



Dave Yost • Auditor of State

**UPPER VALLEY CAREER CENTER
MIAMI COUNTY**

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MIAMI COUNTY

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

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

To the Board of Education:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Upper Valley Career Center, Miami County, Ohio (the Career Center), as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Career Center's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Upper Valley Career Center, Miami County, Ohio, as of June 30, 2014, and the respective changes in financial position and the respective budgetary comparisons for the General and Classroom Facilities Maintenance Fund thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Supplementary and Other Information

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

The Schedule of Federal Awards Receipts and Expenditures presents additional analysis as required by the 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 financial statements.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 23, 2014, on our consideration of the Career Center's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Career Center's internal control over financial reporting and compliance.

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

Dave Yost
Auditor of State
Columbus, Ohio

December 23, 2014

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**UPPER VALLEY CAREER CENTER
MIAMI COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(UNAUDITED)**

The management's discussion and analysis of the Upper Valley Career Center's (the "Career Center") financial performance provides an overall review of the Career Center's financial activities for the fiscal year ended June 30, 2014. The intent of this discussion and analysis is to look at the Career Center's financial performance as a whole; readers should also review the basic financial statements and the notes to the basic financial statements to enhance their understanding of the Career Center's financial performance.

Financial Highlights

Key financial highlights for fiscal year 2014 are as follows:

- In total, net position of governmental activities increased \$2,926,706, which represents a 7.78% increase from fiscal year 2013.
- Governmental activities general revenues accounted for \$15,070,900 in revenue or 67.26% of total revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$7,334,883 in revenue or 32.74% of total revenues of \$22,405,783.
- The Career Center had \$19,479,077 in expenses related to governmental activities; only \$7,334,883 of these expenses were offset by program specific charges for services, grants or contributions. General revenues supporting governmental activities (primarily taxes and unrestricted grants and entitlements) of \$15,070,900 were adequate to provide for these programs.
- The Career Center's major governmental funds are the general fund and the classroom facilities maintenance fund. The general fund had \$18,180,690 in revenues and other financing sources and \$15,820,118 in expenditures and other financing uses. The general fund's fund balance increased \$2,360,572 from \$3,663,721 to \$6,024,293.
- The classroom facilities maintenance fund had \$341,615 in revenues and \$152,263 in expenditures. The classroom facilities maintenance fund's fund balance increased \$189,352 from \$1,350,984 to \$1,540,336.

Using the Basic Financial Statements (BFS)

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

The statement of net position and statement of activities provide information about the activities of the whole Career Center, presenting both an aggregate view of the Career Center's finances and a longer-term view of those finances. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the Career Center's most significant funds with all other non-major funds presented in total in one column. In the case of the Career Center, the general fund and the classroom facilities maintenance fund are by far the most significant funds, and the only governmental funds reported as major funds.

**UPPER VALLEY CAREER CENTER
MIAMI COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(UNAUDITED)
(Continued)**

Reporting the Career Center as a Whole

Statement of Net Position and the Statement of Activities

While this document contains the large number of funds used by the Career Center to provide programs and activities, the view of the Career Center as a whole looks at all financial transactions and asks the question, "How did the Career Center do financially during fiscal year 2014?" The statement of net position and the statement of activities answer this question. These statements include all assets, deferred outflows of resources, liabilities, deferred inflows of resources, revenues and expenses using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting will take into account all of the current year's revenues and expenses regardless of when cash is received or paid.

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

In the statement of net position and the statement of activities, the governmental activities include the Career Center's programs and services, including instruction, support services, operations and maintenance, pupil transportation, extracurricular activities, and food service operations. The Career Center's statement of net position and statement of activities can be found on pages 15-16 of this report.

Reporting the Career Center's Most Significant Funds

Fund Financial Statements

The analysis of the Career Center's major governmental funds begins on page 11. Fund financial reports provide detailed information about the Career Center's major funds. The Career Center uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the Career Center's most significant funds. The Career Center's major governmental funds are the general fund and the classroom facilities maintenance fund.

Governmental Funds

Most of the Career Center's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year end available for spending in future periods. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund financial statements provide a detailed short-term view of the Career Center's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance educational programs. The relationship (or differences) between governmental activities (reported in the statement of net position and the statement of activities) and governmental funds is reconciled in the basic financial statements. The basic governmental fund financial statements can be found on pages 17-22 of this report.

**UPPER VALLEY CAREER CENTER
MIAMI COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(UNAUDITED)
(Continued)**

Proprietary Funds

The Career Center maintains one proprietary fund, an internal service fund. Internal service funds are an accounting device used to accumulate and allocate costs internally among the Career Center's various functions. The Career Center's internal service fund accounts for various supplies maintained and distributed by the Career Center's warehouse. The basic proprietary fund financial statement can be found on page 23 of this report.

Reporting the Career Center's Fiduciary Responsibilities

The Career Center is the trustee, or fiduciary, for its scholarship programs. This activity is presented as a private-purpose trust fund. The Career Center also acts in a trustee capacity as an agent for individuals and/or private organizations. This activity is presented as an agency fund. All of the Career Center's fiduciary activities are reported in separate statements of fiduciary net position and changes in fiduciary net position on pages 24-25. These activities are excluded from the Career Center's other financial statements because the assets cannot be utilized by the Career Center to finance its operations.

Notes to the Basic Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. These notes to the basic financial statements can be found on pages 27-56 of this report.

The Career Center as a Whole

The statement of net position provides the perspective of the Career Center as a whole.

The table below provides a summary of the Career Center's net position at June 30, 2014 and June 30, 2013.

	Net Position	
	Governmental Activities 2014	Governmental Activities 2013
Assets:		
Current assets	\$15,931,187	\$14,721,301
Capital assets, net	36,205,898	37,038,632
Total assets	52,137,085	51,759,933
Liabilities:		
Current liabilities	1,623,255	1,639,669
Long-term liabilities	5,657,155	6,978,503
Total liabilities	7,280,410	8,618,172
Deferred Inflows of Resources	4,324,117	5,535,909
Net Position:		
Net investment in capital assets	31,821,853	31,934,000
Restricted	3,197,751	2,863,797
Unrestricted	5,512,954	2,808,055
Total net position	\$40,532,558	\$37,605,852

Over time, net position can serve as a useful indicator of a government's financial position. At June 30, 2014, the Career Center's assets exceeded liabilities and deferred inflows of resources by \$40,532,558.

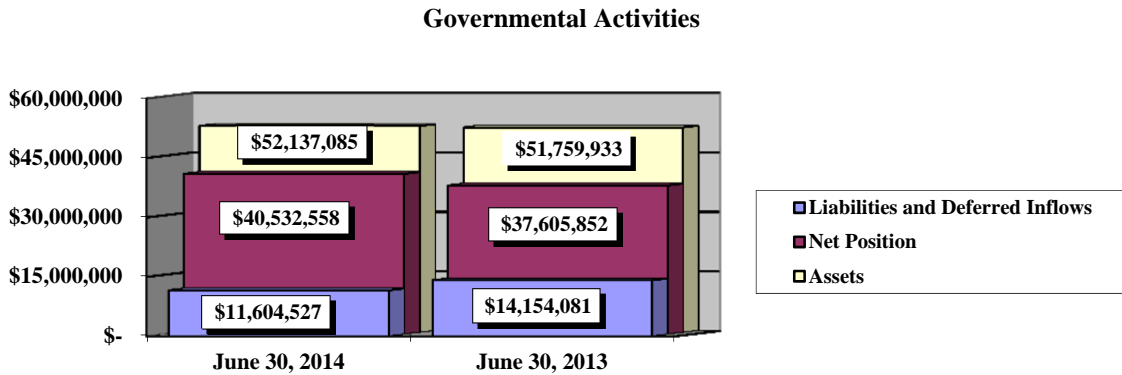
**UPPER VALLEY CAREER CENTER
MIAMI COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(UNAUDITED)
(Continued)**

At fiscal year-end, capital assets represented 69.44% of total assets. Capital assets include land, construction in progress, buildings and improvements, furniture, fixtures, and equipment, and vehicles. The Career Center's net investment in capital assets at June 30, 2014 was \$31,821,853. These capital assets are used to provide services to the students and are not available for future spending. Although the Career Center's investment in capital assets is reported net of related debt, it should be noted that the resources to repay the debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities.

A portion of the Career Center's net position, \$3,197,751, represents resources that are subject to external restriction on how they may be used. The remaining balance of unrestricted net position of \$5,512,954 may be used to meet the Career Center's ongoing obligations to the students and creditors.

The graph below illustrates the Career Center's assets, liabilities and deferred inflows of resources, and net position at June 30, 2014 and June 30, 2013.



Certain revenue classifications have been restated by the Career Center for fiscal year 2013 to conform to fiscal year 2014 presentation due to changes in the reporting of tuition revenues provided by the State of Ohio. The table below shows the changes in net position for governmental activities for fiscal years 2014 and 2013.

	Change in Net Position	
	Governmental Activities	
	2014	(Restated) 2013
Revenues:		
Program revenues:		
Charges for services and sales	\$2,010,606	\$1,764,975
Operating grants and contributions	5,324,277	5,107,897
Capital grants and contributions		1,500
General revenues:		
Property taxes	7,624,807	6,310,001
Grants and entitlements	7,366,422	7,652,418
Investment earnings	16,997	19,880
Increase (decrease) in fair value of investments	7,605	(21,803)
Miscellaneous	55,069	95,677
Total revenues	22,405,783	20,930,545

**UPPER VALLEY CAREER CENTER
MIAMI COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(UNAUDITED)
(Continued)**

**Change in Net Position
(Continued)**

	Governmental Activities	
	2014	(Restated) 2013
Expenses:		
Program expenses:		
Instruction:		
Regular	\$1,737,534	\$1,667,120
Special	410,756	351,934
Vocational	7,746,078	8,344,816
Adult/continuing	1,180,809	1,351,949
Other	202,075	127,690
Support services:		
Pupil	1,746,091	1,701,330
Instructional staff	961,609	1,024,066
Board of education	45,345	44,977
Administration	1,032,725	1,176,816
Fiscal	551,031	525,126
Business	194,324	192,492
Operations and maintenance	1,328,268	1,422,808
Pupil transportation	60,955	77,406
Central	1,101,644	1,031,662
Operation of non-instructional services:		
Other non-instructional services	599,389	654,926
Food service operations	433,793	453,010
Extracurricular activities	31,156	36,735
Interest and fiscal charges	115,495	137,982
Total expenses	<u>19,479,077</u>	<u>20,322,845</u>
Change in net position	<u>2,926,706</u>	<u>607,700</u>
Net position at beginning of year	<u>37,605,852</u>	<u>36,998,152</u>
Net position at end of year	<u>\$40,532,558</u>	<u>\$37,605,852</u>

Governmental Activities

Net position of the Career Center's governmental activities increased \$2,926,706. Total governmental expenses of \$19,479,077 were offset by program revenues of \$7,334,883 and general revenues of \$15,070,900. Program revenues supported 37.66% of total governmental expenses.

The primary sources of revenue for governmental activities are derived from property taxes and grants and entitlements. These two revenue sources represent 66.91% of total governmental revenues. Property taxes increased primarily due to an increase in the amount of tax advance that was available to the Career Center from the Miami County Auditor at the end of fiscal year 2014. The amount of tax advances available from County Auditors can vary depending upon when tax bills are mailed.

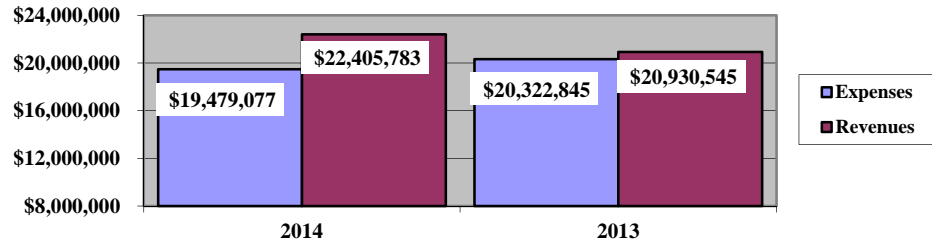
The largest expense of the Career Center is for instructional programs. Instruction expenses totaled \$11,277,252 or 57.89% of total governmental expenses for fiscal year 2014.

**UPPER VALLEY CAREER CENTER
MIAMI COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(UNAUDITED)
(Continued)**

The graph below presents the Career Center's governmental activities revenues and expenses for fiscal years 2014 and 2013.

Governmental Activities - Revenues and Expenses



Certain net cost of services classifications have been restated by the Career Center for fiscal year 2013 to conform to fiscal year 2014 presentation due to changes in the reporting of tuition revenues and special education funding provided by the State of Ohio. The statement of activities shows the cost of program services and the charges for services and grants offsetting those services. The following table shows, for governmental activities, the total cost of services and the net cost of services for fiscal years 2014 and 2013. That is, it identifies the cost of these services supported by tax revenue, unrestricted State grants and entitlements, and other general revenues.

	Governmental Activities			
	Total Cost of Services 2014	Net Cost of Services 2014	Total Cost of Services 2013	(Restated) Net Cost of Services 2013
Program expenses:				
Instruction:				
Regular	\$1,737,534	\$1,731,734	\$1,667,120	\$1,661,105
Special	410,756	410,756	351,934	351,742
Vocational	7,746,078	3,178,551	8,344,816	4,355,280
Adult/continuing	1,180,809	194,312	1,351,949	267,188
Other	202,075	202,075	127,690	99,028
Support services:				
Pupil	1,746,091	1,521,970	1,701,330	1,421,223
Instructional staff	961,609	839,682	1,024,066	874,736
Board of education	45,345	45,345	44,977	44,977
Administration	1,032,725	710,988	1,176,816	662,830
Fiscal	551,031	551,031	525,126	524,982
Business	194,324	194,324	192,492	192,492
Operations and maintenance	1,328,268	1,302,203	1,422,808	1,388,821
Pupil transportation	60,955	60,955	77,406	72,212
Central	1,101,644	1,017,918	1,031,662	985,178
Operation of non-instructional services:				
Other non-instructional services	599,389	(687)	654,926	297,686
Food service operations	433,793	36,386	453,010	74,276
Extracurricular activities	31,156	31,156	36,735	36,735
Interest and fiscal charges	115,495	115,495	137,982	137,982
Total expenses	\$19,479,077	\$12,144,194	\$20,322,845	\$13,448,473

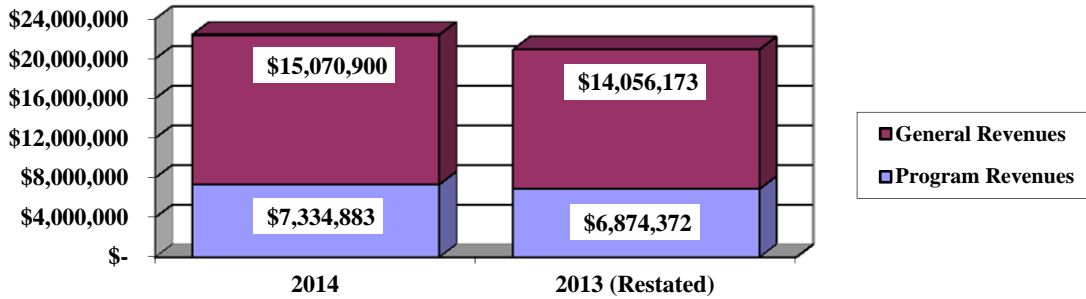
**UPPER VALLEY CAREER CENTER
MIAMI COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(UNAUDITED)
(Continued)**

The dependence upon taxes and other general revenues for governmental activities is apparent, as 50.70% of fiscal year 2014 instruction activities are supported through taxes and other general revenues. For all governmental activities, general revenue support was 62.34% in fiscal year 2014. The Career Center's taxpayers and grants and entitlements received from the State of Ohio that are not restricted in use are by far the primary support for the Career Center's students.

Certain revenue classifications have been restated by the Career Center for fiscal year 2013 to conform to fiscal year 2014 presentation due to changes in the reporting of tuition revenues provided by the State of Ohio. The graph below presents the Career Center's governmental activities revenues for fiscal years 2014 and 2013.

Governmental Activities - General and Program Revenues



The Career Center's Funds

The Career Center's governmental funds reported a combined fund balance of \$9,433,058, which is greater than last year's total balance of \$6,541,608. The table below indicates the fund balance and the total change in fund balance as of June 30, 2014 and June 30, 2013.

	Fund Balance June 30, 2014	Fund Balance June 30, 2013	Increase
General	\$6,024,293	\$3,663,721	\$2,360,572
Classroom Facilities Maintenance	1,540,336	1,350,984	189,352
Non-major Governmental	1,868,429	1,526,903	341,526
Total	<u>\$9,433,058</u>	<u>\$6,541,608</u>	<u>\$2,891,450</u>

**UPPER VALLEY CAREER CENTER
MIAMI COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(UNAUDITED)
(Continued)**

General Fund

The Career Center's general fund balance increased \$2,360,572.

Certain revenue classifications have been restated by the Career Center for fiscal year 2013 to conform to fiscal year 2014 presentation due to changes in the reporting of tuition revenues provided by the State of Ohio. The table that follows assists in illustrating the revenues of the general fund.

	2014 Amount	(Restated) 2013 Amount	Increase	Percentage Change
Revenues:				
Property taxes	\$6,343,907	\$5,207,050	\$1,136,857	21.83 %
Tuition	592,653	443,653	149,000	33.58 %
Earnings on investments	12,505	9,535	2,970	31.15 %
Increase (decrease) in fair value of investments	213	(609)	822	134.98 %
Intergovernmental	10,844,210	10,439,807	404,403	3.87 %
Other revenues	352,999	196,873	156,126	79.30 %
Total	<u>\$18,146,487</u>	<u>\$16,296,309</u>	<u>\$1,850,178</u>	11.35 %

Overall revenues of the general fund increased \$1,850,178 or 11.35%. Property taxes increased \$1,136,857 or 21.83% primarily due to an increase in the amount of tax advance that was available to the Career Center from the Miami County Auditor at the end of fiscal year 2014. The amount of tax advances available from County Auditors can vary depending upon when tax bills are mailed. Tuition increased \$149,000 or 33.58% mainly due to an increase in open enrollment revenue reported by the Career Center. Other revenues increased \$156,126 or 79.30% mostly due to contract services revenue received for work completed by the Career Center on a modular home built for developmentally disabled adults. All other revenue classifications remained comparable to the prior year.

The table that follows assists in illustrating the expenditures of the general fund.

	2014 Amount	2013 Amount	Increase/ (Decrease)	Percentage Change
Expenditures:				
Instruction	\$9,382,247	\$9,396,309	(\$14,062)	(0.15) %
Support services	5,521,188	5,582,061	(60,873)	(1.09) %
Operation of non-instructional services	219,722	371,308	(151,586)	(40.82) %
Extracurricular activities	29,118	36,735	(7,617)	(20.73) %
Facilities acquisition and construction	40,020	29,758	10,262	34.48 %
Capital outlay	34,203		34,203	100.00 %
Debt service	7,593		7,593	100.00 %
Total	<u>\$15,234,091</u>	<u>\$15,416,171</u>	<u>(\$182,080)</u>	(1.18) %

Overall expenditures of the general fund decreased \$182,080 or 1.18%. Operation of non-instructional services decreased \$151,586 or 40.82% primarily due to reductions in activity reported in both the uniform school supplies fund and the patronage fund, which are considered part of the general fund on a GAAP-basis. All other expenditure classifications remained comparable to the prior year.

**UPPER VALLEY CAREER CENTER
MIAMI COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(UNAUDITED)
(Continued)**

Classroom Facilities Maintenance Fund

The classroom facilities maintenance fund had \$341,615 in revenues and \$152,263 in expenditures. The classroom facilities maintenance fund's fund balance increased \$189,352 from \$1,350,984 to \$1,540,336.

General Fund Budgeting Highlights

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

For the general fund, final budgeted revenues and other financing sources were \$16,734,607, which were \$58,969 greater than original budgeted revenues and other financing sources of \$16,675,638. Actual revenues and other financing sources of \$17,336,684 were \$602,077 greater than final budgeted revenues and other financing sources.

General fund original appropriations (expenditures and other financing uses) of \$17,404,066 were \$396,577 less than final budgeted expenditures and other financing uses of \$17,800,643. Actual expenditures and other financing uses for fiscal year 2014 totaled \$16,111,599 and were \$1,689,044 less than final budgeted expenditures and other financing uses.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2014, the Career Center had \$36,205,898 invested in land, construction in progress, buildings and improvements, furniture, fixtures, and equipment, and vehicles. The total amount was reported in governmental activities. The following table shows June 30, 2014 balances compared to June 30, 2013.

Capital Assets at June 30		
(Net of Depreciation)		
	Governmental Activities	
	2014	2013
Land	\$1,173,459	\$1,173,459
Construction in progress	53,569	24,353,744
Buildings and improvements	31,812,348	8,927,131
Furniture, fixtures, and equipment	3,126,120	2,550,766
Vehicles	40,402	33,532
Total	\$36,205,898	\$37,038,632

The overall decrease in capital assets of \$832,734 is due to depreciation expense of \$602,034 and disposals of \$1,078,022 (net of accumulated depreciation) exceeding capital asset additions of \$847,322.

See Note 8 to the basic financial statements for additional information on the Career Center's capital assets.

**UPPER VALLEY CAREER CENTER
MIAMI COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(UNAUDITED)
(Continued)**

Debt Administration

At June 30, 2014, the Career Center had \$4,250,000 in general obligation bonds and \$26,924 in capital lease obligations outstanding. Of these amounts, \$816,247 is due within one year and \$3,460,677 is due in more than one year. The following table summarizes the long-term obligations outstanding at June 30, 2014 and June 30, 2013.

Outstanding Debt, at Year End		
	Governmental Activities 2014	Governmental Activities 2013
General obligation bonds	\$4,250,000	\$5,040,000
Capital lease obligations	26,924	
Total	\$4,276,924	\$5,040,000

At June 30, 2014, the Career Center's overall legal debt margin was \$196,234,054, with an un-voted debt margin of \$2,218,082.

See Note 10 to the basic financial statements for additional information on the Career Center's debt administration.

Current Financial Related Activities

The Career Center is located in Piqua, Ohio, but also encompasses areas within Miami, Shelby, Logan, Darke, and Auglaize Counties. With the new budget bill and changes in student count methods, there are several unknowns throughout the State regarding the funding of school districts and career centers. With approximately one-half of the Career Center's cash-basis revenue being generated through the State Foundation, any changes impacting State funding will have a significant impact on the Career Center's financial resources.

Approximately one-third of the Career Center's general fund cash-basis revenue comes from local property sources, two-thirds comes from intergovernmental State funding, and a small portion comes from other sources.

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

Contacting the Career Center's Financial Management

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

**UPPER VALLEY CAREER CENTER
MIAMI COUNTY**

**STATEMENT OF NET POSITION
JUNE 30, 2014**

	Governmental Activities
Assets:	
Equity in pooled cash and investments	\$8,971,264
Receivables:	
Property taxes	6,543,324
Accounts	251,628
Accrued interest	4,163
Intergovernmental	103,764
Prepayments	20,841
Materials and supplies inventory	17,203
Assets held for resale	19,000
Capital assets:	
Non-depreciable capital assets	1,227,028
Depreciable capital assets, net	34,978,870
Capital assets, net	36,205,898
Total assets	52,137,085
Liabilities:	
Accounts payable	144,294
Contracts payable	53,569
Accrued wages and benefits payable	1,194,663
Pension obligation payable	166,702
Intergovernmental payable	54,550
Accrued interest payable	9,477
Long-term liabilities:	
Due within one year	1,124,513
Due in more than one year	4,532,642
Total liabilities	7,280,410
Deferred inflows of resources:	
Property taxes levied for the next fiscal year	4,324,117
Total deferred inflows of resources	4,324,117
Net position:	
Net investment in capital assets	31,821,853
Restricted for:	
Capital projects	618,967
Classroom facilities maintenance	1,593,905
Debt service	866,658
Locally funded programs	12,728
Federally funded programs	2,100
Other purposes	103,393
Unrestricted	5,512,954
Total net position	\$40,532,558

See accompanying notes to the basic financial statements.

**UPPER VALLEY CAREER CENTER
MIAMI COUNTY**

**STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

	<u>Program Revenues</u>		<u>Net (Expense) Revenue and Changes in Net Position</u>
	<u>Expenses</u>	<u>Charges for Services and Sales</u>	<u>Operating Grants and Contributions</u>
			<u>Governmental Activities</u>
Governmental activities:			
Instruction:			
Regular	\$1,737,534	\$5,800	(\$1,731,734)
Special	410,756		(410,756)
Vocational	7,746,078	614,741	(3,178,551)
Adult/continuing	1,180,809	565,047	(194,312)
Other	202,075		(202,075)
Support services:			
Pupil	1,746,091	108,557	(1,521,970)
Instructional staff	961,609		(839,682)
Board of education	45,345		(45,345)
Administration	1,032,725	192,965	(710,988)
Fiscal	551,031		(551,031)
Business	194,324		(194,324)
Operations and maintenance	1,328,268	12,275	(1,302,203)
Pupil transportation	60,955		(60,955)
Central	1,101,644	54,067	(1,017,918)
Operation of non-instructional services:			
Other non-instructional services	599,389	270,571	687
Food service operations	433,793	186,583	(36,386)
Extracurricular activities	31,156		(31,156)
Interest and fiscal charges	115,495		(115,495)
Total governmental activities	<u>\$19,479,077</u>	<u>\$2,010,606</u>	<u>\$5,324,277</u>
			<u>(12,144,194)</u>
General revenues:			
Property taxes levied for:			
General purposes			6,320,267
Debt service			966,940
Special revenue			337,600
Grants and entitlements not restricted to specific programs			7,366,422
Investment earnings			16,997
Increase in fair value of investments			7,605
Miscellaneous			55,069
Total general revenues			<u>15,070,900</u>
Change in net position			2,926,706
Net position at beginning of year			<u>37,605,852</u>
Net position at end of year			<u>\$40,532,558</u>

See accompanying notes to the basic financial statements.

**UPPER VALLEY CAREER CENTER
MIAMI COUNTY**

**BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2014**

	<u>General</u>	<u>Classroom Facilities Maintenance</u>	<u>Non-major Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets:				
Equity in pooled cash and investments	\$5,706,608	\$1,602,388	\$1,661,305	\$8,970,301
Receivables:				
Property taxes	5,723,858		819,466	6,543,324
Accounts	110,786		140,842	251,628
Accrued interest	116		4,047	4,163
Intergovernmental			103,764	103,764
Interfund loans	10,000			10,000
Prepayments	19,250		1,591	20,841
Materials and supplies inventory	16,524		679	17,203
Assets held for resale	19,000			19,000
Restricted assets:				
Equity in pooled cash and investments	963			963
Total assets	<u>11,607,105</u>	<u>1,602,388</u>	<u>2,731,694</u>	<u>15,941,187</u>
Liabilities:				
Accounts payable	119,469	8,483	16,342	144,294
Contracts payable		53,569		53,569
Accrued wages and benefits payable	1,151,883		42,780	1,194,663
Pension obligation payable	155,753		10,949	166,702
Intergovernmental payable	47,490		7,060	54,550
Interfund loans payable			10,000	10,000
Compensated absences payable	58,527		1,260	59,787
Early retirement incentive payable	113,282			113,282
Total liabilities	<u>1,646,404</u>	<u>62,052</u>	<u>88,391</u>	<u>1,796,847</u>
Deferred inflows of resources:				
Property taxes levied for the next fiscal year	3,786,433		537,684	4,324,117
Delinquent property tax revenue not available	136,074		19,466	155,540
Tuition revenue not available			105,521	105,521
Accrued interest not available	8		3,303	3,311
Classroom materials and fees revenue not available	8,362		7,236	15,598
Other local revenues not available	5,531			5,531
Intergovernmental revenue not available			101,664	101,664
Total deferred inflows of resources	<u>3,936,408</u>		<u>774,874</u>	<u>4,711,282</u>
Fund balances:				
Non-spendable	55,737		2,270	58,007
Restricted		1,540,336	1,454,521	2,994,857
Committed	36,006			36,006
Assigned	346,027		431,840	777,867
Unassigned (deficit)	5,586,523		(20,202)	5,566,321
Total fund balances	<u>6,024,293</u>	<u>1,540,336</u>	<u>1,868,429</u>	<u>9,433,058</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$11,607,105</u>	<u>\$1,602,388</u>	<u>\$2,731,694</u>	<u>\$15,941,187</u>

See accompanying notes to the basic financial statements.

**UPPER VALLEY CAREER CENTER
MIAMI COUNTY**

**RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO
NET POSITION OF GOVERNMENTAL ACTIVITIES
JUNE 30, 2014**

Total governmental fund balances		\$9,433,058
Amounts reported for governmental activities on the statement of net position are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		36,205,898
Other long-term assets are not available to pay for current period expenditures and therefore are deferred inflows of resources in the funds.		
Property taxes receivable	\$155,540	
Accounts receivable	126,650	
Accrued interest receivable	3,311	
Intergovernmental receivable	101,664	
Total	387,165	387,165
Unamortized premiums on bonds issued are not recognized in the funds.		(53,552)
Accrued interest payable is not due and payable in the current period and therefore is not reported in the funds.		(9,477)
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.		
General obligation bonds payable	(4,250,000)	
Capital lease obligations payable	(26,924)	
Compensated absences payable	(1,153,610)	
Total	(5,430,534)	(5,430,534)
Net position of governmental activities		\$40,532,558

See accompanying notes to the basic financial statements.

UPPER VALLEY CAREER CENTER
MIAMI COUNTY

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

	General	Classroom Facilities Maintenance	Non-major Governmental Funds	Total Governmental Funds
Revenues:				
From local sources:				
Property taxes	\$6,343,907	\$337,600	\$969,041	\$7,650,548
Tuition	592,653		837,727	1,430,380
Earnings on investments	12,505	4,015	4,192	20,712
Increase in fair value of investments	213		7,392	7,605
Charges for services			186,583	186,583
Extracurricular	941			941
Classroom materials and fees	72,665		101,063	173,728
Rental income	480		300	780
Contributions and donations	7,137		13,710	20,847
Contract services	223,878			223,878
Other local revenues	47,898		20,381	68,279
Intergovernmental - intermediate			11,300	11,300
Intergovernmental - state	10,844,210		613,066	11,457,276
Intergovernmental - federal			1,286,933	1,286,933
Total revenues	18,146,487	341,615	4,051,688	22,539,790
Expenditures:				
Current:				
Instruction:				
Regular	1,679,613			1,679,613
Special	368,566			368,566
Vocational	7,173,039		392,369	7,565,408
Adult/continuing			1,110,363	1,110,363
Other non-instructional services	161,029			161,029
Support services:				
Pupil	1,386,675		245,092	1,631,767
Instructional staff	766,715		122,078	888,793
Board of education	42,379			42,379
Administration	577,942		370,024	947,966
Fiscal	510,409		17,559	527,968
Business	182,698			182,698
Operations and maintenance	1,065,378	152,263	56,577	1,274,218
Pupil transportation	52,667			52,667
Central	936,325		94,245	1,030,570
Operation of non-instructional services:				
Other non-instructional services	219,722		329,505	549,227
Food service operations			446,760	446,760
Extracurricular activities	29,118			29,118
Facilities acquisition and construction	40,020		159,104	199,124
Capital outlay	34,203			34,203
Debt service:				
Principal retirement	7,279		790,000	797,279
Interest and fiscal charges	314		127,513	127,827
Total expenditures	15,234,091	152,263	4,261,189	19,647,543
Excess (deficiency) of revenues over (under) expenditures	2,912,396	189,352	(209,501)	2,892,247
Other financing sources (uses):				
Transfers in			551,027	551,027
Transfers (out)	(586,027)			(586,027)
Capital lease transaction	34,203			34,203
Total other financing sources (uses)	(551,824)		551,027	(797)
Net change in fund balances	2,360,572	189,352	341,526	2,891,450
Fund balances at beginning of year	3,663,721	1,350,984	1,526,903	6,541,608
Fund balances at end of year	<u>\$6,024,293</u>	<u>\$1,540,336</u>	<u>\$1,868,429</u>	<u>\$9,433,058</u>

See accompanying notes to the basic financial statements.

UPPER VALLEY CAREER CENTER
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, 2014**

Net change in fund balances - total governmental funds \$2,891,450

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 costs of those assets are allocated over their estimated useful lives as depreciation expense.

Capital asset additions	\$847,322	
Current year depreciation	(602,034)	
Total		245,288

The net effect of various miscellaneous transactions involving capital assets (i.e., sales, disposals, trade-ins, and donations) is to decrease net position. (1,078,022)

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

Property taxes	(25,741)	
Tuition	(4,193)	
Earnings on investments	340	
Classroom materials and fees	(1,491)	
Other local revenues	34	
Intergovernmental	(102,956)	
Total		(134,007)

Proceeds of capital lease transactions are recorded as other financing sources in the funds; however, in the statement of activities, they are not reported as revenues as they increase the liabilities on the statement of net position. (34,203)

Repayment of bond and capital lease principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities on the statement of net position. 797,279

In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due. The following items resulted in additional interest being reported in the funds:

Decrease in accrued interest payable	1,252	
Amortization of bond premiums	11,080	
Total		12,332

Some expenses reported in the statement of activities, such as compensated absences and early retirement incentives, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. 191,589

An internal service fund used by management to charge the costs of supplies to individual funds is not reported in the government-wide statement of activities. Governmental fund expenditures and the related internal service fund revenues are eliminated. The net revenue (expense) of the internal service fund is allocated among the governmental activities. 35,000

Change in net position of governmental activities \$ 2,926,706

See accompanying notes to the basic financial statements.

**UPPER VALLEY CAREER CENTER
MIAMI COUNTY**

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues:				
From local sources:				
Property taxes	\$5,520,083	\$5,547,897	\$5,595,797	\$47,900
Tuition	353,982	416,000	592,653	176,653
Earnings on investments	8,084	8,500	11,951	3,451
Classroom materials and fees	17,991	15,000	18,092	3,092
Rental income			480	480
Contributions and donations	12,560	7,500	7,137	(363)
Contract services			9,500	9,500
Other local revenues	40,792	40,480	45,083	4,603
Intergovernmental - state	10,158,139	10,491,284	10,844,210	352,926
Total revenues	<u>16,111,631</u>	<u>16,526,661</u>	<u>17,124,903</u>	<u>598,242</u>
Expenditures:				
Current:				
Instruction:				
Regular	1,766,730	1,762,718	1,713,757	48,961
Special	381,152	384,324	367,133	17,191
Vocational	7,997,769	8,190,719	7,357,773	832,946
Other	116,257	132,399	121,012	11,387
Support services:				
Pupil	1,430,432	1,520,106	1,390,107	129,999
Instructional staff	865,128	887,149	802,631	84,518
Board of education	51,814	52,400	42,369	10,031
Administration	763,146	688,984	640,191	48,793
Fiscal	516,050	574,811	525,277	49,534
Business	194,240	194,054	184,055	9,999
Operations and maintenance	1,332,047	1,187,796	1,144,594	43,202
Pupil transportation	71,823	70,850	67,701	3,149
Central	1,053,040	1,093,083	1,002,684	90,399
Operation of non-instructional services:				
Other non-instructional services	23,692	51,100	32,979	18,121
Extracurricular activities	38,305	39,550	29,119	10,431
Facilities acquisition and construction	40,270	48,100	42,617	5,483
Total expenditures	<u>16,641,895</u>	<u>16,878,143</u>	<u>15,463,999</u>	<u>1,414,144</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(530,264)</u>	<u>(351,482)</u>	<u>1,660,904</u>	<u>2,012,386</u>
Other financing sources (uses):				
Refund of prior year's expenditures	383,772	29,946	37,781	7,835
Transfers (out)	(746,445)	(872,500)	(637,600)	234,900
Advances in	173,000	173,000	173,000	
Advances (out)	(15,726)	(50,000)	(10,000)	40,000
Sale of capital assets	7,235	5,000	1,000	(4,000)
Total other financing sources (uses)	<u>(198,164)</u>	<u>(714,554)</u>	<u>(435,819)</u>	<u>278,735</u>
Net change in fund balance	(728,428)	(1,066,036)	1,225,085	2,291,121
Fund balance at beginning of year	3,321,258	3,321,258	3,321,258	
Prior year encumbrances appropriated	631,265	631,265	631,265	
Fund balance at end of year	<u>\$3,224,095</u>	<u>\$2,886,487</u>	<u>\$5,177,608</u>	<u>\$2,291,121</u>

See accompanying notes to the basic financial statements.

**UPPER VALLEY CAREER CENTER
MIAMI COUNTY**

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
CLASSROOM FACILITIES MAINTENANCE FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		<u>(Negative)</u>
Revenues:				
From local sources:				
Earnings on investments	\$3,409	\$3,409	\$4,015	\$606
Total revenues	<u>3,409</u>	<u>3,409</u>	<u>4,015</u>	<u>606</u>
Expenditures:				
Current:				
Support services:				
Operations and maintenance	576,590	576,590	257,182	319,408
Total expenditures	<u>576,590</u>	<u>576,590</u>	<u>257,182</u>	<u>319,408</u>
Excess of expenditures over revenues	<u>(573,181)</u>	<u>(573,181)</u>	<u>(253,167)</u>	<u>320,014</u>
Other financing sources:				
Transfers in	335,500	337,500	337,600	100
Total other financing sources	<u>335,500</u>	<u>337,500</u>	<u>337,600</u>	<u>100</u>
Net change in fund balance	(237,681)	(235,681)	84,433	320,114
Fund balance at beginning of year	1,344,394	1,344,394	1,344,394	
Prior year encumbrances appropriated	6,590	6,590	6,590	
Fund balance at end of year	<u>\$1,113,303</u>	<u>\$1,115,303</u>	<u>\$1,435,417</u>	<u>\$320,114</u>

See accompanying notes to the basic financial statements.

UPPER VALLEY CAREER CENTER
MIAMI COUNTY

STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET POSITION
PROPRIETARY FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

	Governmental Activities - Internal Service Fund
Transfers in	<u>\$35,000</u>
Change in net position	35,000
Net position (deficit) at beginning of year	<u>(35,000)</u>
Net position at end of year	<u><u>\$0</u></u>

See accompanying notes to the basic financial statements.

**UPPER VALLEY CAREER CENTER
MIAMI COUNTY**

**STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2014**

	Private-Purpose Trust	
	Scholarship	Agency
Assets:		
Equity in pooled cash and investments	\$13,143	\$107,271
Receivables:		
Accounts		1,614
Intergovernmental		27,766
Total assets	13,143	136,651
Liabilities:		
Accounts payable		1,000
Intergovernmental payable		27,766
Undistributed monies		107,885
Total liabilities		\$136,651
Net position:		
Held in trust for scholarships	13,143	
Total net position	\$13,143	

See accompanying notes to the basic financial statements.

UPPER VALLEY CAREER CENTER
MIAMI COUNTY

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

	<u>Private-Purpose Trust</u>
	<u>Scholarship</u>
Additions:	
Interest	\$38
Gifts and contributions	5,000
Total additions	<u>5,038</u>
Deductions:	
Scholarships awarded	<u>2,500</u>
Change in net position	2,538
Net position at beginning of year	<u>10,605</u>
Net position at end of year	<u><u>\$13,143</u></u>

See accompanying notes to the basic financial statements.

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**UPPER VALLEY CAREER CENTER
MIAMI COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

1. DESCRIPTION OF THE CAREER CENTER

The Upper Valley Career Center (the "Career Center") as defined by Section 3311.18 of the Ohio Revised Code, is a body politic and corporate established for the purpose of exercising the rights and privileges conveyed to it by the Constitution and laws of the State of Ohio. The Career Center exposes high school and adult students to academic preparation and job training, which lead to employment and/or further education upon graduation from high school. The Career Center includes fourteen member school districts throughout all or portions of Auglaize, Darke, Logan, Miami, and Shelby Counties. The first official body designated as the Upper Valley Career Center Board of Education was formed in 1972. Before the beginning of fiscal year 2012, the Career Center changed its designation from Joint Vocational School District to Career Center.

The Career Center operates under a Board of Education consisting of eleven representatives who are members of the Boards of Education of the participating school districts. One member is appointed from each of the following: Bradford Exempted Village School District, Covington Exempted Village School District, and Miami County Educational Service Center. Two members are appointed from the following City and/or County School Districts: Piqua, Shelby, Sidney, and Troy. The Board of Education is responsible for providing vocational job training to residents of the participating school districts. The Career Center is staffed by 62 classified employees and 130 certified employees who provide services to 2,804 students and other community members.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements (BFS) of the Career Center have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The Career Center's significant accounting policies are described below.

A. Reporting Entity

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

Component units are legally separate organizations for which the Career Center is financially accountable. The Career Center is financially accountable for an organization if the Career Center appoints a voting majority of the organization's Governing Board and (1) the Career Center is able to significantly influence the programs or services performed or provided by the organization; or (2) the Career Center is legally entitled to or can otherwise access the organization's resources; or (3) the Career Center is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or (4) the Career Center is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the Career Center in that the Career Center approves the budget, the issuance of debt or the levying of taxes. Certain

**UPPER VALLEY CAREER CENTER
MIAMI COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

1. Jointly Governed Organizations

Western Ohio Computer Organization (WOCO)

The Career Center is a participant in the Western Ohio Computer Organization (WOCO), which is a computer consortium. WOCO is an association of various public school districts within the boundaries of Auglaize, Champaign, Hardin, Logan, Shelby, and Miami Counties. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions of member school districts. Each of the governments of these school districts supports WOCO based upon a per-pupil charge dependent on the software package utilized. In accordance with GASB Statement No. 14, the Career Center does not have an equity interest in WOCO, as the residual interest in net resources of the joint venture upon dissolution is not equivalent to an equity interest. WOCO is governed by a Board of Directors consisting of the Superintendents of the member school districts and the degree of control is limited to the representation on the Board of Directors. The Career Center paid WOCO \$55,815 for services provided during the fiscal year. Financial information can be obtained from Donn Walls, who serves as Director, at 129 East Court Street, Sidney, Ohio 45365.

Southwestern Ohio Educational Purchasing Council (SOEPC)

The Southwestern Ohio Educational Purchasing Council (SOEPC) is a purchasing cooperative made up of over 100 school districts in 18 counties. The purpose of this purchasing cooperative is to obtain prices for quality merchandise and services commonly used by schools. All member districts are obligated to pay all fees, charges, or other assessments as established by the SOEPC. Each member district has one voting representative. Title to any and all equipment, furniture and supplies purchased by the SOEPC is held in trust for the member districts. Any member district withdrawing from the SOEPC forfeits its claim to any and all SOEPC assets. One year prior notice is necessary for withdrawal from the SOEPC. During this time, the withdrawing member district is liable for all member obligations. The Career Center paid the SOEPC \$57,239 for services provided during the fiscal year. 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, Ohio 45377.

**UPPER VALLEY CAREER CENTER
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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Southwestern Ohio Instructional Technology Association (SOITA)

The Southwestern Ohio Instructional Technology Association (SOITA) is a not-for-profit corporation formed under Section 1702.01 of the Ohio Revised Code. The purpose of the SOITA is to serve the regional instructional technology needs of the SOITA member schools by facilitating the use of high quality instructional technology to improve both teaching and learning. The Board of Trustees is comprised of 21 representatives of SOITA member schools or institutions.

The 21 representatives are elected from within the counties by the qualified members within the counties, i.e., Auglaize, Brown, Butler, Champaign, Clark, Clermont, Clinton, Darke, Fayette, Greene, Hamilton, Logan, Mercer, Miami, Montgomery, Preble, Shelby and Warren Counties. Montgomery, Greene and Butler Counties elect two representatives per area. All others elect one representative per area. One at-large 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 schools are obligated to pay all fees, charges, or other assessments as established by the SOITA. Upon dissolution, the net position shall be distributed to the federal government, or to a State or local government, for a public purpose. The Career Center paid the SOITA \$707 for services provided during the fiscal year. To obtain financial information, write to the Southwestern Ohio Instructional Technology Association, Frank Depalma, who serves as Interim Director, at 150 East Sixth Street, Franklin, Ohio 45005.

2. Insurance Purchasing Pools

Southwestern Ohio Educational Purchasing Council Workers' Compensation Group Rating Plan

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

Southwestern Ohio Educational Purchasing Cooperative Benefit Plan Trust

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

**UPPER VALLEY CAREER CENTER
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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Fund Accounting

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

1. Governmental Funds

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 plus deferred outflows of resources and liabilities plus deferred inflows of resources is reported as fund balance. The following are the Career Center's major governmental funds:

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

Classroom facilities maintenance fund - The classroom facilities maintenance fund is used to account for financial resources and expenditures related to the maintenance and repair of the Career Center's Ohio Facilities Construction Commission (OFCC) construction project.

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

2. Proprietary Funds

Proprietary funds are used to account for the Career Center's ongoing activities which are similar to those often found in the private sector. The Career Center has no enterprise funds. The following is a description of the Career Center's internal service fund:

Internal service fund - The internal service fund is used to account for the financing of goods or services provided by one department or agency to other departments or agencies of the Career Center, or to other governments, on a cost-reimbursement basis. The only internal service fund of the Career Center accounts for various supplies maintained and distributed by the Career Center's warehouse. The internal service fund was closed out during fiscal year 2014.

**UPPER VALLEY CAREER CENTER
MIAMI COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3. Fiduciary Funds

Fiduciary fund reporting focuses on net position and changes in net position. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds and agency funds. Trust funds are used to account for assets held by the Career Center under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the Career Center's own programs. The private-purpose trust fund accounts for scholarship programs for students. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The Career Center's agency funds account for student-related activities.

C. Basis of Presentation and Measurement Focus

1. Government-wide Financial Statements

The statement of net position and the statement of activities display information about the Career Center as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. Internal service fund operating activity is eliminated to avoid overstatement of revenues and expenses.

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

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

2. Fund Financial Statements

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

**UPPER VALLEY CAREER CENTER
MIAMI COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Like the government-wide statements, the internal service fund is accounted for on a flow of economic resources measurement focus. The statement of revenues, expenses and changes in net position presents increases (i.e., revenues) and decreases (i.e., expenses) in net position.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operation. Revenues and expenses not meeting the operating activity definition are to be reported as non-operating revenues and expenses. During the fiscal year, the only activity reported in the internal service fund was a transfer from the governmental funds intended to close out the internal service fund at June 30, 2014.

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

D. Basis of Accounting

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

1. Revenues - Exchange and Non-exchange Transactions

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

**UPPER VALLEY CAREER CENTER
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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Non-exchange transactions, in which the Career Center receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied (See Note 6).

Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted, matching requirements, in which the Career Center must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the Career Center on a reimbursement basis. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

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

2. Deferred Inflows of Resources and Deferred Outflows of Resources

A deferred inflow of resources is an acquisition of net position by the Career Center that is applicable to a future reporting period. A deferred outflow of resources is a consumption of net position by the Career Center that is applicable to a future reporting period.

Property taxes for which there is an enforceable legal claim as of June 30, 2014, but which were levied to finance fiscal year 2015 operations, and other revenues received in advance of the fiscal year for which they were intended to finance, have been recorded as deferred inflows of resources. Grants not received within the available period, grants and entitlements received before the eligibility requirements are met, and delinquent property taxes due at June 30, 2014, are recorded as deferred inflows of resources on the governmental fund financial statements.

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

3. Expenses/Expenditures

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

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

**UPPER VALLEY CAREER CENTER
MIAMI COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Budgets

All funds, other than agency funds, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the appropriation resolution, and the certificate of estimated resources, all of 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 of Education's authorization to spend resources and sets annual limits on expenditures plus encumbrances at a level of control selected by the Board of Education. The legal level of budgetary control has been established by the Board of Education at the fund level for all funds. Any budgetary modifications at this level may only be made by resolution of the Board of Education. The Career Center Treasurer has been authorized to allocate the Board of Education appropriations to the object level within the general fund, and to the function and object level within all other funds.

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

The appropriation resolution is subject to amendment by the Board of Education throughout the fiscal year, with the restriction that appropriations may not exceed estimated resources. The amounts reported as the original budgeted amounts in the budgetary statements reflect the first appropriations 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 of Education during the fiscal year, including all supplemental appropriations.

F. Cash and Investments

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

During fiscal year 2014, investments were limited to U.S. Government money markets, U.S. Treasury Notes, federal agency securities, and investments in the State Treasury Asset Reserve of Ohio (STAR Ohio). Except for nonparticipating investment contracts, investments are reported at fair value, which is based on quoted market prices. Non-participating investment contracts are reported at cost.

The Career Center has invested funds in STAR Ohio during fiscal year 2014. STAR Ohio is an investment pool managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's shares price, which is the price the investment could be sold for on June 30, 2014.

**UPPER VALLEY CAREER CENTER
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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Under existing Ohio statute, interest earnings are allotted to the general fund unless the Board of Education has, by resolution, specified funds to receive an allocation of interest earnings. Interest revenue credited to the general fund during fiscal year 2014 amounted to \$12,505, which includes \$301 assigned from other Career Center funds.

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

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

G. Inventory

On government-wide and fund financial statements, purchased inventories are presented at the lower of cost or market and donated commodities are presented at their entitlement value. Inventories are recorded on a first-in, first-out basis and are expensed/expended when used. Inventories are accounted for using the consumption method on both the government-wide and fund financial statements.

On the fund financial statements, reported materials and supplies inventory is equally offset by non-spendable fund balance in the governmental funds, which indicates that it does not constitute available spendable resources even though it is a component of net current assets.

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

H. Assets Held for Resale

As an integral part of the instructional laboratory experience for the Career Center's Construction Trades program, houses are constructed on lots purchased by the Career Center for the purpose of being sold at public auction upon completion. The purchased assets that remain unsold at fiscal year-end are reported on the government-wide and fund financial statements as assets held for resale. These transactions are conducted through the Career Center's patronage fund, which is combined with the general fund for financial reporting purposes.

On the fund financial statements, the balance of assets held for resale is equally offset by non-spendable fund balance in the governmental funds, which indicates that it does not constitute available spendable resources even though it is a component of net current assets.

I. Capital Assets

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

**UPPER VALLEY CAREER CENTER
MIAMI COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and deductions during the year. Donated capital assets are recorded at their fair market values as of the date received. During fiscal year 2014, the Career Center increased its capitalization threshold from \$1,200 to \$2,500. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not. The Career Center does not possess infrastructure.

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:

Description	Governmental Activities Estimated Lives
Buildings and improvements	75 years
Furniture, fixtures, and equipment	8 - 20 years
Vehicles	10 - 12 years

J. Interfund Balances

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

K. Compensated Absences

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

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

The total liability for vacation leave and sick leave payments has been calculated using pay rates in effect at June 30, 2014 and reduced to the maximum payment allowed by labor contract and/or statute, plus any additional salary related payments.

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

**UPPER VALLEY CAREER CENTER
MIAMI COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

For governmental fund financial statements, compensated absences are recognized as liabilities and expenditures as payments come due each period upon the occurrence of employee resignations and retirements. These amounts are recorded in the account "compensated absences payable" in the fund from which the employees who have accumulated unpaid leave are paid. The noncurrent portion of the liability is not reported.

L. Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities and long-term obligations are reported in the government-wide 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 and early retirement incentive obligations that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment during the current year. Bonds and capital lease obligations are recognized as liabilities on the fund financial statements when due.

M. Fund Balance

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

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

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

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

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

**UPPER VALLEY CAREER CENTER
MIAMI COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

N. Net Position

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

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

O. Prepayments

Certain payments to vendors reflect the costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements. These items are reported as assets on the statement of net position/balance sheet using the consumption method. A current asset for the prepaid amounts is recorded at the time of the purchase and the expense/expenditure is reported in the year in which services are consumed. At fiscal year-end, because prepayments are not available to finance future governmental fund expenditures, the fund balance is considered non-spendable in an amount equal to the carrying value of the asset on the fund financial statements.

P. Estimates

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

**UPPER VALLEY CAREER CENTER
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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Q. Unamortized Bond Premium and Discount

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

On the governmental fund financial statements, bond premiums are recognized in the current period. A reconciliation between the bonds' face value and the amount reported on the statement of net position is presented in Note 10.

R. Interfund Activity

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

S. Restricted Assets

Assets are reported as restricted when limitations on their use change the nature or normal understanding of the availability of the asset. Such constraints are either externally imposed by creditors, contributors, grantors, and laws of other governments, or internally 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 Career Center for unclaimed monies.

T. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Board of Education and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during fiscal year 2014.

3. ACCOUNTABILITY AND COMPLIANCE

A. Change in Accounting Principles

For fiscal year 2014, the Career Center has implemented GASB Statement No. 70, "Accounting and Financial Reporting for Non-exchange Financial Guarantees".

GASB Statement No. 70 improves the recognition, measurement, and disclosures for state and local governments that have extended or received financial guarantees that are non-exchange transactions. The implementation of GASB Statement No. 70 did not have an effect on the financial statements of the Career Center.

**UPPER VALLEY CAREER CENTER
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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Continued)**

3. ACCOUNTABILITY AND COMPLIANCE (Continued)

B. Deficit Fund Balances

Fund balances at June 30, 2014 included the following individual fund deficits:

<u>Non-major governmental funds</u>	<u>Deficit</u>
Food service	\$714
Pell grant	1,882
Vocational education enhancement	2,523
Adult basic education	14,419
Vocational education	647
Miscellaneous federal grants	17

The general fund is liable for any deficits in these funds and provides transfers when cash is required, not when accruals occur. The deficit fund balances are a result of adjustments for accrued liabilities and the reporting of short-term interfund loans as a fund liability rather than as another financing source.

4. DEPOSITS AND INVESTMENTS

State statutes classify monies held by the Career Center into three categories.

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

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

Interim deposits are deposits of interim monies. Interim monies are those monies which are not needed for immediate use, but which will be needed before the end of the current period of designation of depositories.

Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings or deposit accounts including passbook accounts.

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

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;

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FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Continued)**

4. DEPOSITS AND INVESTMENTS (Continued)

3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in items (1) and (2) above and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasury Asset Reserve of Ohio investment pool (STAR Ohio);
7. Certain banker's acceptance and commercial paper notes for a period not to exceed one hundred eighty days from the purchase date in an amount not to exceed twenty-five percent of the interim monies available for investment at any one time; and,
8. Under limited circumstances, corporate debt interests rated in either of the two highest classifications by at least two nationally recognized rating agencies.

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

Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the Career Center, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the Treasurer or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

A. Cash on Hand

At fiscal year end, the Career Center had \$725 in un-deposited cash on hand, which is included on the financial statements of the Career Center as part of "equity in pooled cash and investments".

B. Deposits with Financial Institutions

At June 30, 2014, the carrying amount of all Career Center deposits was \$5,274,416. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of June 30, 2014, \$4,895,384 of the Career Center's bank balance of \$5,641,097 was exposed to custodial credit risk as discussed below, while \$745,713 was covered by the FDIC.

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

4. DEPOSITS AND INVESTMENTS (Continued)

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

C. Investments

As of June 30, 2014, the Career Center had the following investments and maturities:

<u>Investment type</u>	<u>Fair Value</u>	<u>Investment Maturities</u>				
		<u>6 Months Or Less</u>	<u>7 to 12 Months</u>	<u>13 to 18 Months</u>	<u>19 to 24 Months</u>	<u>Greater than 24 Months</u>
FNMA	\$1,559,783				\$410,529	\$1,149,254
FHLMC	550,584				350,151	200,433
FHLB	640,897				244,317	396,580
FHLMC - discount	350,000	\$350,000				
U.S. Treasury Note	300,258			\$300,258		
U.S. Government money market	109,930	109,930				
STAR Ohio	305,085	305,085				
Total	<u>\$3,816,537</u>	<u>\$765,015</u>	<u>\$0</u>	<u>\$300,258</u>	<u>\$1,004,997</u>	<u>\$1,746,267</u>

The weighted average maturity of investments is 1.90 years.

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

Credit Risk: The Career Center's investments in federal agency securities and U.S. Treasury Notes were rated AA+ and Aaa by Standard & Poor's and Moody's Investor Services, respectively. The U.S. Government money markets and STAR Ohio were rated AAAM by Standard & Poor's. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service. The Career Center's investment policy does not specifically address credit risk beyond the adherence to all relevant sections of the Ohio Revised Code.

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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Continued)**

4. DEPOSITS AND INVESTMENTS (Continued)

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

Concentration of Credit Risk: The Career Center places no limit on the amount that may be invested in any one issuer. The following table includes the percentage of each investment type held by the Career Center at June 30, 2014:

<u>Investment type</u>	<u>Fair Value</u>	<u>% of Total</u>
FNMA	\$1,559,783	40.87
FHLMC	550,584	14.43
FHLB	640,897	16.79
FHLMC - discount	350,000	9.17
U.S. Treasury Note	300,258	7.87
U.S. Government money market	109,930	2.88
STAR Ohio	305,085	7.99
Total	<u>\$3,816,537</u>	<u>100.00</u>

D. Reconciliation of Cash and Investments to the Statement of Net Position

The following is a reconciliation of cash and investments as reported in the note above to cash and investments as reported on the statement of net position as of June 30, 2014:

<u>Cash and investments per note</u>	
Carrying amount of deposits	\$5,274,416
Investments	3,816,537
Cash on hand	725
Total	<u>\$9,091,678</u>

<u>Cash and investments per statement of net position</u>	
Governmental activities	\$8,971,264
Private-purpose trust funds	13,143
Agency funds	107,271
Total	<u>\$9,091,678</u>

5. INTERFUND TRANSACTIONS

A. Interfund loans receivable/payable consisted of the following at June 30, 2014, as reported on the fund financial statements:

<u>Receivable fund</u>	<u>Payable fund</u>	<u>Amount</u>
General fund	Non-major governmental fund	<u>\$10,000</u>

**UPPER VALLEY CAREER CENTER
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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Continued)**

5. INTERFUND TRANSACTIONS (Continued)

The primary purpose of interfund balances is to cover costs in specific funds where revenues were not received by June 30. The interfund balances will be repaid once the anticipated revenues are received. All interfund balances are expected to be repaid within one year.

Interfund balances between governmental funds are eliminated in the government-wide financial statements; therefore, no internal balances at June 30, 2014 are reported on the statement of net position.

- B.** Interfund transfers for the year ended June 30, 2014 consisted of the following, as reported on the fund financial statements:

	<u>Amount</u>
<u>Transfers from general fund to:</u>	
Internal service fund	\$ 35,000
Nonmajor governmental funds	<u>551,027</u>
Total	<u>\$ 586,027</u>

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, and (2) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

Interfund transfers between governmental activities are eliminated on the government-wide financial statements; therefore, no transfers are reported in the statement of activities.

All transfers during fiscal year 2014 were made in accordance with Ohio Revised Code Sections 5705.14, 5705.15 and 5704.16.

6. PROPERTY TAXES

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

Property taxes include amounts levied against all real property and public utility property. Real property tax revenues received in calendar year 2014 represent the collection of calendar year 2013 taxes. Real property taxes received in calendar year 2014 were levied after April 1, 2013, on the assessed values as of January 1, 2013, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established. Public utility property tax revenues received in calendar year 2014 represent the collection of calendar year 2013 taxes. Public utility real and personal property taxes received in calendar year 2014 became a lien on December 31, 2012, were levied after April 1, 2013, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

**UPPER VALLEY CAREER CENTER
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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Continued)**

6. PROPERTY TAXES (Continued)

The Career Center receives property taxes from Miami, Shelby, Logan, Auglaize, and Darke Counties. The County Auditors periodically advance to the Career Center its portion of the taxes collected. Second-half real property tax payments collected by the Counties by June 30, 2014, are available to finance fiscal year 2014 operations. The amount available as an advance at June 30, 2014 was \$1,801,351 in the general fund and \$262,316 in the bond retirement fund (a non-major governmental fund). This amount is recorded as revenue. The amount available as an advance at June 30, 2013 was \$715,641 in the general fund and \$107,394 in the bond retirement fund (a non-major governmental fund). The amount of second-half real property taxes available for advance at fiscal year-end can vary based on the date the tax bills are sent.

Accrued property taxes receivable includes real property, public utility property and delinquent tangible personal property taxes which are measurable as of June 30, 2014 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reported as revenue at fiscal year-end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred inflows of resources.

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

The assessed values upon which the fiscal year 2014 taxes were collected are:

	2013 Second Half Collections		2014 First Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/residential and other real estate	\$2,192,872,740	96.79	\$2,147,590,860	96.82
Public utility personal	72,822,980	3.21	70,491,190	3.18
Total	<u>\$2,265,695,720</u>	<u>100.00</u>	<u>\$2,218,082,050</u>	<u>100.00</u>
Tax rate per \$1,000 of assessed valuation	\$5.30		\$5.32	

7. RECEIVABLES

Receivables at June 30, 2014 consisted of property taxes, accounts (billings for user charged services and student fees), accrued interest, and intergovernmental grants and entitlements. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current year guarantee of federal funds. A list of the principal items of receivables reported on the statement of net position follows:

Governmental activities:

Property taxes	\$ 6,543,324
Accounts	251,628
Accrued interest	4,163
Intergovernmental	<u>103,764</u>
Total	<u>\$ 6,902,879</u>

Receivables have been disaggregated on the face of the basic financial statements. All receivables are expected to be collected in the subsequent year.

**UPPER VALLEY CAREER CENTER
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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Continued)**

8. CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2014, was as follows:

	Balance July 1, 2013	Additions	Deductions	Balance June 30, 2014
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$1,173,459			\$1,173,459
Construction in progress	24,353,744	\$164,534	(\$24,464,709)	53,569
Total capital assets, not being depreciated	<u>25,527,203</u>	<u>164,534</u>	<u>(24,464,709)</u>	<u>1,227,028</u>
Capital assets, being depreciated:				
Buildings and improvements	12,435,946	23,239,964	(41,114)	35,634,796
Furniture, fixtures, and equipment	7,676,101	1,893,733	(3,113,814)	6,456,020
Vehicles	274,270	13,800	(80,125)	207,945
Total capital assets, being depreciated	<u>20,386,317</u>	<u>25,147,497</u>	<u>(3,235,053)</u>	<u>42,298,761</u>
Less: accumulated depreciation:				
Buildings and improvements	(3,508,815)	(326,758)	13,125	(3,822,448)
Furniture, fixtures, and equipment	(5,125,335)	(268,346)	2,063,781	(3,329,900)
Vehicles	(240,738)	(6,930)	80,125	(167,543)
Total accumulated depreciation	<u>(8,874,888)</u>	<u>(602,034)</u>	<u>2,157,031</u>	<u>(7,319,891)</u>
Governmental activities capital assets, net	<u>\$37,038,632</u>	<u>\$24,709,997</u>	<u>(\$25,542,731)</u>	<u>\$36,205,898</u>

Depreciation expense was charged to governmental activities as follows:

Instruction:	
Regular	\$67,441
Special	5,111
Vocational	310,780
Adult/continuing	29,895
Other	1,882
Support services:	
Pupil	23,036
Instructional staff	13,096
Board of education	495
Administration	33,250
Fiscal	6,718
Business	2,883
Operations and maintenance	59,031
Pupil transportation	5,217
Central	17,533
Other non-instructional services	18,139
Food service operations	7,187
Extracurricular activities	340
Total depreciation expense	<u>\$602,034</u>

**UPPER VALLEY CAREER CENTER
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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Continued)**

9. CAPITALIZED LEASES - LESSEE DISCLOSURE

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

Capital assets consisting of copier equipment have been capitalized in the amount of \$34,203. This amount represents the present value of the minimum lease payments at the time of acquisition. Accumulated depreciation as of June 30, 2014 for this equipment was \$3,420, leaving a current book value of \$30,783. A corresponding liability is recorded in the government-wide financial statements. Principal payments in fiscal year 2014 totaled \$7,279 paid by the general fund.

The following is a schedule of the future long-term minimum lease payments required under the capital lease obligation and the present value of the future minimum lease payments as of June 30, 2014:

<u>Fiscal Year Ending June 30,</u>	<u>Amount</u>
2015	\$7,593
2016	7,593
2017	7,593
2018	<u>7,592</u>
Total minimum lease payments	30,371
Less: amount representing interest	<u>(3,447)</u>
Total	<u>\$26,924</u>

10. LONG-TERM OBLIGATIONS

A. The changes in the Career Center's long-term obligations during fiscal year 2014 consist of the following:

	<u>Balance July 1, 2013</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance June 30, 2014</u>	<u>Amounts Due in One Year</u>
Governmental activities:					
School facilities bonds	\$5,040,000		(\$790,000)	\$4,250,000	\$810,000
Capital lease obligations		\$34,203	(7,279)	26,924	6,247
Early retirement incentive	554,200		(440,918)	113,282	113,282
Compensated absences	1,319,671	135,197	(241,471)	1,213,397	194,984
Total governmental activities long-term liabilities	<u>\$6,913,871</u>	<u>\$169,400</u>	<u>\$1,479,668)</u>	<u>5,603,603</u>	<u>\$1,124,513</u>
Unamortized bond premiums				<u>53,552</u>	
Total on statement of net position				<u>\$5,657,155</u>	

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

10. LONG-TERM OBLIGATIONS (Continued)

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

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

Year Ending June 30,	School Facilities Bonds - Series 2010		
	Principal	Interest	Total
2015	\$810,000	\$110,500	\$920,500
2016	825,000	91,075	916,075
2017	845,000	69,144	914,144
2018	870,000	43,388	913,388
2019	900,000	14,625	914,625
Total	<u>\$4,250,000</u>	<u>\$328,732</u>	<u>\$4,578,732</u>

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

Early Retirement Incentive (ERI) - The Board of Education approved an early retirement incentive (ERI) for Career Center employees in prior fiscal years. Employees who elected to participate in the ERI receive a payment for their unused sick leave, to the extent allowed by the current labor agreement, along with an annual payment of \$8,000-\$26,000. The ERI payments are made by the Career Center in lump-sum distributions over a three-year period. The total liability for the ERI at June 30, 2014 was \$113,282, which is due within one year. The liability is recorded on the governmental activities statement of net position as a component of "long-term liabilities".

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

B. Legal Debt Margin

The Ohio Revised Code provides that voted net general obligation debt of the Career Center shall never exceed 9% of the total assessed valuation of the Career Center. The Code further provides that un-voted indebtedness shall not exceed 1/10 of 1% of the property valuation of the Career Center. The Code additionally states that un-voted indebtedness related to energy conservation debt shall not exceed 9/10 of 1% of the property valuation of the Career Center. The assessed valuation used in determining the Career Center's legal debt margin has been modified by House Bill 530 which became effective March 30, 2006. In accordance with House Bill 530, the assessed valuation used in the Career Center's legal debt margin calculation excluded tangible personal property used in business, telephone or telegraph property, interexchange telecommunications company property, and personal property owned or leased by a railroad company and used in railroad operations. The effects of these debt limitations at June 30, 2014, are a voted debt margin of \$196,234,054 (including available funds of \$856,669) and an un-voted debt margin of \$2,218,082.

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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Continued)**

11. OTHER EMPLOYEE BENEFITS

A. Compensated Absences

The criteria for determining vacation leave and sick leave benefits are derived from the Board of Education's administrative regulations and State laws. Full-time classified employees for annual terms on regular contracts are granted two weeks of paid vacation. They are granted one additional day of paid vacation for every full year of service to the Career Center after the completion of five years. After 20 years of service, classified employees are granted 25 days of paid vacation. Teachers and administrators do not earn vacation time, with the exception of the Superintendent, Directors, and the Treasurer. Accumulated, unused vacation time is paid to classified employees upon termination of employment. Teachers, administrators, and classified employees earn sick leave at the rate of 1.25 days per month. Sick leave may be accumulated up to a maximum of 210 days. Upon retirement, payment is made for one-fourth of the total sick leave accumulation to a maximum of 52.5 days.

B. Life Insurance Benefits

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

12. RISK MANAGEMENT

A. Property and Liability

The Career Center is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2014, the Career Center contracted with the Selective Insurance Company of South Carolina for property, fleet, stop-gap, employee benefits, and liability insurance. Settled claims have not exceeded this commercial coverage in the past three fiscal years. There have been no significant changes in coverage from the last fiscal year.

B. Medical/Dental/Vision Insurance Benefits

For fiscal year 2014, the Career Center participated in the Southwestern Ohio Educational Purchasing Cooperative Benefit Plan Trust (the "Trust"), a public entity shared risk pool consisting of 55 school districts (See Note 2.A). The Career Center pays monthly premiums to the Trust for employee medical and dental insurance benefits. The Trust is responsible for the management and operations of the program. Upon withdrawal from the Trust, a participant is responsible for the payment of all Trust liabilities to its employees, dependents, and designated beneficiaries accruing as a result of withdrawal.

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

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(Continued)**

12. RISK MANAGEMENT (Continued)

C. Workers' Compensation

For fiscal year 2014, the Career Center participated in the Southwestern Ohio Educational Purchasing Council Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool (See Note 2.A). The intent of the GRP is to achieve the benefit of a reduced premium for the Career Center by virtue of its grouping and representation with other participating school districts in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all participating school districts in the GRP. Each participating school district pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of Integrated Corvel Corporation provides administrative, cost control, and actuarial services to the GRP.

13. PENSION PLANS

A. School Employees Retirement System

Plan Description - The Career Center contributes to the School Employees Retirement System (SERS), a cost-sharing, multiple-employer defined benefit pension plan. SERS provides retirement, disability, survivor 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. It is also posted on the SERS' Ohio website, www.ohsers.org, under "Employers/Audit Resources".

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary and the Career Center is required to contribute at an actuarially determined rate. The current Career Center rate is 14 percent of annual covered payroll. A portion of the Career Center's contribution is used to fund pension obligations with the remainder being used to fund health care benefits. For fiscal year 2014, 13.05 percent and 0.05 percent of annual covered salary was the portion used to fund pension obligations and death benefits, respectively. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to a statutory maximum amount of 14 percent for plan members and 14 percent for employers. Chapter 3309 of the Ohio Revised Code provides statutory authority for member and employer contributions. The Career Center's required contributions for pension obligations and death benefits to SERS for the fiscal years ended June 30, 2014, 2013 and 2012 were \$234,041, \$246,797 and \$259,671, respectively; 100 percent has been contributed for fiscal years 2014, 2013 and 2012.

B. State Teachers Retirement System of Ohio

Plan Description - The Career Center participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple-employer public employee retirement plan. 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 43215-3771, by calling (888) 227-7877, or by visiting the STRS Ohio website at www.strsoh.org, under "Publications".

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(Continued)**

13. PENSION PLANS (Continued)

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on a member's lifetime contributions and earned interest matched by STRS Ohio funds divided by 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 member may elect to receive a lifetime monthly annuity or a lump sum withdrawal. 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. The DB portion of the Combined Plan payment is payable to a member on or after age 60; the DC portion of the account may be taken as a lump sum or converted to a lifetime monthly annuity at age 50. 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 of the DC Plan dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

Funding Policy - For fiscal year 2014, plan members were required to contribute 11 percent of their annual covered salaries. The Career Center 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 14 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The Career Center's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2014, 2013 and 2012 were \$1,184,865, \$1,206,363 and \$1,355,441, respectively; 100 percent has been contributed for fiscal years 2014, 2013 and 2012. Contributions to the DC and Combined Plans for fiscal year 2014 were \$97,326 made by the Career Center and \$76,471 made by the plan members.

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the SERS/STRS Ohio have an option to choose Social Security or the SERS/STRS Ohio. As of June 30, 2014 certain members of the Board of Education have elected Social Security. The Career Center's liability is 6.2 percent of wages paid.

**UPPER VALLEY CAREER CENTER
MIAMI COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Continued)**

14. POST-EMPLOYMENT BENEFITS

A. School Employees Retirement System

Plan Description - The Career Center participates in two cost-sharing, multiple employer postemployment benefit plans administered by the School Employees Retirement System (SERS) for non-certificated retirees and their beneficiaries, a Health Care Plan and a Medicare Part B Plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's, Medicare Advantage, and traditional indemnity plans. A prescription drug program is also available to those who elect health coverage. SERS employs two third-party administrators and a pharmacy benefit manager to manage the self-insurance and prescription drug plans, respectively. The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries as set forth in Section 3309.69 of the Ohio Revised Code. Qualified benefit recipients who pay Medicare Part B premiums may apply for and receive a monthly reimbursement from SERS. The reimbursement amount is limited by statute to the lesser of the January 1, 1999 Medicare Part B premium or the current premium. The Medicare Part B monthly premium for calendar year 2014 was \$104.90 for most participants, but could be as high as \$335.70 per month depending on their income and the SERS' reimbursement to retirees was \$45.50. Benefit provisions and the obligations to contribute are established by the System based on authority granted by State statute. The financial reports of both Plans are included in the SERS Comprehensive Annual Financial Report which is available by contacting SERS at 300 East Broad St., Suite 100, Columbus, Ohio 43215-3746. It is also posted on the SERS' Ohio website, www.ohsers.org, under "Employers/Audit Resources".

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). For 2014, 0.14 percent of covered payroll was allocated to health care. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. Statutes provide that no employer shall pay a health care surcharge greater than 2.0 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the statewide SERS-covered payroll for the health care surcharge. For fiscal year 2014, the actuarially determined amount was \$20,250.

Active members do not contribute to the postemployment benefit plans. The Retirement Board establishes the rules for the premiums paid by the retirees for health care coverage for themselves and their dependents or for their surviving beneficiaries. Premiums vary depending on the plan selected, qualified years of service, Medicare eligibility and retirement status.

The Career Center's contributions for health care (including surcharge) for the fiscal years ended June 30, 2014, 2013 and 2012 were \$19,789, \$33,706 and \$41,938, respectively; 100 percent has been contributed for fiscal years 2014, 2013 and 2012.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For fiscal year 2014, this actuarially required allocation was 0.76 percent of covered payroll. The Career Center's contributions for Medicare Part B for the fiscal years ended June 30, 2014, 2013 and 2012 were \$13,578, \$13,941 and \$15,335, respectively; 100 percent has been contributed for fiscal years 2014, 2013 and 2012.

**UPPER VALLEY CAREER CENTER
MIAMI COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Continued)**

14. POST-EMPLOYMENT BENEFITS (Continued)

B. State Teachers Retirement System of Ohio

Plan Description - The Career Center contributes to the cost sharing, multiple employer defined benefit Health Plan (the "Plan") administered by the State Teachers Retirement System of Ohio (STRS Ohio) for eligible retirees who participated in the defined benefit or combined pension plans offered by STRS Ohio. Benefits include hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare Part B premiums. The Plan is included in the report of STRS Ohio which may be obtained by visiting www.strsoh.org, under "Publications" or by calling (888) 227-7877.

Funding Policy - Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2014, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The Career Center's contributions for health care for the fiscal years ended June 30, 2014, 2013 and 2012 were \$91,143, \$92,797 and \$104,265, respectively; 100 percent has been contributed for fiscal years 2014, 2013 and 2012.

15. BUDGETARY BASIS OF ACCOUNTING

While reporting financial position, results of operations, and changes in fund balance on the basis of accounting principles generally accepted in the United States of America (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 statements of revenues, expenditures and changes in fund balance - budget and actual (non-GAAP budgetary basis) presented for the general fund and the classroom facilities maintenance fund are presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and the GAAP basis are that:

- (a) Revenues and other financing sources are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis);
- (b) Expenditures and other financing uses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis);
- (c) In order to determine compliance with Ohio law, and to reserve that portion of the applicable appropriation, total outstanding encumbrances (budget basis) are recorded as the equivalent of an expenditure, as opposed to assigned or committed fund balance for that portion of outstanding encumbrances not already recognized as an account payable (GAAP basis);
- (d) Advances-in and advances-out are operating transactions (budget basis) as opposed to balance sheet transactions (GAAP basis);
- (e) Investments are reported at fair value (GAAP basis) rather than cost (budget basis); and,
- (f) Some funds are included in the general fund (GAAP basis), but have separate legally adopted budgets (budget basis).

**UPPER VALLEY CAREER CENTER
MIAMI COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Continued)**

15. BUDGETARY BASIS OF ACCOUNTING

The adjustments necessary to convert the results of operations for the year on the budget basis to the GAAP basis for the general fund and the classroom facilities maintenance fund is as follows:

	Net Change in Fund Balance	
	General Fund	Classroom Facilities Maintenance Fund
Budget basis	\$1,225,085	\$84,433
Net adjustment for revenue accruals	749,121	337,600
Net adjustment for expenditure accruals	112,260	(62,052)
Net adjustment for other sources/uses	(116,005)	(337,600)
Funds budgeted elsewhere	84,241	
Adjustment for encumbrances	305,870	166,971
GAAP basis	\$2,360,572	\$189,352

Certain funds that are legally budgeted in separate fund classifications are considered part of the general fund on a GAAP basis. This includes the uniform school supplies fund, patronage fund, and unclaimed monies fund.

16. CONTINGENCIES

A. Grants

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

B. Litigation

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

17. SET-ASIDES

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

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

**UPPER VALLEY CAREER CENTER
MIAMI COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Continued)**

17. SET-ASIDES (Continued)

	Capital Improvements
Set-aside balance June 30, 2013	
Current year set-aside requirement	\$181,522
Current year offsets	(337,600)
Total	(\$156,078)
Balance carried forward to fiscal year 2015	\$0
Set-aside balance June 30, 2014	\$0

During fiscal year 2010, the Career Center issued \$7,285,000 in capital related school facilities general obligation bonds. The amount presented for prior year offset from bond proceeds is limited to an amount needed to reduce the capital improvements set-aside balance to \$0. The Career Center is responsible for tracking the amount of bond proceeds that may be used as an offset in future periods, which was \$7,046,910 at June 30, 2014.

18. FUND BALANCE

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

Fund Balance	General	Classroom Facilities Maintenance	Non-major Governmental Funds	Total Governmental Funds
Non-spendable:				
Prepayments	\$19,250		\$1,591	\$20,841
Materials and supplies inventory	16,524		679	17,203
Assets held for resale	19,000			19,000
Unclaimed monies	963			963
Total non-spendable	55,737		2,270	58,007
Restricted:				
Capital improvements			526,667	526,667
Classroom facilities maintenance		\$1,540,336		1,540,336
Debt service			856,669	856,669
Adult education			55,081	55,081
Other purposes			16,104	16,104
Total restricted		1,540,336	1,454,521	2,994,857
Committed:				
Student and staff support	25,886			25,886
Operation of non-instructional services	10,120			10,120
Total committed	36,006			36,006
Assigned:				
Capital improvements			431,840	431,840
Student instruction	95,566			95,566
Student and staff support	104,095			104,095
Operation of non-instructional services	29,370			29,370
Facilities acquisition and construction	2,597			2,597
Willowbrook Wetlands Project	114,399			114,399
Total assigned	346,027		431,840	777,867
Unassigned (deficit)	5,586,523		(20,202)	5,566,321
Total fund balances	\$6,024,293	\$1,540,336	\$1,868,429	\$9,433,058

**UPPER VALLEY CAREER CENTER
MIAMI COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Continued)**

19. COMMITMENTS

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

Fund	Year End Encumbrances
General fund	\$267,634
Classroom facilities maintenance fund	104,919
Non-major governmental funds	152,800
Total	<u>\$525,353</u>

**UPPER VALLEY CAREER CENTER
MIAMI COUNTY**

**SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

Federal Grantor/ Pass Through Grantor Program Title	Federal CFDA Number	Receipts	Non-Cash Receipts	Expenditures	Non-Cash Expenditures
U.S. Department of Agriculture					
<i>Passed through the Ohio Department of Education</i>					
Child Nutrition Cluster:					
School Breakfast Program	10.553	\$31,216		\$31,216	
National School Lunch Program	10.555	137,717	\$28,211	137,717	\$28,211
Total Child Nutrition Cluster		<u>168,933</u>	<u>28,211</u>	<u>168,933</u>	<u>28,211</u>
Total U.S. Department of Agriculture		<u>168,933</u>	<u>28,211</u>	<u>168,933</u>	<u>28,211</u>
U.S. Department of Education					
<i>Passed through the Ohio Board of Regents</i>					
Adult Education - Basic Grants to States	84.002	244,073		244,074	
<i>Passed through the Ohio Department of Education</i>					
Career and Technical Education - Basic Grants to States	84.048	410,872		391,753	
Improving Teacher Quality State Grants	84.367	3,230		3,230	
<i>Direct Receipt</i>					
Student Financial Assistance Cluster					
Federal Pell Grant Program	84.063	327,438		327,438	
Federal Direct Student Loans	84.268	566,308		566,308	
Total Student Financial Assistance Cluster		<u>893,746</u>		<u>893,746</u>	
Total U.S. Department of Education		<u>1,551,921</u>		<u>1,532,803</u>	
Total Federal Financial Assistance		<u>\$1,720,854</u>	<u>\$28,211</u>	<u>\$1,701,736</u>	<u>\$28,211</u>

See accompanying notes to the Schedule of Federal Awards Receipts and Expenditures.

**UPPER VALLEY CAREER CENTER
MIAMI COUNTY**

**NOTES TO THE SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

The accompanying Schedule of Federal Awards Receipts and Expenditures (the Schedule) reports the Upper Valley Career Center's (the Career Center's) federal award programs' receipts and disbursements. The Schedule has been prepared on the cash basis of accounting.

NOTE B - CHILD NUTRITION CLUSTER

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

NOTE C – FOOD DONATION PROGRAM

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

NOTE D - MATCHING REQUIREMENTS

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



Dave Yost • Auditor of State

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

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

To the Board of Education:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Upper Valley Career Center, Miami County, (the Career Center) as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Career Center's basic financial statements and have issued our report thereon dated December 23, 2014.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. However, unidentified material weaknesses may exist.

Compliance and Other Matters

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

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www.ohioauditor.gov

Purpose of this Report

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

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

Dave Yost
Auditor of State
Columbus, Ohio

December 23, 2014



Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO THE MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

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

To the Board of Education:

Report on Compliance for the Major Federal Program

We have audited the Upper Valley Career Center's (the Career Center) compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that could directly and materially affect the Career Center's major federal program for the year ended June 30, 2014. The *Summary of Auditor's Results* in the accompanying schedule of findings identifies the Career Center's major federal program.

Management's Responsibility

The Career Center's Management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to its federal program.

Auditor's Responsibility

Our responsibility is to opine on the Career Center's compliance for the Career Center's major federal program based on our audit of the applicable compliance requirements referred to above. Our compliance audit followed auditing standards generally accepted in the United States of America; the standards for financial audits included in the Comptroller General of the United States' *Government Auditing Standards*; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. These standards and OMB Circular A-133 require us to plan and perform the audit to reasonably assure whether noncompliance with the applicable compliance requirements referred to above that could directly and materially affect a major federal program occurred. An audit includes examining, on a test basis, evidence about the Career Center's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on the Major Federal Program

In our opinion, the Upper Valley Career Center complied, in all material respects with the compliance requirements referred to above that could directly and materially affect its major federal program for the year ended June 30, 2014.

Report on Internal Control Over Compliance

The Upper Valley Career Center's management is responsible for establishing and maintaining effective internal control over compliance with the applicable compliance requirements referred to above. In planning and performing our compliance audit, we considered the Career Center's internal control over compliance with the applicable requirements that could directly and materially affect a major federal program, to determine our auditing procedures appropriate for opining on each major federal program's compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not to the extent needed to opine on the effectiveness of internal control over compliance. Accordingly, we have not opined on the effectiveness of the Upper Valley Career Center's internal control over compliance.

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

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

This report only describes the scope of our internal control compliance tests and the results of this testing based on OMB Circular A-133 requirements. Accordingly, this report is not suitable for any other purpose.



Dave Yost
Auditor of State
Columbus, Ohio

December 23, 2014

UPPER VALLEY CAREER CENTER
MIAMI COUNTY

SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 2014

1. SUMMARY OF AUDITOR'S RESULTS

<i>(d)(1)(i)</i>	Type of Financial Statement Opinion	Unmodified
<i>(d)(1)(ii)</i>	Were there any material control weaknesses reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(ii)</i>	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(iii)</i>	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
<i>(d)(1)(iv)</i>	Were there any material internal control weaknesses reported for major federal programs?	No
<i>(d)(1)(iv)</i>	Were there any significant deficiencies in internal control reported for major federal programs?	No
<i>(d)(1)(v)</i>	Type of Major Programs' Compliance Opinion	Unmodified
<i>(d)(1)(vi)</i>	Are there any reportable findings under § .510(a)?	No
<i>(d)(1)(vii)</i>	Major Programs (list):	Student Financial Assistance Cluster: Federal Pell Grant Program: CFDA # 84.063 Federal Direct Student Loans: CFDA # 84.268
<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.

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Dave Yost • Auditor of State

UPPER VALLEY CAREER CENTER

MIAMI COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
JANUARY 27, 2015**