance day-to-day activities without constraints established by grants or legal requirements, of the School District increased by \$427,856, mainly due to revenues exceeding expenditures during the fiscal year.

Table 2 shows the changes in net assets for fiscal year 2003. Since this is the first year the School District has prepared financial statements following GASB Statement No. 34, revenue and expense comparisons to fiscal year 2002 are not available. In future years, when prior year information is available, a comparative analysis of government-wide data will be presented.

**Table 2
Changes in Net Assets**

	2003
Revenues	
Program Revenues:	
Charges for Services	\$1,753,721
Operating Grants, Interest, and Contributions	4,314,156
Capital Grants, Interest, and Contributions	317,410
Total Program Revenues	6,385,287
General Revenues:	
Property Taxes	6,930,647
Grants and Entitlements	4,984,780
Other	132,490
Total General Revenues	12,047,917
Total Revenues	18,433,204

(Continued)

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003
(Continued)**

Program Expenses

Instruction:	
Regular	\$1,386,529
Special	652,523
Vocational	7,554,876
Adult/Continuing	1,514,040
Other	27,161
Support Services:	
Pupils	1,279,571
Instructional Staff	217,099
Board of Education	54,539
Administration	1,928,435
Fiscal	460,258
Business	132,331
Operation and Maintenance of Plant	1,180,106
Pupil Transportation	43,581
Central	512,476
Operation of Non-Instructional Services	473,438
Extracurricular Activities	43,944
Interest and Fiscal Charges	3,917
Total Expenses	<u>17,464,770</u>
Increase in Net Assets	<u>\$968,434</u>

Governmental Activities

The unique nature of property taxes in Ohio creates the need to routinely seek voter approval for the School District operations. Property taxes made up 37.6 percent of revenues for governmental activities for the Upper Valley Joint Vocational School District for fiscal year 2003.

Instruction comprises 63.8 percent of district expenses. Support services expenses make up 33.3 percent of the expenses.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003
(Continued)**

The Statement of Activities shows the cost of program services and the charges for services and grants offsetting those services. Table 3 shows the total cost of services and the net cost of services. That is, it identifies the cost of these services supported by tax revenue and unrestricted State entitlements. Comparisons to 2002 have not been made because they are not available.

Table 3

	Total Cost of Services 2003	Net Cost of Services 2003
Instruction	\$11,135,129	\$6,087,938
Support Services:		
Pupils	1,279,571	924,976
Instructional Staff	217,099	178,928
Board of Education	54,539	54,539
Administration	1,928,435	1,589,023
Fiscal	460,258	435,510
Business	132,331	132,331
Operation and Maintenance of Plant	1,180,106	1,113,499
Pupil Transportation	43,581	43,581
Central	512,476	453,121
Operation of Non-Instructional Services	473,384	18,176
Extracurricular Activities	43,944	43,944
Interest and Fiscal Charges	3,917	3,917
Total Expenses	\$17,464,770	11,079,483

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

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

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

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

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

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

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

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

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

The dependence upon tax revenues is apparent. Instruction activities are supported through taxes and other general revenues by 54.7 percent; for all activities general revenue support is 65.4 percent.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003
(Continued)**

The School District's Funds

Information about the School District's major funds starts on page 15. These funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues of \$18,134,656 and expenditures of \$17,500,918. The net change in fund balance for the year in the general fund and the adult education fund were \$708,280 and \$126,998, respectively.

The net change in fund balance was caused in the general fund by tightly monitoring expenditures. The adult education fund had a transfer of \$25,000 from the general fund, contributing to its increase in fund balance, along with revenues being greater than expenditures.

General Fund Budgeting Highlights

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

During the course of the fiscal year 2003, the School District amended its general fund budget numerous times, which resulted in appropriations increasing \$2,087,456, an 11.3 percent increase. The School District uses site-based budgeting and the budgeting systems are designed to tightly control total site budgets but provide flexibility for site management.

For the general fund, the budget basis revenue and other financing sources only differed from the original budgeted estimates of \$15,120,902 by (\$209,964) to \$14,910,938.

During fiscal year 2003, the School District had a final budget of \$6,974,332 and \$7,446,356 for property taxes and intergovernmental revenues, respectively. The School District received \$7,147,791 in property taxes revenue, while the School District received \$7,546,072 in intergovernmental revenue. The property taxes and intergovernmental revenues both had favorable variances for the fiscal year.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003
(Continued)**

Capital Assets

At the end of the fiscal year 2003, the School District had \$8,390,836 invested in land, construction in progress, buildings and improvements, furniture, fixtures, and equipment, and vehicles.

Table 4 shows fiscal 2003 balances compared to fiscal year 2002.

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

	2002	2003
Land	\$833,330	\$1,125,330
Construction in Progress	0	260,980
Buildings and Improvements	4,032,636	3,954,970
Furniture, Fixtures, and Equipment	2,970,921	2,961,670
Vehicles	80,120	87,886
Totals	\$7,917,007	\$8,390,836

Overall capital assets increased \$473,829 from fiscal year 2002 to fiscal year 2003. Increases in capital assets (primarily land and construction in progress) were offset by depreciation expense for the year. The construction in progress relates to the Garbry project. The Garbry property was donated to the School District during fiscal year 2002, and renovations were underway in fiscal year 2003. The majority of equipment purchased during fiscal year 2003 was for new computer equipment.

At fiscal year-end, the School District had contractual commitments with various vendors with a balance of \$92,208. For more information on capital assets, refer to Notes 9 and 19 of the basic financial statements.

Debt Administration

At June 30, 2003, the School District had \$150,775 in debt outstanding.

**Table 5
Outstanding Debt at Year End**

	Governmental Activities	
	2003	2002
Applied Technology Loan Payable	\$110,775	\$142,425
Energy Conservation Loan Payable	40,000	80,000
Total	\$150,775	\$222,425

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003
(Continued)**

The applied technology loan will be paid from the bond retirement debt service fund with transfers from the general fund. The energy conservation loan will be paid from the general fund. Debt decreased due to making regular debt payments.

At June 30, 2003, the School District's overall legal debt margin was \$206,679,304, the energy conservation loan debt margin was \$20,627,930, and the unvoted debt margin was \$2,296,437. See Note 14 of the notes to the basic financial statements for more detailed information.

Current Financial Issues and Concerns

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

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

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

In comparison to other school districts in the state, the Upper Valley Joint Vocational School District would not be considered a School District suffering with low wealth. Therefore, the Upper Valley Joint Vocational School District has not anticipated any meaningful growth in State revenue. The concern is that, to meet the requirements of the court, the State may require redistribution of commercial and industrial property tax. With 16.1 percent of the School District's wealth coming from business and industry, this could have a significant negative impact on the School District's residential taxpayers.

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

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

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003
(Continued)**

Contacting the School District's Financial Management

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

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

**STATEMENT OF NET ASSETS
JUNE 30, 2003**

	Governmental Activities
Assets:	
Equity in Pooled Cash and Cash Equivalents	\$8,338,064
Accrued Interest Receivable	73,463
Intergovernmental Receivable	319,012
Accounts Receivable	268,166
Prepaid Items	40,050
Materials and Supplies Inventory	79,444
Property Taxes Receivable	7,323,281
Assets Held for Resale	126,596
Nondepreciable Capital Assets	1,386,310
Depreciable Capital Assets, Net	7,004,526
Total Assets	24,958,912
Liabilities:	
Accounts Payable	247,463
Accrued Wages and Benefits Payable	1,019,620
Matured Compensated Absences Payable	2,025
Claims Payable	87,546
Accrued Interest Payable	2,015
Intergovernmental Payable	216,319
Deferred Revenue	6,927,292
Long-Term Liabilities:	
Due Within One Year	183,256
Due In More Than One Year	851,275
Total Liabilities	9,536,811
Net Assets:	
Invested in Capital Assets, Net of Related Debt	8,240,061
Restricted for:	
Capital Outlay	1,161,195
Other Purposes	418,657
Set-Asides	17,032
Unrestricted	5,585,156
Total Net Assets	\$15,422,101

See accompanying notes to the basic financial statements.

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

**STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2003**

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets	
	Expenses	Charges for Services	Operating Grants, Interest, and Contributions	Capital Grants, Interest, and Contributions	Total Governmental Activities
Governmental Activities:					
Instruction:					
Regular	\$1,386,529	\$20,783			(\$1,365,746)
Special	652,523	9,698	\$255,118		(387,707)
Vocational	7,554,876	202,225	2,637,755	\$317,410	(4,397,486)
Adult/Continuing	1,514,040	834,379	743,034		63,373
Other	27,161		26,789		(372)
Support Services:					
Pupils	1,279,571	21,083	333,512		(924,976)
Instructional Staff	217,099		38,171		(178,928)
Board of Education	54,539				(54,539)
Administration	1,928,435	168,663	170,749		(1,589,023)
Fiscal	460,258	24,748			(435,510)
Business	132,331				(132,331)
Operation and Maintenance of Plant	1,180,106	38,649	27,958		(1,113,499)
Pupil Transportation	43,581				(43,581)
Central	512,476	10,541	48,814		(453,121)
Operation of Non-Instructional Services	473,384	422,952	32,256		(18,176)
Extracurricular Activities	43,944				(43,944)
Interest and Fiscal Charges	3,917				(3,917)
Total Governmental Activities	\$17,464,770	\$1,753,721	\$4,314,156	\$317,410	(11,079,483)
General Revenues:					
Property Taxes Levied for					
					6,930,647
Grants and Entitlements not Restricted to					
					4,984,780
					144,067
					633
					(27,572)
					15,362
Total General Revenues					12,047,917
Change in Net Assets					968,434
Net Assets Beginning of Year - Note 3					14,453,667
Net Assets End of Year					\$15,422,101

See accompanying notes to the basic financial statements.

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

**BALANCE SHEET
GOVERNMENTAL FUNDS
JUNER 30, 2003**

	<u>General</u>	<u>Adult Education</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets:				
Equity in Pooled Cash and Cash Equivalents	\$6,477,592	\$210,057	\$1,392,959	\$8,080,608
Receivables:				
Property Taxes	7,323,281			7,323,281
Accounts	106,047	68,779	6,657	181,483
Intergovernmental	53,408	66,443	199,161	319,012
Interfund	151,800		266	152,066
Accrued Interest	63,913		9,550	73,463
Assets Held for Resale	126,596			126,596
Materials and Supplies Inventory	745		18,679	19,424
Prepaid Items	40,050			40,050
Restricted Assets:				
Cash and Cash Equivalents	17,032			17,032
Total Assets	<u>14,360,464</u>	<u>345,279</u>	<u>1,627,272</u>	<u>16,333,015</u>
Liabilities and Fund Balances				
Liabilities:				
Accounts Payable	205,521	12,818	28,693	247,032
Accrued Wages and Benefits Payable	952,276	18,794	48,550	1,019,620
Interfund Payable	2,294	691	152,013	154,998
Intergovernmental Payable	178,699	8,617	9,397	196,713
Deferred Revenue	7,192,985	16,599	172,424	7,382,008
Matured Compensated Absences Payable		2,025		2,025
Total Liabilities	<u>8,531,775</u>	<u>59,544</u>	<u>411,077</u>	<u>9,002,396</u>
Fund Balances:				
Reserved for Encumbrances	331,432	16,066	85,734	433,232
Reserved for Property Taxes	235,337			235,337
Reserved for Unclaimed Monies	1,282			1,282
Reserved for Assets Held for Resale	126,596			126,596
Reserved for Textbooks and Instructional Materials	17,032			17,032
Unreserved, Designated for Capital Improvements	257,873			257,873
Unreserved, Undesignated, Reported in:				
General Fund	4,859,137			4,859,137
Special Revenue Funds (Deficit)		269,669	(2,978)	266,691
Capital Projects Funds			1,133,439	1,133,439
Total Fund Balances	<u>5,828,689</u>	<u>285,735</u>	<u>1,216,195</u>	<u>7,330,619</u>
Total Liabilities and Fund Balances	<u>\$14,360,464</u>	<u>\$345,279</u>	<u>\$1,627,272</u>	<u>\$16,333,015</u>

See accompanying notes to the basic financial statements.

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

**RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO
NET ASSETS OF GOVERNMENTAL ACTIVITIES
JUNE 30, 2003**

Total Governmental Fund Balances \$7,330,619

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

Some assets used in governmental activities are not financial resources and therefore are not reported in the funds. These assets consist of:

Land	1,125,330	
Construction in Progress	260,980	
Buildings and Improvements	5,928,865	
Furniture, Fixtures, and Equipment	6,252,711	
Vehicles	262,817	
Accumulated Depreciation	<u>(5,439,867)</u>	
		8,390,836

Long-term assets are not available soon enough to pay for the current period's expenditures and therefore are deferred in the funds.

Property Taxes	160,652	
Tuition and Fees	21,251	
Intergovernmental Grants	169,313	
Miscellaneous	<u>103,500</u>	
		454,716

Two internal service funds are used by management to charge the costs of insurance and supplies to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net assets. 301,336

Some liabilities, including loans payable and accrued interest payable, are not due and payable in the current period and therefore are not reported in the funds. These liabilities consist of:

Accrued Interest Payable	(2,015)	
Applied Technology Loan	(110,775)	
Energy Conservation Loan	(40,000)	
Compensated Absences	(883,010)	
Intergovernmental Payable	<u>(19,606)</u>	
Total Liabilities		<u>(1,055,406)</u>

Net Assets of Governmental Activities \$15,422,101

See accompanying notes to the basic financial statements.

UPPER VALLEY JOINT VOCATIONAL SCHOOL DISTRICT
MIAMI COUNTY

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003

	General	Adult Education	Other Governmental Funds	Total Governmental Funds
Revenues:				
Property Taxes	\$7,084,059			\$7,084,059
Tuition and Fees	138,621	\$1,070,265	\$178,398	1,387,284
Interest	138,693		28,423	167,116
Intergovernmental	7,519,898	634,309	1,060,230	9,214,437
Customer Services	75,352		186,160	261,512
Rent	7,025			7,025
Gifts and Donations	633	15,703	5,697	22,033
Decrease in Fair Value of Investments	(27,572)		(4,120)	(31,692)
Miscellaneous	15,431	7,451		22,882
Total Revenues	<u>14,952,140</u>	<u>1,727,728</u>	<u>1,454,788</u>	<u>18,134,656</u>
Expenditures:				
Current:				
Instruction:				
Regular	1,385,082		220	1,385,302
Special	641,012			641,012
Vocational	7,063,518		314,015	7,377,533
Adult/Continuing		1,277,279	211,844	1,489,123
Other			27,161	27,161
Support Services:				
Pupils	952,446	32,530	262,301	1,247,277
Instructional Staff	161,405		41,075	202,480
Board of Education	54,539			54,539
Administration	1,512,359	256,807	88,820	1,857,986
Fiscal	431,154		27,678	458,832
Business	121,692			121,692
Operation and Maintenance of Plant	1,130,420	39,577	9,140	1,179,137
Pupil Transportation	43,938			43,938
Central	396,113	19,537	95,865	511,515
Operation of Non-Instructional Services	70,373		400,052	470,425
Extracurricular Activities	43,944			43,944
Capital Outlay	75,838		237,254	313,092
Debt Service:				
Principal Retirement	40,000		31,650	71,650
Interest and Fiscal Charges	4,280			4,280
Total Expenditures	<u>14,128,113</u>	<u>1,625,730</u>	<u>1,747,075</u>	<u>17,500,918</u>
Excess of Revenues Over (Under) Expenditures	<u>824,027</u>	<u>101,998</u>	<u>(292,287)</u>	<u>633,738</u>
Other Financing Sources (Uses):				
Proceeds from Sale of Capital Assets	20,022			20,022
Transfers In		25,000	110,769	135,769
Transfers Out	(135,769)			(135,769)
Total Other Financing Sources (Uses)	<u>(115,747)</u>	<u>25,000</u>	<u>110,769</u>	<u>20,022</u>
Net Change in Fund Balances	708,280	126,998	(181,518)	653,760
Fund Balances at Beginning of Year - Restated (See Note 3)	5,120,409	158,737	1,397,713	6,676,859
Fund Balances at End of Year	<u>\$5,828,689</u>	<u>\$285,735</u>	<u>\$1,216,195</u>	<u>\$7,330,619</u>

See accompanying notes to the basic financial statements.

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

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2003**

Net Change in Fund Balances - Total Governmental Funds \$653,760

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

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

Capital Outlay Additions	716,985	
Donated Land	292,000	
Current Year Depreciation Expense	<u>(481,222)</u>	
Excess of Capital Outlay over Depreciation Expense		527,763

Governmental funds only report the disposal of capital assets to the extent proceeds are received from the sale. In the statement of activities, a gain or loss is reported for each disposal.

Proceeds from Sale of Capital Assets	(20,022)	
Loss on Disposal of Capital Assets	<u>(33,912)</u>	
		(53,934)

Repayment of long-term debt is reported as an expenditure in governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. In the current year, these amounts consist of:

Energy Conservation Loan Principal Payments	40,000	
Applied Technology Loan Principal Payments	<u>31,650</u>	
Total long-term debt repayment		71,650

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

Property Taxes	(153,412)	
Tuition and Fees	(13,120)	
Intergovernmental Grants	64,205	
Miscellaneous	<u>103,500</u>	
		1,173

In the statement of activities, interest is accrued on outstanding loans, whereas in governmental funds, an interest expenditure is reported when due.

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

Increase in Intergovernmental Payable	(137)	
Increase in Compensated Absences	<u>(113,733)</u>	
		<u>(113,870)</u>

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

(118,471)

Change in Net Assets of Governmental Activities

\$968,434

See accompanying notes to the basic financial statements.

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

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET (NON-GAAP BASIS) AND ACTUAL
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2003**

	<u>Budgeted Amounts</u>			Variance With
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	Final Budget Positive (Negative)
Revenues:				
Property Taxes	\$6,974,332	\$6,974,332	\$7,147,791	\$173,459
Tuition and Fees	17,750	17,750	130,009	112,259
Interest	130,000	130,000	74,780	(55,220)
Intergovernmental	7,656,320	7,446,356	7,546,072	99,716
Customer Services	204,950	204,950	213,544	8,594
Rent	6,500	6,500	7,025	525
Gifts and Donations	2,650	2,650	633	(2,017)
Miscellaneous	15,400	15,400	15,072	(328)
Total Revenues	15,007,902	14,797,938	15,134,926	336,988
Expenditures:				
Current:				
Instruction:				
Regular	1,403,605	1,405,605	1,386,484	19,121
Special	608,506	638,006	625,998	12,008
Vocational	8,487,288	10,553,244	7,129,435	3,423,809
Support Services:				
Pupils	1,063,879	1,040,879	964,629	76,250
Instructional Staff	213,482	223,482	173,137	50,345
Board of Education	89,069	89,069	56,683	32,386
Administration	1,606,317	1,627,567	1,530,130	97,437
Fiscal	470,183	472,983	437,858	35,125
Business	123,843	125,193	121,702	3,491
Operation and Maintenance of Plant	1,648,266	1,688,366	1,292,527	395,839
Pupil Transportation	80,400	80,400	45,157	35,243
Central	555,844	545,844	421,761	124,083
Operation of Non-Instructional Services	284,457	284,757	172,730	112,027
Extracurricular Activities	48,470	48,170	43,715	4,455
Capital Outlay	933,848	881,348	84,238	797,110
Debt Service:				
Principal Retirement	40,000	40,000	40,000	
Interest and Fiscal Charges	4,280	4,280	4,280	
Total Expenditures	17,661,737	19,749,193	14,530,464	5,218,729
Excess of Revenues Over (Under) Expenditures	(2,653,835)	(4,951,255)	604,462	5,555,717
Other Financing Sources (Uses):				
Proceeds from Sale of Capital Assets	110,000	110,000	20,022	(89,978)
Refund of Prior Year Expenditure	3,000	3,000	14,953	11,953
Refund of Prior Year Receipts	(1,576)	(1,576)		1,576
Advances - In			293,497	293,497
Advances - Out	(450,000)	(450,000)	(151,800)	298,200
Transfers - Out	(350,000)	(350,000)	(135,769)	214,231
Total Other Financing Sources (Uses)	(688,576)	(688,576)	40,903	729,479
Net Change in Fund Balance	(3,342,411)	(5,639,831)	645,365	6,285,196
Fund Balance at Beginning of Year	4,988,569	4,988,569	4,988,569	
Prior Year Encumbrances Appropriated	357,765	357,765	357,765	
Fund Balance (Deficit) at End of Year	\$2,003,923	(\$293,497)	\$5,991,699	\$6,285,196

See accompanying notes to the basic financial statements.

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

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET (NON-GAAP BASIS) AND ACTUAL
ADULT EDUCATION FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2003**

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance With Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		<u>(Negative)</u>
Revenues:				
Tuition and Fees	\$821,425	\$1,022,000	\$1,047,610	\$25,610
Intergovernmental	635,250	635,250	634,309	(941)
Gifts and Donations	4,000	14,414	15,703	1,289
Miscellaneous	8,000	8,000	7,451	(549)
Total Revenues	<u>1,468,675</u>	<u>1,679,664</u>	<u>1,705,073</u>	<u>25,409</u>
Expenditures:				
Current:				
Instruction:				
Adult/Continuing	1,152,863	1,312,235	1,283,724	28,511
Support Services:				
Pupils	34,797	37,797	32,816	4,981
Administration	272,594	279,594	257,357	22,237
Operation and Maintenance of Plant	39,800	44,500	44,462	38
Central	7,900	20,900	18,763	2,137
Capital Outlay	200	200	200	200
Total Expenditures	<u>1,508,154</u>	<u>1,695,226</u>	<u>1,637,122</u>	<u>58,104</u>
Excess of Revenues Over (Under) Expenditures	<u>(39,479)</u>	<u>(15,562)</u>	<u>67,951</u>	<u>83,513</u>
Other Financing Sources (Uses):				
Refund of Prior Year Expenditure	2,000	2,000		(2,000)
Advances - Out		(100,000)	(100,000)	
Transfers - In	25,000	25,000	25,000	
Total Other Financing Sources (Uses)	<u>27,000</u>	<u>(73,000)</u>	<u>(75,000)</u>	<u>(2,000)</u>
Net Change in Fund Balance	(12,479)	(88,562)	(7,049)	81,513
Fund Balance at Beginning of Year	176,084	176,084	176,084	
Prior Year Encumbrances Appropriated	12,479	12,479	12,479	
Fund Balance at End of Year	<u>\$176,084</u>	<u>\$100,001</u>	<u>\$181,514</u>	<u>\$81,513</u>

See accompanying notes to the basic financial statements.

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

**STATEMENT OF FUND NET ASSETS
INTERNAL SERVICE FUNDS
JUNE 30, 2003**

Assets:

Current Assets:

Cash and Cash Equivalents	\$240,424
Materials and Supplies Inventory	60,020
Accounts Receivable	86,683
Interfund Receivable	2,932
Total Assets	<u>390,059</u>

Liabilities:

Current Liabilities:

Accounts Payable	431
Claims Payable	87,546
<i>Total Current Liabilities</i>	<u>87,977</u>

Long-Term Liabilities:

Compensated Absences Payable	746
Total Liabilities	<u>88,723</u>

Net Assets:

Unrestricted	301,336
Total Net Assets	<u><u>\$301,336</u></u>

See accompanying notes to the basic financial statements.

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

**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
INTERNAL SERVICE FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003**

Operating Revenues:	
Charges for Services	\$1,246,697
Other	220,077
Total Operating Revenues	<u>1,466,774</u>
Operating Expenses:	
Salaries and Wages	7,264
Fringe Benefits	2,064
Purchased Services	277,275
Cost of Sales	101,912
Claims	1,202,104
Total Operating Expenses	<u>1,590,619</u>
Operating Loss	(123,845)
Non-Operating Revenues:	
Interest Revenue	<u>5,374</u>
Change in Net Assets	(118,471)
Net Assets Beginning of Year	419,807
Net Assets End of Year	<u><u>\$301,336</u></u>

See accompanying notes to the basic financial statements.

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

**STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003**

Increase (Decrease) in Cash and Cash Equivalents:

Cash Flows from Operating Activities

Cash Received from Other Operating Receipts	\$134,820
Cash Received from Quasi-External Transactions with Other Funds	1,244,155
Cash Payments for Employee Services and Benefits	(9,297)
Cash Payments to Suppliers for Goods and Services	(379,084)
Cash Payments for Employee Medical Insurance Claims	<u>(1,198,671)</u>
Net Cash Used for Operating Activities	<u>(208,077)</u>

Cash Flows from Investing Activities

Interest	<u>5,374</u>
Net Decrease in Cash and Cash Equivalents	(202,703)
Cash and Cash Equivalents Beginning of Year	<u>443,127</u>
Cash and Cash Equivalents End of Year	<u><u>\$240,424</u></u>

**Reconciliation of Operating Loss to Net Cash
Used for Operating Activities:**

Operating Loss	(\$123,845)
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**Adjustments to Reconcile Operating Loss to
Net Cash Used for Operating Activities:**

Changes in Assets and Liabilities:

Increase in Accounts Receivable	(85,257)
Increase in Interfund Receivable	(2,542)
Decrease in Materials and Supplies Inventory	141
Decrease in Accounts Payable	(38)
Increase in Compensated Absences Payable	48
Decrease in Intergovernmental Payable	(17)
Increase in Claims Payable	3,433
Net Cash Used for Operating Activities	<u><u>(\$208,077)</u></u>

See accompanying notes to the basic financial statements.

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

**STATEMENT OF FIDUCIARY NET ASSETS
JUNE 30, 2003**

	Private Purpose Trust	Agency
Assets:		
Cash and Cash Equivalents	\$5,264	\$53,007
Intergovernmental Receivable		29,795
Total Assets	5,264	\$82,802
 Liability:		
Due to Students		\$82,802
 Net Assets:		
Held in Trust for Scholarships	4,058	
Held in Trust for Other Governments	1,206	
Total Net Assets	\$5,264	

See accompanying notes to the basic financial statements.

UPPER VALLEY JOINT VOCATIONAL SCHOOL DISTRICT
MIAMI COUNTY

STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003

	<u>Private Purpose Trust</u>
Additions:	
Interest	\$120
Contributions	<u>21,000</u>
Total Additions	21,120
Deductions:	
Adult/Continuing Instruction	<u>21,991</u>
Change in Net Assets	(871)
Net Assets Beginning of Year	<u>6,135</u>
Net Assets End of Year	<u><u>\$5,264</u></u>

See accompanying notes to the basic financial statements.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003**

1. DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY

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

The School District operates under a Board of Education consisting of eleven representatives from the seven participating school districts' elected boards. One member is appointed from the following: Bradford Exempted Village School District, Covington Exempted Village School District, and Miami County Educational Service Center. Two members are appointed from the following city and/or county school districts: Piqua, Shelby, Sidney, and Troy. The Board of Education is responsible for providing vocational job training to residents of the participating school districts. The School District employs 290 certified teaching personnel, including 16 administrators, and 113 classified staff members who annually serve approximately 2,741 secondary students and 6,037 adult students.

A. Reporting Entity

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

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

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

Jointly Governed Organizations:

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

Insurance Purchasing Pool:

Southwestern Ohio Educational Purchasing Council Workers'
Compensation Group Rating Plan

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Basis of Presentation

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

1. Government-wide Financial Statements:

The statement of net assets and the statement of activities display information about the School District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The government-wide financial statements usually distinguish between those activities that are governmental and those that are business-type. The School District, however, has no activities which are reported as business-type.

The statement of net assets presents the financial condition of the governmental activities of the School District at fiscal year-end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the School District's governmental activities. Direct expenses are those that are specifically associated with a service, program or department and therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program, grants and contributions that are restricted to meeting the operational or capital requirements of a particular program and interest earned on grants that is required to be used to support a particular program. Revenues which are not classified as program revenues are presented as general revenues of the School District. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the School District.

2. Fund Financial Statements:

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Fund Accounting

The School District uses funds to maintain its financial records during the fiscal year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. There are three categories of funds utilized by the School District: governmental, proprietary, and fiduciary.

1. Governmental Funds:

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

The following are the School District's major governmental funds:

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

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

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

2. Proprietary Funds:

Proprietary funds focus on the determination of operating income, changes in net assets, financial position, and cash flows. The School District's proprietary funds are internal service funds. The internal service funds account for the financing of services provided by one department or agency to another department or agency of the School District on a cost-reimbursement basis. The School District's two internal service funds include a warehouse fund and a self-insured health insurance fund.

3. Fiduciary Funds:

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Measurement Focus

1. Government-wide Financial Statements:

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

2. Fund Financial Statements

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

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

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

D. Basis of Accounting

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

1. Revenues - Exchange and Non-exchange Transactions:

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Nonexchange transactions, in which the School District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied (See Note 7). Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the School District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the School District on a reimbursement basis. On a modified accrual basis, revenue from nonexchange 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, tuition, interest, grants, student fees, charges for services, and rentals.

2. Deferred Revenue:

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

Property taxes for which there is an enforceable legal claim as of June 30, 2003, but which were levied to finance fiscal year 2004 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

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

3. Expenses/Expenditures:

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

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

E. Cash and Cash Equivalents

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

During fiscal year 2003, the School District invested in The Fifth Third U. S. Treasury Money Market Mutual Fund, U.S. Treasury Notes, Federal Farm Credit Bank Notes, Federal Home Loan Bank Bonds, Federal Home Loan Mortgage Notes, Federal National Mortgage Association Notes and the State Treasury Assets Reserve of Ohio (STAR Ohio). Investments are reported at fair value which is based on quoted market prices. For investments in open-end mutual funds, fair value is determined by the fund's share price.

STAR 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 does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price which is the price the investment could be sold for on June 30, 2003.

The Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the general fund during fiscal year 2003 amounted to \$138,693 which includes \$215 assigned from other School District funds.

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

F. Interfund Balances

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

G. Assets Held for Resale

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

H. Inventory

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

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

I. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2003, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the fiscal year in which services are consumed.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

J. Restricted Assets

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

K. Capital Assets

The School District's only capital assets are general capital assets. General capital assets result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net assets but are not reported in the fund financial statements.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the fiscal year. Donated fixed assets are recorded at their fair market values as of the date received. The School District maintains a capitalization threshold of twelve hundred dollars. The School District does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not.

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

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

L. Accrued Liabilities and Long-term Obligations

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements. All payables, accrued liabilities, and long-term obligations payable from the internal service funds are reported on the internal service fund financial statements.

In general, 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 governmental funds. However, compensated absences and contractually required pension contributions that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment during the current fiscal year. Long-term loans that will be paid from governmental funds are recognized as a liability in the fund financial statements when due.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

M. Compensated Absences

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

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

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

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

N. Net Assets

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

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

O. Fund Balance Reserves and Designation

The School District reserves those portions of fund balance which are legally segregated for a specific future use or which do not represent available expendable resources and therefore are not available for appropriation or expenditure. Fund balance designations may be established to indicate tentative planned expenditures of financial resources. The designation reflects the School District's intentions and is subject to change. Unreserved fund balance indicates that portion of fund equity which is available for appropriation in future periods. Fund balance reserves have been established for encumbrances, property taxes, unclaimed monies, assets held for resale, and textbooks and instructional materials. A fund designation has been established for capital improvements.

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

P. Operating Revenues and Expenses

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

Q. Interfund Activity

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

R. Estimates

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

S. Budgetary Process

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

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

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003
(Continued)**

3. CHANGE IN ACCOUNTING PRINCIPLES

For fiscal year 2003, the School District has implemented GASB Statement No. 34, "Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments", GASB Statement No. 37, "Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments: Omnibus", Statement No. 38, "Certain Financial Statement Note Disclosures", GASB Statement No. 41, "Budgetary Comparison Schedules - Perspective Differences", and GASB Interpretation No. 6, "Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements."

GASB Statement No. 34 creates new basic financial statements for reporting on the School District's financial activities. The financial statements now include government-wide financial statements prepared on an accrual basis of accounting and fund financial statements which present information for individual major funds rather than by fund type. Nonmajor funds are presented in total in one column.

The government-wide financial statements combine the governmental activities into one column. The beginning net asset amount for governmental activities reflects the change in fund balance for governmental funds at June 30, 2002, caused by the reclassification of funds based on the guidance provided in GASB Statement No. 34 and by the conversion to the accrual basis of accounting.

GASB Statement No. 37 clarifies certain provisions of GASB Statement No. 34, including the required content of Management's Discussion and Analysis, the classification of program revenues and the criteria for determining major funds.

GASB Statement No. 38 modifies, establishes and rescinds certain financial statement note disclosures.

GASB Statement No. 41 only applies when there are significant perspective differences that prevent an entity from associating the estimated revenues and appropriations from its legally adopted budget to the major revenue sources and functional expenditures that are reported in the general and major special revenue funds. The implementation of this statement had no effect on the presentation of budgetary statements by the School District for fiscal year 2003.

GASB Interpretation No. 6 clarifies the application of standards for modified accrual recognition of certain liabilities and expenditures in areas where differences have arisen, or potentially could arise, in interpretation and practice.

The fund structure of the School District changed due to reclassifying the former enterprise funds as special revenue funds. The School District also implemented a new capital asset policy which increases the capitalization threshold for capital assets from \$500 to \$1,200. The reason for the change was to reduce the cost of maintaining capital asset information by significantly reducing the number of items tracked. For general capital assets, the balance at June 30, 2003, changed by (\$6,316,188), from \$14,233,195 to \$7,917,007.

The implementation of these changes had the following effects on fund balance of the major and nonmajor funds of the School District as they were previously reported. The transition from governmental fund balance to net assets of the governmental activities is also presented.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003
(Continued)**

3. CHANGE IN ACCOUNTING PRINCIPLES (Continued)

	General	Adult Education
Fund Balances, June 30, 2002	\$5,106,068	\$158,737
GASB Interpretation No. 6	14,341	0
GASB 34 Adjustment:		
Change in Fund Structure	0	0
Adjusted Fund Balance, June 30, 2002	<u>\$5,120,409</u>	<u>\$158,737</u>
	Nonmajor	Total
Fund Balances, June 30, 2002	\$1,272,470	\$6,537,275
GASB Interpretation No. 6	0	14,341
GASB 34 Adjustment:		
Change in Fund Structure	125,243	125,243
Adjusted Fund Balance, June 30, 2002	<u>\$1,397,713</u>	<u>6,676,859</u>
		Total
GASB 34 Adjustments:		
Capital Assets		\$7,917,007
Intergovernmental Payable		(19,469)
Accrued Interest Payable		(2,378)
Internal Service Funds		419,807
Long-Term Liabilities		(991,702)
Long-Term (Deferred) Assets:		
Delinquent Property Taxes		314,064
Accounts/Intergovernmental Receivable		139,479
Governmental Activities Net Assets, June 30, 2002		<u>\$14,453,667</u>

The School District's enterprise funds were reclassified as special revenue funds with the implementation of GASB Statement No. 34. Therefore, retained earnings of (\$43,665) were restated by reducing the balance to zero.

4. COMPLIANCE AND ACCOUNTABILITY

A. Compliance

The general fund had an excess of appropriations over estimated resources and available resources at June 30, 2003, of \$293,497, for the final budget, as the advances-in were not budgeted, but the advances-out were appropriated.

B. Accountability

The technology preparatory career education, Carl D. Perkins, and miscellaneous federal grants special revenue funds had deficit fund balances at June 30, 2003, of \$11,291, \$82,630, and \$46,893. The fund deficits will be eliminated when the advances - in, shown as interfund payable, are paid off. The advances were made to cover expected cash flow problems. Future grant receipts will be used to pay the advances.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003
(Continued)**

5. BUDGETARY BASIS OF ACCOUNTING

While the School District 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 Statement of Revenues, Expenditures and Changes in Fund Balance - Budget (Non-GAAP Basis) and Actual presented for the general fund and adult education fund is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget.

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

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

The following table summarizes the adjustments necessary to reconcile the GAAP basis statements to the budgetary basis statements for the general and adult education funds.

	Net Change in Fund Balance	
	General	Adult Education
GAAP Basis	\$708,280	\$126,998
Net Adjustment for Revenue Accruals	170,167	(22,655)
Net Adjustment for Expenditure Accruals	102,562	17,151
Current Year Change in Fair Value of Investments	27,572	0
Prepaid Items	25,584	0
Advances	141,697	(100,000)
Adjustment for Encumbrances	(530,497)	(28,543)
Budget Basis	<u>\$645,365</u>	<u>(\$7,049)</u>

6. DEPOSITS AND INVESTMENTS

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

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003
(Continued)**

6. DEPOSITS AND INVESTMENTS (Continued)

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

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

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

Interim monies are to be deposited or invested in the following securities:

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003
(Continued)**

6. DEPOSITS AND INVESTMENTS (Continued)

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

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

A. Cash on Hand:

At fiscal year-end, the School District had \$15,713 in undeposited cash on hand which is included on the financial statements of the School District as part of "Equity in Pooled Cash and Cash Equivalents."

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

B. Deposits:

At fiscal year-end, the carrying amount of the School District's deposits was \$1,584,107 and the bank balance was \$1,852,040. \$292,033 of the bank balance was covered by federal depository insurance and \$1,560,007 considered uninsured and uncollateralized. Although the securities serving as collateral were held by the pledging financial institution's trust department in the School District's name and all State statutory requirements for the deposit of money had been followed, noncompliance with federal requirements could potentially subject the School District to a successful claim by the Federal Deposit Insurance Corporation.

C. Investments:

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003
(Continued)**

6. DEPOSITS AND INVESTMENTS (Continued)

	Category 2	Unclassified	Fair Value
The Fifth Third U. S. Treasury Money Market Mutual Fund	\$0	\$8,434	\$8,434
U.S. Treasury Notes	183,544	0	183,544
Federal Farm Credit Bank Notes	449,964	0	449,964
Federal Home Loan Bank Bonds (FHLB)	2,569,510	0	2,569,510
Federal Home Loan Mortgage Notes	746,821	0	746,821
Federal National Mortgage Association Notes (FNMA)	1,988,980	0	1,988,980
STAR Ohio	0	849,262	849,262
Total	<u>\$5,938,819</u>	<u>\$857,696</u>	<u>\$6,796,515</u>

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

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

	Cash and Cash Equivalents/ Deposits	Investments
GASB Statement No. 9	\$8,396,335	\$0
Cash on Hand	(15,713)	0
Investments of Cash Management Pool:		
The Fifth Third U. S. Treasury Money Market Mutual Fund	(8,434)	8,434
U. S. Treasury Notes	(183,544)	183,544
Federal Farm Credit Bank Notes	(449,964)	449,964
Federal Home Loan Bank Bonds (FHLB)	(2,569,510)	2,569,510
Federal Home Loan Mortgage Notes	(746,821)	746,821
Federal National Mortgage Association Notes (FNMA)	(1,988,980)	1,988,980
STAR Ohio	(849,262)	849,262
GASB Statement No. 3	<u>\$1,584,107</u>	<u>\$6,796,515</u>

7. PROPERTY TAXES

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003
(Continued)**

7. PROPERTY TAXES

Property taxes include amounts levied against all real, public utility and tangible personal property (used in business) located in the School District. Real property tax revenue received in calendar 2003 represents collections of calendar year 2002 taxes. Real property taxes received in calendar year 2003 were levied after April 1, 2002, on the assessed value listed as of January 1, 2002, the lien date. Assessed values for real property taxes are established by State law at thirty-five percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenue received in calendar 2003 represents collections of calendar year 2002 taxes. Public utility real and tangible personal property taxes received in calendar year 2003 became a lien December 31, 2001, were levied after April 1, 2002 and are collected in 2003 with real property taxes. Public utility real property is assessed at thirty-five percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

Tangible personal property tax revenue received during calendar 2003 (other than public utility property) represents the collection of 2003 taxes. Tangible personal property taxes received in calendar year 2003 were levied after April 1, 2002, on the value as of December 31, 2002. Tangible personal property is currently assessed at twenty-five percent of true value for capital assets and twenty-four percent of true value for inventory. Payments by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the School District prior to June 30.

The School District receives property taxes from Miami, Darke, Shelby, Auglaize, and Logan Counties. The County Auditors periodically advance to the School District its portion of the taxes collected. Second-half real property tax payments collected by the Counties by June 30, 2003, are available to finance fiscal year 2003 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable includes real property, public utility property and tangible personal property taxes which are measurable as of June 30, 2003, 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 revenue. The amount available as an advance is recognized as revenue. On an accrual basis, collectible delinquent property taxes have been recorded as a receivable and revenue while on a modified accrual basis the revenue is deferred.

The amount available as an advance at June 30, 2003, was \$235,337 in the general fund. The amount available as an advance at June 30, 2002, was \$299,069 in the general fund.

The assessed values upon which the fiscal year 2003 taxes were collected are:

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003
(Continued)**

7. PROPERTY TAXES (Continued)

	<u>2002 Second – Half Collections</u>		<u>2003 First - Half Collections</u>	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/Residential and Other Real Estate	\$1,654,227,720	74.48%	\$1,707,962,620	74.37%
Public Utility Personal	76,103,590	3.43	78,214,120	3.41
Tangible Personal Property	490,707,757	22.09	510,259,976	22.22
Total	<u>\$2,221,039,067</u>	<u>100.00%</u>	<u>\$2,296,436,716</u>	<u>100.00%</u>
Tax Rate per \$1,000 of Assessed Valuation	\$16.24		\$16.24	

8. RECEIVABLES

Receivables at June 30, 2003, consisted of property taxes, accounts receivable (tuition, charges for services, rentals, and student fees), intergovernmental receivables (grants and charges for services), interfund and interest. All receivables are considered collectible in full and will be received within one year.

A summary of the principal items of intergovernmental receivables follows:

	<u>Amounts</u>
Governmental Activities:	
Tech Prep Reimbursement	\$41,651
Auditor of State/GED Fees	3,108
Troy City Schools	8,885
Newton Local Schools Satellite Program	862
Russia Local Schools Fees	2,010
Adult Education Fees	63,335
Adult Full Service Center	2,700
Career Education	6,547
Adult Basic Education	41,568
Carl D. Perkins	85,963
Title VI	4,954
Title II-A	5,073
Small Business Development Center	41,157
Tuition and Fees	6,016
Food Service	5,183
Total Intergovernmental Receivables	<u>\$319,012</u>

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003
(Continued)**

9. CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2003, was as follows:

Governmental Activities	Restated Balance 6/30/02	Additions	Deductions	Balance 6/30/03
Capital Assets, not Being Depreciated:				
Land	\$833,330	\$292,000	\$0	\$1,125,330
Construction in Progress	0	260,980	0	260,980
Total Capital Assets, not Being Depreciated	833,330	552,980	0	1,386,310
Capital Assets, Being Depreciated:				
Buildings and Improvements	5,928,865	0	0	5,928,865
Furniture, Fixtures, and Equipment	6,037,119	450,605	(235,013)	6,252,711
Vehicles	294,573	5,400	(37,156)	262,817
Total Capital Assets, Being Depreciated	12,260,557	456,005	(272,169)	12,444,393
Less Accumulated Depreciation:				
Buildings and Improvements	(1,896,229)	(77,666)	0	(1,973,895)
Furniture, Fixtures, and Equipment	(3,066,198)	(389,723)	164,880	(3,291,041)
Vehicles	(214,453)	(13,833)	53,355	(174,931)
Total Accumulated Depreciation	(5,176,880)	(481,222)	218,235	(5,439,867)
Capital Assets, Being Depreciated, Net	7,083,677	(25,217)	(53,934)	7,004,526
Governmental Activities Capital Assets, Net	<u>\$7,917,007</u>	<u>\$527,763</u>	<u>(\$53,934)</u>	<u>\$8,390,836</u>

Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$7,558
Special	9,216
Vocational	361,837
Adult/Continuing	14,330
Support Services:	
Pupils	\$6,179
Instructional Staff	13,193
Administration	26,546
Fiscal	74
Business	1,262
Operation and Maintenance of Plant	22,065
Pupil Transportation	4,956
Central	9,833
Operation of Non-Instructional Services	4,173
Total Depreciation Expense	<u>\$481,222</u>

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003
(Continued)**

10. RISK MANAGEMENT

A. Property and Liability

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. During fiscal year 2003, the School District contracted with Selective Insurance Company of South Carolina for property, fleet, stop gap, employee benefits, and liability insurance. Insurance coverage provided includes the following:

Building and Contents – replacement cost (\$1,000 deductible)	\$25,264,591
Stop Gap Coverage	1,000,000
Commercial General Liability:	1,500,000
General Aggregate Limit (Other Than Products – Completed Operations)	4,000,000
Products – Completed Operations – Aggregate Limit	4,000,000
Personal and Advertising – Injury Limit	2,000,000
Each Occurrence Limit	2,000,000
Damage to Premises Rented to School District Limit – Any One Premise	100,000
Medical Expense Limit – Any One Person	5,000
Employee Benefits – Each Claim (\$1,000 deductible)	2,000,000
Employee Benefits – Annual Aggregate (\$1,000 deductible)	4,000,000
Automobile Liability (\$500 Comprehensive/Collision deductibles)	1,000,000

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

B. Employee Benefits

The School District has elected to provide employee medical/surgical benefits through a self-insurance internal service fund. The employees share the cost of the monthly premium with the board. The premium varies with each employee depending on the type of coverage they select. Premiums are paid into a self-insurance fund by all other funds and are available to pay claims, claim reserves and administrative costs of the program. CoreSource is the School District's third party administrator who informs the School District of claim payments needed. The claims liability of \$87,546 reported in the self-insured health insurance internal service fund at June 30, 2003, is based on an estimate provided by CoreSource and the requirements of GASB Statement No. 30, which requires that a liability for unpaid claim costs, including estimates of costs relating to incurred but not reported claims, be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and that the amount of the loss can be reasonably estimated. The estimate was not affected by incremental claim adjustment expenses and does not include other allocated or unallocated claim adjustment expenses.

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

	<u>Balance at Beginning of Fiscal Year</u>	<u>Current Year Claims</u>	<u>Claim Payments</u>	<u>Balance at End of Fiscal Year</u>
2002	\$164,394	\$991,755	\$1,072,036	\$84,113
2003	84,113	1,202,104	1,198,671	87,546

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003
(Continued)**

10. RISK MANAGEMENT (Continued)

C. Workers' Compensation

For fiscal year 2003, the School District participated in the Southwestern Ohio Educational Purchasing Council Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool (Note 16). The intent of the GRP is to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of the GRP. A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund." This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of Integrated Comp Inc. provides administrative, cost control, and actuarial services to the GRP.

11. DEFINED BENEFIT PENSION PLANS

A. School Employees Retirement System

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

Plan members are required to contribute 9 percent of their annual covered salary and the School District is required to contribute at an actuarially determined rate. The current School District rate is 14 percent of annual covered payroll. A portion of the School District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2003, 8.17 percent of annual covered salary was the portion used to fund pension obligations. For fiscal year 2002, 5.46 percent was used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to a statutory maximum amount, by the SERS' Retirement Board. The School District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2003, 2002 and 2001 were \$105,931, \$80,555, and \$54,349, respectively; 99.23 percent has been contributed for fiscal year 2003 and 100 percent for fiscal years 2002 and 2001. \$814, representing the unpaid contribution for fiscal year 2003, is recorded as a liability.

B. State Teachers Retirement System of Ohio

The School District contributes to the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple-employer public employee retirement system. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a stand-alone financial report that may be obtained by writing to STRS Ohio, 275 East Broad Street, Columbus, Ohio 43215-3371 or by calling (614) 227-4090.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003
(Continued)**

11. DEFINED BENEFIT PENSION PLANS (Continued)

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on member contributions and earned interest matched by STRS Ohio funds times an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5 percent of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment.

The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. DC and Combined Plan members will transfer to the Defined Benefit Plan during their fifth year of membership unless they permanently select the DC or Combined Plan. Existing members with less than five years of service credit as of June 30, 2001, were given the option of making a one time irrevocable decision to transfer their account balances from the existing DB Plan into the DC Plan or the Combined Plan. This option expired on December 31, 2001. Benefits are established by Chapter 3307 of the Ohio Revised Code.

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

For the fiscal year ended June 30, 2003, plan members were required to contribute 9.3 percent of their annual covered salaries. The School District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. For fiscal year 2002, the portion used to fund pension obligations was 9.5 percent. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The School District's required contributions for pension obligations to the DB Plan for the fiscal years ended June 30, 2003, 2002, and 2001 were \$1,277,405, \$830,347, and \$794,759 respectively; 89.73 percent has been contributed for fiscal year 2003 and 100 percent for fiscal years 2002 and 2001. Contributions to the DC and Combined Plans for fiscal year 2003 were \$7,224 made by the School District and \$31,706 made by the plan members.

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System of Ohio have an option to choose Social Security or the School Employees Retirement System. As of June 30, 2003, four members of the Board of Education have elected Social Security. The remaining Board members contribute to SERS. The Board's liability is 6.2 percent of wages paid.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003
(Continued)**

12. POSTEMPLOYMENT BENEFITS

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

All STRS Ohio benefit recipients and sponsored dependents are eligible for health care coverage. The STRS Ohio Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS Ohio funds is included in the employer contribution rate, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2003, the STRS Ohio Board allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. For the fiscal year ended June 30, 2002, the STRS Ohio Board allocated employer contributions equal to 4.5 percent of covered payroll to the Health Care Stabilization Fund. For the School District, this amount equaled \$98,262 for fiscal year 2003.

STRS Ohio pays health care benefits from the Health Care Stabilization Fund. At June 30, 2002, (the latest information available) the balance in the Fund was \$3.011 billion. For the fiscal year ended June 30, 2002, net health care costs paid by STRS Ohio were \$354,697,000 and STRS Ohio had 105,300 eligible benefit recipients.

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

After the allocation for basic benefits, the remainder of the employer's 14 percent contribution is allocated to providing health care benefits. For the fiscal year ended June 30, 2003, employer contributions to fund health care benefits were 5.83 percent of covered payroll, a decrease of 2.71 percent from fiscal year 2002. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2003, the minimum pay was established at \$14,500. For the School District, the amount contributed to fund health care benefits, including the surcharge, during the 2003 fiscal year equaled \$95,197.

The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund. The target level for the health care reserve is 150 percent of the annual health care expenses. Expenses for health care for the fiscal year ended June 30, 2003, were \$204,930,737 and the target level was \$307.4 million. At June 30, 2003, SERS had net assets available for payment of health care benefits of \$303.6 million. SERS has approximately 50,000 participants currently receiving health care benefits.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003
(Continued)**

13. OTHER EMPLOYEE BENEFITS

A. Compensated Absences

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

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

B. Health Care Benefits

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

14. LONG-TERM OBLIGATIONS

The changes in the School District's long-term obligations during fiscal year 2003 were as follows:

	Restated Amount Outstanding 6/30/02	Additions	Deductions	Amount Outstanding 6/30/03	Amounts Due Within One Year
Governmental Activities					
Energy Conservation					
Loan Roof Replacement					
1995 5.35%	\$80,000	\$0	\$40,000	\$40,000	\$40,000
Applied Technology					
Loan 1992 0.00%	<u>142,425</u>	<u>0</u>	<u>31,650</u>	<u>110,775</u>	<u>31,650</u>
Total Unvoted Long-Term Loans	222,425	0	71,650	150,775	71,650
Compensated Absences	<u>769,277</u>	<u>195,718</u>	<u>81,239</u>	<u>883,756</u>	<u>111,606</u>
Total Governmental Activities Long-Term Liabilities	<u>\$991,702</u>	<u>\$195,718</u>	<u>\$152,889</u>	<u>\$1,034,531</u>	<u>\$183,256</u>

1994 Energy Conservation Loan - Roof Replacement – This loan was authorized under House Bill 264 on July 21, 1994, and consists of ten \$40,000 notes (\$400,000) at an annual rate of 5.35 percent with one note maturing annually through December 15, 2003. The loan will be paid from the general fund.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003
(Continued)**

14. LONG-TERM OBLIGATIONS (Continued)

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

Compensated Absences will be paid from the following: general fund and adult education special revenue fund; food service, uniform school supplies, education management information systems, adult basic education, Carl D. Perkins, and miscellaneous federal grants non-major special revenue funds; and the warehouse internal service fund.

The School District's overall legal debt margin was \$206,679,304, the energy conservation loan debt margin was \$20,627,930, and the unvoted debt margin was \$2,296,437 at June 30, 2003.

Principal and interest requirements to retire loans outstanding at June 30, 2003, are as follows:

Fiscal Year	Principal	Interest	Total
<u>Ending June 30,</u>	<u> </u>	<u> </u>	<u> </u>
2004	\$71,650	\$2,140	\$73,790
2005	31,650	0	31,650
2006	31,650	0	31,650
2007	15,825	0	15,825
Totals	<u>\$150,775</u>	<u>\$2,140</u>	<u>\$152,915</u>

15. INTERFUND ASSETS/LIABILITIES AND TRANSFERS

		<u>Interfund Receivable</u>			
		<u>General</u>	<u>Other Governmental</u>	<u>Internal Service</u>	<u>Total</u>
Interfund	General	\$ 0	\$ 0	\$2,294	\$ 2,294
	Adult Education	0	266	425	691
Payable	Other Governmental	151,800	0	213	152,013
	Total	<u>\$151,800</u>	<u>\$266</u>	<u>\$2,932</u>	<u>\$154,998</u>

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

The general fund had transfers out to the adult education fund and nonmajor funds of \$25,000 and \$110,769, respectively. Transfers are used to move general fund revenues that are used to subsidize various programs in other funds.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003
(Continued)**

16. JOINTLY GOVERNED ORGANIZATIONS AND INSURANCE PURCHASING POOL

A. Jointly Governed Organizations

Southwestern Ohio Educational Purchasing Council -The School District participates in the Southwestern Ohio Educational Purchasing Council (SOEPC), a purchasing council made up of nearly 100 school districts in 12 counties. The purpose of the council is to obtain prices for quality merchandise and services commonly used by schools. All member districts are obligated to pay all fees, charges, or other assessments as established by the SOEPC. Each member district has one voting representative. Any district withdrawing from the SOEPC forfeits its claim to any and all SOEPC assets. One year prior notice is necessary for withdrawal from the group. During this time, the withdrawing member is liable for all member obligations during the one year period. Payments to SOEPC are made from the general fund. During fiscal year 2003, the School District paid \$9,460 to SOEPC. To obtain financial information, write to the Southwestern Ohio Educational Purchasing Council, Ken Swink, who serves as Director, at 1831 Harshman Road, Dayton, Ohio 45424.

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

All member districts are obligated to pay all fees, charges, or other assessments as established by the SOITA. Upon dissolution, the net assets shall be distributed to the federal government, or to a state or local government, for a public purpose. Payments to SOITA are made from the general fund. During fiscal year 2003, the School District paid \$515 to SOITA for services provided during the fiscal year. To obtain financial information, write to the Southwestern Ohio Instructional Technology Association, Steve Strouse, who serves as Director, at 150 East Sixth Street, Franklin, Ohio 45005.

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

The governing board of WOCO consists of two representatives from each county elected by majority vote of all charter member school districts within each county plus one representative from the fiscal agent. Payments to WOCO are made from the general fund. The School District paid WOCO \$33,512 for services provided during the fiscal year. Financial information can be obtained from Louis Ivey, who serves as Director, at 129 East Court Street, Sidney, Ohio 45365.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003
(Continued)**

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

B. Insurance Purchasing Pool

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

17. SET-ASIDE CALCULATIONS

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

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

	Textbooks and Instructional Materials	Capital Improvements
Set-aside Reserve Balance as of June 30, 2002	\$12,392	(\$126,678)
Current Year Set-aside Requirement	155,914	155,914
Qualifying Disbursements	<u>(151,274)</u>	<u>(132,907)</u>
Total	<u>\$17,032</u>	<u>(\$103,671)</u>
Set-aside Balances Carried Forward to Future Fiscal Years	<u>\$17,032</u>	<u>(\$103,671)</u>
Set-aside Reserve Balances as of June 30, 2003	<u>\$17,032</u>	<u>\$0</u>

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003
(Continued)**

18. CONTINGENCIES

The School District received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 2003.

19. SIGNIFICANT CONTRACTUAL COMMITMENTS

As of June 30, 2003, the School District had contractual purchase commitments as follows:

Company	Project	Contract Amount	Amount Expended	Balance at 6/30/03
Wells Brothers	Install ductwork	\$8,400	\$432	\$7,968
Stillwater Microsystems	Computers	102,713	40,349	62,364
American Red Cross	Agilent heartstream	6,980	2,605	4,375
Lochard, Inc.	Plumbing work	16,183	12,192	3,991
Larger, Inc.	Garbry construction	83,520	74,009	9,511
Knight Heating and Cooling	HVAC work	18,689	14,690	3,999
Totals		\$236,485	\$144,277	\$92,208

20. SCHOOL FUNDING DECISION

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

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

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

21. SUBSEQUENT EVENTS

A. Tax Levy/Associated Debt/Contractual Commitments

On November 4, 2003, the School District passed a \$7 million school improvement bond issue for 0.56 mills for a period of six years. The monies will be used to construct and equip a new addition to the primary building and to remodel and renovate portions of the existing primary building. On December 30, 2003, the School District issued a \$7 million note payable to Fifth Third Securities that matures on December 1, 2004, at an interest rate of 1.60 percent. The Board of Education has already authorized the replacement of the multi-purpose room movable walls at a cost of \$27,460, from OK Interiors.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003
(Continued)**

21. SUBSEQUENT EVENTS (Continued)

B. Conservation Easement

The Board of Education authorized the bidding on a conservation easement of approximately 65 acres of the Willowbrook Land Laboratory for the purpose of developing a "wetland" environment. Authorization occurred in January, 2004, with bids due February 6, 2004.

C. Final Debt Payment

On December 15, 2003, the final payment was made on the 1994 energy conservation loan – roof replacement.

D. Insurance Coverage

The School District contracted with the Southwestern Ohio Educational Purchasing Council for property, fleet, general liability, crime, public employee dishonesty, employee benefit liability, and educators' legal liability insurance on July 1, 2003. This is a significant increase in insurance coverage from fiscal year-end. For educators' legal liability insurance, coverage is now \$1,000,000. For property insurance, coverage increased to \$50,000,000, while crime and public employee dishonesty coverage is now \$500,000.

UPPER VALLEY JOINT VOCATIONAL SCHOOL
MIAMI COUNTY

SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2003

Federal Grantor/ Pass Through Grantor Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Non-Cash Receipts	Disbursements	Non-Cash Disbursements
U.S. DEPARTMENT OF AGRICULTURE						
<i>Passed Through Ohio Department of Education:</i>						
Nutrition Cluster:						
Food Distribution Program	Not Available	10.550		\$7,238		\$7,238
National School Lunch Program	LL-PP4 2002 LL-PP4 2003	10.555	\$6,925 16,006		\$6,925 16,006	
Total National School Lunch Program			<u>22,931</u>		<u>22,931</u>	
Total U.S. Department of Agriculture - Nutrition Cluster			22,931	7,238	22,931	7,238
U.S. DEPARTMENT OF EDUCATION						
<i>Passed Through Ohio Department of Education:</i>						
Adult Education & Community Education	ABS1-2001-C ABS1-2002 ABS1-2002-C ABS1-2003 ABS2-2003	84.002	34,966 (14,691) 30,881 154,562 32,936		400 15,921 59,513 154,562 12,770	
			<u>238,654</u>		<u>243,166</u>	
Carl D. Perkins Vocational Education - Basic Grants	20A0-2002 20C1-2002 20C1-2003 20C2-2002 20C2-2003	84.048	25,279 57,114 225,868 25,928 82,790		25,279 40,197 247,793 797 95,917	
			<u>416,979</u>		<u>409,983</u>	
Drug Free Schools and Communities	DR-S1-00 DRS1-2003	84.186			134 204 2,513	
			<u>2,513</u>		<u>2,851</u>	
Goals 2000	G2-S9-2001	84.276			672	
Eisenhower Professional Development Grant	MSS1-2001 MSS1-2002	84.281	(78) (1,223)		761 1,405	
			<u>(1,301)</u>		<u>2,166</u>	
Innovation Education Program Strategies	C2S1-2002 C2S1-2003	84.298	4,025 1,087		5,699	
			<u>5,112</u>		<u>5,699</u>	
Title II-A Improving Teacher Quality	TRS1-2003	84.367	1,114			
(Direct Payments from U.S. Department of Education)						
Pell Education Grant	PO13448 PO23764	84.063	20,317 133,188		20,317 133,188	
			<u>153,505</u>		<u>153,505</u>	
Total U.S. Department of Education			<u>816,576</u>		<u>818,042</u>	
Total Federal Assistance			<u><u>\$839,507</u></u>	<u><u>\$7,238</u></u>	<u><u>\$840,973</u></u>	<u><u>\$7,238</u></u>

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

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

**NOTES TO SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2003**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B – NUTRITION CLUSTER

Nonmonetary assistance, such as food received from the U.S. Department of Agriculture, is reported in the Schedule at the fair market value of the commodities received and consumed. Cash receipts from the U.S. Department of Agriculture are commingled with State grants. It is assumed federal monies are expended first. At June 30, 2003, the District had no significant food commodities in inventory.

NOTE C - MATCHING REQUIREMENTS

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



Auditor of State Betty Montgomery

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

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

To the Board of Education:

We have audited the financial statements of Upper Valley Joint Vocational School District, Miami County, (the District) as of and for the year ended June 30, 2003, and have issued our report thereon dated March 2, 2004, wherein we noted the District adopted Government Accounting Standards Board Statement No. 34. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance that we have reported to the management of the District in a separate letter dated March 2, 2004.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted matters involving the internal control over financial reporting, which we have reported to management of the District in a separate letter dated March 2, 2004.

Upper Valley Joint Vocational School District
Miami County
Independent Accountants' Report on Compliance and on
Internal Control Required by *Government Auditing Standards*
Page 2

This report is intended for the information and use of the audit committee, management, Board of Education, and federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

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

Betty Montgomery
Auditor of State

March 2, 2004



Auditor of State Betty Montgomery

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

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

To the Board of Education:

Compliance

We have audited the compliance of Upper Valley Joint Vocation School District, Miami County, (the District) with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2003. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

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

In our opinion, the District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2003.

Internal Control Over Compliance

The management of the District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

**Internal Control Over Compliance
(Continued)**

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses. We noted a matter involving the internal control over federal compliance that does not require inclusion in this report, that we have reported to management of the District in a separate letter dated March 2, 2004.

This report is intended for the information and use of the audit committee, management, Board of Education, and federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.



Betty Montgomery
Auditor of State

March 2, 2004

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

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 §.505
FOR THE YEAR ENDED JUNE 30, 2003**

1. SUMMARY OF AUDITOR'S RESULTS

<i>(d)(1)(i)</i>	Type of Financial Statement Opinion	Unqualified
<i>(d)(1)(ii)</i>	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(ii)</i>	Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(iii)</i>	Was there any reported material non-compliance at the financial statement level (GAGAS)?	No
<i>(d)(1)(iv)</i>	Were there any material internal control weakness conditions reported for major federal programs?	No
<i>(d)(1)(iv)</i>	Were there any other reportable internal control weakness conditions reported for major federal programs?	No
<i>(d)(1)(v)</i>	Type of Major Programs' Compliance Opinion	Unqualified
<i>(d)(1)(vi)</i>	Are there any reportable findings under § .510?	No
<i>(d)(1)(vii)</i>	Major Programs (list):	Carl D. Perkins Vocational Education-Basic Grants – CFDA # 84.048 Pell Education Grant – CFDA# 84.063
<i>(d)(1)(viii)</i>	Dollar Threshold: Type A/B Programs	Type A: > \$ 300,000 Type B: all others
<i>(d)(1)(ix)</i>	Low Risk Auditee?	Yes

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

None

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None

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

**SCHEDULE OF PRIOR AUDIT FINDINGS
OMB CIRCULAR A -133 §.315 (b)
FOR THE YEAR ENDED JUNE 30, 2003**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain:</i>
2002-10355-001	Ohio Rev. Code Section 5705.39 appropriations exceeding estimated resources.	Partially Corrected	Variance still existed. However, it is the result of advances-out being appropriated and the corresponding return of the advance (advances-in) not being budgeted.



**Auditor of State
Betty Montgomery**

88 East Broad Street
P.O. Box 1140
Columbus, Ohio 43216-1140

Telephone 614-466-4514
800-282-0370

Facsimile 614-466-4490

UPPER VALLEY JOINT VOCATIONAL SCHOOL DISTRICT

MIAMI COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
APRIL 13, 2004**