



**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 Drive  
Piqua, Ohio 45356

To the Board of Education:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Upper Valley Joint Vocational School District, Miami County, (the District), as of and for the year ended June 30, 2005, 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 the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure 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 our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Upper Valley Joint Vocational School District, as of June 30, 2005, and the respective changes in financial position and cash flows, where applicable, and the respective budgetary comparison for the General Fund and Adult Education Fund thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 23, 2006, 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 grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

Management's Discussion & Analysis is not a required part of the basic financial statements but is supplementary information accounting principles generally accepted in the United States of America requires. We have applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measuring and presenting the required supplementary information. However, we did not audit the information and express no opinion on it.

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

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

**Betty Montgomery**  
Auditor of State

March 23, 2006

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

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, 2005. 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 basic financial statements and the notes to the financial statements to enhance their understanding of the School District's financial performance.

**Financial Highlights**

Key financial highlights for 2005 are as follows:

- In total, net assets increased \$1,146,361, which represents a 6.6 percent increase from 2004.
- General revenues accounted for \$14,856,048 in revenue or 70.0 percent of all revenues. Program specific revenues in the form of charges for services, operating grants, contributions and interest, and capital grants, contributions and interest accounted for \$6,376,080 or 30.0 percent of total revenues of \$21,232,128.
- The School District had \$20,085,767 in expenses; only \$6,376,080 of these expenses were offset by program specific charges for services, grants, contributions or interest. General revenues (primarily taxes) of \$14,856,048 were adequate to provide for these programs.
- Among major funds, the General Fund had \$16,753,565 in revenues and \$16,132,982 in expenditures. The General Fund's balance increased \$619,911 over 2004.

**Using the Basic Financial Statements**

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

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

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005  
(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 2005?" 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 all of the School District's programs and services are reported as governmental activities 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 7. Fund financial reports provide detailed information about the School District's major funds. The School District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the School District's most significant funds. The School District's major governmental funds are the General Fund, the Adult Education Special Revenue Fund, the Note Retirement Debt Service Fund, and the Building Capital Projects 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, 2005  
(Continued)**

**Proprietary Funds**

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

**Fiduciary Funds**

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

**The School District as a Whole**

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

Table 1 provides a summary of the School District's net assets for 2005 compared to 2004:

	<b>2005</b>	<b>2004</b>
<b>Table 1 Net Assets</b>		
<b>Assets:</b>		
Current Assets	\$22,631,204	\$26,674,899
Capital Assets	13,033,652	8,841,016
Total Assets	35,664,856	35,515,915
<b>Liabilities:</b>		
Long-Term Liabilities	7,198,776	8,028,776
Other Liabilities	10,016,675	10,184,095
Total Liabilities	\$17,215,451	\$18,212,871
<b>Net Assets:</b>		
Invested in Capital Assets, Net of Related Debt	\$8,610,553	\$8,213,708
Restricted	2,600,792	2,095,268
Unrestricted	7,238,060	6,994,068
Total Net Assets	\$18,449,405	\$17,303,044

Total net assets increased \$1,146,361, from fiscal year 2004. Total assets of governmental activities increased by \$148,941 as cash and cash equivalents decreased by \$3,649,771. The significant decrease in cash and cash equivalents was due to significant expenditures for construction projects. The increase in capital assets was due to construction in progress.

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 \$243,992. This was due primarily to a 2.2 percent increase in the per pupil State foundation formula and a four percent increase in unrestricted tax collections.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005  
(Continued)**

Table 2 shows the changes in net assets for fiscal year 2005 compared to fiscal year 2004.

**Table 2  
Changes in Net Assets**

	<u>2005</u>	<u>2004</u>
<b>Revenues:</b>		
<b>Program Revenues:</b>		
Charges for Services	\$1,761,622	\$1,877,114
Operating Grants, Contributions and Interest	4,495,255	4,324,718
Capital Grants, Contributions and Interest	119,203	24,540
Total Program Revenues	<u>6,376,080</u>	<u>6,226,372</u>
<b>General Revenues:</b>		
Property Taxes	8,671,747	8,314,538
Grants and Entitlements not Restricted to Specific Programs	5,864,102	5,727,288
Investment Earnings	199,969	97,525
Gifts and Donations	6,121	0
Miscellaneous	114,109	62,926
Total General Revenues	<u>14,856,048</u>	<u>14,202,277</u>
Total Revenues	<u>21,232,128</u>	<u>20,428,649</u>
<b>Program Expenses:</b>		
Instruction:		
Regular	1,616,320	1,517,498
Special	1,027,474	893,115
Vocational	8,550,843	7,850,454
Adult/Continuing	1,556,059	1,627,063
Support Services:		
Pupils	1,461,086	1,334,659
Instructional Staff	312,414	293,484
Board of Education	46,110	44,932
Administration	2,037,465	1,948,369
Fiscal	570,632	521,949
Business	134,411	121,587
Operation and Maintenance of Plant	1,283,613	1,215,569
Pupil Transportation	47,036	44,193
Central	597,286	485,285
Operation of Non-Instructional Services	665,327	525,292
Extracurricular Activities	49,219	37,657
Interest and Fiscal Charges	130,472	65,458
Total Expenses	<u>20,085,767</u>	<u>18,526,564</u>
Increase in Net Assets	1,146,361	1,902,085
Net Assets Beginning of Year	<u>17,303,044</u>	<u>15,400,959</u>
Net Assets End of Year	<u>\$18,449,405</u>	<u>\$17,303,044</u>

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005  
(Continued)**

**Governmental Activities**

The unique nature of property taxes in Ohio creates the need to routinely seek voter approval for the School District's operations. Property taxes made up 40.8 percent of revenues for governmental activities for the Upper Valley Joint Vocational School District for fiscal year 2005.

Instruction comprises 63.5 percent of School District expenses. Support services expenses make up 32.3 percent of the expenses.

During fiscal year 2004, the School District invested the note proceeds for capital projects in certificates of deposit. When these short-term investments matured during fiscal year 2005, the School District invested the monies in higher interest rate securities, which explains the significant increase in capital grants, contributions, and interest. Also, fiscal year 2005 was the first full year of investing.

The significant increase in central support services was due to expenses paid for the first phase of the data warehouse implementation and for ethernet expansion of the computer network.

The significant increase in interest and fiscal charges was due to the interest payment on a \$7,000,000 note issued for the construction of a new Science and Technology addition to the building. The one-year note was reissued at maturity in the amount of \$6,100,000 for one year maturing November 29, 2005.

The Statement of Activities shows the cost of program services and the charges for services and grants, contributions and interest 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.

**Table 3  
Governmental Activities**

	<b>Total Cost Of Services 2005</b>	<b>Net Cost of Services 2005</b>	<b>Total Cost of Services 2004</b>	<b>Net Cost of Services 2004</b>
Instruction	\$12,750,696	(\$8,165,995)	\$11,888,130	(\$7,073,587)
Support Services	6,490,053	(5,305,717)	\$6,010,027	(5,176,851)
Operation of Non-				
Instructional Services	665,327	(58,284)	525,292	53,361
Extracurricular Activities	49,219	(49,219)	37,657	(37,657)
Interest and Fiscal Charges	130,472	(130,472)	65,458	(65,458)
<b>Total Expenses</b>	<b>\$20,085,767</b>	<b>(\$13,709,687)</b>	<b>\$18,526,564</b>	<b>(\$12,300,192)</b>

**The School District's Funds**

Information about the School District's major funds starts on page 13. These funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues of \$21,692,788 and expenditures of \$31,394,997. The net change in fund balance for the year in the General Fund, Adult Education Special Revenue Fund, Note Retirement Debt Service Fund and Building Capital Projects Fund were \$619,911, \$27,620, \$397,726 and (\$4,641,336), respectively.

The net change in fund balance was caused in the General Fund by tightly monitoring expenditures. The Building Capital Projects Fund reflects expenditures for construction, equipment and furnishing contracts for the Science and Technology addition. The increase in fund balance in the Note Retirement Debt Service Fund was caused by the note proceeds issued during the fiscal year and property tax collections accumulated for the specific purpose of retiring the outstanding debt.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005  
(Continued)**

**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 fiscal year 2005, the School District amended its General Fund budget numerous times, which resulted in appropriations decreasing \$134,523. The School District uses site-based budgeting and the budgeting systems are designed to tightly control total site budgets but provide flexibility for site management.

For the General Fund, the final budgeted revenue only differed from the original budgeted estimates of \$16,489,793 by \$630 to \$16,490,423.

During fiscal year 2005, the General Fund had a final budget of \$7,282,583 and \$8,867,160 for property taxes and intergovernmental revenues, respectively. The General Fund received \$7,545,646 in property tax revenue, and \$8,582,540 in intergovernmental revenue. The property taxes reflected a favorable variance for the fiscal year while intergovernmental revenue had an unfavorable variance for the fiscal year. The unfavorable variance in intergovernmental revenue was the result of an actual enrollment decrease of two percent compared to a budgeted estimated growth of three percent. The School District budgeted \$14,328,230 for vocational instruction and capital outlay while expending only \$8,301,044. This was due to the fluctuation in enrollment and General Fund vocational equipment and capital outlay expenditures being kept at a minimum during the construction and equipping of the Science and Technology addition to the building. The School District's ending unobligated cash balance was \$7,720,692 above the final budgeted amount.

**Capital Assets**

At the end of fiscal year 2005, the School District had \$13,033,652 invested in land, construction in progress, buildings and improvements, furniture, fixtures, and equipment, and vehicles.

Table 4 shows fiscal year 2005 balances compared to fiscal year 2004.

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

	<u>2005</u>	<u>2004</u>
Land	\$1,173,459	\$1,149,186
Construction in Progress	4,964,636	630,383
Buildings and Improvements	4,050,588	4,093,924
Furniture, Fixtures, and Equipment	2,785,575	2,893,883
Vehicles	59,394	73,640
Totals	<u>\$13,033,652</u>	<u>\$8,841,016</u>

Overall capital assets increased \$4,192,636 from fiscal year 2004. Increases in capital assets were primarily for construction in progress for various building projects, including construction and equipping of a Science and Technology addition to the facility and a dining commons area. The majority of equipment purchased during fiscal year 2005 was new computer equipment.

For more information on capital assets, refer to Note 9 of the basic financial statements.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005  
(Continued)**

**Debt Administration**

At June 30, 2005, the School District had \$6,147,475 in debt outstanding.

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

	<b>Governmental Activities</b>	
	<b>2005</b>	<b>2004</b>
Applied Technology Loan	\$47,475	\$79,125
School Improvement Bond Anticipation Note	6,100,000	7,000,000
<b>Total</b>	<b>\$6,147,475</b>	<b>\$7,079,125</b>

The applied technology loan will be paid from the Note Retirement Debt Service Fund with transfers from the General Fund.

During fiscal year 2005, the School District issued a bond anticipation note in the amount of \$6,100,000 for the purpose of retiring the note outstanding at the beginning of the fiscal year for improving the existing school building by constructing, renovating, remodeling, acquiring equipment and furnishings, and making related site improvements.

At June 30, 2005, the School District's overall legal debt margin was \$210,049,786 and the unvoted debt margin was \$2,392,229. See Note 14 of the notes to the basic financial statements for more detailed information.

**Current Financial Issues and Concerns**

The School District 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 the adoption of the fiscal year 2006 through fiscal year 2007 Biennial Budget Bill, the State Legislature has repealed two major business taxes – the corporate franchise tax and the tangible personal property tax, in addition to reducing the temporary sales tax increase from two years ago by one-half percent. Even though it has also enacted a new tax on business called the commercial activities tax, and have offered a hold harmless transition guarantee against significant loss of revenue due to the tax structure changes for the near term, State support for schools continues to generate many more questions than answers.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005  
(Continued)**

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

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

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

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

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

**STATEMENT OF NET ASSETS  
JUNE 30, 2005**

	<u><b>Governmental Activities</b></u>
<b>Assets:</b>	
Equity in Pooled Cash and Cash Equivalents	\$13,217,785
Accounts Receivable	69,054
Accrued Interest Receivable	31,253
Intergovernmental Receivable	216,985
Inventory of Supplies and Materials	83,525
Prepaid Items	6,437
Property Taxes Receivable	8,786,708
Assets Held for Resale	219,457
Nondepreciable Capital Assets	6,138,095
Depreciable Capital Assets, Net	6,895,557
Total Assets	<u>35,664,856</u>
<b>Liabilities:</b>	
Accounts Payable	136,897
Contracts Payable	399,811
Retainage Payable	103,650
Accrued Wages and Benefits Payable	1,153,807
Matured Compensated Absences Payable	16,486
Claims Payable	12,740
Accrued Interest Payable	92,827
Intergovernmental Payable	207,843
Deferred Revenue	7,892,614
Long Term Liabilities:	
Due Within One Year	106,560
Due In More Than One Year	7,092,216
Total Liabilities	<u>17,215,451</u>
<b>Net Assets:</b>	
Invested in Capital Assets, Net of Related Debt	8,610,553
Restricted for:	
Capital Projects	1,259,540
Debt Service	921,819
Other Purposes	344,840
Set-Asides	74,593
Unrestricted	7,238,060
Total Net Assets	<u><u>\$18,449,405</u></u>

*See Accompanying Notes to the Basic Financial Statements.*

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

**STATEMENT OF ACTIVITIES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

	Expenses	Program Revenues		Net (Expense)
		Charges for Services	Operating Grants, Contributions and Interest	Capital Grants, Contributions and Interest
				Total Governmental Activities
<b>Governmental Activities:</b>				
Instruction:				
Regular	\$1,616,320			(\$1,616,320)
Special	1,027,474		\$323,270	(704,204)
Vocational	8,550,843	\$102,155	2,593,492	\$39,032
Adult/Continuing	1,556,059	887,452	639,300	(29,307)
Support Services:				
Pupils	1,461,086	22,479	298,090	61,049
Instructional Staff	312,414		104,321	
Board of Education	46,110			
Administration	2,037,465	176,291	121,625	19,122
Fiscal	570,632	1,441	726	
Business	134,411			
Operation and Maintenance of Plant	1,283,613	21,948	24,549	
Pupil Transportation	47,036		303,338	
Central	597,286	13,023	16,334	
Operation of Non-Instructional Services	665,327	536,833	70,210	
Extracurricular Activities	49,219			
Interest and Fiscal Charges	130,472			
<b>Total Governmental Activities</b>	<b>\$20,085,767</b>	<b>\$1,761,622</b>	<b>\$4,495,255</b>	<b>\$119,203</b>

**General Revenues:**

Property Taxes Levied for:	
General Purposes	7,410,632
Debt Service	1,261,115
Grants and Entitlements not Restricted to	
Specific Programs	5,864,102
Investment Earnings	199,969
Gifts and Donations	6,121
Miscellaneous	114,109
<b>Total General Revenues</b>	<b>14,856,048</b>
Change in Net Assets	1,146,361
Net Assets Beginning of Year	17,303,044
Net Assets End of Year	<b>\$18,449,405</b>

See Accompanying Notes to the Basic Financial Statements.



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

**BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2005**

	<u>General</u>	<u>Adult Education</u>	<u>Note Retirement</u>	<u>Building</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Assets:</b>						
Equity in Pooled Cash and Cash Equivalents	\$8,046,077	\$225,049	\$895,285	\$2,323,167	\$1,305,327	\$12,794,905
Receivables:						
Property Taxes	7,515,513		1,271,195			8,786,708
Accounts	2,325	54,709			12,020	69,054
Intergovernmental	10,463	87,493			119,029	216,985
Accrued Interest	18,836		1,374	9,748	1,295	31,253
Interfund	92,667				2,177	94,844
Assets Held for Resale	219,457					219,457
Inventory of Supplies and Materials	2,392				28,950	31,342
Prepaid Items	6,437					6,437
Restricted Assets:						
Equity in Pooled Cash and Cash Equivalents	75,982					75,982
<b>Total Assets</b>	<u>15,990,149</u>	<u>367,251</u>	<u>2,167,854</u>	<u>2,332,915</u>	<u>1,468,798</u>	<u>22,326,967</u>
<b>Liabilities and Fund Balances:</b>						
<b>Liabilities:</b>						
Accounts Payable	113,410	5,343			17,724	136,477
Contracts Payable				399,811		399,811
Retainage Payable				103,650		103,650
Accrued Wages and Benefits Payable	1,074,947	30,798			48,062	1,153,807
Intergovernmental Payable	180,444	10,936			16,463	207,843
Interfund Payable	27,594	3,386			92,936	123,916
Deferred Revenue	6,962,674	9,870	1,182,496	2,770	28,653	8,186,463
Matured Compensated Absences Payable	16,486					16,486
<b>Total Liabilities</b>	<u>8,375,555</u>	<u>60,333</u>	<u>1,182,496</u>	<u>506,231</u>	<u>203,838</u>	<u>10,328,453</u>
<b>Fund Balances:</b>						
Reserved for Encumbrances	577,165	27,726		412,776	36,688	1,054,355
Reserved for Property Taxes	552,839		88,699			641,538
Reserved for Textbooks and Instructional Materials	1,140					1,140
Reserved for Capital Improvements	73,453					73,453
Reserved for Unclaimed Monies	1,389					1,389
Reserved for Assets Held for Resale	219,457					219,457
Unreserved, Undesignated, Reported in:						
General Fund	6,189,151					6,189,151
Special Revenue Funds		279,192			73,810	353,002
Debt Service Fund			896,659			896,659
Capital Projects Funds				1,413,908	1,154,462	2,568,370
<b>Total Fund Balances</b>	<u>7,614,594</u>	<u>306,918</u>	<u>985,358</u>	<u>1,826,684</u>	<u>1,264,960</u>	<u>11,998,514</u>
<b>Total Liabilities and Fund Balances</b>	<u>\$15,990,149</u>	<u>\$367,251</u>	<u>\$2,167,854</u>	<u>\$2,332,915</u>	<u>\$1,468,798</u>	<u>\$22,326,967</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, 2005**

**Total Governmental Fund Balance** \$11,998,514

**Amounts reported for governmental activities in the  
Statement of Net Assets are different because:**

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

Land	\$1,173,459	
Construction in Progress	4,964,636	
Building and Improvements	6,208,663	
Furniture, Fixtures, and Equipment	6,435,966	
Vehicles	232,824	
Accumulated Depreciation	(5,981,896)	
Total Capital Assets	13,033,652	13,033,652

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.

413,507

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

Property Taxes Receivable	252,556	
Intergovernmental Receivable	28,354	
Accounts Receivable	10,169	
Accrued Interest Receivable	2,770	
	293,849	293,849

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

Applied Technology Loan	(47,475)	
Notes Payable	(6,100,000)	
Accrued Interest on Notes	(92,827)	
Compensated Absences Payable	(1,049,815)	
Total Liabilities	(7,290,117)	(7,290,117)

Net assets of Governmental Activities \$18,449,405

*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, 2005**

	<u>General</u>	<u>Adult Education</u>	<u>Note Retirement</u>	<u>Building</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Revenues:</b>						
Property Taxes	\$7,725,360		\$1,266,310			\$8,991,670
Tuition and Fees	43,894	\$1,151,512			\$256,921	1,452,327
Interest	180,793		14,130	\$97,311	19,128	311,362
Intergovernmental	8,583,005	619,320	143,277		1,118,579	10,464,181
Charges for Services	104,605				240,010	344,615
Gifts and Donations	572				5,990	6,562
Rent	7,962					7,962
Miscellaneous	107,374	6,735				114,109
Total Revenues	<u>16,753,565</u>	<u>1,777,567</u>	<u>1,423,717</u>	<u>97,311</u>	<u>1,640,628</u>	<u>21,692,788</u>
<b>Expenditures:</b>						
<b>Current:</b>						
Instruction:						
Regular	1,605,344					1,605,344
Special	1,014,295					1,014,295
Vocational	7,841,903			7,116	356,634	8,205,653
Adult/Continuing		1,406,049			146,324	1,552,373
Support Services:						
Pupils	1,138,533	35,656		4,090	283,870	1,462,149
Instructional Staff	191,868				107,276	299,144
Board of Education	46,110					46,110
Administration	1,720,588	283,475			31,296	2,035,359
Fiscal	511,489		23,013		32,069	566,571
Business	132,603					132,603
Operation and Maintenance of Plant	1,207,696	29,688			9,136	1,246,520
Pupil Transportation	42,022					42,022
Central	505,436	20,079			58,136	583,651
Operation of Non-Instructional Services	100,566				566,039	666,605
Extracurricular Activities	49,219					49,219
Capital Outlay	25,310			4,727,441		4,752,751
Debt Service:						
Principal Retirement			7,031,650			7,031,650
Interest and Fiscal Charges			102,978			102,978
Total Expenditures	<u>16,132,982</u>	<u>1,774,947</u>	<u>7,157,641</u>	<u>4,738,647</u>	<u>1,590,780</u>	<u>31,394,997</u>
Excess of Revenues Over (Under) Expenditures	<u>620,583</u>	<u>2,620</u>	<u>(5,733,924)</u>	<u>(4,641,336)</u>	<u>49,848</u>	<u>(9,702,209)</u>
<b>Other Financing Sources (Uses):</b>						
Proceeds from Sale of Capital Assets	114,000					114,000
Proceeds from Sale of Notes			6,100,000			6,100,000
Transfers - In		25,000	31,650		58,022	114,672
Transfers - Out	(114,672)					(114,672)
Total Other Financing Sources (Uses)	<u>(672)</u>	<u>25,000</u>	<u>6,131,650</u>		<u>58,022</u>	<u>6,214,000</u>
Net Change in Fund Balances	619,911	27,620	397,726	(4,641,336)	107,870	(3,488,209)
Fund Balances at Beginning of Year	<u>6,994,683</u>	<u>279,298</u>	<u>587,632</u>	<u>6,468,020</u>	<u>1,157,090</u>	<u>15,486,723</u>
Fund Balances at End of Year	<u>\$7,614,594</u>	<u>\$306,918</u>	<u>\$985,358</u>	<u>\$1,826,684</u>	<u>\$1,264,960</u>	<u>\$11,998,514</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, 2005**

**Net Change in Fund Balances - Total Governmental Funds** (\$3,488,209)

**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	\$4,628,610	
Depreciation Expense	(424,075)	
Excess of Capital Outlay Over Depreciation Expense		4,204,535

The cost of disposed capital assets is removed from the capital assets account on the Statement of Net Assets resulting in a loss on disposal of capital assets on the Statement of Activities.

Proceeds from Sale of Capital Assets	(114,000)	
Gain on Disposal of Capital Assets	102,101	
		(11,899)

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.

Applied Technology Loan	31,650	
Notes Payable	7,000,000	
		7,031,650

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

(6,100,000)

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

72,073

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	(319,923)	
Tuition and Fees	(43,282)	
Gifts and Donations	(441)	
Interest	2,770	
Intergovernmental Grants	(104,824)	
Total		(465,700)

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

Increase in Accrued Interest	(27,494)	
Increase in Compensated Absences	(101,311)	
Decrease in Intergovernmental Payable	32,716	
Total		(96,089)

Change in Net Assets of Governmental Activities		\$1,146,361
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*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, 2005**

	<u>Budgeted Amounts</u>			Variance With Final Budget
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	Positive (Negative)
<b>Revenues:</b>				
Property Taxes	\$7,282,583	\$7,282,583	\$7,545,646	\$263,063
Tuition and Fees	31,500	31,500	33,122	1,622
Interest	115,000	115,000	174,640	59,640
Intergovernmental	8,867,160	8,867,160	8,582,540	(284,620)
Charges for Services	66,000	174,450	229,839	55,389
Gifts and Donations	1,000	1,000	572	(428)
Rent	6,000	6,480	7,962	1,482
Miscellaneous	120,550	12,250	103,599	91,349
<b>Total Revenues</b>	<b>16,489,793</b>	<b>16,490,423</b>	<b>16,677,920</b>	<b>187,497</b>
<b>Expenditures:</b>				
<b>Current:</b>				
Instruction:				
Regular	1,730,694	1,723,694	1,598,618	125,076
Special	1,048,846	1,049,846	988,987	60,859
Vocational	13,056,461	13,069,461	8,268,795	4,800,666
Support Services:				
Pupils	1,247,686	1,247,685	1,142,887	104,798
Instructional Staff	253,099	253,099	214,632	38,467
Board of Education	66,885	66,885	47,219	19,666
Administration	1,815,367	1,805,066	1,744,911	60,155
Fiscal	536,107	537,906	523,105	14,801
Business	132,895	134,395	132,945	1,450
Operation and Maintenance of Plant	1,921,076	1,921,077	1,347,204	573,873
Pupil Transportation	97,717	99,717	46,408	53,309
Central	602,561	600,561	546,903	53,658
Operation of Non-Instructional Services	468,965	333,965	229,995	103,970
Extracurricular Activities	52,547	52,547	48,048	4,499
Capital Outlay	1,258,290	1,258,769	32,249	1,226,520
<b>Total Expenditures</b>	<b>24,289,196</b>	<b>24,154,673</b>	<b>16,912,906</b>	<b>7,241,767</b>
Excess of Revenues Under Expenditures	(7,799,403)	(7,664,250)	(234,986)	7,429,264
<b>Other Financing Sources (Uses):</b>				
Proceeds from Sale of Capital Assets	277,500	142,500	114,000	(28,500)
Refund of Prior Year Expenditure	3,000	3,000	5,335	2,335
Refund of Prior Year Receipts		(61,472)	(58,638)	2,834
Advances - In			232,098	232,098
Advances - Out	(200,000)	(140,000)	(92,667)	47,333
Transfers - Out	(150,000)	(150,000)	(114,672)	35,328
<b>Total Other Financing Sources (Uses)</b>	<b>(69,500)</b>	<b>(205,972)</b>	<b>85,456</b>	<b>291,428</b>
Net Change in Fund Balance	(7,868,903)	(7,870,222)	(149,530)	7,720,692
Fund Balance at Beginning of Year	6,949,436	6,949,436	6,949,436	
Prior Year Encumbrances Appropriated	630,073	630,073	630,073	
<b>Fund Balance (Deficit) at End of Year</b>	<b>(\$289,394)</b>	<b>(\$290,713)</b>	<b>\$7,429,979</b>	<b>\$7,720,692</b>

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, 2005**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance With Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues:</b>				
Tuition and Fees	\$986,350	\$1,001,350	\$1,152,581	\$151,231
Intergovernmental	636,000	621,000	611,071	(9,929)
Gifts and Donations	42,000	42,000		(42,000)
Miscellaneous	7,000	7,000	6,735	(265)
Total Revenues	<u>1,671,350</u>	<u>1,671,350</u>	<u>1,770,387</u>	<u>99,037</u>
<b>Expenditures:</b>				
<b>Current:</b>				
Instruction:				
Adult/Continuing	1,494,507	1,477,857	1,432,750	45,107
Support Services:				
Pupils	49,100	49,100	35,653	13,447
Administration	298,705	310,706	286,031	24,675
Operation and Maintenance of Plant	45,602	45,602	35,399	10,203
Central	16,201	20,850	20,656	194
Capital Outlay	200	200		200
Total Expenditures	<u>1,904,315</u>	<u>1,904,315</u>	<u>1,810,489</u>	<u>93,826</u>
Excess of Revenues Under Expenditures	(232,965)	(232,965)	(40,102)	192,863
<b>Other Financing Sources:</b>				
Transfers - In	<u>25,000</u>	<u>25,000</u>	<u>25,000</u>	
Net Change in Fund Balance	(207,965)	(207,965)	(15,102)	192,863
Fund Balance at Beginning of Year	176,050	176,050	176,050	
Prior Year Encumbrances Appropriated	31,915	31,915	31,915	
Fund Balance at End of Year	<u>\$0</u>	<u>\$0</u>	<u>\$192,863</u>	<u>\$192,863</u>

*See Accompanying Notes to the Basic Financial Statements.*

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

**STATEMENT OF FUND NET ASSETS  
INTERNAL SERVICE FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

**Assets:**

**Current Assets:**

Equity in Pooled Cash and Cash Equivalents	\$346,898
Inventory of Supplies and Materials	52,183
Interfund Receivable	<u>29,072</u>
Total Assets	<u>428,153</u>

**Liabilities:**

**Current Liabilities:**

Accounts Payable	420
Claims Payable	12,740
Compensated Absences Payable	<u>579</u>
Total Current Liabilities	13,739

**Long-Term Liabilities:**

Compensated Absences Payable	<u>907</u>
Total Liabilities	<u>14,646</u>

**Net Assets:**

Unrestricted	<u>413,507</u>
Total Net Assets	<u><u>\$413,507</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, 2005**

<b>Operating Revenues:</b>	
Charges for Services	\$326,260
Sales	135,747
Other	55,445
Total Operating Revenues	<u>517,452</u>
<b>Operating Expenses:</b>	
Salaries and Wages	8,564
Fringe Benefits	2,566
Purchased Services	85,958
Materials and Supplies	420
Cost of Sales	115,034
Claims	237,860
Other	17
Total Operating Expenses	<u>450,419</u>
Operating Income	67,033
<b>Non-Operating Revenue:</b>	
Interest Revenue	<u>5,040</u>
Change in Net Assets	72,073
Net Assets Beginning of Year	<u>341,434</u>
Net Assets End of Year	<u><u>\$413,507</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, 2005**

<b>Increase (Decrease) in Cash and Cash Equivalents</b>	
<b>Cash Flows from Operating Activities:</b>	
Cash Received from Other Operating Receipts	\$133,925
Cash Received for Interfund Services Provided	445,720
Cash Payments for Employee Services and Benefits	(10,791)
Cash Payments to Suppliers for Goods and Services	(194,022)
Cash Payments for Employee Medical Insurance Claims	(332,623)
Other Operating Expenses	(17)
<b>Net Cash Provided by Operating Activities</b>	<u>42,192</u>
 <b>Cash Flows from Investing Activities:</b>	
Interest	<u>5,040</u>
 Net Increase in Cash and Cash Equivalents	 47,232
 Cash and Cash Equivalents Beginning of Year	 <u>299,666</u>
 Cash and Cash Equivalents End of Year	 <u><u>\$346,898</u></u>
 <b>Reconciliation of Operating Income to Net Cash Provided by Operating Activities:</b>	
Operating Income	\$67,033
 <b>Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:</b>	
Changes in Assets and Liabilities:	
Decrease in Accounts Receivable	64,015
Decrease in Inventory of Supplies and Materials	8,733
Increase in Interfund Receivable	(1,822)
Decrease in Accounts Payable	(1,343)
Increase in Compensated Absences Payable	339
Decrease in Claims Payable	(94,763)
<b>Net Cash Provided by Operating Activities</b>	<u><u>\$42,192</u></u>

*See Accompanying Notes to the Basic Financial Statements.*

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

**STATEMENT OF FIDUCIARY NET ASSETS  
FIDUCIARY FUNDS  
JUNE 30, 2005**

	<b>Private Purpose Trust</b>	
	<b>Scholarship</b>	<b>Agency</b>
<b>Assets:</b>		
Equity in Pooled Cash and Cash Equivalents	\$12,121	\$58,305
<b>Liabilities:</b>		
Undistributed Monies		\$58,305
<b>Net Assets:</b>		
Held in Trust for Scholarships	1,829	
Held in Trust for Other Governments	10,292	
Total Net Assets	\$12,121	

*See Accompanying Notes to the Basic Financial Statements.*

UPPER VALLEY JOINT VOCATIONAL SCHOOL DISTRICT  
MIAMI COUNTY

STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS  
FIDUCIARY FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

	<u>Private Purpose Trust</u>
<b>Additions:</b>	
Interest	\$347
Gifts and Donations	16,100
Miscellaneous	185,553
Total Additions	<u>202,000</u>
<b>Deletions:</b>	
Payments in Accordance with Trust Agreements	<u>198,235</u>
Change in Net Assets	3,765
Net Assets Beginning of Year	<u>8,356</u>
Net Assets End of Year	<u><u>\$12,121</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, 2005**

**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 who are members of the Board of Education of the participating schools. One member is appointed from each of the following: Bradford Exempted Village School District, Covington Exempted Village School District, and Miami County Educational Service Center. Two members are appointed from the following city and/or county school districts: Piqua, Shelby, Sidney, and Troy. The Board of Education is responsible for providing vocational job training to residents of the participating school districts. The School District employs 303 certified teaching personnel, including 16 administrators, and 104 classified staff members who serve 2,895 secondary students and 5,466 adult students.

**A. Reporting Entity:**

The School District is a jointly governed organization, legally separate from other organizations. The Board of Education of the School District is not directly elected. None of the school districts that appoint Board members are financially accountable for the School District.

The reporting entity is comprised of the jointly governed organization, component units, and other organizations that are included to insure that the financial statements are not misleading. The jointly governed organization 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 two insurance purchasing pools. 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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005  
(Continued)**

**1. DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY (Continued)**

Insurance Purchasing Pool:

Southwestern Ohio Educational Purchasing Council Workers'

Compensation Group Rating Plan

Southwestern Ohio Educational Purchasing Council Medical Benefits Plan

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

**A. Basis of Presentation**

The School District's basic financial statements consist of government-wide statements, including a Statement of Net Assets and a Statement of Activities, and fund financial statements, which provide a more detailed level of financial information.

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

The Statement of Net Assets and the Statement of Activities display information about the School District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The activities of the Internal Service Funds are eliminated to avoid "doubling up" revenues and expenses. The government-wide financial statements 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 with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the School District.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**2. Fund Financial Statements:**

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

**B. Fund Accounting**

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

**1. Governmental Funds:**

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

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

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

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

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

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005  
(Continued)**

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

**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 an Employee Benefits 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 four trust funds are private purpose trusts which account for college scholarship programs for students, PELL grants, and adult tuition. The agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The School District's agency fund accounts for those student activities which consist of a student body, student president, student treasurer, and faculty advisor.

**C. Measurement Focus**

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

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

**2. Fund Financial Statements:**

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

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

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



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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005  
(Continued)**

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

**D. Basis of Accounting**

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

**1. Revenues - Exchange and Non-exchange Transactions:**

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

Non-exchange transactions, in which the School District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied (See Note 7). Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the fiscal year when the resources are required to be used or the fiscal year when use is first permitted; matching requirements, in which the School District must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the School District on a reimbursement basis. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

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

**2. Deferred Revenue:**

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

Property taxes for which there is an enforceable legal claim as of June 30, 2005, but which were levied to finance fiscal year 2006 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005  
(Continued)**

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

**3. Expenses/Expenditures:**

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

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Allocations of cost, 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" on the financial statements.

During fiscal year 2005, the School District invested in Federal National Mortgage Association Notes, Federal Home Loan Bank Bonds, Federal Home Loan Mortgage Corporation Notes, US Treasury Notes, Commercial Paper, US Treasury Money Market Mutual Fund, and STAROhio. Investments are reported at fair value which is based on quoted market prices. For investments in open-end mutual funds, fair value is determined by the fund's share price.

STAROhio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAROhio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAROhio are valued at STAROhio's share price which is the price the investment could be sold for on June 30, 2005.

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the General Fund during fiscal year 2005 amounted to \$180,793 which includes \$81,261 assigned from other School District funds.

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

**F. Interfund Balances**

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

**G. Assets Held for Resale**

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005  
(Continued)**

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

**H. Inventory**

Inventories are presented at cost on a first-in, first-out basis and are expended/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, 2005, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the fiscal year in which services are consumed.

**J. Restricted Assets**

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

**K. Capital Assets**

The School District's only capital assets are general capital assets. General capital assets are those assets specifically related to governmental activities. General capital assets usually 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, which is determined by indexing the current replacement costs back to the year of acquisition) and updated for additions and retirements during the fiscal year. Donated capital assets are recorded at their fair market values as of the date received. The School District maintains a capitalization threshold of twelve hundred dollars. The School District does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized.

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

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005  
(Continued)**

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

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

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

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

**M. Compensated Absences**

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

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

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

On 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. In the proprietary funds, the entire amount of compensated absences is reported as a fund liability.

**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 enabling legislation or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. Net assets restricted for other purposes include resources restricted for required 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.

The government-wide Statement of Net Assets reports \$2,600,792 of restricted net assets, of which \$1,153,794 are restricted by enabling legislation.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005  
(Continued)**

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

**O. Fund Balance Reserves**

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

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

**P. Operating Revenues and Expenses**

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

**Q. Interfund Activity**

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

**R. Budgetary Process**

All funds, other than the agency fund, 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 Treasurer has been authorized to allocate Board appropriations to the function and object level within all funds.

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005  
(Continued)**

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

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, including all supplemental appropriations.

**S. 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.

**3. CHANGE IN ACCOUNTING PRINCIPLES**

For fiscal year 2005, the School District has implemented *GASB Statement No. 40, "Deposit and Investment Risk Disclosures"*, *GASB Statement No. 46, "Net Assets Restricted by Enabling Legislation"* and *GASB Technical Bulletin No. 2004-2, "Recognition of Pension and Other Post-Employment Benefit Expenditures/Expenses and Liabilities by Cost Sharing Employers"*.

*GASB Statement No. 40* establishes new disclosure requirements for risks associated with deposits and investments. The implementation of this statement had no effect on the School District's financial statements for fiscal year 2005.

*GASB Statement No. 46* clarifies how legal enforceability should be applied for determining restricted net assets. The implementation of this new statement had no effect on the School District's financial statements for fiscal year 2005.

*GASB Technical Bulletin No. 2004-2* addresses the amount that should be recognized as an expenditure/expense and as a liability each period by employers participating in a cost-sharing multiple-employer pension and other post-employment benefit (OPEB) plans. The implementation of this bulletin had no effect on the School District's financial statements for fiscal year 2005.

**4. COMPLIANCE AND ACCOUNTABILITY**

**A. Compliance**

The General Fund had an excess of appropriations over estimated resources plus available balances for the original and final budgets at June 30, 2005 of \$289,394 and \$290,713, respectively. The School District will monitor budgetary controls more closely to ensure appropriations due not exceed estimated resources and available balances in the future.

**B. Accountability**

The Food Service, Adult Full Service Center, ABLE, Title VI, and Miscellaneous Federal Grants Special Revenue Funds, had deficit fund balances at June 30, 2005, of \$8,319, \$3,657, \$1,819, \$1,731, and \$2,405, respectively. The fund deficits will be eliminated when the advances - in, shown as interfund payable, are paid off. The advances were made to cover expected cash flow problems. Future lunch room and grant receipts will be used to repay the advances.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005  
(Continued)**

**5. BUDGETARY BASIS OF ACCOUNTING**

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

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

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

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

<b>Net Change in Fund Balances</b>		
	<b>General</b>	<b>Adult Education</b>
GAAP Basis	\$619,911	\$27,620
Net Adjustment for Revenue Accruals	(69,500)	(7,180)
Net Adjustment for Expenditure Accruals	(202,094)	(3,627)
Prior Year Change in Fair Value of Investments	(6,395)	0
Current Year Change in Fair Value of Investments	(810)	0
Advances	139,431	0
Adjustment for Encumbrances	(630,073)	(31,915)
Budget Basis	(\$149,530)	(\$15,102)

**6. DEPOSITS AND INVESTMENTS**

Monies held by the School District are classified by State statute into three categories.

Active monies are public monies determined to be necessary to meet current demands upon the School District treasury. Active 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, 2005  
(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 accounts, including passbook accounts.

Interim monies held by the School District may be deposited or invested in the following securities:

1. United States Treasury notes, bills, bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above;
4. Bonds and other obligations of the State of Ohio or local governments;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations;
7. The State Treasurer's investment pool (STAROhio); and
8. Commercial paper and bankers acceptances if training requirements have been met.

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. Investments may only be made through specified dealers and institutions.

**A. Deposits**

Custodial credit risk for deposits is the risk that in the event of bank failure, the School District will not be able to recover deposits or collateral securities that are in the possession of an outside party. At year-end, \$3,760,560 of the School District's bank balance of \$4,122,315 was exposed to custodial credit risk because it was uninsured and collateralized with securities held by the pledging financial institution.



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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005  
(Continued)**

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

The School District has no deposit policy for custodial risk beyond the requirements of State statute. Ohio law requires that deposits be either insured or be protected by eligible securities pledged to and deposited either with the School District or a qualified trustee by the financial institution as security for repayment, or by a collateral pool of eligible securities deposited with a qualified trustee and pledged to secure the repayment of all public monies deposited in the financial institution whose market value at all times shall be at least one hundred five percent of the deposits being secured.

**B. Investments**

As of June 30, 2005, the School District had the following investments. All investments are in an internal investment pool.

	<u>Fair Value</u>	<u>Investment Maturities (in Years)</u>	
		<u>Less than 1</u>	<u>1-2</u>
Federal National Mortgage Association (FNMA) Notes	\$3,032,666	\$2,813,559	\$219,107
Federal Home Loan Bank Bonds	2,059,104	1,630,857	428,247
Federal Home Loan Mortgage Corporation (FHLMC) Notes	2,632,095	2,444,335	187,760
US Treasury Notes	530,657	530,657	0
Commercial Paper	184,660	184,660	0
US Treasury Money Market Mutual Fund	188,239	188,239	0
STAROhio	876,537	876,537	0
	<u>\$9,503,958</u>	<u>\$8,668,844</u>	<u>\$835,114</u>

**Interest Rate Risk** – The School District has no investment policy that addresses interest rate risk. State statute requires that an investment mature within five years from the date of purchase, unless matched to a specific obligation or debt of the School District, and that an investment must be purchased with the expectation that it will be held to maturity. State statute limits investments in commercial paper to a maximum maturity of 180 days from the date of purchase.

**Credit Risk** – The Federal National Mortgage Association Notes, Federal Home Loan Bank Bonds, Federal Home Loan Mortgage Corporation Notes, US Treasury Notes, Commercial Paper, and US Treasury Money Market Mutual Fund carry a rating of AAA by Moody's. The School District's investment policy limits investments to those authorized by State statute. STAROhio carries a rating of AAAM by Standard and Poor's. Ohio law requires that STAROhio maintain the highest rating provided by at least one nationally recognized standard rating service and that the money market mutual fund be rated in the highest category at the time of purchase by at least one nationally recognized standard rating service. Investments in commercial paper are limited to notes rated at the time of purchase to have the highest classification established by two nationally recognized standard rating services.

**Concentration of Credit Risk** – The School District places no limit on the amount it may invest in any one issuer, however State statute limits investments in commercial paper and bankers' acceptances to 25% of the interim monies available for investment at any one time. The School District's investments in Federal National Mortgage Association Notes, Federal Home Loan Bank Bonds, Federal Home Loan Mortgage Corporation Notes, US Treasury Notes, Commercial Paper, US Treasury Money Market Mutual Fund, and STAROhio represents 31.91 percent, 21.67 percent, 27.70 percent, 5.58 percent, 1.94 percent, 1.98 percent, and 9.22 percent, respectively, of the School District's total investments.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005  
(Continued)**

**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.

Property taxes include amounts levied against all real, public utility and tangible personal property (used in business) located in the School District. Real property tax revenue received in calendar year 2005 represents collections of calendar year 2004 taxes. Real property taxes received in calendar year 2005 were levied after April 1, 2004, on the assessed value listed as of January 1, 2004, the lien date. Assessed values for real property taxes are established by State law at thirty-five percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenue received in calendar year 2005 represents collections of calendar year 2004 taxes. Public utility real and tangible personal property taxes received in calendar year 2005 became a lien December 31, 2004, were levied after April 1, 2004 and are collected in 2005 with real property taxes. Public utility real property is assessed at thirty-five percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

Tangible personal property tax revenue received during calendar year 2005 (other than public utility property) represents the collection of 2005 taxes. Tangible personal property taxes received in calendar year 2005 were levied after April 1, 2004, on the value as of December 31, 2004. Tangible personal property is currently assessed at twenty-five percent of true value for capital assets and twenty-three 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 County by June 30, 2005, are available to finance fiscal year 2005 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable includes real, personal property, and public utility taxes which are measurable as of June 30, 2005, 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 were levied to finance current fiscal year operations and are 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 at June 30, 2005, was \$641,538 and is recognized as revenue: \$552,839 in the General Fund and \$88,699 in the Note Retirement Debt Service Fund. The amount available as an advance at June 30, 2004, was \$373,125 in the General Fund and \$32,253 in the Note Retirement Debt Service Fund.

On a full accrual basis, collectible delinquent property taxes have been recorded as a receivable and revenue while on a modified accrual basis the revenue is deferred.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005  
(Continued)**

**7. PROPERTY TAXES (Continued)**

The assessed values upon which the fiscal year 2005 taxes were collected are:

	<u>2004 Second – Half Collections</u>		<u>2005 First - Half Collections</u>	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/Residential and Other Real Estate	\$1,748,660,730	75.34%	\$1,831,619,070	76.57%
Public Utility Personal	76,478,410	3.29	76,072,630	3.18
Tangible Personal Property	495,948,568	21.37	484,537,209	20.25
<b>Total</b>	<u><u>\$2,321,087,708</u></u>	<u><u>100.00%</u></u>	<u><u>\$2,392,228,909</u></u>	<u><u>100.00%</u></u>
Tax Rate per \$1,000 of Assessed Valuation	\$5.46		\$5.45	

**8. RECEIVABLES**

Receivables at June 30, 2005, consisted of property taxes, accounts receivable (tuition, charges for services, and student fees), intergovernmental receivables (grants and tuition and fees), interest and interfund. All receivables are considered collectible in full and will be received within one year. Property taxes, although ultimately collectible, include some portion of delinquents that will not be collected within one year.

A summary of the principal items of intergovernmental receivables follows:

	<u>Amounts</u>
Governmental Activities:	
Food Service Subsidies	\$11,381
Adult Education Fees	87,493
School District Tuition and Fees	15,265
Adult Full Service Center Grant	5,941
Preschool Grant	4,917
Career Education Grant	8,606
Agricultural Education Grant	600
ABLE Grant	17,362
Carl D. Perkins Grant	45,291
Title V Grant	8,642
Title II-A Grant	6,083
Drug Free Grant	5,404
<b>Total Intergovernmental Receivables</b>	<u><u>\$216,985</u></u>

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005  
(Continued)**

**9. CAPITAL ASSETS**

Capital assets activity for the fiscal year ended June 30, 2005, was as follows:

<b>Governmental Activities</b>	<b>Balance 6/30/04</b>	<b>Additions</b>	<b>Deductions</b>	<b>Balance 6/30/05</b>
Capital Assets, not Being Depreciated:				
Land	\$1,149,186	\$24,273	\$0	\$1,173,459
Construction in Progress	630,383	4,334,253	0	4,964,636
Total Capital Assets, not Being Depreciated	<u>1,779,569</u>	<u>4,358,526</u>	<u>0</u>	<u>6,138,095</u>
Capital Assets, Being Depreciated:				
Buildings and Improvements	6,167,549	41,114	0	6,208,663
Furniture, Fixtures, and Equipment	6,310,080	228,970	(103,084)	6,435,966
Vehicles	232,824	0	0	232,824
Total Capital Assets, Being Depreciated	<u>12,710,453</u>	<u>270,084</u>	<u>(103,084)</u>	<u>12,877,453</u>
Less Accumulated Depreciation:				
Buildings and Improvements	(2,073,625)	(84,450)	0	(2,158,075)
Furniture, Fixtures, and Equipment	(3,416,197)	(325,379)	91,185	(3,650,391)
Vehicles	(159,184)	(14,246)	0	(173,430)
Total Accumulated Depreciation	<u>(5,649,006)</u>	<u>(424,075)</u>	<u>91,185</u>	<u>(5,981,896)</u>
Capital Assets, Being Depreciated, Net	<u>7,061,447</u>	<u>(153,991)</u>	<u>(11,899)</u>	<u>6,895,557</u>
Governmental Activities Capital Assets, Net	<u>\$8,841,016</u>	<u>\$4,204,535</u>	<u>(\$11,899)</u>	<u>\$13,033,652</u>

Depreciation expense was charged to governmental functions as follows:

<b>Instruction:</b>	
Regular	\$9,165
Special	8,784
Vocational	281,085
Adult/Continuing	13,239
Support Services:	
Pupils	6,160
Instructional Staff	12,322
Administration	20,049
Fiscal	93
Business	438
Operation and Maintenance of Plant	49,594
Pupil Transportation	5,654
Central	11,195
Operation of Non-Instructional Services	6,297
Total Depreciation Expense	<u>\$424,075</u>

**10. RISK MANAGEMENT**

**A. Property and Liability**

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2005, the School District joined together with other School Districts in Ohio to participate in the Southwestern Ohio Educational Purchasing Council Property, Fleet and Liability Insurance Program, an insurance purchasing pool.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005  
(Continued)**

**10. RISK MANAGEMENT (Continued)**

Coverage is as follows:

Property (\$1,000 deductible, subject to scheduled limits)	\$301,000,000
Boiler and Machinery (\$2,500 deductible)	50,000,000
Auto Liability/Physical Damage (\$1,000 deductible)	1,000,000
Uninsured/Underinsured Motorists	1,000,000
General Liability (per occurrence/aggregate)	1,000,000/3,000,000
Employee Benefits Liability (per occurrence/aggregate)	1,000,000/3,000,000
Employers' Liability – Stop gap coverage	1,000,000
Umbrella Coverage	5,000,000

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

**B. Employee Benefits**

The School District has elected to provide employee medical/surgical benefits through a self-insurance internal service fund. The employees share the cost of the monthly premium with the board. The premium varies with each employee depending on the type of coverage they select. Premiums are paid into a self-insurance fund by all other funds and are available to pay claims, claim reserves and administrative costs of the program. CoreSource is the School District's third party administrator who informs the School District of claim payments needed. The claims liability of \$12,740 reported in the Employee Benefit Insurance Internal Service Fund at June 30, 2005, 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>
2004	\$87,546	\$1,371,160	\$1,351,203	\$107,503
2005	107,503	237,860	332,623	12,740

Since October 1, 1990, the School District has been self-funding its medical insurance benefits with claims being processed by CoreSource, Inc., On October 1, 2004, the School District terminated its self-insurance plan and began purchasing coverage from Anthem Blue Cross Blue Shield, through the Southwestern Ohio Educational Purchasing Council (SOEPC) consortium, to provide medical insurance.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005  
(Continued)**

**10. RISK MANAGEMENT (Continued)**

**C. Medical Benefits**

For fiscal year 2005, the School District participated in the Southwestern Ohio Educational Purchasing Council Medical Benefits Plan (MBP), an insurance purchasing pool (Note 16). The intent of the MBP is to achieve the benefit of reduced health insurance premiums for the School District by virtue of its grouping and representation with other participants in the MBP. The health insurance experience of the participating school districts is calculated and a premium rate is applied to all school districts in the MBP. Each participant pays its health insurance premiums to the Southwestern Ohio Educational Purchasing Council (SOEPC). Participation in the MBP is limited to school districts that can meet the MBP's selection criteria.

**D. Workers' Compensation**

For fiscal year 2005, the School District participated in the Southwestern Ohio Educational Purchasing Council Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool (Note 16). The intent of the GRP is to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of the GRP. A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund." This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of Integrated Comp Inc. provides administrative, cost control, and actuarial services to the GRP.

**11. DEFINED BENEFIT PENSION PLANS**

**A. School Employees Retirement System**

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

Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute at an actuarially determined rate. The current School District rate is 14 percent of annual covered payroll. A portion of the School District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2005, 10.57 percent of annual covered salary was the portion used to fund pension obligations. For fiscal year 2004, 9.09 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to a statutory maximum amount, by the SERS' Retirement Board. The School District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2005, 2004, and 2003 were \$187,134, \$148,246, and \$105,931, respectively; 99.37 percent has been contributed for fiscal year 2005 and 100 percent for fiscal years 2004 and 2003.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005  
(Continued)**

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

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

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

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, 2005, plan members were required to contribute 10 percent of their annual covered salaries. The School District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. 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, 2005, 2004, and 2003 were \$1,505,967 \$1,436,598, and \$1,277,405, respectively; 90.14 percent has been contributed for fiscal year 2005 and 100 percent for fiscal years 2004 and 2003. Contributions to the DC and Combined Plans for fiscal year 2005 were \$47,177 made by the School District and \$21,759 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, 2005, seven 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, 2005  
(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.

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, 2005, the STRS Ohio Board allocated employer contributions equal to one percent of covered payroll to the Health Care Stabilization Fund. For the School District, this amount equaled \$115,844 for fiscal year 2005.

STRS Ohio pays health care benefits from the Health Care Stabilization Fund. At June 30, 2004 (the latest information available), the balance in the Fund was \$3.1 billion. For the year ended June 30, 2004, net health care costs paid by STRS Ohio were \$268,739,000 and STRS Ohio had 111,853 eligible benefit recipients.

For SERS, coverage is made available to service retirees with ten or more fiscal years of qualifying service credit, and to disability and survivor benefit recipients. All retirees and beneficiaries are required to pay a portion of their premium for health care. The portion is based on years of service, Medicare eligibility, and retirement status. Premiums may be reduced for retirees whose household income falls below the poverty level.

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, 2005, employer contributions to fund health care benefits were 3.43 percent of covered payroll, a decrease of 1.48 percent from fiscal year 2004. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the members pay, pro-rated for partial service credit. For fiscal year 2005, the minimum pay was established at \$27,400. However, the surcharge is capped at 2 percent of each employer's SERS salaries. For the School District, the amount contributed to fund health care benefits during the 2005 fiscal year equaled \$96,348.

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



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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005  
(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. Life Insurance Benefits**

The School District provides life insurance and accidental death and dismemberment insurance to most employees through United of Omaha.

**14. LONG-TERM OBLIGATIONS**

The changes in the School District's long-term obligations during fiscal year 2005 were as follows:

	<u>Amount Outstanding 6/30/04</u>	<u>Additions</u>	<u>Deductions</u>	<u>Amount Outstanding 6/30/05</u>	<u>Amounts Due Within One Year</u>
Governmental Activities					
Applied Technology					
Loan 1992 0.00%	\$79,125	\$0	\$31,650	\$47,475	\$31,650
School Improvement Bond					
Anticipation Note					
2005 2.62%	0	6,100,000	0	6,100,000	0
School Improvement Bond					
Anticipation Note					
2004 1.6%	7,000,000	0	7,000,000	0	0
Compensated Absences	<u>949,651</u>	<u>199,587</u>	<u>97,937</u>	<u>1,051,301</u>	<u>74,910</u>
Total Governmental Activities Long-Term Liabilities	<u>\$8,028,776</u>	<u>\$6,299,587</u>	<u>\$7,129,587</u>	<u>\$7,198,776</u>	<u>\$106,560</u>

**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 for September 30, 2006, making this a fifteen year loan. The loan will be paid from the Note Retirement Debt Service Fund with transfers from the General Fund.

**UPPER VALLEY JOINT VOCATIONAL SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005  
(Continued)**

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

**2004 School Improvement Note** – On December 1, 2003 the School District issued a bond anticipation note in the amount of \$7,000,000 for the purpose of improving the existing school building by constructing a new addition and renovation and remodeling, acquiring equipment and furnishings, and making related site improvements. The note was issued for a 6 year period with final maturity during fiscal year 2009. The note was rolled over during fiscal year 2005.

**2005 School Improvement Note** – On December 1, 2004, the School District issued a bond anticipation note in the amount of \$6,100,000 for the purpose of improving the existing school building by constructing a new addition and renovation and remodeling, acquiring equipment and furnishings, and making related site improvements. The note will mature on November 29, 2005. As of June 30, 2005, \$5,275,624 of the proceeds had been spent toward the project. The note will be paid from the Note Retirement Debt Service Fund, with the proceeds of a .56 mill voted property tax levy.

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

The School District's overall legal debt margin was \$210,049,786 and the unvoted debt margin was \$2,392,229 at June 30, 2005.

Principal requirements to retire loans outstanding at June 30, 2005, are as follows:

<b>Fiscal Year</b>	<b>Principal</b>
<u>Ending June 30,</u>	
2006	\$31,650
2007	15,825
Totals	<u>\$47,475</u>

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

		<b>Interfund Receivable</b>			
		<b>Internal</b>			
		<b>General</b>	<b>Service</b>	<b>Non-major</b>	<b>Total</b>
<b>Interfund</b>	General	\$0	\$27,327	\$267	\$27,594
	Adult Education	0	1,476	1,910	3,386
<b>Payable</b>	Nonmajor	92,667	269	0	92,936
	Total	<u>\$92,667</u>	<u>\$29,072</u>	<u>\$2,177</u>	<u>\$123,916</u>

Interfund balances represent unpaid charges for services and General Fund advances, resulting 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 Special Revenue Fund, Note Retirement Debt Service Fund, and Non-major Funds of \$25,000, \$31,650, and \$58,022, 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  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005  
(Continued)**

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

**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 2005, the School District paid \$635 to SOEPC. To obtain financial information, write to the Southwestern Ohio Educational Purchasing Council, Ken Swink, who serves as Director, at 303 Corporate Center Drive, Suite 208, Vandalia, OH 45377.

**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 2005, the School District paid \$2,193 to SOITA for services provided during the fiscal year. To obtain financial information, write to the Southwestern Ohio Instructional Technology Association, Dave Gibson, 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 \$47,043 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, 2005  
(Continued)**

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

**B. Insurance Purchasing Pools**

**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.

**Southwestern Ohio Educational Purchasing Council Medical Benefits Plan** – The School District participates in the Southwestern Ohio Educational Purchasing Council Medical Benefits Plan (MBP). The MBP's business and affairs are conducted by an eleven member committee consisting of various MBP representatives that are elected by the general assembly. Either the superintendent or treasurer from each participating school district serves on the general assembly. Each year, the participating school districts pay an enrollment fee to the MBP to cover the costs of administering the program.

**17. SET-ASIDE CALCULATIONS**

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

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

	<b>Textbooks and Instructional Materials</b>	<b>Capital Improvements</b>
Set-aside Reserve Balance as of June 30, 2004	\$70,007	\$0
Current Year Set-aside Requirement	181,325	181,325
Qualifying Disbursements	(250,192)	(107,872)
Current Year Offsets	0	0
Total	\$1,140	73,453
Set-aside Balances Carried Forward to Future Fiscal Years	\$1,140	\$73,453
Set-aside Reserve Balances as of June 30, 2005	\$1,140	\$73,453

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005  
(Continued)**

**18. CONTINGENCIES**

**A. Grants**

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, 2005.

**B. Litigation**

There are currently no matters in litigation with the School District as defendant.

**19. SIGNIFICANT CONTRACTUAL COMMITMENTS**

As of June 30, 2005, the School District had contractual purchase commitments as follows:

<u>Company</u>	<u>Project</u>	<u>Contract Amount</u>	<u>Amount Expended</u>	<u>Balance at 6/30/05</u>
Wat-Ken Mechanical	Building Expansion	\$665,591	\$592,290	\$73,301
Stonecreek Interior Systems	Building Expansion	242,350	208,426	33,924
Slagle Mechanical	Building Expansion	409,000	384,996	24,004
Ferguson Construction Company	Building Expansion	2,798,180	2,557,150	241,030
Central Fire Protection	Building Expansion	87,775	81,664	6,111
Vutex	Building Expansion	134,762	0	134,762
Snap-On Industrial	Vocational Equipment	45,403	0	45,403
	Building Expansion/			
Salem Office Products	Vocational Equipment	115,863	0	115,863
Heidelberg USA Inc.	Vocational Equipment	60,500	0	60,500
Continental Office Environment	Building Expansion	86,184	0	86,184
Atech Training Inc.	Vocational Equipment	55,286	0	55,286
Buckeye Educational Systems	Vocational Equipment	23,225	0	23,225
Dell Computer Corporation	Technology Equipment	43,320	0	43,320
Totals		<u>\$4,767,439</u>	<u>\$3,824,526</u>	<u>\$942,913</u>

**20. SUBSEQUENT EVENTS**

On October 24, 2005, the School District reissued the \$6,100,000 bond anticipation note in the amount of \$5,080,000 for the purpose of improving the existing school building by constructing a new addition and renovation and remodeling, acquiring equipment and furnishings, and making related site improvements. The interest rate of the note is 4.25% and it matures on November 28, 2006.

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

**SCHEDULE OF FEDERAL AWARDS EXPENDITURES  
FOR THE YEAR ENDED JUNE 30, 2005**

<b>Federal Grantor/ Pass Through Grantor Program Title</b>	<b>Pass Through Entity Number</b>	<b>Federal CFDA Number</b>	<b>Receipts</b>	<b>Non-Cash Receipts</b>	<b>Disbursements</b>	<b>Non-Cash Disbursements</b>
<b>U.S. DEPARTMENT OF AGRICULTURE</b>						
Passed Through Ohio Department of Education:						
Nutrition Cluster:						
Food Distribution Program	Not Available	10.550		\$15,182		\$15,182
National School Breakfast Program	05PU-2004 05PU-2005	10.553	\$2,691 <u>6,477</u>		\$2,691 <u>6,477</u>	
Total National School Breakfast Program			<u>9,168</u>		<u>9,168</u>	
National School Lunch Program	LLP4 2003 LLP4 2004	10.555	11,644 <u>27,723</u>		11,644 <u>27,723</u>	
Total National School Lunch Program			<u>39,367</u>		<u>39,367</u>	
Total U.S. Department of Agriculture - Nutrition Cluster			48,535	15,182	48,535	15,182
<b>U.S. DEPARTMENT OF EDUCATION</b>						
Passed Through Ohio Department of Education:						
Adult Education & Community Education						
	ABS1 2004	84.002	24,103		18,024	
	ABS1 2005		147,538		147,538	
	ABS1 2003-C				1,819	
	ABS2 2003-C				5,405	
	ABS2 2004		6,597		9,323	
	ABS2 2005		<u>26,072</u>		<u>26,761</u>	
Total Adult Education & Community Education			<u>204,310</u>		<u>208,870</u>	
Carl D Perkins Vocational Education -Basic Grant	20C1-2004 20C1-2005 20C2-2004 20C2-2005	84.048	52,642 260,652 (21,132) <u>127,155</u>		40,349 253,039 5,446 <u>125,582</u>	
Total Carl D. Perkins Vocational Education - Basic Grant			<u>419,317</u>		<u>424,416</u>	
Drug Free Schools and Communities	DRS1-2005	84.186	600 <u>600</u>		6,004 <u>6,004</u>	
Innovative Education Program Strategies	C2S1-2004 C2S1-2005	84.298	10,810 <u>2,161</u>		12,768 <u>7,827</u>	
Total Innovative Education Program Strategies			<u>12,971</u>		<u>20,595</u>	
Vocational Education -Occupational and Employment Information State Grants	00E0-2004	84.346	3,059		1,645	
Title II-A Improving Teacher Quality	TRS1-2004 TRS1-2005	84.367	1,760 <u>5,343</u>		1,411 <u>8,946</u>	
Total Title II-A			<u>7,103</u>		<u>10,357</u>	
Direct Payments from U.S. Department of Education						
Pell Education Grant	N/A	84.063	183,960		182,893 <u>672</u>	
Total Pell Education Grant			<u>183,960</u>		<u>183,565</u>	
Total Department of Education			<u>831,320</u>		<u>855,452</u>	
<b>Total Federal Assistance</b>			<b><u>\$879,855</u></b>	<b><u>\$15,182</u></b>	<b><u>\$903,987</u></b>	<b><u>\$15,182</u></b>

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

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

**NOTES TO THE SCHEDULE OF FEDERAL AWARDS EXPENDITURE  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

**NOTE A - SIGNIFICANT ACCOUNTING POLICIES**

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

**NOTE B - CHILD NUTRITION CLUSTER**

Non-monetary 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, 2005, 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 District has complied with the matching requirements. The expenditure of non-federal matching funds is not included on the Schedule.

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**Auditor of State  
Betty Montgomery**

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

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

To the Board of Education:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Upper Valley Joint Vocational School District, Miami County, (the District), as of and for the year ended June 30, 2005, which collectively comprise the District's basic financial statements and have issued our report thereon dated March 23, 2006. 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 the Comptroller General of the United States' *Government Auditing Standards*.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the District's internal control over financial reporting to determine our auditing procedures in order to express our opinion on the financial statements and not to opine on the internal control over financial reporting. Our consideration of the internal control would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable 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 caused by error or fraud in amounts material to the financial statements we audited may occur and not be timely detected by employees when performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider material weaknesses. In a separate letter to the District's management dated March 23, 2006, we reported other matters involving internal control over financial reporting we did not deem reportable conditions.

**Compliance and Other Matters**

As part of reasonably assuring whether the District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*. In a separate letter to the District's management dated March 23, 2006, we reported other matters related to noncompliance we deemed immaterial.

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

We intend this report solely for the information and use of the audit committee, management, Board of Education, federal awarding agencies, and pass-through entities. It is not intended for 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 23, 2006



## Auditor of State Betty Montgomery

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

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

To the Board of Education:

#### Compliance

We have audited the compliance of Upper Valley Joint Vocational 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 apply to its major federal program for the year ended June 30, 2005. The summary of auditor's results section of the accompanying schedule of findings identifies the District's major federal program. The District's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. 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 reasonably assure whether noncompliance occurred with the types of compliance requirements referred to above that could directly and materially affect a major federal program. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing other procedures we considered necessary in the circumstances. We believe 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 apply to its major federal program for the year ended June 30, 2005.

#### Internal Control Over Compliance

The District's management 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 directly and materially affect a major federal program to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

**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 reportable 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 caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be timely detected by employees when 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 intend this report solely for the information and use of the audit committee, management, Board of Education, federal awarding agencies, and pass-through entities. It is not intended for anyone other than these specified parties.



**Betty Montgomery**  
Auditor of State

March 23, 2006

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

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A -133 § .505  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

**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 noncompliance 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 Perkins Grant CFDA #84.048
<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  
FOR THE YEAR ENDED JUNE 30, 2005**

<u>Finding Number</u>	<u>Finding Summary</u>	<u>Fully Corrected</u>	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b>Explain:</b>
2004-001	Ohio Rev. Code Section 5705.41(D), failure to certify the availability of funds prior to incurring the obligation.	No	Partially Corrected – reported in a separate letter to management of the School.



**Auditor of State  
Betty Montgomery**

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

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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  
MAY 4, 2006**