



Mary Taylor, CPA
Auditor of State

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

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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

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

To the Board of Education:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Upper Valley Joint Vocational School District, Miami County, (the District), as of and for the year ended June 30, 2006, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Upper Valley Joint Vocational School District, Miami County, as of June 30, 2006, and the respective changes in financial position, cash flows, and the respective budgetary comparisons for the General and Adult Education Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 26, 2007, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

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

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

A handwritten signature in cursive script that reads "Mary Taylor".

Mary Taylor, CPA
Auditor of State

January 26, 2007

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

The discussion and analysis of Upper Valley Joint Vocational School District's financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2006. The intent of this discussion and analysis is to look at the School District's financial performance as a whole; readers should also review the basic financial statements and the notes to the financial statements to enhance their understanding of the School District's financial performance.

Financial Highlights

Key financial highlights for fiscal year 2006 are as follows:

- In total, net assets increased \$906,951, which represents a 4.9 percent increase from fiscal year 2005.
- General revenues accounted for \$15,080,085 in revenue or 69.9 percent of all revenues. Program specific revenues in the form of charges for services, operating grants and contributions, and capital grants, contributions and interest accounted for \$6,507,574 or 30.1 percent of total revenues of \$21,587,659.
- The School District had \$20,680,708 in expenses; only \$6,507,574 of these expenses were offset by program specific charges for services, grants, contributions or interest. General revenues (primarily taxes and unrestricted grants and entitlements) of \$15,080,085 were adequate to provide for these programs.
- Among major funds, the General Fund had \$16,988,044 in revenues and \$16,757,427 in expenditures. The General Fund's balance increased \$331,277 over fiscal year 2005.

Using the Basic Financial Statements

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

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

Reporting the School District as a Whole

Statement of Net Assets and the Statement of Activities

While this document contains the large number of funds used by the School District to provide programs and activities, the view of the School District as a whole looks at all financial transactions and asks the question, "How did we do financially during fiscal year 2006?" The Statement of Net Assets and the Statement of Activities answer this question. These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current fiscal year's revenues and expenses regardless of when cash is received or paid.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006
(Continued)**

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

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

Reporting the School District's Most Significant Funds

Fund Financial Statements

The analysis of the School District's major funds begins on page 7. Fund financial reports provide detailed information about the School District's major funds. The School District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the School District's most significant funds. The School District's major governmental funds are the General Fund, the Adult Education Fund, the Note Retirement Fund, and the Building Fund.

Governmental Funds

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

Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance educational programs. The relationship (or differences) between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds is reconciled in the financial statements.

Proprietary Funds

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

Fiduciary Funds

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

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006
(Continued)**

The School District as a Whole

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

Table 1 provides a summary of the School District's net assets for fiscal year 2006 compared to fiscal year 2005:

Table 1 Net Assets			
	2006	Restated 2005	Change
Assets:			
Current Assets	\$21,255,734	\$22,631,204	(\$1,375,470)
Capital Assets	13,148,140	13,033,652	114,488
Total Assets	34,403,874	35,664,856	(1,260,982)
Liabilities:			
Long-Term Liabilities	5,051,662	6,178,776	(1,127,114)
Other Liabilities	9,995,856	11,036,675	(1,040,819)
Total Liabilities	15,047,518	17,215,451	(2,167,933)
Net Assets:			
Invested in Capital Assets, Net of Related Debt	9,330,735	8,610,553	720,182
Restricted	3,013,431	2,600,792	412,639
Unrestricted	7,012,190	7,238,060	(225,870)
Total Net Assets	\$19,356,356	\$18,449,405	\$906,951

Total net assets increased \$906,951, from fiscal year 2005. Total assets of governmental activities decreased by \$1,260,982, as cash and cash equivalents and other current assets decreased by \$1,375,470. The significant decrease in cash and cash equivalents was due to significant expenditures for construction projects. The decrease in total liabilities was due to the payment of outstanding construction contracts, the payment of the Applied Technology Center Construction Loan and the retirement of \$1,020,000 of the School Improvement Bond Anticipation Notes.

Unrestricted net assets, the part of net assets that can be used to finance day-to-day activities without constraints established by grants or legal requirements, of the School District decreased by \$225,870. This was due primarily to the reduction in Personal Property taxes not covered by the State's "hold harmless" reimbursement.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006
(Continued)**

Table 2 shows the changes in net assets for fiscal year 2006 compared to fiscal year 2005.

**Table 2
Changes in Net Assets**

	<u>2006</u>	<u>2005</u>	<u>Change</u>
Revenues:			
Program Revenues:			
Charges for Services	\$1,663,184	\$1,761,622	(\$98,438)
Operating Grants and Contributions	4,752,749	4,495,255	257,494
Capital Grants, Contributions and Interest	91,641	119,203	(27,562)
Total Program Revenues	<u>6,507,574</u>	<u>6,376,080</u>	<u>131,494</u>
General Revenues:			
Property Taxes	8,767,436	8,671,747	95,689
Grants and Entitlements	5,809,451	5,864,102	(54,651)
Investment Earnings	409,233	199,969	209,264
Gifts and Donations	59,914	6,121	53,793
Miscellaneous	34,051	114,109	(80,058)
Total General Revenues	<u>15,080,085</u>	<u>14,856,048</u>	<u>224,037</u>
Total Revenues	<u>21,587,659</u>	<u>21,232,128</u>	<u>355,531</u>
Program Exepenses			
Instruction:			
Regular	1,751,592	1,616,320	135,272
Special	1,127,495	1,027,474	100,021
Vocational	8,634,473	8,550,843	83,630
Adult/Continuing	1,521,804	1,556,059	(34,255)
Support Services:			
Pupils	1,434,480	1,461,086	(26,606)
Instructional Staff	288,438	312,414	(23,976)
Board of Education	40,266	46,110	(5,844)
Administration	2,142,995	2,037,465	105,530
Fiscal	565,858	570,632	(4,774)
Business	143,917	134,411	9,506
Operation and Maintenance of Plant	1,407,458	1,283,613	123,845
Pupil Transportation	41,886	47,036	(5,150)
Central	711,784	597,286	114,498
Operation of Non-Instructional Services	636,356	665,327	(28,971)
Extracurricular Activities	52,637	49,219	3,418
Interest and Fiscal Charges	179,269	130,472	48,797
Total Expenses	<u>20,680,708</u>	<u>20,085,767</u>	<u>\$594,941</u>
Change in Net Assets	906,951	1,146,361	
Net Assets Beginning of Year	18,449,405	17,303,044	
Net Assets End of Year	<u>\$19,356,356</u>	<u>\$18,449,405</u>	

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006
(Continued)**

Governmental Activities

The unique nature of property taxes in Ohio creates the need to routinely seek voter approval for the School District's operations. Property taxes made up 40.6 percent of revenues for governmental activities for the Upper Valley Joint Vocational School District for fiscal year 2006.

Instruction comprises 63.1 percent of School District expenses. Support services expenses make up 32.7 percent of the expenses.

The significant increase in investment earnings was due to an increase in interest rates from under 3 percent at the beginning of the fiscal year to over 5 percent at fiscal year-end.

The significant increase in operating grants and contributions was due to an increase in State foundation of 2.2 percent per pupil coupled with a 5.3 percent increase in student enrollment.

The significant increase in operation and maintenance of plant support services was due to the increased utilities costs due to the building addition and raising energy prices.

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

**Table 3
Governmental Activities**

	Total Cost Of Services 2006	Net Cost of Services 2006	Total Cost of Services 2005	Net Cost of Services 2005
Instruction	\$13,035,364	(\$8,438,776)	\$12,750,696	(\$8,165,995)
Support Services	6,777,082	(5,459,453)	6,490,053	(5,305,717)
Operation of Non- Instructional Services	636,356	(42,999)	665,327	(58,284)
Extracurricular Activities	52,637	(52,637)	49,219	(49,219)
Interest and Fiscal Charges	179,269	(179,269)	130,472	(130,472)
Total Expenses	<u>\$20,680,708</u>	<u>(\$14,173,134)</u>	<u>\$20,085,767</u>	<u>(\$13,709,687)</u>

The School District's Funds

Information about the School District's major funds starts on page 13. These funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues of \$21,527,991 and expenditures of \$22,120,597. The net change in fund balance for the year in the General Fund, Adult Education Fund, Note Retirement Fund and Building Fund were \$331,277, (\$132,025), \$143,609 and (\$726,563), respectively.

The net change in fund balance in the General Fund was caused by continuing to tightly monitor expenditures. The Building Fund reflects expenditures for construction, equipment and furnishing contracts for the Science and Technology addition. The increase in fund balance in the Note Retirement Fund was caused by the note proceeds issued during the fiscal year and property tax collections accumulated for the specific purpose of retiring the outstanding debt. The decrease in fund balance in the Adult Education Fund was caused primarily by a decrease in the collection of adult tuition and fees.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006
(Continued)**

General Fund Budgeting Highlights

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

The School District uses site-based budgeting and the budgeting systems are designed to tightly control total site budgets but provide flexibility for site management.

During fiscal year 2006, the General Fund had a final budget of \$7,292,245 and \$8,652,039 for property taxes and intergovernmental revenues, respectively. The General Fund received \$7,564,098 in property tax revenue, and \$8,929,395 in intergovernmental revenue. The property taxes and intergovernmental revenue reflected a favorable variance for the fiscal year. The property tax increase was due to tax valuation reappraisals in Shelby, Auglaize, and Darke counties, coupled with a higher personal property tax duplicate than expected due to the improving business economic conditions. The increase in intergovernmental revenues reflects the 2.2 percent increase in the State per pupil subsidy compounded with a 5 percent increase in student enrollment. The School District budgeted \$13,110,887 for vocational instruction and \$974,892 for capital outlay while expending only \$8,882,689 and \$33,821, respectively. This was due primarily to prioritizing vocational equipment and capital outlay expenditures on the basis of need and funds availability. Funds were budgeted to insure availability for unforeseen circumstances during the building expansion process. Fortunately, the Building Fund had sufficient resources and the budgeted General Fund dollars weren't needed for the expansion. The School District's ending unobligated cash balance was \$7,705,008 above the final budgeted amount.

For the General Fund, the original and final budgeted receipt estimates were the same. Original and final budgeted expenditures had a variance in total of only \$50.

Capital Assets

At the end of fiscal year 2006, the School District had \$13,148,140 invested in land, construction in progress, buildings and improvements, furniture, fixtures, and equipment, and vehicles.

Table 4 shows fiscal year 2006 balances compared to fiscal year 2005.

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

	2006	2005
Land	\$1,173,459	\$1,173,459
Construction in Progress	55,361	4,964,636
Buildings and Improvements	9,158,191	4,050,588
Furniture, Fixtures, and Equipment	2,714,774	2,785,575
Vehicles	46,355	59,394
Totals	\$13,148,140	\$13,033,652

Overall capital assets increased \$114,488 from fiscal year 2005. Buildings and Improvements increased \$5,107,603 due to the completion of the Science and Technology addition and the Dining Commons expansion to the building.

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

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006
(Continued)**

Debt Administration

At June 30, 2006, the School District had \$5,112,144 in debt outstanding.

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

	Governmental Activities	
	2006	Restated 2005
Short Term Debt:		
Note Payable	\$1,230,000	\$1,020,000
Long Term Debt:		
Applied Technology Loan	15,825	47,475
School Improvement Bond Anticipation Note	3,866,319	5,080,000
Total Long Term Debt	3,882,144	5,127,475
Total Outstanding Debt	\$5,112,144	\$6,147,475

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

On October 24, 2005, the School District issued a bond anticipation note in the amount of \$5,080,000 for the purpose of improving the existing school building by constructing a new addition and renovation and remodeling, acquiring equipment and furnishings, and making related site improvements. The note matured on November 28, 2006. The School District paid \$1,230,000 of the note and refinanced the remaining \$3,850,000. Therefore, the \$5,080,000 liability outstanding at June 30, 2006 will be split with \$3,850,000 presented as a long-term liability and \$1,230,000 presented as a fund liability in the fund financial statements. The note will be paid from the Note Retirement Fund.

At June 30, 2006, the School District's overall legal debt margin was \$173,942,959 and the unvoted debt margin was \$1,976,776. See Notes 14 and 15 of the notes to the basic financial statements for more detailed information.

Current Financial Issues and Concerns

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

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

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

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006
(Continued)**

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

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

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

Contacting the School District's Financial Management

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

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

**STATEMENT OF NET ASSETS
JUNE 30, 2006**

	Governmental Activities
Assets:	
Equity in Pooled Cash and Cash Equivalents	\$12,748,665
Accounts Receivable	126,684
Accrued Interest Receivable	73,303
Intergovernmental Receivable	214,437
Inventory of Supplies and Materials	87,518
Prepaid Items	15,137
Property Taxes Receivable	7,932,167
Assets Held for Resale	51,085
Deferred Charges	6,738
Nondepreciable Capital Assets	1,228,820
Depreciable Capital Assets, Net	11,919,320
Total Assets	34,403,874
Liabilities:	
Accounts Payable	94,817
Contracts Payable	50,892
Retainage Payable	4,469
Accrued Wages and Benefits Payable	1,161,927
Matured Compensated Absences Payable	23,318
Notes Payable	1,230,000
Accrued Interest Payable	126,583
Intergovernmental Payable	230,718
Deferred Revenue	7,073,132
Long Term Liabilities:	
Due Within One Year	95,002
Due In More Than One Year	4,956,660
Total Liabilities	15,047,518
Net Assets:	
Invested in Capital Assets, Net of Related Debt	9,330,735
Restricted for:	
Capital Projects	1,237,713
Debt Service	1,041,861
Other Purposes	208,943
Uniform School Supplies	106,802
Adult Education	164,766
Set-Asides	253,346
Unrestricted	7,012,190
Total Net Assets	\$19,356,356

See accompanying notes to the basic financial statements.

UPPER VALLEY JOINT VOCATIONAL SCHOOL DISTRICT
MAIMI COUNTY

STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets	
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants, Contributions and Interest	Total Governmental Activities
Governmental Activities:					
Instruction:					
Regular	\$1,751,592		\$14,902	\$9,265	(\$1,727,425)
Special	1,127,495		416,616		(710,879)
Vocational	8,634,473	\$119,740	2,610,272	34,475	(5,869,986)
Adult/Continuing	1,521,804	791,105	600,213		(130,486)
Support Services:					
Pupils	1,434,480	21,780	217,847	47,901	(1,146,952)
Instructional Staff	288,438		90,252		(198,186)
Board of Education	40,266				(40,266)
Administration	2,142,995	162,450	180,919		(1,799,626)
Fiscal	565,858	762	53,425		(511,671)
Business	143,917				(143,917)
Operation and Maintenance of Plant	1,407,458	22,033	27,118		(1,358,307)
Pupil Transportation	41,886		457,523		415,637
Central	711,784	13,201	22,418		(676,165)
Operation of Non-Instructional Services	636,356	532,113	61,244		(42,999)
Extracurricular Activities	52,637				(52,637)
Interest and Fiscal Charges	179,269				(179,269)
Total Governmental Activities	<u>\$20,680,708</u>	<u>\$1,663,184</u>	<u>\$4,752,749</u>	<u>\$91,641</u>	<u>(14,173,134)</u>
General Revenues:					
Property Taxes Levied for:					
					7,526,388
					1,241,048
Grants and Entitlements not Restricted to					
					5,809,451
					409,233
					59,914
					34,051
Total General Revenues					<u>15,080,085</u>
					906,951
					<u>18,449,405</u>
					<u>\$19,356,356</u>

See accompanying notes to the basic financial statements.

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

**BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2006**

	General	Adult Education	Note Retirement	Building	Other Governmental Funds	Total Governmental Funds
Assets:						
Equity in Pooled Cash and Cash Equivalents	\$8,319,774	\$118,067	\$1,037,617	\$1,380,090	\$1,369,261	\$12,224,809
Receivables:						
Property Taxes	6,761,134		1,171,033			7,932,167
Accounts	5,477	59,608			61,599	126,684
Intergovernmental	27,947	73,128			113,362	214,437
Accrued Interest	73,303					73,303
Interfund	105,852				837	106,689
Assets Held for Resale	51,085					51,085
Inventory of Supplies and Materials	2,481				30,863	33,344
Prepaid Items	15,137					15,137
Restricted Assets:						
Equity in Pooled Cash and Cash Equivalents	254,735					254,735
Total Assets	\$15,616,925	\$250,803	\$2,208,650	\$1,380,090	\$1,575,922	\$21,032,390
Liabilities and Fund Balances:						
Liabilities:						
Accounts Payable	\$64,700	\$4,239			\$25,878	\$94,817
Contracts Payable				50,892		50,892
Retainage Payable				4,469		4,469
Accrued Wages and Benefits Payable	1,098,843	17,800			45,284	1,161,927
Intergovernmental Payable	203,967	12,851			13,900	230,718
Interfund Payable	22,770	1,793			106,794	131,357
Deferred Revenue	6,257,456	39,227	1,079,683		50,283	7,426,649
Notes Payable				1,230,000		1,230,000
Accrued Interest Payable				30,649		30,649
Matured Compensated Absences Payable	23,318					23,318
Total Liabilities	7,671,054	75,910	1,079,683	1,316,010	242,139	10,384,796
Fund Balances:						
Reserved for Encumbrances	914,552	23,687		291,864	40,921	1,271,024
Reserved for Property Taxes	555,593		91,350			646,943
Reserved for Textbooks and Instructional Materials	83,416					83,416
Reserved for Capital Improvements	169,930					169,930
Reserved for Unclaimed Monies	1,389					1,389
Reserved for Assets Held for Resale	51,085					51,085
Unreserved, Undesignated (Deficit) Reported in:						
General Fund	6,169,906					6,169,906
Special Revenue Funds		151,206			81,562	232,768
Debt Service Fund			1,037,617			1,037,617
Capital Projects Funds				(227,784)	1,211,300	983,516
Total Fund Balances	7,945,871	174,893	1,128,967	64,080	1,333,783	10,647,594
Total Liabilities and Fund Balances	\$15,616,925	\$250,803	\$2,208,650	\$1,380,090	\$1,575,922	\$21,032,390

See accompanying notes to the basic financial statements.

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

**RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO
NET ASSETS OF GOVERNMENTAL ACTIVITIES
JUNE 30, 2006**

Total Governmental Fund Balance \$10,647,594

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

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

Land	\$1,173,459	
Construction in Progress	55,361	
Building and Improvements	11,412,883	
Furniture, Fixtures, and Equipment	6,339,461	
Vehicles	230,324	
Accumulated Depreciation	<u>(6,063,348)</u>	
Total Capital Assets		13,148,140

Two internal service funds are used by management to charge the costs of insurance and supplies to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the Statement of Net Assets. 346,383

Bond issuance costs, reported as an expenditure in governmental funds, are allocated as an expense over the life of the debt on a full accrual basis. 6,738

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

Property Taxes Receivable	212,092	
Intergovernmental Receivable	24,155	
Accounts Receivable	69,139	
Accrued Interest Receivable	<u>48,131</u>	
		353,517

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

Applied Technology Loan	(15,825)	
Notes Payable	(3,850,000)	
Accrued Interest on Notes	(95,934)	
Compensated Absences Payable	(1,167,938)	
Premium	<u>(16,319)</u>	
Total Liabilities		<u>(5,146,016)</u>

Net assets of Governmental Activities \$19,356,356

See accompanying notes to the basic financial statements.

UPPER VALLEY JOINT VOCATIONAL SCHOOL DISTRICT
MIAMI COUNTY

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

	General	Adult Education	Note Retirement	Building	Other Governmental Funds	Total Governmental Funds
Revenues:						
Property Taxes	\$7,566,852		\$1,241,048			\$8,807,900
Tuition and Fees	56,019	\$1,003,153			231,995	1,291,167
Interest	329,361		31,731	\$54,237	40,184	455,513
Intergovernmental	8,932,472	608,807	52,275		972,845	10,566,399
Charges for Services	64,223				242,940	307,163
Gifts and Donations	6,912	7,877			45,125	59,914
Rent	5,884					5,884
Miscellaneous	26,321	7,730				34,051
Total Revenues	<u>16,988,044</u>	<u>1,627,567</u>	<u>1,325,054</u>	<u>54,237</u>	<u>1,533,089</u>	<u>21,527,991</u>
Expenditures:						
Current:						
Instruction:						
Regular	1,690,699			51,607	15,746	1,758,052
Special	1,106,281					1,106,281
Vocational	8,207,686			18,095	356,601	8,582,382
Adult/Continuing		1,407,282			143,903	1,551,185
Support Services:						
Pupils	972,247	37,072		267,215	211,725	1,488,259
Instructional Staff	183,978				92,197	276,175
Board of Education	40,266					40,266
Administration	1,747,539	279,542			65,065	2,092,146
Fiscal	502,893		25,513		33,478	561,884
Business	141,563					141,563
Operation and Maintenance of Plant	1,329,449	37,955			14,927	1,382,331
Pupil Transportation	37,058					37,058
Central	602,968	22,741			56,437	682,146
Operation of Non-Instructional Services	108,475				538,022	646,497
Extracurricular Activities	52,637					52,637
Capital Outlay	33,688			219,275	17,415	270,378
Debt Service:						
Principal Retirement			31,650			31,650
Interest and Fiscal Charges				173,540		173,540
Current Refunding				1,230,000		1,230,000
Issuance Costs			16,167			16,167
Total Expenditures	<u>16,757,427</u>	<u>1,784,592</u>	<u>73,330</u>	<u>1,959,732</u>	<u>1,545,516</u>	<u>22,120,597</u>
Excess of Revenues Over (Under) Expenditures	<u>230,617</u>	<u>(157,025)</u>	<u>1,251,724</u>	<u>(1,905,495)</u>	<u>(12,427)</u>	<u>(592,606)</u>
Other Financing Sources (Uses):						
Proceeds from Sale of Capital Assets	238,560					238,560
Premium on Refunding Notes Issued			39,167			39,167
Current Refunding				(3,850,000)		(3,850,000)
Refunding Notes Issued				3,850,000		3,850,000
Transfers - In		25,000	31,650	1,178,932	81,250	1,316,832
Transfers - Out	(137,900)		(1,178,932)			(1,316,832)
Total Other Financing Sources (Uses)	<u>100,660</u>	<u>25,000</u>	<u>(1,108,115)</u>	<u>1,178,932</u>	<u>81,250</u>	<u>277,727</u>
Net Change in Fund Balances	331,277	(132,025)	143,609	(726,563)	68,823	(314,879)
Fund Balances at Beginning of Year - Restated Note 3	<u>7,614,594</u>	<u>306,918</u>	<u>985,358</u>	<u>790,643</u>	<u>1,264,960</u>	<u>10,962,473</u>
Fund Balances at End of Year	<u>\$7,945,871</u>	<u>\$174,893</u>	<u>\$1,128,967</u>	<u>\$64,080</u>	<u>\$1,333,783</u>	<u>\$10,647,594</u>

See accompanying notes to the basic financial statements.

UPPER VALLEY JOINT VOCATIONAL SCHOOL DISTRICT
MIAMI COUNTY

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

Net Change in Fund Balances - Total Governmental Funds (\$314,879)

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

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

Capital Outlay	\$761,164	
Depreciation Expense	(506,895)	
		254,269
Excess of Capital Outlay Over Depreciation Expense		

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

Proceeds from Sale of Capital Assets	(238,560)	
Gain on Disposal of Capital Assets	98,779	
		(139,781)

Repayment of long-term debt is reported as an expenditure in governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets.

Applied Technology Loan	31,650	
Notes Payable	5,080,000	
		5,111,650

Note proceeds used to refinance long-term notes are presented as an Other Financing Source on the modified accrual basis but not presented on the full accrual basis.

Notes Issued	(3,850,000)	
Bond Issuance Costs (Deferred Charges)	16,167	
Premium on Debt Issued	(39,167)	
		(3,873,000)

Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recognized as an expenditure in the funds, when it is due and thus requires the use of current financial resources. In the Statement of Activities, however, interest expense is recognized as the interest accrues, regardless of when it is due. The difference in interest on the Statement of Activities is the result of the following.

Amortization of Issuance Costs (Deferred Charges)	(9,429)	
Increase in Accrued Interest	(19,148)	
Amortization of Premium	22,848	
		(5,729)

The internal service funds used by management to charge the costs of insurance and supplies to individual funds is reported in the Statement of Activities.

(67,124)

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

Property Taxes	(40,464)	
Tuition and Fees	58,970	
Interest	45,361	
Intergovernmental Grants	(4,199)	
Total		59,668

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

These activities consist of:

Increase in Compensated Absences		(118,123)
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Change in Net Assets of Governmental Activities \$906,951

See accompanying notes to the basic financial statements.

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

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET (NON-GAAP BASIS) AND ACTUAL
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

	<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:				
Property Taxes	\$7,292,245	\$7,292,245	\$7,564,098	\$271,853
Tuition and Fees	35,500	35,500	47,420	11,920
Interest	160,000	160,000	329,636	169,636
Intergovernmental	8,652,039	8,652,039	8,929,395	277,356
Charges for Services	201,050	201,050	245,951	44,901
Gifts and Donations	1,000	1,000	6,912	5,912
Rent	7,000	7,000	5,884	(1,116)
Miscellaneous	15,550	15,550	10,731	(4,819)
Total Revenues	<u>16,364,384</u>	<u>16,364,384</u>	<u>17,140,027</u>	<u>775,643</u>
Expenditures:				
Current:				
Instruction:				
Regular	1,821,345	1,814,345	1,692,343	122,002
Special	1,107,503	1,124,503	1,105,981	18,522
Vocational	13,123,887	13,110,887	8,882,689	4,228,198
Support Services:				
Pupils	1,238,077	1,238,077	1,024,501	213,576
Instructional Staff	255,820	255,820	210,345	45,475
Board of Education	59,985	59,985	41,174	18,811
Administration	1,821,807	1,821,807	1,768,716	53,091
Fiscal	558,268	557,768	515,157	42,611
Business	140,018	141,716	141,716	
Operation and Maintenance of Plant	2,009,753	1,978,605	1,460,425	518,180
Pupil Transportation	99,490	99,490	40,202	59,288
Central	742,865	767,865	637,483	130,382
Operation of Non-Instructional Services	425,235	425,235	137,567	287,668
Extracurricular Activities	54,335	62,335	57,234	5,101
Capital Outlay	974,892	974,892	33,821	941,071
Total Expenditures	<u>24,433,280</u>	<u>24,433,330</u>	<u>17,749,354</u>	<u>6,683,976</u>
Excess of Revenues Under Expenditures	<u>(8,068,896)</u>	<u>(8,068,946)</u>	<u>(609,327)</u>	<u>7,459,619</u>
Other Financing Sources (Uses):				
Proceeds from Sale of Capital Assets	211,850	211,850	238,560	26,710
Refund of Prior Year Expenditure	3,000	3,000	11,325	8,325
Refund of Prior Year Receipts	(1,439)	(1,439)		1,439
Advances - In			92,667	92,667
Advances - Out	(200,000)	(200,000)	(105,852)	94,148
Transfers - Out	(160,000)	(160,000)	(137,900)	22,100
Total Other Financing Sources (Uses)	<u>(146,589)</u>	<u>(146,589)</u>	<u>98,800</u>	<u>245,389</u>
Net Change in Fund Balance	(8,215,485)	(8,215,535)	(510,527)	7,705,008
Fund Balance at Beginning of Year	7,522,596	7,522,596	7,522,596	
Prior Year Encumbrances Appropriated	692,888	692,888	692,888	
Fund Balance (Deficit) at End of Year	<u>(\$1)</u>	<u>(\$51)</u>	<u>\$7,704,957</u>	<u>\$7,705,008</u>

See accompanying notes to the basic financial statements.

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

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET (NON-GAAP BASIS) AND ACTUAL
ADULT EDUCATION FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance With Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		<u>(Negative)</u>
Revenues:				
Tuition and Fees	\$1,323,391	\$1,323,391	\$1,033,502	(\$289,889)
Intergovernmental	593,000	593,000	619,981	26,981
Gifts and Donations	22,000	22,000	7,877	(14,123)
Miscellaneous	6,000	6,000	5,030	(970)
Total Revenues	<u>1,944,391</u>	<u>1,944,391</u>	<u>1,666,390</u>	<u>(278,001)</u>
Expenditures:				
Current:				
Instruction:				
Adult/Continuing	1,762,834	1,757,334	1,438,021	319,313
Support Services:				
Pupils	54,500	54,500	37,631	16,869
Administration	309,319	309,319	283,461	25,858
Operation and Maintenance of Plant	50,587	50,587	45,077	5,510
Central	17,200	22,700	22,174	526
Total Expenditures	<u>2,194,440</u>	<u>2,194,440</u>	<u>1,826,364</u>	<u>368,076</u>
Excess of Revenues Under Expenditures	(250,049)	(250,049)	(159,974)	90,075
Other Financing Sources:				
Transfers - In	<u>25,000</u>	<u>25,000</u>	<u>25,000</u>	
Net Change in Fund Balance	(225,049)	(225,049)	(134,974)	90,075
Fund Balance at Beginning of Year	192,863	192,863	192,863	
Prior Year Encumbrances Appropriated	<u>32,186</u>	<u>32,186</u>	<u>32,186</u>	
Fund Balance at End of Year	<u><u>\$0</u></u>	<u><u>\$0</u></u>	<u><u>\$90,075</u></u>	<u><u>\$90,075</u></u>

See accompanying notes to the basic financial statements.

UPPER VALLEY JOINT VOCATIONAL SCHOOL DISTRICT
MIAMI COUNTY

STATEMENT OF FUND NET ASSETS
INTERNAL SERVICE FUNDS
JUNE 30, 2006

Assets:

Current Assets:

Equity in Pooled Cash and Cash Equivalents	\$269,121
Inventory of Supplies and Materials	54,174
Interfund Receivable	24,668
Total Assets	<u>347,963</u>

Liabilities:

Current Liabilities:

Compensated Absences Payable	564
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Long-Term Liabilities:

Compensated Absences Payable	1,016
Total Liabilities	<u>1,580</u>

Net Assets:

Unrestricted	346,383
Total Net Assets	<u>\$346,383</u>

See accompanying notes to the basic financial statements.

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

**STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN FUND NET ASSETS
INTERNAL SERVICE FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

Operating Revenues:

Charges for Services	\$109,522
Miscellaneous	1,500
Total Operating Revenues	<u>111,022</u>

Operating Expenses:

Salaries and Wages	8,563
Fringe Benefits	2,252
Purchased Services	480
Cost of Sales	87,572
Claims	91,555
Other	47
Total Operating Expenses	<u>190,469</u>

Operating Loss (79,447)

Non-Operating Revenue:

Interest Revenue 12,323

Change in Net Assets (67,124)

Net Assets Beginning of Year 413,507

Net Assets End of Year \$346,383

See accompanying notes to the basic financial statements.

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

**STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

Increase (Decrease) in Cash and Cash Equivalents	
Cash Flows from Operating Activities:	
Cash Received from Interfund Services Provided	\$138,594
Cash Payments for Employee Services and Benefits	(8,469)
Cash Payments to Suppliers for Goods and Services	(117,383)
Cash Payments for Employee Medical Insurance Claims	(102,795)
Other Operating Expenses	(47)
Net Cash Used for Operating Activities	(90,100)
 Cash Flows from Investing Activities:	
Interest	12,323
Net Decrease in Cash and Cash Equivalents	(77,777)
Cash and Cash Equivalents Beginning of Year	346,898
Cash and Cash Equivalents End of Year	\$269,121
 Reconciliation of Operating Loss to Net Cash Used for Operating Activities:	
Operating Loss	(\$79,447)
 Adjustments to Reconcile Operating Loss to Net Cash Provided by Operating Activities:	
Changes in Assets and Liabilities:	
Increase in Inventory of Supplies and Materials	(1,991)
Decrease in Interfund Receivable	4,404
Decrease in Accounts Payable	(420)
Increase in Compensated Absences Payable	94
Decrease in Claims Payable	(12,740)
Net Cash Used for Operating Activities	(\$90,100)

See accompanying notes to the basic financial statements.

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

**STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
JUNE 30, 2006**

	Private Purpose Trust	Agency
Assets:		
Equity in Pooled Cash and Cash Equivalents	\$14,107	\$61,834
Liabilities:		
Undistributed Monies		\$61,834
Net Assets:		
Held in Trust for Scholarships	164	
Held in Trust for Other Governments	13,943	
Total Net Assets	\$14,107	

See accompanying notes to the basic financial statements.

UPPER VALLEY JOINT VOCATIONAL SCHOOL DISTRICT
MIAMI COUNTY

STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

	<u>Private Purpose Trust</u>
Additions:	
Interest	\$530
Gifts and Donations	16,000
Miscellaneous	114,560
Total Additions	<u>131,090</u>
Deletions:	
Payments in Accordance with Trust Agreements	<u>129,104</u>
Change in Net Assets	1,986
Net Assets Beginning of Year	<u>12,121</u>
Net Assets End of Year	<u><u>\$14,107</u></u>

See accompanying notes to the basic financial statements.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

1. DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY

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

The School District operates under a Board of Education consisting of eleven representatives who are members of the Boards of Education of the participating schools. One member is appointed from each of the following: Bradford Exempted Village School District, Covington Exempted Village School District, and Miami County Educational Service Center. Two members are appointed from the following city and/or county school districts: Piqua, Shelby, Sidney, and Troy. The Board of Education is responsible for providing vocational job training to residents of the participating school districts.

A. Reporting Entity:

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

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

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

The School District participates in three jointly governed organizations and two insurance purchasing pools. These organizations are discussed in Note 17 to the basic financial statements. These organizations are:

Jointly Governed Organizations:

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006
(Continued)**

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

Insurance Purchasing Pool:

Southwestern Ohio Educational Purchasing Council Workers'
Compensation Group Rating Plan
Southwestern Ohio Educational Purchasing Council Medical Benefits Plan

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Basis of Presentation

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

1. Government-wide Financial Statements:

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

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2. Fund Financial Statements:

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

B. Fund Accounting

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

1. Governmental Funds:

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

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

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

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

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

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2. Proprietary Funds:

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

3. Fiduciary Funds:

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

C. Measurement Focus

1. Government-wide Financial Statements:

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

2. Fund Financial Statements:

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

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

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Basis of Accounting

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

1. Revenues - Exchange and Non-exchange Transactions:

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

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

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

2. Deferred Revenue:

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

Property taxes for which there is an enforceable legal claim as of June 30, 2006, but which were levied to finance fiscal year 2007 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3. Expenses/Expenditures:

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

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

E. Cash and Cash Equivalents

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

During fiscal year 2006, the School District invested in Federal National Mortgage Association Notes, Federal Home Loan Bank Bonds, Federal Home Loan Mortgage Corporation Notes, US Treasury Notes, Commercial Paper, US Treasury Money Market Mutual Fund, and the State Treasurer Asset Reserve of Ohio (STAROhio). Investments are reported at fair value which is based on quoted market prices. For investments in open-end mutual funds, fair value is determined by the fund's share price.

STAROhio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAROhio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAROhio are valued at STAROhio's share price which is the price the investment could be sold for on June 30, 2006.

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the General Fund during fiscal year 2006 amounted to \$329,361 which includes \$114,086 assigned from other School District funds.

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

F. Interfund Balances

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

G. Assets Held for Resale

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

H. Inventory

Inventories are presented at cost on a first-in, first-out basis and are expended/expensed when used. Inventory consists of administrative and school supplies held for resale, expendable supplies held for consumption, purchased food held for resale, and non-food supplies.

I. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2006, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the fiscal year in which services are consumed.

J. Restricted Assets

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

K. Capital Assets

The School District's only capital assets are general capital assets. General capital assets are those assets specifically related to governmental activities. General capital assets usually result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide Statement of Net Assets but are not reported in the fund financial statements.

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

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

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

L. Accrued Liabilities and Long-term Obligations

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

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

M. Compensated Absences

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

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

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

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

N. Net Assets

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

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

The government-wide Statement of Net Assets reports \$3,013,431 of restricted net assets, none of which are restricted by enabling legislation.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

O. Fund Balance Reserves

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

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

P. Operating Revenues and Expenses

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

Q. Interfund Activity

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

R. Budgetary Process

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

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

S. Estimates

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

3. CHANGE IN ACCOUNTING PRINCIPLES AND RESTATEMENT OF FUND EQUITY

A. Change in Accounting Principles

For the fiscal year ended June 30, 2006, the School District has implemented *GASB Statement No. 42, "Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries"*, and *GASB Statement No. 47, "Accounting for Termination Benefits."*

GASB Statement No. 42 establishes accounting and financial reporting standards for the impairment of capital assets. A capital asset is considered impaired when its service utility has declined significantly and unexpectedly. This statement also clarifies and establishes accounting requirements for insurance recoveries. The implementation of this statement had no effect on the School's financial statements for fiscal year 2006.

GASB Statement No. 47 establishes accounting and financial reporting standards for termination benefits. This statement clarifies and establishes reporting requirements for those benefits provided by employers to employees as an incentive or settlement for voluntary early termination or as a consequence of the involuntary early termination of services. The implementation of this statement had no effect on the School District's financial statements for fiscal year 2006.

B. Restatement of Fund Equity

During fiscal year 2006, errors in the calculation of short-term debt were discovered that resulted in the following restatement of fund balance for the Building Capital Projects Fund.

	<u>Building</u>
Fund Balance June 30, 2005	\$1,826,684
Notes Payable	(1,020,000)
Accrued Interest Payable	(16,041)
Adjusted Fund Balance June 30, 2005	<u><u>\$790,643</u></u>

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006
(Continued)**

4. ACCOUNTABILITY

The Food Service, Title VI, and Drug Free School Special Revenue Funds had deficit fund balances at June 30, 2006, of \$1,187, \$1,868, and \$619, respectively. The deficits in these funds are due to adjustments for accrued liabilities which generate expenditures that are greater than those recognized on a cash basis. The General Fund is liable for the deficits and provides operating transfers when cash is required, not when accruals occur.

5. BUDGETARY BASIS OF ACCOUNTING

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

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

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

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006
(Continued)**

5. BUDGETARY BASIS OF ACCOUNTING

Net Change in Fund Balances

	General	Adult Education
GAAP Basis	\$331,277	(\$132,025)
Net Adjustment for Revenue Accruals	155,077	38,823
Net Adjustment for Expenditure Accruals	(299,039)	(9,586)
Prior Year Change in Fair Value of Investments	810	0
Current Year Change in Fair Value of Investments	7,421	0
Advances	(13,185)	0
Adjustment for Encumbrances	(692,888)	(32,186)
Budget Basis	(\$510,527)	(\$134,974)

6. DEPOSITS AND INVESTMENTS

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

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

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

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

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

1. United States Treasury notes, bills, bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above;
4. Bonds and other obligations of the State of Ohio or Ohio local governments;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006
(Continued)**

6. DEPOSITS AND INVESTMENTS (Continued)

- 6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations;
- 7. The State Treasurer's investment pool (STAROhio); and
- 8. Commercial paper and bankers acceptances if training requirements have been met.

Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. Investments may only be made through specified dealers and institutions.

A. Deposits

Custodial credit risk for deposits is the risk that in the event of bank failure, the School District will not be able to recover deposits or collateral securities that are in the possession of an outside party. At fiscal year-end, \$3,504,051 of the School District's bank balance of \$3,895,008 was exposed to custodial credit risk because it was uninsured and collateralized with securities held by the pledging financial institution.

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

B. Investments

As of June 30, 2006, the School District had the following investments. All investments are in an internal investment pool.

	<u>Fair Value</u>	<u>Investment Maturities (in Years)</u>	
		<u>Less than 1</u>	<u>1-2</u>
Federal National Mortgage Association (FNMA) Notes	\$2,000,567	\$1,236,830	\$763,737
Federal Home Loan Bank Bonds	1,515,205	1,183,136	332,069
Federal Home Loan Mortgage Corporation (FHLMC) Notes	3,167,533	1,657,260	1,510,273
US Treasury Notes	179,791	179,791	0
Commercial Paper	559,544	559,544	0
US Treasury Money Market Mutual Fund	1,040,753	1,040,753	0
STAROhio	912,896	912,896	0
	<u>\$9,376,289</u>	<u>\$6,770,210</u>	<u>\$2,606,079</u>

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006
(Continued)**

6. DEPOSITS AND INVESTMENTS (Continued)

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

Concentration of Credit Risk – The School District places no limit on the amount it may invest in any one issuer, however State statute limits investments in commercial paper and bankers' acceptances to 25 percent of the interim monies available for investment at any one time. The School District's investments in Federal National Mortgage Association Notes, Federal Home Loan Bank Bonds, Federal Home Loan Mortgage Corporation Notes, and Commercial Paper, represents 21.34 percent, 16.16 percent, 33.78 percent, and 5.97 percent, respectively, of the School District's total investments.

7. PROPERTY TAXES

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

Property taxes include amounts levied against all real, public utility and tangible personal property (used in business) located in the School District. Real property tax revenue received in calendar year 2006 represents collections of calendar year 2005 taxes. Real property taxes received in calendar year 2006 were levied after April 1, 2005, on the assessed value listed as of January 1, 2005, the lien date. Assessed values for real property taxes are established by State law at thirty-five percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenue received in calendar year 2006 represents collections of calendar year 2005 taxes. Public utility real and tangible personal property taxes received in calendar year 2006 became a lien December 31, 2004, were levied after April 1, 2005 and are collected in 2006 with real property taxes. Public utility real property is assessed at thirty-five percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006
(Continued)**

7. PROPERTY TAXES (Continued)

Tangible personal property tax revenue received during calendar year 2006 (other than public utility property tax) represents the collection of 2006 taxes. Tangible personal property taxes received in calendar year 2006 were levied after April 1, 2005, on the value listed as of December 31, 2005. In prior years, tangible personal property was assessed at twenty-five percent of true value for capital assets and twenty-three percent of true value for inventory. The tangible personal property tax is being phased out – the assessment percentage for all property including inventory for 2006 is 18.75 percent. This will be reduced to 12.5 percent for 2007, 6.25 percent for 2008 and zero for 2009. Payments by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the School District prior to June 30.

The School District receives property taxes from Miami, Darke, Shelby, Auglaize, and Logan Counties. The County Auditors periodically advance to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2006, are available to finance fiscal year 2006 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable includes real property, public utility property and tangible personal property taxes which are measurable as of June 30, 2006 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reported as revenue at fiscal year-end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred revenue.

The amount available as an advance at June 30, 2006 was \$555,593 in the General Fund and \$91,350 in the Note Retirement Fund. The amount available as an advance at June 30, 2005 was \$552,839 in the General Fund and \$88,699 in the Note Retirement Fund.

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

The assessed values upon which the fiscal year 2006 taxes were collected are:

	2005 Second – Half Collections		2006 First - Half Collections	
	Amount	Percent	Amount	Percent
Real Estate	\$1,831,619,070	76.57%	\$1,923,027,560	79.84%
Public Utility Personal	76,072,630	3.18	73,739,340	3.06
General Business Personal	484,537,209	20.25	411,982,860	17.10
Total	\$2,392,228,909	100.00%	\$2,408,749,760	100.00%
Tax Rate per \$1,000 of Assessed Valuation	\$5.45		\$5.45	

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006
(Continued)**

8. RECEIVABLES

Receivables at June 30, 2006, consisted of property taxes, accounts receivable (tuition, charges for services, and student fees), intergovernmental receivables (grants and tuition and fees), interest and interfund. All receivables are considered collectible in full and all will be received within one year. Property taxes, although ultimately collectible, include some portion of delinquencies that will not be collected within one year.

A summary of the principal items of intergovernmental receivables follows:

	Amounts
Governmental Activities:	
Food Service Subsidies	\$ 7,096
Adult Education	73,128
School Supplies	8,737
Tuition and Fees	27,947
Preschool Grant	5,193
Career Education Grant	13,472
Miscellaneous State Grants	4,088
ABLE Grant	11,909
Carl D. Perkins Grant	54,198
Title V Grant	4,506
Adult Full Service Center Grant	3,196
Title II-A Grant	348
Drug Free Grant	619
Total Intergovernmental Receivables	\$214,437

9. CAPITAL ASSETS

Capital assets activity for the fiscal year ended June 30, 2006, was as follows:

	Balance 6/30/05	Additions	Deductions	Balance 6/30/06
Governmental Activities:				
Capital Assets, not Being Depreciated:				
Land	\$1,173,459	\$0	\$0	\$1,173,459
Construction in Progress	4,964,636	294,945	(5,204,220)	55,361
Total Capital Assets, not Being Depreciated	6,138,095	294,945	(5,204,220)	1,228,820
Capital Assets, Being Depreciated:				
Buildings and Improvements	6,208,663	5,204,220	0	11,412,883
Furniture, Fixtures, and Equipment	6,435,966	466,219	(562,724)	6,339,461
Vehicles	232,824	0	(2,500)	230,324
Total Capital Assets, Being Depreciated	12,877,453	5,670,439	(565,224)	17,982,668
Less Accumulated Depreciation:				
Buildings and Improvements	(2,158,075)	(96,617)	0	(2,254,692)
Furniture, Fixtures, and Equipment	(3,650,391)	(397,468)	423,172	(3,624,687)
Vehicles	(173,430)	(12,810)	2,271	(183,969)
Total Accumulated Depreciation	(5,981,896)	(506,895) *	425,443	(6,063,348)
Capital Assets, Being Depreciated, Net	6,895,557	5,163,544	(139,781)	11,919,320
Governmental Activities Capital Assets, Net	\$13,033,652	\$5,458,489	(\$5,344,001)	\$13,148,140

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006
(Continued)**

9. CAPITAL ASSETS (Continued)

* Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$18,598
Special	9,484
Vocational	347,411
Adult/Continuing	15,785
Support Services:	
Pupils	7,550
Instructional Staff	11,060
Administration	21,350
Fiscal	93
Business	633
Operation and Maintenance of Plant	50,180
Pupil Transportation	5,654
Central	14,255
Operation of Non-Instructional Services	4,842
Total Depreciation Expense	<u><u>\$506,895</u></u>

10. RISK MANAGEMENT

A. Property and Liability

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2006, the School District contracted with Selective Insurance Company of South Carolina for property, fleet, stop gap, employee benefits, and liability insurance. Insurance coverage provided includes the following:

Property (\$1,000 deductible, subject to scheduled limits)	\$300,000,000
Boiler and Machinery (\$2,500 deductible)	50,000,000
Auto Liability/Physical Damage (\$1,000 Deductible)	1,000,000
General Liability (per occurrence/aggregate)	1,000,000/3,000,000
Employee Benefits Liability (per occurrence/aggregate)	1,000,000/3,000,000
Employer's Liability – Stop gap coverage	1,000,000
Umbrella Coverage	5,000,000

Settled claims have not exceeded this commercial coverage in the past three fiscal years. The School District dropped the uninsured/underinsured motorists insurance coverage from the last fiscal year.

B. Medical Benefits

For fiscal year 2006, the School District participated in the Southwestern Ohio Educational Purchasing Council Medical Benefits Plan (MBP), an insurance purchasing pool (Note 17). The intent of the MBP is to achieve the benefit of reduced health insurance premiums for the School District by virtue of its grouping and representation with other participants in the MBP. The health insurance experience of the participating school districts is calculated and a premium rate is applied to all school districts in the MBP. Each participant pays its health insurance premiums to the Southwestern Ohio Educational Purchasing Council (SOEPC). Participation in the MBP is limited to school districts that can meet the MBP's selection criteria.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006
(Continued)**

10. RISK MANAGEMENT (Continued)

C. Workers' Compensation

For fiscal year 2006, the School District participated in the Southwestern Ohio Educational Purchasing Council Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool (Note 17). The intent of the GRP is to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of the GRP. A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund." This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of Integrated Comp Inc. provides administrative, cost control, and actuarial services to the GRP.

11. DEFINED BENEFIT PENSION PLANS

A. School Employees Retirement System

The School District contributes to the School Employees Retirement System (SERS), a cost-sharing multiple-employer defined benefit pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746, by calling (800) 878-5853 or by visiting the SERS website at www.ohsers.org.

Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute at an actuarially determined rate. The current School District rate is 14 percent of annual covered payroll. A portion of the School District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2006, 10.58 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to a statutory maximum amount, by the SERS' Retirement Board. The School District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2006, 2005, and 2004 were \$200,474, \$187,134, and \$148,246, respectively; 99.55 percent has been contributed for fiscal year 2006 and 100 percent for fiscal years 2005 and 2004.

B. State Teachers Retirement System of Ohio

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006
(Continued)**

11. DEFINED BENEFIT PENSION PLANS (Continued)

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

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

For the fiscal year ended June 30, 2006, plan members were required to contribute 10 percent of their annual covered salaries. The School District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. For fiscal year 2005, the portion used to fund pension obligations was also 13 percent. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The School District's required contributions for pension obligations to the DB Plan for the fiscal years ended June 30, 2006, 2005, and 2004 were \$1,539,791, \$1,505,967, and \$1,436,598, respectively; 90.26 percent has been contributed for fiscal year 2006 and 100 percent for fiscal years 2005 and 2004. Contributions to the DC and Combined Plans for fiscal year 2006 were \$32,604 made by the School District and \$59,217 made by the plan members.

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System of Ohio have an option to choose Social Security or the School Employees Retirement System. As of June 30, 2006, six members of the Board of Education have elected Social Security. The Board's liability is 6.2 percent of wages paid.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006
(Continued)**

12. POSTEMPLOYMENT BENEFITS

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

All STRS Ohio retirees who participated in the DB or Combined Plans and their dependents are eligible for health care coverage. The STRS Ohio Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. All benefit recipients pay a portion of the health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS Ohio funds is included in the employer contribution rate, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2006, the STRS Ohio Board allocated employer contributions equal to one percent of covered payroll to the Health Care Stabilization Fund. For the School District, this amount equaled \$118,445 for fiscal year 2006.

STRS Ohio pays health care benefits from the Health Care Stabilization Fund. At June 30, 2005, (the latest information available) the balance in the Fund was \$3.3 billion. For the fiscal year ended June 30, 2005, net health care costs paid by STRS Ohio were \$254,780,000 and STRS Ohio had 115,395 eligible benefit recipients.

For SERS, coverage is made available to service retirees with ten or more years of qualifying service credit, and to disability and survivor benefit recipients. All retirees and beneficiaries are required to pay a portion of their health care premium. The portion is based on years of service, Medicare eligibility, and retirement status.

After the allocation for basic benefits, the remainder of the employer's 14 percent contribution is allocated to providing health care benefits. For the fiscal year ended June 30, 2006, employer contributions to fund health care benefits were 3.42 percent of covered payroll, compared to 3.43 percent of covered payroll for fiscal year 2005. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2006, the minimum pay was established at \$35,800. However, the surcharge is capped at two percent of each employer's SERS salaries. For the School District, the amount contributed to fund health care benefits during the 2006 fiscal year equaled \$103,472.

The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund. The target level for the health care reserve is 150 percent of the projected claims less premium contributions for the next fiscal year. Expenses for health care for the fiscal year ended June 30, 2005 (the latest information available) were \$178,221,113. At June 30, 2005, SERS had net assets available for payment of health care benefits of \$267.5 million. SERS has 58,123 participants eligible to receive health care benefits.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006
(Continued)**

13. OTHER EMPLOYEE BENEFITS

A. Compensated Absences

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

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

B. Insurance Benefits

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

14. LONG-TERM OBLIGATIONS

The changes in the School District's long-term obligations during fiscal year 2006 were as follows:

	Restated Amount Outstanding 6/30/05	Additions	Deductions	Amount Outstanding 6/30/06	Amounts Due Within One Year
Governmental Activities:					
Applied Technology Loan 1992 0.00%	\$47,475		\$31,650	\$15,825	\$15,825
School Improvement Bond Anticipation Note 4.25%	5,080,000	\$3,850,000	5,080,000	3,850,000	
Premium on Debt Issue		39,167	22,848	16,319	
Compensated Absences	1,051,301	266,987	148,770	1,169,518	79,177
Total Governmental Activities Long-Term Liabilities	<u>\$6,178,776</u>	<u>\$4,156,154</u>	<u>\$5,283,268</u>	<u>\$5,051,662</u>	<u>\$95,002</u>

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006
(Continued)**

14. LONG-TERM OBLIGATIONS (Continued)

School Improvement Note – On October 24, 2005, the School District issued a bond anticipation note in the amount of \$5,080,000 for the purpose of improving the existing school building by constructing a new addition and renovation and remodeling, acquiring equipment and furnishings, and making related site improvements. As of June 30, 2006, \$5,080,000 of the notes were outstanding. The note matured on November 28, 2006. The School District paid \$1,230,000 of the note and refinanced the remaining \$3,850,000. Therefore, the \$5,080,000 liability outstanding at June 30, 2006 will be split with \$3,850,000 presented as a long-term liability and \$1,230,000 presented as a fund liability in the fund financial statements. The note will be paid from the Note Retirement Fund.

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

The School District's overall legal debt margin was \$173,942,959 and the unvoted debt margin was \$1,976,776 at June 30, 2006.

Principal requirements to retire loans outstanding at June 30, 2006, are as follows:

Fiscal Year	Principal
<u>Ending June 30,</u>	<u></u>
2007	<u>\$15,825</u>

15. NOTES PAYABLE

During fiscal year 2006, the School District paid \$1,020,000 of the outstanding \$6,100,000 Bond Anticipation Note and reissued \$5,080,000. On November 28, 2006, the School District paid \$1,230,000 against the \$5,080,000 note and refinanced the remaining \$3,850,000 into a new note. Therefore, the \$5,080,000 liability outstanding at June 30, 2006 will be split with \$3,850,000 presented as a long-term liability and \$1,230,000 presented as a fund liability in the financial statements.

<u>Types / Issues</u>	<u>Restated Balance 6/30/05</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 6/30/06</u>
2006 - 4.25% Bond Anticipation Note	\$1,020,000	\$1,230,000	\$1,020,000	\$1,230,000

16. INTERFUND ASSETS/LIABILITIES AND TRANSFER

		<u>Interfund Receivable</u>			
		<u>General</u>	<u>Internal Service</u>	<u>Other Governmental</u>	<u>Total</u>
General			\$22,074	\$696	\$22,770
Interfund Adult Education			1,793		1,793
Payable Other Governmental	\$105,852	801		141	106,794
Total	<u>\$105,852</u>	<u>\$24,668</u>	<u>\$837</u>	<u>\$131,357</u>	

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006
(Continued)**

16. INTERFUND ASSETS/LIABILITIES AND TRANSFER (Continued)

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

The General Fund had transfers out to the Adult Education Fund, Note Retirement Fund, and Other Governmental Funds of \$25,000, \$31,650, and \$81,250, respectively. Transfers are used to move General Fund revenues that are used to subsidize various programs in other funds. The transfer between the Note Retirement Fund and the Building Fund was done to move money to pay the obligation to the fund that originally received the debt proceeds.

17. JOINTLY GOVERNED ORGANIZATIONS AND INSURANCE PURCHASING POOLS

A. Jointly Governed Organizations

Southwestern Ohio Educational Purchasing Council - The School District participates in the Southwestern Ohio Educational Purchasing Council (SOEPC), a purchasing council made up of nearly 100 school districts in 12 counties. The purpose of the council is to obtain prices for quality merchandise and services commonly used by schools. All member districts are obligated to pay all fees, charges, or other assessments as established by the SOEPC. Each member district has one voting representative. Any district withdrawing from the SOEPC forfeits its claim to any and all SOEPC assets. One year prior notice is necessary for withdrawal from the group. During this time, the withdrawing member is liable for all member obligations during the one year period. Payments to SOEPC are made from the General Fund. During fiscal year 2006, the School District paid \$194,497 to SOEPC. To obtain financial information, write to the Southwestern Ohio Educational Purchasing Council, Ken Swink, who serves as Director, at 303 Corporate Center Drive, Suite 208, Vandalia, OH 45377.

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

All member districts are obligated to pay all fees, charges, or other assessments as established by the SOITA. Upon dissolution, the net assets shall be distributed to the federal government, or to a State or local government, for a public purpose. Payments to SOITA are made from the General Fund. During fiscal year 2006, the School District paid \$1,718 to SOITA for services provided during the fiscal year. To obtain financial information, write to the Southwestern Ohio Instructional Technology Association, Dave Gibson, who serves as Director, at 150 East Sixth Street, Franklin, Ohio 45005.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006
(Continued)**

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

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

The governing board of WOCO consists of two representatives from each county elected by majority vote of all charter member school districts within each county plus one representative from the fiscal agent. Payments to WOCO are made from the General Fund. The School District paid WOCO \$47,693 for services provided during the fiscal year. Financial information can be obtained from Louis Ivey, who serves as Director, at 129 East Court Street, Sidney, Ohio 45365.

B. Insurance Purchasing Pools

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

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

18. SET-ASIDE CALCULATIONS

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

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006
(Continued)**

18. SET-ASIDE CALCULATIONS (Continued)

	Textbooks and Instructional Materials	Capital Improvements
Set-aside Reserve Balance as of June 30, 2005	\$ 1,140	\$ 73,453
Current Year Set-aside Requirement	183,797	183,797
Qualifying Disbursements	(101,521)	(87,320)
Total	83,416	169,930
Set-aside Balances Carried Forward to Future Fiscal Years	83,416	169,930
Set-aside Reserve Balances as of June 30, 2006	\$83,416	\$169,930

19. CONTINGENCIES

A. Grants

The School District received financial assistance from federal and State agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 2006.

B. Litigation

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

20. SIGNIFICANT CONTRACTUAL COMMITMENTS

As of June 30, 2006, the School District had contractual purchase commitments as follows:

Company	Project	Contract Amount	Amount Expended	Balance at 6/30/06
Mullhall Becker	VOSE Renovation	\$110,500	\$0	\$110,500
Ferguson Construction Company	Building Expansion	\$2,798,180	\$2,557,150	\$241,030
Vutex	Building Expansion	\$134,762	\$0	\$139,385
Salem Office Products	Vocational Equipment	\$115,863	\$0	\$115,863
Totals		\$3,159,305	\$2,557,150	\$606,778

21. SUBSEQUENT EVENTS

On November 28, 2006, the School District reissued the \$5,080,000 bond anticipation note in the amount of \$3,850,000 for the purpose of improving the existing school building by constructing a new addition and renovation and remodeling, acquiring equipment and furnishings, and making related site improvements. The interest rate of the note is 4 percent and matures on November 28, 2007.

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UPPER VALLEY JOINT VOCATIONAL SCHOOL DISTRICT
MIAMI COUNTY

FEDERAL AWARDS EXPENDITURES SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2006

FEDERAL GRANTOR <i>Pass Through Grantor</i> Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Non-Cash Receipts	Disbursements	Non-Cash Disbursements
U.S. Department of Agriculture						
<i>Passed Through Ohio Department of Education</i>						
Food Donation	N/A	10.550		\$10,340		\$10,340
Child Nutrition Cluster:						
School Breakfast Program	062125-05PU-2005	10.553	\$3,788		\$3,788	
	062125-05PU-2006		9,284		9,284	
Total School Breakfast Program			13,072		13,072	
National School Lunch Program	062125-LLP4-2005	10.555	15,310		15,310	
	062125-LLP4-2006		37,157		37,157	
Total National School Lunch Program			52,467		52,467	
Total Child Nutrition Cluster			65,539		65,539	
Total U.S. Department of Agriculture			65,539	10,340	65,539	10,340
U.S. Department of Education						
<i>Passed Through Ohio Department of Education</i>						
Adult Education & Community Education	062125-ABS1-2005	84.002	876		8,644	
	062125-ABS1-2006		123,680		123,680	
	062125-ABS2-2005		5,568		5,219	
	062125-ABS2-2006		31,309		32,817	
Total Adult Education & Community Education			161,433		170,360	
Carl D. Perkins Vocational Education	062125-20C1-2005	84.048	43,193		50,806	
	062125-20C1-2006		256,848		259,566	
	062125-20C2-2005		(1,573)			
	062125-20C2-2006		124,527		124,383	
Total Carl D. Perkins Vocational Education			422,995		434,755	
Safe and Drug-Free Schools and Communities	062125-DRS1-2005	84.186	5,404			
	062125-DRS1-2006		5,569		6,188	
Total Safe and Drug-Free Schools and Communities			10,973		6,188	
State Grants for Innovative Programs	062125-C2S1-2005	84.298	8,314		2,648	
	062125-C2S1-2006		3,271		5,726	
Total State Grants for Innovative Programs			11,585		8,374	
Improving Teacher Quality State Grants	062125-TRS1-2005	84.367	6,083		2,479	
	062125-TRS1-2006		9,750		9,992	
Total Improving Teacher Quality State Grants			15,833		12,471	
<i>Direct Program</i>						
Pell Education Grant	2005	84.063	1,066		1,066	
	2006		113,492		113,492	
Total Pell Education Grant			114,558		114,558	
Total U.S. Department of Education			737,377		746,706	
Total Federal Assistance			\$802,916	\$10,340	\$812,245	\$10,340

The accompanying notes are an integral part of this schedule.

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

**NOTES TO THE SCHEDULE OF FEDERAL AWARDS EXPENDITURE
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B – FOOD DONATION PROGRAM

Program regulations do not require the District to maintain separate inventory records for purchased food and food received from the U.S. Department of Agriculture. This non-monetary assistance (expenditures) is reported in the Schedule at the fair market value of the commodities received.

NOTE C – CHILD NUTRITION CLUSTER

Cash receipts from the U.S. Department of Agriculture are commingled with State grants. It is assumed federal monies are expended first.

NOTE D - MATCHING REQUIREMENTS

Certain Federal programs require that the District contribute non-federal funds (matching funds) to support the federally-funded programs. The District has complied with the matching requirements. The expenditure of non-federal matching funds is not included on the Schedule.



Mary Taylor, CPA

Auditor of State

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

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

To the Board of Education:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Upper Valley Joint Vocational School District, Miami County, (the District), as of and for the year ended June 30, 2006, which collectively comprise the District's basic financial statements and have issued our report thereon dated January 26, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting to determine our auditing procedures to express our opinion on the financial statements and not to opine on the internal control over financial reporting. Our consideration of the internal control would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts material to the financial statements we audited may occur and not be timely detected by employees when performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider material weaknesses. In a separate letter to the District's management dated January 26, 2007, we reported a matter involving internal control over financial reporting we did not deem a reportable condition.

Compliance and Other Matters

As part of reasonably assuring whether the District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express an opinion. The results of our tests disclosed an instance of noncompliance or other matters that we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2006-001. In a separate letter to the District's management dated January 26, 2007, we reported a matter related to noncompliance we deemed immaterial.

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Upper Valley Joint Vocational School District
Miami County
Independent Accountants' Report On Internal Control Over Financial Reporting
And On Compliance And Other Matters Required By *Government Auditing Standards*
Page 2

We intend this report solely for the information and use of the audit committee, management, Board of Education, federal awarding agencies, and pass-through entities. It is not intended for anyone other than these specified parties.

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

Mary Taylor, CPA
Auditor of State

January 26, 2007



Mary Taylor, CPA

Auditor of State

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

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

To the Board of Education:

Compliance

We have audited the compliance of the Upper Valley Joint Vocational School District, Miami County, (the District), with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement that apply to its major federal program for the year ended June 30, 2006. The summary of auditor's results section of the accompanying schedule of findings identifies the District's major federal program. The District's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to the major federal program. Our responsibility is to express an opinion on the District's compliance based on our audit.

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

In our opinion, the Upper Valley Joint Vocational School District complied, in all material respects, with the requirements referred to above that apply to its major federal program for the year ended June 30, 2006.

Internal Control Over Compliance

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

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**Internal Control Over Compliance
(Continued)**

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

We intend this report solely for the information and use of the audit committee, management, Board of Education, federal awarding agencies, and pass-through entities. It is not intended for anyone other than these specified parties.

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

Mary Taylor, CPA
Auditor of State

January 26, 2007

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

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 2006**

1. SUMMARY OF AUDITOR'S RESULTS

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

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

FINDING NUMBER 2006-001

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

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

1. "Then and Now" certificate – If the fiscal officer can certify that both at the time that the contract or order was made ("then"), and at the time that the fiscal officer is completing the certification ("now"), that sufficient funds were available or in the process of collection, to the credit of a proper fund, properly appropriated and free from any previous encumbrance, the District can authorize the drawing of a warrant for the payment of the amount due. The District has thirty days from the receipt of the "then and now" certificate to approve payment by ordinance or resolution. Amounts of less than \$3,000 may be paid by the fiscal officer without a resolution or ordinance upon completion of the "then and now" certificate, provided that the expenditure is otherwise lawful. This does not eliminate any otherwise applicable requirement for approval of expenditures by the District.
2. Blanket certificate – Fiscal officers may prepare "blanket" certificates not exceeding an amount established by resolution or ordinance adopted by the legislative authority, against any specific line item account over a period not running beyond the current year. The blanket certificates may, but need not, be limited to a specific vendor. Only one blanket certificate may be outstanding at one particular time for any one particular line item appropriation.
3. Super Blanket certificate – The District may also make expenditures and contracts for any amount from a specific line-item appropriation account in a specified fund upon certification of the fiscal officer for most professional services, fuel, oil, food items, and any other specific recurring and reasonably predictable operating expense. This certification is not to extend beyond the current year. More than one super blanket certificate may be outstanding at a particular time for any one line item appropriation.

In fiscal 2006, the District did not properly certify the availability of funds prior to purchase commitment for 11.59% of transactions tested, and there was no evidence that the District followed the aforementioned exceptions for those transactions. The failure to properly certify the availability of funds can result in overspending and negative cash fund balances.

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

**FINDING NUMBER 2006-001
(Continued)**

Client Response:

Administratively, we have discussed the possible remedies to the "failure to encumber" citation. Administrators have agreed to emphasize the correct purchasing process to their subordinate staff and be more aware of situations where the invoice is already attached to the purchase requisition. We will adamantly continue to try to reduce the occurrence of this problem. Since purchase orders are primarily estimates of total cost, invoices occasionally appear after a purchase order has been completely expended. To limit over-expending of "open" purchase orders, we will regularly prepare a new purchase order and apply the "over-expended" invoices to the new purchase order. This frequently creates a situation where the invoice dates might precede the replacement purchase order's date.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS
--

None



Mary Taylor, CPA
Auditor of State

UPPER VALLEY JOINT VOCATIONAL SCHOOL DISTRICT
MIAMI COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
JUNE 21, 2007