

**Pickaway Ross Career & Technical Center**

**Chillicothe, Ohio**

**Basic Financial Statements**

Single Audit

July 1, 2006 Through June 30, 2007

Fiscal Year Audited Under GAGAS: 2007



**BALESTRA, HARR & SCHERER**  
**CERTIFIED PUBLIC ACCOUNTANTS**

528 S. WEST STREET, P.O. Box 687  
PIKETON, OHIO 45661

TELEPHONE (740) 289-4131

FAX (740) 289-3639

[www.bhscpas.com](http://www.bhscpas.com)





Mary Taylor, CPA  
Auditor of State

Board of Education  
Pickaway Ross Career and Technical Center  
895 Crouse Chapel Road  
Chillicothe, Ohio 45601

We have reviewed the *Independent Auditor's Report* of the Pickaway Ross Career and Technical Center, Ross County, prepared by Balestra, Harr & Scherer, CPAs, Inc., for the audit period July 1, 2006 through June 30, 2007. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Pickaway Ross Career and Technical Center is responsible for compliance with these laws and regulations.

*Mary Taylor*

Mary Taylor, CPA  
Auditor of State

January 18, 2008

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Pickaway-Ross Career & Technical Center  
 Chillicothe, Ohio  
 Basic Financial Statements  
 For the Fiscal Year Ended June 30, 2007

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# BALESTRA, HARR & SCHERER, CPAs, INC.

528 South West Street, P.O. Box 687  
Piketon, Ohio 45661

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Telephone (740) 289-4131

Fax (740) 289-3639

www.bhscpas.com

Member American Institute of Certified Public Accountants

Ohio Society of Certified Public Accountants

## Independent Auditor's Report

Members of the Board  
Pickaway Ross Career and Technical Center  
895 Crouse Chapel Road  
Chillicothe, Ohio 45601

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Pickaway Ross Career and Technical Center (the District), Ross County, as of and for the year ended June 30, 2007, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

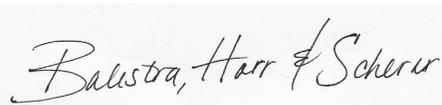
We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the District, as of June 30, 2007, and the respective changes in financial position and cash flows, where applicable, and the respective budgetary comparisons for the General Fund and the Adult Education Fund thereof, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 14, 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. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis on pages 3 through 9 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The accompanying schedule of federal awards expenditures is presented for purposes of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, 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 "Balestra, Harr & Scherer". The signature is written in black ink on a light-colored background.

Balestra, Harr & Scherer, CPAs, Inc.

December 14, 2007

Pickaway-Ross Career & Technical Center  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2007

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**MANAGEMENT'S DISCUSSION AND ANALYSIS**

The Pickaway Ross Career & Technical Center's (the School District) discussion and analysis of the annual financial statements provides a review of the financial performance for the fiscal year ended June 30, 2007. The intent of this discussion and analysis is to look at the School District's financial performance as a whole; readers should also review the notes to the basic financial statements and financial statements to enhance their understanding of the School District's financial performance.

**FINANCIAL HIGHLIGHTS**

- The School District's assets exceeded its liabilities at June 30, 2007 by \$20,997,213.
- General revenues accounted for \$14,138,198 in revenue or 72 percent of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$5,604,828 or 28 percent of total revenues of \$19,743,026.
- The School District had \$17,722,135 in expenses related to governmental activities; \$5,604,828 of these expenses were offset by program specific charges for services and sales, grants, and contributions, while the remainder of these expenses were offset by general revenues.
- The School District has three major funds; the General fund, the Adult Education fund and the Construction fund. All governmental funds had total revenues and other financing sources of \$25,200,576 and expenditures and other financing uses of \$22,958,446.

**USING THIS ANNUAL FINANCIAL REPORT**

This annual report consists of a series of financial statements. These statements are presented so that the reader can understand the Pickaway Ross Career & Technical Center's financial situation as a whole and also give a detailed view of the School District's financial activities.

The Statement of Net Assets and Statement of Activities provide information about the activities of the School District as a whole and present a long-term view of the School District's 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 the amount of funds available for future spending. The fund financial statements also look at the School District's most significant funds with all other nonmajor funds presented in total in one column.

Pickaway-Ross Career & Technical Center  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2007

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## **REPORTING THE DISTRICT AS A WHOLE**

The analysis of the School District as a whole begins with the Statement of Net Assets and the Statement of Activities. These Statements provide information that will help the reader to determine whether the School District is financially improving or declining as a result of the year's financial activities. These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting used by private sector companies. All current year revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the School District's net assets and changes to those assets. This change informs the reader whether the School District's financial position, as a whole, has improved or diminished. In evaluating the overall financial health, the user of these financial statements needs to take into account non-financial factors that also impact the District's financial well-being. Some of these factors include the School District's tax base, current property tax laws in Ohio restricting revenue growth, the condition of capital assets, and required educational programs.

In the Statement of Net Assets and the Statement of Activities, the School District has only one kind of activity.

- **Governmental Activities.** All of the School District's programs and services (except for Agency Funds) are reported here including instruction, support services, operation of non-instructional services, and extracurricular activities.

## **REPORTING THE DISTRICT'S MOST SIGNIFICANT FUNDS**

### **Fund Financial Statements**

The analysis of the School District's funds begins on page 7. Fund financial statements provide detailed information about the School District's major funds – not the School District as a whole. Some funds are required by State law and bond covenants. Other funds may be established by the Treasurer with approval from the Board to help control, manage and report money received for a particular purpose or to show that the School District is meeting legal responsibilities for use of grants. The Pickaway Ross Career & Technical Center's major funds are the General fund, Adult Education fund and the Construction 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 year-end available for spending in future periods. These funds are reported using the modified accrual basis of accounting, which measures cash and all other financial assets that can be readily 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 to determine whether there are more or fewer financial resources that can be spent in the near future to finance educational programs. The relationship (or difference) between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds is reconciled in the financial statements.

Pickaway-Ross Career & Technical Center  
Management's Discussion and Analysis  
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**Proprietary Funds.** Proprietary fund reporting focuses on the determination of operating receipts over (under) operating disbursements and changes in net assets. Proprietary funds are classified as enterprise or internal service and the School District only has an internal service fund which is used to account for their self-insurance program for employee medical and dental claims. This fund is reported using the accrual basis of accounting.

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

**THE SCHOOL DISTRICT AS A WHOLE**

As stated previously, 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 2007 compared to 2006.

	2007	2006
<b>Assets</b>		
Current and Other Assets	\$ 27,514,382	\$ 27,510,919
Capital Assets, Net	6,851,323	2,434,650
Total Assets	34,365,705	29,945,569
<b>Liabilities</b>		
Current and Other Liabilities	8,251,871	5,592,207
Long-Term Liabilities	5,116,621	5,377,040
Total Liabilities	13,368,492	10,969,247
<b>Net Assets</b>		
Invested in Capital Assets		
Net of Debt	4,800,526	2,364,874
Restricted	13,613,927	19,458,880
Unrestricted (Deficit)	2,582,760	(2,847,432)
Total Net Assets	\$ 20,997,213	\$ 18,976,322

Capital assets of the District increased \$4,416,673. This increase is primarily due to construction in progress resulting from an Ohio School Facilities Commission (OSFC) grant received by the District. Current and other liabilities increased \$2,659,664. This increase is due to contracts and retainage payable for construction as discussed above, as well as increased deferred revenue resulting from increased taxes receivable, which was due to an additional operating levy passed in May of 2006.

Pickaway-Ross Career & Technical Center  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2007

Table 2 shows the changes in net assets for the fiscal year ended June 30, 2007 as compared to 2006.

Table 2  
Change in Net Assets

	2007	2006
<b>Revenues</b>		
Program Revenues:		
Charges for Services	\$ 2,183,581	\$ 2,196,684
Operating Grants and Contributions	3,421,247	3,335,487
Total Program Revenues	5,604,828	5,532,171
General Revenues:		
Property Taxes	4,448,663	3,626,541
Grants and Entitlements Restricted to Classroom Facilities Projects	47,438	14,039,938
Grants and Entitlements Not Restricted to Specific Programs	8,710,578	8,364,567
Investment Earnings	543,132	338,164
Gifts & Donations	1,503	548
Payments in Lieu of Taxes	5,879	3,531
Gain on Sale of Capital Assets	16,222	-
Miscellaneous	364,783	157,164
Total General Revenues	14,138,198	26,530,453
Total Revenues	19,743,026	32,062,624
<b>Program Expenses</b>		
Instruction		
Regular	921,076	800,899
Vocational	11,265,922	10,480,951
Adult/Continuing	75,425	100,927
Support Services		
Pupils	1,668,321	1,597,339
Instructional Staff	1,182,773	1,232,279
Board of Education	59,469	66,124
Administration	391,678	421,391
Fiscal	493,616	541,027
Operation & Maintenance of Plant	737,949	921,419
Pupil Transportation	15,735	11,012
Central	54,431	47,016
Operation of Non-Instructional Services	838,915	825,047
Extracurricular Activities	13,441	12,626
Interest & Fiscal Charges	3,384	5,723
Total Expenses	17,722,135	17,063,780
Change in Net Assets	2,020,891	14,998,844
Net Assets at Beginning of Year	18,976,322	3,977,478
Net Assets at End of Year	<u>\$ 20,997,213</u>	<u>\$ 18,976,322</u>

Pickaway-Ross Career & Technical Center  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2007

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The most significant decrease was in grants and entitlements restricted to classroom facilities projects, which decreased \$13,992,500 from \$14,039,938 in fiscal year 2006. This decrease was due to the Ohio School Facilities Commission grant received by the School District in the previous fiscal year. The increase to property tax revenue is due to the collection of a 1 mill operating levy passed in May of 2006. The increase to vocational instruction is due to an increase to employee compensation.

**Governmental Activities**

Operating grants and contributions restricted to specific programs, property taxes, and grants and entitlements not restricted to specific programs comprised 17 percent, 23 percent, and 44 percent, respectively, of revenue for governmental activities of the Pickaway-Ross Career & Technical Center for fiscal year 2007 and represent the largest sources of revenue.

As indicated by governmental program expenses, total instruction is emphasized. Total instruction comprised 69 percent of governmental program expenses with support services comprising 26 percent of governmental expenses. The Board of Education relies on taxes, grants and entitlements to support increased student achievement within the school district.

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

**Table 3**  
**Total and Net Cost of Program Services**  
**Governmental Activities**

	2007		2006	
	Total Cost of Services	Net Cost of Services	Total Cost of Services	Net Cost of Services
Instruction	\$ 12,262,423	\$ 9,417,387	\$ 11,382,777	\$ 8,806,233
Support Services	4,603,972	3,331,521	4,837,607	3,423,888
Operation of Non-Instructional Services	838,915	(648,248)	825,047	(716,682)
Extracurricular Activities	13,441	13,263	12,626	12,447
Interest and Fiscal Charges	3,384	3,384	5,723	5,723
<b>Total Expenses</b>	<b>\$ 17,722,135</b>	<b>\$ 12,117,307</b>	<b>\$ 17,063,780</b>	<b>\$ 11,531,609</b>

**THE SCHOOL DISTRICT'S FUNDS**

The School District's governmental funds are accounted for using the modified accrual basis of accounting. The most significant change in the District's total fund balance was in the Construction major capital projects fund.

Pickaway-Ross Career & Technical Center  
 Management's Discussion and Analysis  
 For the Fiscal Year Ended June 30, 2007

The Construction fund was implemented in fiscal year 2006 for the purpose of accounting for all monies received and expended in connection with contracts entered into by the School District for the building and equipping of classroom facilities. This fund had revenues of \$5,589,777 and expenditures of \$4,414,795 resulting in a \$1,174,982 increase to fund balance at June 30, 2007.

The General fund had \$14,478,030 in revenues and other financing sources and \$13,736,362 in expenditures and transfers. The General fund balance increased \$741,668 primarily due to the collection of a new 1 mill operating levy.

The Adult Education fund had revenues and other financing sources of \$3,095,846 and expenditures of \$2,830,991 resulting in a \$264,855 increase in fund balance. The increase in fund balance is due to an \$85,212 transfer received and a slight increase of revenues from the prior year.

**General Fund Budgeting Highlights**

The School District's budget is adopted on a fund basis. Before the budget is adopted, the Board of Education reviews the detailed work papers of each object within the General Fund and then adopts the budget on a fund basis. The General Fund was the most significant budgeted fund.

During 2007, there were several revisions to the General Fund budget. In part, these revisions increased estimated resources by \$650,414 due to the new 1 mill operating levy and decreased estimated appropriations by \$299,961. The Treasurer has been given the authority by the Board of Education to make line item adjustments within the budget. The General fund's ending unobligated cash balance was \$158,914 below the final budgeted amount.

**CAPITAL ASSETS AND DEBT ADMINISTRATION**

**Capital Assets**

At the end of fiscal year 2007, the School District had \$6,851,323 invested in land, construction in progress, buildings and improvements, furniture and equipment, and vehicles. Table 4 shows the fiscal year 2007 balances compared to 2006.

Table 4  
 Capital Assets  
 (Net of Accumulated Depreciation)

Governmental Activities

	2007	2006
Land	\$ 186,368	\$ 186,368
Construction in Progress	4,445,381	-
Buildings and Improvements	837,289	909,531
Furniture and Equipment	1,351,239	1,308,039
Vehicles	31,046	30,712
Totals	\$ 6,851,323	\$ 2,434,650

Pickaway-Ross Career & Technical Center  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2007

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Changes in capital assets from the prior year resulted from additions, deletions and depreciation expense. Please see note 8 to the basic financial statements for additional information regarding capital assets.

**Debt**

At June 30, 2007, the School District had \$4,093,294 outstanding in QZAB Bonds. The QZAB bonds were issued during fiscal year 2006 as part of the required financing for an Ohio School Facilities Commission grant the School District received.

At June 30, 2007 the School District's overall legal debt margin was \$160,347,788 with an unvoted debt margin of \$1,781,642. Please see note 14 to the basic financial statements for additional information regarding long-term obligations.

**CONTACTING THE SCHOOL DISTRICT'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, taxpayers, creditors, and investors 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 any questions about this report or need additional financial information, contact Ben Vanhorn, Treasurer, Pickaway Ross Career & Technical Center, 895 Crouse Chapel Road, Chillicothe, Ohio 45601.

**Pickaway-Ross Career & Technical Center**  
**Statement of Net Assets**  
**As of June 30, 2007**

	<b>Governmental Activities</b>
<b>ASSETS:</b>	
Current Assets:	
Equity in Pooled Cash and Cash Equivalents	\$ 14,517,853
Cash and Cash Equivalents with Fiscal Agents	385,797
Accrued Interest Receivable	58,008
Accounts Receivable	661,269
Intergovernmental Receivable	7,303,918
Taxes Receivable	4,366,995
Restricted Cash and Cash Equivalents	220,542
Noncurrent Assets:	
Non-Depreciable Capital Assets	4,631,749
Capital Assets, net	2,219,574
<b>Total Assets</b>	<b>34,365,705</b>
 <b>LIABILITIES:</b>	
Current Liabilities:	
Accounts Payable	116,911
Accrued Wages and Benefits	1,172,899
Contracts Payable	1,688,608
Retainage Payable	220,542
Intergovernmental Payable	509,104
Matured Compensated Absences Payable	161,707
Deferred Revenue	3,848,496
Claims Payable	533,604
Noncurrent Liabilities:	
Due Within One Year	532,687
Due in More Than One Year	4,583,934
<b>Total Liabilities</b>	<b>13,368,492</b>
 <b>NET ASSETS:</b>	
Invested in Capital Assets, Net of Related Debt	4,800,526
Restricted for Capital Outlay	12,187,569
Restricted for Adult Education	1,104,532
Restricted for Other Purposes	321,826
Unrestricted	2,582,760
<b>Total Net Assets</b>	<b>\$ 20,997,213</b>

The notes to the basic financial statements are an integral part of this statement.

**Pickaway-Ross Career & Technical Center**  
**Statement of Activities**  
**For the Fiscal Year Ended June 30, 2007**

	<b>Program Revenues</b>			<b>Net (Expense)</b>
	<b>Expenses</b>	<b>Charges for Services and Sales</b>	<b>Operating Grants and Contributions</b>	<b>Revenue and Changes in Net Assets</b>
Governmental Activities:				
Instruction:				
Regular	\$ 921,076	\$ 12,492	\$ -	\$ (908,584)
Vocational	11,265,922	722,818	2,045,757	(8,497,347)
Adult/Continuing	75,425	18,592	45,377	(11,456)
Support Services:				
Pupils	1,668,321	259,204	612,590	(796,527)
Instructional Staff	1,182,773	102,685	224,049	(856,039)
Board of Education	59,469	357	-	(59,112)
Administration	391,678	11,790	17,016	(362,872)
Fiscal	493,616	8,748	5,672	(479,196)
Operation and Maintenance of Plant	737,949	11,960	5,672	(720,317)
Pupil Transportation	15,735	3,486	8,508	(3,741)
Central	54,431	714	-	(53,717)
Operation of Non-Instructional Services	838,915	1,030,557	456,606	648,248
Extracurricular Activities	13,441	178	-	(13,263)
Debt Service:				
Interest and Fiscal Charges	3,384	-	-	(3,384)
<b>Total Governmental Activities</b>	<b><u>\$ 17,722,135</u></b>	<b><u>\$ 2,183,581</u></b>	<b><u>\$ 3,421,247</u></b>	<b><u>(12,117,307)</u></b>

**General Revenues:**

Property Taxes Levied for:	
General Purposes	4,448,663
Grants and Entitlements Restricted to Classroom Facilities Projects	47,438
Grants and Entitlements not Restricted to Specific Programs	8,710,578
Gifts and Donations not Restricted to Specific Programs	1,503
Investment Earnings	543,132
Payments in Lieu of Taxes	5,879
Gain on Sale of Capital Assets	16,222
Miscellaneous	364,783
<b>Total General Revenues</b>	<b><u>14,138,198</u></b>
Change in Net Assets	2,020,891
<i>Net Assets at Beginning of Year</i>	<u>18,976,322</u>
<i>Net Assets at End of Year</i>	<u><u>\$ 20,997,213</u></u>

The notes to the basic financial statements are an integral part of this statement.

**Pickaway-Ross Career & Technical Center**  
**Balance Sheet**  
**Governmental Funds**  
**As of June 30, 2007**

	<u>General Fund</u>	<u>Adult Education Fund</u>	<u>Construction Fund</u>	<u>All Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>ASSETS:</b>					
Equity in Pooled Cash and Cash Equivalents	\$ 4,052,763	\$ 778,508	\$ 8,793,707	\$ 498,760	\$ 14,123,738
Accrued Interest Receivable	27,574	-	30,434	-	58,008
Accounts Receivable	1,062	660,207	-	-	661,269
Interfund Receivable	188,833	-	-	-	188,833
Intergovernmental Receivable	-	-	7,117,789	93,231	7,211,020
Taxes Receivable	4,366,955	-	-	-	4,366,955
Restricted Cash and Cash Equivalents	-	-	220,542	-	220,542
<b>Total Assets</b>	<b><u>8,637,187</u></b>	<b><u>1,438,715</u></b>	<b><u>16,162,472</u></b>	<b><u>591,991</u></b>	<b><u>26,830,365</u></b>
<b>LIABILITIES:</b>					
Accounts Payable	43,162	62,726	-	11,023	116,911
Accrued Wages and Benefits	1,069,241	83,719	-	19,939	1,172,899
Contracts Payable	-	-	1,688,608	-	1,688,608
Retainage Payable	-	-	220,542	-	220,542
Interfund Payable	-	-	-	188,833	188,833
Intergovernmental Payable	397,884	83,544	-	27,676	509,104
Matured Compensated Absences Payable	161,707	-	-	-	161,707
Deferred Revenue	4,023,761	-	7,117,789	-	11,141,550
<b>Total Liabilities</b>	<b><u>5,695,755</u></b>	<b><u>229,989</u></b>	<b><u>9,026,939</u></b>	<b><u>247,471</u></b>	<b><u>15,200,154</u></b>
<b>FUND BALANCES:</b>					
<b>Reserved:</b>					
Reserved for Encumbrances	126,674	31,024	19,929	138,764	316,391
Reserved for Property Taxes	343,234	-	-	-	343,234
<b>Unreserved, Undesignated, Reported in:</b>					
General Fund	2,471,564	-	-	-	2,471,564
Special Revenue Funds	-	1,177,702	-	205,756	1,383,458
Capital Projects Funds	-	-	7,115,604	-	7,115,604
<b>Total Fund Balances</b>	<b><u>2,941,472</u></b>	<b><u>1,208,726</u></b>	<b><u>7,135,533</u></b>	<b><u>344,520</u></b>	<b><u>11,630,251</u></b>
<b>Total Liabilities and Fund Balances</b>	<b><u>\$ 8,637,227</u></b>	<b><u>\$ 1,438,715</u></b>	<b><u>\$ 16,162,472</u></b>	<b><u>\$ 591,991</u></b>	<b><u>\$ 26,830,405</u></b>

The notes to the basic financial statements are an integral part of this statement.

**Pickaway-Ross Career & Technical Center**  
**Reconciliation of Total Governmental Fund Balances to**  
**Net Assets of Governmental Activities**  
**As of June 30, 2007**

<b>Total Governmental Fund Balances</b>		\$ 11,630,251
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		6,851,323
Other long-term assets are not available to pay for current period expenditures and therefore are deferred in the funds.		
Taxes	175,265	
Intergovernmental	<u>7,117,789</u>	
Total		7,293,054
An internal service fund is used by management to charge the cost of insurance to individuals. The assets and liabilities of the internal service fund are included in governmental activities in the statement of net assets.		339,206
Long-term liabilities, including loans, capital lease obligations and the long-term portion of compensated absences are not due and payable in the current period and therefore are not reported in the funds.		
QZAB Loan	(4,093,294)	
Compensated Absences	(1,003,716)	
Capital Lease Obligations	<u>(19,611)</u>	
Total		<u>(5,116,621)</u>
<b>Net Assets of Governmental Activities</b>		<b><u><u>\$ 20,997,213</u></u></b>

The notes to the basic financial statements are an integral part of this statement.

**Pickaway-Ross Career & Technical Center**  
**Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Governmental Funds**  
**For the Fiscal Year Ended June 30, 2007**

	<u>General Fund</u>	<u>Adult Education Fund</u>	<u>Construction Fund</u>	<u>All Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>REVENUES:</b>					
Property Taxes	\$ 4,380,396	\$ -	\$ -	\$ -	\$ 4,380,396
Intergovernmental	9,295,760	1,133,721	5,315,028	1,691,329	17,435,838
Interest	268,383	-	274,749	-	543,132
Tuition and Fees	140,144	1,112,013	-	-	1,252,157
Rent	4,666	50,000	-	-	54,666
Gifts and Donations	1,503	1,015	-	10,000	12,518
Customer Sales and Services	33,642	681,037	-	162,079	876,758
Payments in Lieu of Taxes	5,879	-	-	-	5,879
Miscellaneous	331,435	32,848	-	500	364,783
Total Revenues	<u>14,461,808</u>	<u>3,010,634</u>	<u>5,589,777</u>	<u>1,863,908</u>	<u>24,926,127</u>
<b>EXPENDITURES:</b>					
<b>Current:</b>					
<b>Instruction:</b>					
Regular	912,737	-	-	-	912,737
Vocational	9,099,082	1,706,566	-	757,481	11,563,129
Adult/Continuing	-	-	-	74,435	74,435
<b>Support Services:</b>					
Pupils	605,635	939,099	-	96,513	1,641,247
Instructional Staff	794,658	185,326	-	208,120	1,188,104
Board of Education	25,220	-	-	-	25,220
Administration	368,936	-	-	29,248	398,184
Fiscal	482,765	-	-	7,282	490,047
Operation and Maintenance of Plant	722,903	-	-	12,000	734,903
Pupil Transportation	215	-	-	12,435	12,650
Central	53,962	-	-	-	53,962
Operation of Non-Instructional Services	22,146	-	-	778,784	800,930
Extracurricular Activities	13,441	-	-	-	13,441
Capital Outlay	-	-	4,414,795	-	4,414,795
<b>Debt Service:</b>					
Principal	323,051	-	-	-	323,051
Interest	3,384	-	-	-	3,384
Total Expenditures	<u>13,428,135</u>	<u>2,830,991</u>	<u>4,414,795</u>	<u>1,976,298</u>	<u>22,650,219</u>
Excess of Revenues Over (Under) Expenditures	1,033,673	179,643	1,174,982	(112,390)	2,275,908
<b>OTHER FINANCING SOURCES (USES):</b>					
Transfers-In	-	85,212	-	173,015	258,227
Proceeds from Sale of Capital Assets	16,222	-	-	-	16,222
Transfers - Out	(308,227)	-	-	-	(308,227)
Total Other Financing Sources (Uses)	<u>(292,005)</u>	<u>85,212</u>	<u>-</u>	<u>173,015</u>	<u>(33,778)</u>
Net Change in Fund Balances	741,668	264,855	1,174,982	60,625	2,242,130
Fund Balances at Beginning of Year	2,199,804	943,871	5,960,551	283,895	9,388,121
Fund Balances at End of Year	<u>\$ 2,941,472</u>	<u>\$ 1,208,726</u>	<u>\$ 7,135,533</u>	<u>\$ 344,520</u>	<u>\$ 11,630,251</u>

The notes to the basic financial statements are an integral part of this statement.

**Pickaway-Ross Career & Technical Center**  
**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, 2007**

**Net Change in Fund Balances - Total Governmental Funds** \$ 2,242,130

**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. This is the amount by which depreciation is exceeded by capital outlays in the current period.

Capital Asset Additions	4,776,857	
Current Year Depreciation	(360,184)	
Total		4,416,673

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

Proceed from Sale of Capital Assets	(16,222)	
Gain on Disposal of Capital Assets	16,222	
Total		-

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

Taxes	68,267	
Intergovernmental	(5,267,590)	
Total		(5,199,323)

Repayments of bond principals are expenditures in the governmental funds, but the repayments reduces liabilities in the statement of net assets and do not result in an expense in the statement of activities.

272,886

Repayments of capital leases obligations are expenditures in the governmental funds, but the repayments reduce liabilities in the statement of net assets and do not result in expenses in the statement of activities.

50,165

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

300,992

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

Increase in Compensated Absences	(62,632)	
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Total		(62,632)
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**Net Change in Net Assets of Governmental Activities** \$ 2,020,891

The notes to the basic financial statements are an integral part of this statement.

**Pickaway Ross Career & Technical Center**  
*Statement of Revenues, Expenditures and Changes*  
*In Fund Balance - Budget and Actual*  
*(Budgetary Basis)*  
*General Fund*  
*For the Fiscal Year Ended June 30, 2007*

	<b>Budgeted Amounts</b>			<b>Variance with Final Budget: Positive (Negative)</b>
	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	
Total Revenues and Other Sources	\$ 13,901,474	\$ 14,551,888	\$ 14,581,305	\$ 29,417
Total Expenditures and Other Uses	<u>14,055,169</u>	<u>13,755,208</u>	<u>13,943,539</u>	<u>(188,331)</u>
Net Change in Fund Balance	(153,695)	796,680	637,766	(158,914)
Fund Balance, July 1, 2006	3,104,812	3,104,812	3,104,812	-
Prior Year Encumbrances Appropriated	<u>153,696</u>	<u>153,696</u>	<u>153,696</u>	<u>-</u>
Fund Balance, June 30, 2007	<u>\$ 3,104,813</u>	<u>\$ 4,055,188</u>	<u>\$ 3,896,274</u>	<u>\$ (158,914)</u>

The notes to the basic financial statements are an integral part of this statement.

**Pickaway Ross Career & Technical Center**  
*Statement of Revenues, Expenditures and Changes*  
*In Fund Balance - Budget and Actual*  
*(Budgetary Basis)*  
*Adult Education Fund*  
*For the Fiscal Year Ended June 30, 2007*

	<b>Budgeted Amounts</b>			<b>Variance with Final Budget: Positive (Negative)</b>
	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	
Total Revenues and Other Sources	\$ 2,965,000	\$ 2,114,332	\$ 2,859,439	\$ 745,107
Total Expenditures and Other Uses	<u>3,672,412</u>	<u>2,822,513</u>	<u>2,822,513</u>	<u>-</u>
Net Change in Fund Balance	(707,412)	(708,181)	36,926	745,107
Fund Balance, July 1, 2006	623,608	623,608	623,608	-
Prior Year Encumbrances Appropriated	<u>84,578</u>	<u>84,578</u>	<u>84,578</u>	<u>-</u>
Fund Balance, June 30, 2007	<u>\$ 774</u>	<u>\$ 5</u>	<u>\$ 745,112</u>	<u>\$ 745,107</u>

The notes to the basic financial statements are an integral part of this statement.

**Pickaway Ross Career & Technical Center**  
**Statement of Fund Net Assets**  
**Governmental Activities - Internal Service Fund**  
**As of June 30, 2007**

	<u><b>Internal Service Fund</b></u>
<b>ASSETS:</b>	
Current Assets:	
Equity in Pooled Cash and Cash Equivalents	\$ 394,115
Cash and Cash Equivalents with Fiscal Agents	385,797
Intergovernmental Receivable	<u>92,898</u>
 <i>Total Assets</i>	 <u><u>872,810</u></u>
 <b>LIABILITIES:</b>	
Current Liabilities:	
Claims Payable	<u>533,604</u>
 <i>Total Liabilities</i>	 <u>533,604</u>
 <b>NET ASSETS:</b>	
Unrestricted	<u><u>\$ 339,206</u></u>

The notes to the basic financial statements are an integral part of this statement.

**Pickaway Ross Career & Technical Center**  
**Statement of Revenues, Expenses and**  
**Changes In Fund Net Assets**  
**Governmental Activities - Internal Service Fund**  
**For the Fiscal Year Ended June 30, 2007**

	<b>Internal Service Fund</b>
Operating Revenues:	
Charges for Services	\$ 2,319,024
<i>Total Operating Revenue</i>	<i>2,319,024</i>
Operating Expenses:	
Purchased Services	536,419
Claims Expense	1,531,613
<i>Total Operating Expenses</i>	<i>2,068,032</i>
<i>Operating Income</i>	<i>250,992</i>
Transfer - In	50,000
Change in Net Assets	300,992
Net Assets at Beginning of Year	38,214
Net Assets at End of Year	\$ 339,206

The notes to the basic financial statements are an integral part of this statement.

**Pickaway Ross Career & Technical Center**  
**Statement of Cash Flows**  
**Governmental Activities - Internal Service Fund**  
**For the Fiscal Year Ended June 30, 2007**

	<u>Internal Service Fund</u>
<b><i>Increase (Decrease) in Cash and Cash Equivalents</i></b>	
<i>Cash Flows from Operating Activities:</i>	
Cash Received from Transactions with Other Funds	\$ 2,319,024
Cash Payments for Vendor Payments	(536,419)
Cash Payments for Claims	<u>(1,469,520)</u>
<i>Net Cash Provided by Operating Activities</i>	<u>313,085</u>
 <i>Cash Flows from Noncapital Financing Activities:</i>	
Short Term Loan from Other Funds	(82,015)
Transfers - In	<u>50,000</u>
<i>Net Cash Used for Noncapital Financing Activities</i>	(32,015)
Cash and Cash Equivalents at Beginning of Year	<u>498,842</u>
Cash and Cash Equivalents at End of Year	<u><u>\$ 779,912</u></u>
 <b><i>Reconciliation of Operating Income to Net Cash Provided by Operating Activities</i></b>	
Operating Income	\$ 250,992
 <i>Changes in Assets and Liabilities:</i>	
Increase in Claims Payable	<u>62,093</u>
<i>Net Cash Provided by Operating Activities</i>	<u><u>\$ 313,085</u></u>

The notes to the basic financial statements are an integral part of this statement.

**Pickaway Ross Career & Technical Center**  
**Statement of Fiduciary Assets and Liabilities**  
**Agency Funds**  
**As of June 30, 2007**

<b>Assets</b>	
Equity in Pooled Cash and Cash Equivalents	<u>\$ 54,300</u>
<b>Total Assets</b>	<u><u>\$ 54,300</u></u>
<b>Liabilities</b>	
Undistributed Monies	<u>\$ 54,300</u>
<b>Total Liabilities</b>	<u><u>\$ 54,300</u></u>

The notes to the basic financial statements are an integral part of this statement.

Pickaway-Ross Career & Technical Center  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2007

**NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY**

Pickaway-Ross Career & Technical Center (the "School District") is a distinct political subdivision of the State of Ohio operated under the direction of a Board form of government consisting of eleven representatives from the various elected City and County School Boards within Pickaway and Ross Counties. The School District possesses its own budgeting and taxing authority. The School District exposes students to job training leading to employment upon graduation from high school.

The School District was established in 1970 through the cooperation of all school districts involved. The School District serves an area of approximately 1,090 square miles. It is located in Ross County, and includes the school districts within Ross and Pickaway Counties. It is staffed by 34 non-certificated employees and 119 certificated full-time teaching personnel who provide services to 1,076 students and other community members. The School District currently operates 2 instructional buildings.

*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, although no other school district appoints a voting majority of the Board. None of the school districts that appoint Board members are financially accountable for the School District.

A reporting entity is comprised of the jointly governed organization, component units, and other organizations that are included to ensure 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 the School District, this includes general operations, food service, 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 following entities which perform activities within the District's boundaries for the benefit of its residents are excluded from the accompanying financial statements because the District is not financially accountable for these entities nor are they fiscally dependent on the District.

- Ross-Pike Educational Service District
- Cities of Chillicothe and Circleville
- Participating Local/City School Districts
- Pickaway ESC

The School District is associated with five organizations, three of which are defined as jointly governed organizations, one as a claims servicing pool, and one as an insurance purchasing pool. These organizations are the South Central Ohio Computer Association, Great Seal Education Network of Tomorrow, Pilasco-Ross Special Education Regional Resource Center, Ross County School Employees Insurance Consortium and the Ohio Association of School Business Officials Workers' Compensation Group Rating Plan, respectively. These organizations are presented in Notes 16 and 17 to the basic financial statements.

Pickaway-Ross Career & Technical Center  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2007

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

**Fund Accounting**

The School District's accounts are maintained on the basis of funds, each of which is considered a separate accounting entity. Fund accounting is designed to demonstrate legal compliance and to aid management by segregating transactions related to specific School District functions or activities. The operation of each fund is accounted for within a separate set of self-balancing accounts.

**Governmental Funds**

Governmental funds are those through which most governmental functions typically are financed. Governmental funds reporting focuses on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purpose 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 general 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 is available to the School District for any purpose provided it is expended or transferred according to the school laws of Ohio.

**Adult Education**

The Adult Education Fund is used to account for all revenues and expenditures related to the provision of credit and noncredit classes to the community.

**Construction**

The Construction Fund is used to account for all monies received and expended in connection with contracts entered into by the School District and the Ohio Department of Education for the building and equipping of classroom facilities.

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

**Proprietary Funds**

Proprietary fund reporting focuses on the determination of operating income, changes in net assets, financial position, and cash flows. Proprietary funds are classified as enterprise or internal service; the Pickaway Ross Career and Technical Center has no Enterprise Funds.

Pickaway-Ross Career & Technical Center  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2007

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Internal Service Fund**

The internal service fund accounts for the financing of services provided by one department or agency to other departments or agencies of the Pickaway-Ross Career and Technical Center on a cost reimbursement basis. The School District's only internal service fund accounts for the self-insurance program for employee medical and dental claims.

**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. The School District's only fiduciary funds are agency funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. In accordance with GASB 34, fiduciary funds are not included in the government-wide statements. The District's only agency funds are funds used to account for student-managed activities.

**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.

**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 statement of net assets presents the financial condition of governmental activities of the School District at 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 and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues which are not classified as program revenues are presented as general revenues of the School District. The comparison of direct expenses with program revenues identifies the extent to which each business segment or governmental function is self-financing or draws from the general revenues of the School District.

**Fund Financial Statements**

During the 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 fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. The internal service fund is presented in a single column on the face of the proprietary fund statements. Fiduciary funds are reported by fund type.

Pickaway-Ross Career & Technical Center  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2007

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Measurement Focus**

Government-wide Financial Statements - The government-wide financial statements are prepared using the economic resources measurement focus. All assets and all liabilities associated with the operation of the School District are included on the statement of net assets.

The Statement of Activities presents increases (i.e. revenues) and decreases (i.e. expenses) in total net assets.

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

Like the Government-Wide Statements, proprietary funds are accounted for on a flow of economic resources measurement focus. All assets and all liabilities associated with the operation of these funds are included on the Statement of Fund Net Assets. The Statement of Changes in Fund Net Assets presents increases (i.e., revenues) and decreases (i.e. expenses) in net total assets. The Statement of Cash Flows provides information about how the School District finances and meets the cash flow needs of its proprietary activities.

**Basis of Accounting**

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

**Revenues – Exchange and Non-exchange Transactions**

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the 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. Revenue from property taxes is recognized in the fiscal year for which taxes are levied. (See Note 6.) Revenue from grants is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the School District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the School District on a reimbursement basis. On a modified accrual basis, revenue from 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 fee and rentals.

Pickaway-Ross Career & Technical Center  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2007

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**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, 2007, but which were levied to finance fiscal year 2008 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.

**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, except for (1) principal and interest on general long-term debt and capital lease obligations, which is recorded when due and (2) the costs of accumulated unpaid vacation, personal leave and sick leave are reported as fund liabilities as payments come due each period upon the occurrence of employee resignations and retirements. Allocations of cost, such as depreciation and amortization, are not recognized in governmental funds.

**Budgetary Process**

All funds, other than the agency funds are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the appropriation resolution and the certificate of estimated resources which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amounts that the Board of Education may appropriate. The appropriation resolution is the Board's authorization to spend resources and sets annual limits on expenditures plus encumbrances at a level of control selected by the Board. The legal level of control has been established by the Board of Education at the fund level. The Treasurer has been authorized to allocate Board appropriations to the function and object level within each fund.

The certificate of estimated resources may be amended during the 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 final amended certificate issued during fiscal year 2007.

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

**Encumbrances**

Encumbrance accounting is utilized by the School District for all funds in the normal course of operations for purchase orders and contract related expenditures. An encumbrance is a reserve on the available spending authority due to a commitment for a future expenditure and does not represent a liability. On the fund financial statements encumbrances outstanding at fiscal year-end are reported as a reservation of fund balance for subsequent year expenditures for governmental funds. A reserve for encumbrances is not reported on the government-wide financial statements. Encumbrances are reported as part of expenditures on a non-GAAP budgetary basis in the budgetary statements.

Pickaway-Ross Career & Technical Center  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2007

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Cash and Investments**

Cash received by the School District is deposited into one of several bank accounts with individual fund balance integrity maintained. Balances of all funds are maintained in these accounts or are temporarily used to purchase certificates of deposit or investments. All investment earnings accrue to the General Fund except those specifically related to those funds deemed appropriate according to Board of Education policy. Interest earned during fiscal year 2007 was \$543,132, which was credited to the General fund and the Construction fund in the amounts of \$268,383 and \$274,749 respectively.

The School District records all its investments at fair value. For presentation on the financial statements, investments of the cash management pool are considered to be cash equivalents. The School District has invested in the State Treasury Asset Reserve of Ohio (STAR Ohio) and repurchase agreements during fiscal year 2007. STAR Ohio is an investment pool managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price, which is the price the investment could be sold for on June 30, 2007.

Investments with original maturities of three months or less at the time they are purchased by the School District are reported as cash equivalents.

The School District has \$385,797 in a bank account set aside for the self insurance program which is recorded as "Cash and Cash Equivalents with Fiscal Agents."

**Capital Assets and Depreciation**

All capital assets of the School District are general capital assets that are associated with governmental activities. General capital assets result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net assets, but are not reported in the fund financial statements.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date received. The School District maintains a capitalization threshold of \$1,000. The School District does not possess any infrastructure.

Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not.

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

<u>Description</u>	<u>Estimated Lives</u>
Buildings and Improvements	10-40 years
Furniture and Equipment	5-20 years
Vehicles	5 years

**Interfund Balances**

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

Pickaway-Ross Career & Technical Center  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2007

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Compensated Absences**

Vacation and personal leave benefits are accrued as a liability as the benefits are earned if the employee's rights to receive compensation are attributable to services already rendered and it is probable that the School District will compensate its employees for the benefits through paid time off or some other means. Sick leave benefits are accrued as a liability using the vesting method. The liability includes the employees who are currently eligible to receive severance benefits and those the School District has identified as probable of receiving payment in the future. The School District records an accrual for sick leave for all employees with ten years or more of service. The accrual amount is based upon accumulated sick leave and employees' wage rates at year-end, taking into consideration any limits specified in the School District's severance policy.

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

On the governmental fund financial statements, compensated absences are recognized as liabilities and expenditures as payments come due each period upon the occurrence of employee resignations and retirements. These amounts are recorded in the account "matured compensated absences payable" in the fund from which the employee will be paid.

**Accrued Liabilities and Long-Term Obligations**

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

In general, governmental fund payables and accrued liabilities, that once incurred, are paid in a timely manner and in full from current financial resources, are reported as obligations of the funds. However, claims and judgments, compensated absences and special termination benefits 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 in the current year. Bonds and capital leases are recognized as a liability on the government-wide financial statements when due.

**Net Assets**

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

As of June 30, 2007, of the School District's \$13,613,927 restricted net assets, none was restricted by enabling legislation.

**Fund Balance Reserves**

Reserved fund balances indicate that portion of fund balance, which is not available for current appropriation or is legally segregated for a specific use. Fund balances are reserved for encumbrances reserved by the Board for future year's appropriations. The reserve for property tax represents taxes recognized as revenue under accounting principles generally accepted in the United States of America but not available for appropriation under State statute. The unreserved, undesignated portions of fund balance reflected for Governmental Funds are available for use within the specific purpose of those funds.

Pickaway-Ross Career & Technical Center  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2007

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Interfund Transactions**

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

**Estimates**

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

**Operating Revenues and Expenses**

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the School District, these revenues are charges for services for self-insurance programs. Operating expenses are necessary costs incurred to provide the good or service that is the primary activity of the fund.

**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 imposed by creditors, grantors, laws of other governments or imposed by enabling legislation. Restricted assets in the Construction Fund represent cash held as retainage for contractors.

**NOTE 3 – ACCOUNTABILITY AND COMPLIANCE**

The Food Service and ABLE special revenue funds had deficit fund balances of \$80,268 and \$2,890, respectively. The deficits in these funds are due to adjustments for accrued liabilities and the timing of grant awards. The general fund provides transfers when cash is required, not when expenditures are incurred.

The General Fund had expenditures plus encumbrances in excess of appropriations at June 30, 2007 in the amount of \$188,331. The School District does not appropriate advances from the General Fund, which were \$188,833 and are not required to be appropriated.

**NOTE 4 - BUDGETARY BASIS OF ACCOUNTING**

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

The major differences between the budgetary basis and GAAP basis are that:

1. Revenues are recorded when received in cash (budgetary basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures are recorded when paid in cash (budgetary basis) as opposed to when the liability is incurred (GAAP basis).

Pickaway-Ross Career & Technical Center  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2007

**NOTE 4 – BUDGETARY BASIS OF ACCOUNTING (Continued)**

3. Encumbrances are treated as expenditures for all funds (budgetary basis) rather than as a reservation of fund balance for governmental fund types.

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

Net Change in Fund Balances		
	General	Adult Education
GAAP Basis	\$ 741,668	\$ 264,855
Adjustments:		
Revenue Accruals	103,275	(236,407)
Expenditure Accruals	(50,134)	41,879
Encumbrances	(157,043)	(33,401)
Budget Basis	\$ 637,766	\$ 36,926

**NOTE 5 - DEPOSITS AND INVESTMENTS**

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

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

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

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

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

1. United States treasury notes, bills, bonds, or other obligations of or securities issued by the United States treasury or any other obligation guaranteed as to the payment of principal and interest by the United States;
2. Bonds, notes, debentures, or other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the federal national mortgage association, federal home loan bank, federal farm credit bank, federal home loan mortgage corporation, government national mortgage association, and student loan marketing association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above, provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;

Pickaway-Ross Career & Technical Center  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2007

**NOTE 5 - DEPOSITS AND INVESTMENTS (Continued)**

4. Bonds and other obligations of the State of Ohio, its political subdivisions, or other units or agencies of this State or its political subdivisions;
5. Time certificates of deposit or savings or deposit accounts, including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
7. The State Treasurer's investment pool (STAR Ohio);
8. Securities lending agreements in which the School District lends securities and the eligible institution agrees to exchange either securities described in division (1) or (2), or cash, or both securities and cash, equal value for equal value;
9. High grade commercial paper in an amount not to exceed five percent of the School District's total average portfolio; and
10. Bankers acceptances for a period not to exceed 270 days and in an amount not to exceed ten percent of the District's total average portfolio.

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

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

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

*Deposits:* Custodial credit risk is the risk that in the event of a bank failure, the School District's deposits may not be returned to it. According to state law, public depositories must give security for all public funds on deposit in excess of those funds that are insured by the Federal Deposit Insurance Corporation (FDIC) or by any other agency or instrumentality of the federal government. These institutions may either specifically collateralize individual accounts in lieu of amounts insured by the FDIC, or may pledge a pool of government securities valued at least 105% of the total value of public monies on deposit at the institution. The School District's policy is to deposit money with financial institutions that are able to abide by the laws governing insurance and collateral of public funds.

As of June 30, 2007, the School District's bank balance of \$1,878,894 was either covered by FDIC or collateralized by the financial institution's public entity deposit pools in the manner described above.

Pickaway-Ross Career & Technical Center  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2007

**NOTE 5 - DEPOSITS AND INVESTMENTS (Continued)**

*Investments:* At June 30, 2007, the School District had the following investments:

	Fair Value	Weighted Average Maturity (Yrs.)
Repurchase Agreement	\$11,534,215	< 1 year
STAR Ohio	2,656,992	< 1 year
Total Fair Value	\$14,191,207	

Interest rate risk – Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment.

In accordance with the investment policy, the District manages its exposure to declines in fair values by limiting the weighted average maturity of its investment portfolio.

Credit Risk – Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations.

The District limits its investments to Repurchase Agreements and STAR Ohio. Investments in STAR Ohio were rated AAAM by Standard & Poor’s. Repurchase agreements are unrated.

Concentration of credit risk – Concentration of credit risk is the risk of loss attributed to the magnitude of a government’s investment in a single issuer.

The District’s investment policy allows investments in Repurchase Agreements, Certificates of Deposit or within financial institutions within the State of Ohio as designated by the Federal Reserve Board. The District has invested 100% in investments with no weighted maturity. Investments, in repurchase agreements and STAR Ohio were 81% and 19%, respectively, of the School District’s total investments as of June 30, 2007.

Custodial credit risk – For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the government will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party.

The School District does not have a policy for custodial credit risk. The Star Ohio investments are held in the name of the School District; however, the School District’s repurchase agreements are exposed to custodial credit risk in that they are either uninsured, unregistered, or held by the counterparty’s trust department or agent, but not in the School District’s name.

**NOTE 6 - 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 located in the School District. Property tax revenue received during calendar year 2007 for real and public utility property taxes represents collections of calendar year 2006 taxes. Property tax payments received during calendar year 2007 for tangible personal property (other than public utility property) are for calendar year 2006 taxes.

2006 real property taxes are levied after April 1, 2006, on the assessed value as of January 1, 2006, the lien date. Assessed values are established by State law at thirty-five percent of appraised market value.

Pickaway-Ross Career & Technical Center  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2007

**NOTE 6 - PROPERTY TAXES (Continued)**

Public utility tangible personal property currently is assessed at varying percentages of true value; public utility real property is assessed at thirty-five percent of true value. 2007 public utility property taxes became a lien December 31, 2006, are levied after April 1, 2006 and are collected in 2008 with real property taxes.

2006 tangible personal property taxes are levied after April 1, 2006, on the value as of December 31, 2005. Collections are made in 2007. Tangible personal property assessments are twenty-five percent of true value.

Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Tangible personal property taxes paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20.

Ohio House Bill No. 66 was signed into law on June 30, 2005. House Bill No. 66 phases out the tax on tangible personal property of general businesses, telephone and telecommunications companies, and railroads. The tax on general business and railroad property will be eliminated by calendar year 2009, and the tax on telephone and telecommunications property will be eliminated by calendar year 2011. The tax is phased out by reducing the assessment rate on the property each year. The bill replaces revenue lost by the District due to the phasing out of the tax. In calendar years 2006-2010, the District will be fully reimbursed at the level of calendar year 2004 assessed values for the lost revenue. In calendar years 2011-2017, the reimbursements will be phased out.

The assessed values upon which fiscal year 2007 taxes were collected are:

	2006 Second- Half Collections		2007 First- Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential and Other Real Estate	\$1,513,999,590	82.66%	\$1,528,218,490	85.78%
Public Utility	121,770,370	6.65%	107,142,760	6.01%
Tangible Personal Property	<u>195,822,179</u>	<u>10.69%</u>	<u>146,280,837</u>	<u>8.21%</u>
Total Assessed Value	<u><u>\$1,831,592,139</u></u>	<u><u>100.00%</u></u>	<u><u>\$1,781,642,087</u></u>	<u><u>100.00%</u></u>
Tax rate per \$1,000 of assessed valuation	\$3.20		\$4.20	

The School District receives property taxes from Pickaway, Ross and Hocking Counties. The county auditors periodically advance to the School District its portion of the taxes collected. Second-half real property tax payments collected by the counties by June 30, 2007, are available to finance fiscal year 2007 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable represents delinquent taxes outstanding and real property, tangible personal property, and public utility taxes which became measurable as of June 30, 2007. Although total property tax collections for the next fiscal year are measurable, only the amount available as an advance at June 30 is intended to finance current fiscal year operations. The receivable is therefore offset by a credit to deferred revenue for that portion not intended to finance current year operations. The amount available as an advance at June 30, 2007, was \$343,234 in the General Fund.

Pickaway-Ross Career & Technical Center  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2007

**NOTE 7 - RECEIVABLES**

Receivables at June 30, 2007, consisted of property taxes, accounts (billings for user charged services, tuition and student fees), interest, interfund, and intergovernmental grants. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current fiscal year guarantee of federal funds.

A summary of the principal items of intergovernmental receivables follows:

	Amount
Major Capital Projects Fund:	
Construction	\$ 7,117,789
Non-major Special Revenue Funds:	
Food Service	5,676
Post Secondary Voc. Ed.	60,555
Perkins	27,000
Total Non-major Special Revenue Funds	93,231
Non-major Internal Service Fund:	
Employee Benefits	92,898
Total Intergovernmental Receivable	\$ 7,303,918

**NOTE 8 - CAPITAL ASSETS**

Capital assets activity for the fiscal year ended June 30, 2007, was as follows:

	Ending Balance 06/30/06	Additions	Deletions	Ending Balance 06/30/07
<b>Governmental Activities</b>				
Capital Assets, Not Being Depreciated				
Land	\$ 186,368	\$ -	\$ -	\$ 186,368
Construction in Progress	-	4,445,381	-	4,445,381
Total Capital Assets, Not Being Depreciated	186,368	4,445,381	-	4,631,749
Capital Assets Being Depreciated:				
Buildings and Improvements	5,311,523	-	-	5,311,523
Furniture and Equipment	3,629,497	324,748	(25,316)	3,928,929
Vehicles	91,022	6,728	(17,900)	79,850
Total Capital Assets Being Depreciated	9,032,042	331,476	(43,216)	9,320,302
Less Accumulated Depreciation:				
Buildings and Improvements	(4,401,992)	(72,242)	-	(4,474,234)
Furniture and Equipment	(2,321,458)	(281,548)	25,316	(2,577,690)
Vehicles	(60,310)	(6,394)	17,900	(48,804)
Total Accumulated Depreciation	(6,783,760)	(360,184)	43,216	(7,100,728)
Total Capital Assets Being Depreciated, Net	2,248,282	(28,708)	-	2,219,574
Governmental Activities Capital Assets, Net	\$ 2,434,650	\$ 4,416,673	\$ -	\$ 6,851,323

Pickaway-Ross Career & Technical Center  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2007

**NOTE 8 - CAPITAL ASSETS (Continued)**

Depreciation expense was charged to governmental functions as follows:

Instruction:	
Adult/Continuing	\$ 572
Vocational	288,817
Support Services:	
Pupils	19,512
Instructional Staff	964
Board of Education	34,249
Administration	919
Fiscal	977
Operation and Maintenance of Plant	10,453
Pupil Transportation	3,085
Central	636
Total Depreciation Expense	\$ 360,184

**NOTE 9 - RISK MANAGEMENT**

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 2007, the School District contracted with Indiana Insurance for fleet, liability, and property insurance and boiler and machinery coverage.

Coverages provided by this company are as follows:

Building and Contents (\$1,000 deductible)	\$15,435,000
Boiler and Machinery (\$5,000 deductible)	20,000,000
Automobile Liability (\$100 deductible)	1,000,000
Uninsured Motorists (\$250 Comprehensive, \$500 Collision deductibles)	1,000,000
Employee Benefits Liability (\$1,000 deductible)	1,000,000
General Liability (\$100 deductible)	
Per occurrence	1,000,000
Aggregate	2,000,000

Settled claims have not exceeded this commercial coverage in any of the past three years. The School District assessed its insurance needs for buildings and contents during fiscal year 2007 and adjusted its coverage as deemed appropriate.

For fiscal year 2007, the School District participated in the Ohio Association of School Business Officials 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 ensures 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 Sheakley Uniserve provides administrative, cost control and actuarial services to the GRP.

Pickaway-Ross Career & Technical Center  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2007

**NOTE 9 - RISK MANAGEMENT (Continued)**

Medical/surgical and dental insurance is offered to employees through self-insurance accounted in an Internal Service Fund. The School District is a member of a claims servicing pool, consisting of fourteen school districts within Ross and Pickaway Counties, in which monthly premiums are paid to the fiscal agent who in turn pays the claims on the School District's behalf. The medical claims liability of \$533,604 reported in the internal service fund at June 30, 2007 is based on an estimate provided by the third party administrator and the requirements of GASB Statement No. 10, *Accounting and Financial Reporting for Risk Financing and Related Insurance Issues*, which requires that a liability for unpaid claim costs, including estimates of costs relating to incurred but not reported claims, be reported. The estimate was not affected by incremental claim adjustment expenses and does not include other allocated or unallocated claim adjustment expenses.

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

	Balance at Beginning of Year	Current Year Claims	Claims Payments	Balance at End of Year
2006	\$224,892	\$1,988,670	\$1,742,051	\$471,511
2007	471,511	1,531,613	1,469,520	533,604

**NOTE 10 - DEFINED BENEFIT PENSION PLANS**

**A. School Employees Retirement System**

The School District contributes to the School Employees Retirement System of Ohio (SERS), a cost sharing multiple employer public employee retirement system administered by the School Employees Retirement Board. SERS provides basic retirement benefits, disability, survivor, and health care benefits based on eligible service credit to members and beneficiaries. Chapter 3309 of the Ohio Revised Code establishes benefits. SERS issues a publicly available, stand alone report that includes financial statements and required supplementary information for SERS. That report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746 or by calling (614) 222-5853.

Plan members are required to contribute 10% of their annual covered salary and the School District is required to contribute at an actuarially determined rate. The current rate is 14% 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 2007, 10.68 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 statutory maximum amounts, by SERS' Retirement Board. The School District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2007, 2006, and 2005, were \$183,832, \$161,756, and \$218,769, respectively; 52% has been contributed for fiscal year 2007 and 100% for the fiscal years 2006 and 2005. \$87,803 represents the unpaid contribution for fiscal year 2007 and is recorded as a liability within the respective funds.

**B. State Teachers Retirement System**

The School District contributed to the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing multiple employer defined benefit pension plan. STRS Ohio is a statewide retirement plan for licensed teachers and other faculty members employed in the public schools of Ohio or any school, college, university, institution or other agency controlled, managed and supported in whole or in part, by the state or any political subdivision thereof. STRS Ohio provides retirement and disability benefits, annual cost-of-living adjustments, and death and survivor benefits to plan members and beneficiaries. Benefits are established by Chapter 3307 of the Ohio Revised Code. STRS Ohio 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 State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3371.

Pickaway-Ross Career & Technical Center  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2007

**NOTE 10 - DEFINED BENEFIT PENSION PLANS (Continued)**

Plan Options – Effective July 1, 2001, two new plan options were offered to selected members. New members have a choice of three retirement plan options. In addition to the Defined Benefit (DB) Plan, new members are offered a Defined Contribution (DC) Plan and a Combined Plan. The DC Plan allows members to allocate all their member contributions and employer contributions equal to 10.5% of earned compensation. The Combined Plan offers features of the DC Plan and the DB Plan. In the Combined Plan, member contributions are allocated by the member, and employer contributions are used to fund a defined benefit payment at a reduced level from the regular DB Plan. Contributions into the DC Plan and the Combined Plan are credited to member accounts as employers submit their payroll information to STRS Ohio, generally on a biweekly basis. 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.

**DB Plan Benefits** – Plan benefits are established under Chapter 3307 of the Revised Code. Any member may retire who has (i) five years of service credit and attained age 60; (ii) 25 years of service credit and attained age 55; or (iii) 30 years of service credit regardless of age. The annual retirement allowance, payable for life, is the greater of the “formula benefit” or the “money-purchase benefit” calculation. Under the “formula benefit,” the retirement allowance is based on years of credited service and final average salary, which is the average of the member’s three highest salary years. The annual allowance is calculated by using a base percentage of 2.2% multiplied by the total number of years of service credit (including Ohio-valued purchased credit) times the final average salary. The 31st year of earned Ohio service credit is calculated at 2.5%. An additional one-tenth of a percent is added to the calculation of every year of earned Ohio service over 31 years (2.6% for 32 years, 2.7% for 33 years, and so on) until 100% of final average salary is reached. For members with 35 or more years of Ohio contributing service, the first 30 years will be calculated at 2.5% instead of 2.2%. Under the “money-purchase benefit” calculation, a member’s lifetime contributions plus interest at specified rates are matched by an equal amount from other STRS Ohio funds. This total is then divided by an actuarially determined annuity factor to determine the maximum annual retirement allowance.

**DC Plan Benefits** – Benefits are established under Sections 3307.80 to 3307.89 of the Revised Code. For members who select the DC Plan, all member contributions and employer contributions at a rate of 10.5% are placed in an investment account. The member determines how to allocate the member and employer money among various investment choices. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump-sum withdrawal. Employer contributions into members’ accounts are vested after the first anniversary of the first day of paid service. 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.

**Combined Plan Benefits** – Member contributions are allocated by the member, and employer contributions are used to fund a defined benefit payment. A member’s defined benefit is determined by multiplying 1% of the member’s final average salary by the member’s years of service credit. The defined benefit portion of the Combined Plan payment is payable to a member on or after age 60. The defined contribution portion of the account may be taken as a lump sum or converted to a lifetime monthly annuity at age 50.

A retiree of STRS Ohio or another Ohio public retirement system is eligible for reemployment as a teacher following the elapse of two months from the date of retirement. Contributions are made by the reemployed member and employer during the reemployment. Upon termination of reemployment or age 65, whichever comes later, the retiree is eligible for a money-purchase benefit or a lump-sum payment in addition to the original retirement allowance.

Benefits are increased annually by 3% of the original base amount.

The Defined Benefit and Combined Plans offer access to health care coverage to eligible retirees who participated in the plans and their eligible dependents. Coverage under the current program includes hospitalization, physicians’ fees, prescription drugs and partial reimbursement of monthly Medicare Part B premiums. By Ohio law, health care benefits are not guaranteed.

Pickaway-Ross Career & Technical Center  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2007

**NOTE 10 - DEFINED BENEFIT PENSION PLANS (Continued)**

A Defined Benefit or Combined Plan member with five or more years' credited service who becomes disabled may qualify for a disability benefit. Eligible spouses and dependents of these active members who die before retirement may qualify for survivor benefits. A death benefit of \$1,000 is payable to the beneficiary of each deceased retired member who participated in the Defined Benefit Plan. Death benefit coverage up to \$2,000 can be purchased by participants in the DB, DC or Combined Plans. Various other benefits are available to members' beneficiaries.

Plan members were required to contribute 10 percent of their annual covered salaries. The School District was required to contribute 14 percent; 13 percent of which was the portion used to fund pension obligations. Contribution rates are established by STRS Ohio, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. The School District's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2007, 2006, and 2005, were \$1,129,854, \$1,551,462, and \$1,076,650, respectively; 84% has been contributed for fiscal year 2007 and 100% for fiscal years 2006 and 2005. \$175,598 represents the unpaid contribution for fiscal year 2007 and is recorded as a liability within the respective funds.

**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 have an option to choose Social Security or the School Employees Retirement System/State Teachers Retirement System. As of June 30, 2007, four members of the Board of Education have elected Social Security. The Board's liability is 6.2 percent of wages paid.

**NOTE 11 - POSTEMPLOYMENT BENEFITS**

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

All STRS benefit recipients and sponsored dependents are eligible for health care coverage. The STRS Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS funds is included in the employer contribution rate, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2007, the STRS Board allocated employer contributions equal to 1 percent of covered payroll to the Health Care Reserve Fund. For the School District, this amount equaled \$84,587 for fiscal year 2007.

STRS pays health care benefits from the Health Care Reserve Fund. At June 30, 2006 (the latest information available), the balance in the Fund was \$3.5 billion. For the year ended June 30, 2006 (the latest information available), net health care costs paid by STRS were \$282,743,000 and STRS had 119,184 eligible benefit recipients.

The Ohio Revised Code gives SERS the discretionary authority to provide postretirement health care to retirees and their dependents. Coverage is made available to service retirees with ten or more fiscal years of qualifying service credit, disability and survivor benefit recipients. Members retiring on or after August 1, 1989, with less than twenty-five years of service credit must pay a portion of their premium for health care. The portion is based on years of service up to a maximum of 75% of the premium.

Pickaway-Ross Career & Technical Center  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2007

**NOTE 11 - POSTEMPLOYMENT BENEFITS (Continued)**

After the allocation for basic benefits, the remainder of the employer's 14% contribution is allocated to providing health care benefits. For the fiscal year ended June 30, 2007, employer contributions to fund health care benefits were 3.32 percent of covered payroll. 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 2007, the minimum pay was established at \$35,800. The surcharge, added to the unallocated portion of the 14% employer contribution rate, provides for maintenance of the asset target level for the health care fund. For the School District, the amount contributed to fund health care benefits, including the surcharge, during the 2007 fiscal year equaled \$90,022.

The target level for the health care reserve is 150 percent of the annual health care expenses. Expenses for health care for the fiscal year ended June 30, 2006 (the latest information available), were \$158,751,207 and the target level was \$238.1 million. At June 30, 2006 (the latest information available), SERS had net assets available for payment of health care benefits of \$295.6 million. SERS has 59,492 participants currently receiving health care benefits.

**NOTE 12 - EMPLOYEE BENEFITS**

**A. Compensated Absences**

The criteria for determining vacation and sick leave components are derived from negotiated agreements and State laws. Classified employees earn ten to twenty days of vacation per fiscal year, depending upon length of service. Accumulated, unused vacation time is paid to classified employees and administrators upon termination of employment. Teachers do not earn vacation time. 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 285 days for all personnel. Upon retirement, payment is made for one-fourth of the first 120 days of accrued, but unused sick leave credit, plus one-tenth of days 121 through 285, to a maximum of 46 and one-half days for all employees.

**B. Insurance Benefits**

The School District provides life insurance and accidental death and dismemberment insurance to most employees through the Guardian Life Insurance Company.

**C. Deferred Compensation**

School District employees may participate in the Ohio Public Employees Deferred Compensation Plan. This plan was created in accordance with Internal Revenue Code Section 457. Participation is on a voluntary payroll deduction basis. The plan permits deferral of compensation until future years. According to the plan, the deferred compensation is not available until termination, retirement, death or an unforeseeable emergency.

**NOTE 13 - CAPITAL LEASES - LESSEE DISCLOSURE**

In previous fiscal years, the School District entered into capitalized leases for vehicles, equipment, furniture and fixtures, and copiers. Each lease meets the criteria of a capital lease as defined by Statement of Financial Accounting Standards No. 13, *Accounting for Leases*, which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee. Capital lease payments have been reclassified and are reflected as debt service expenditures in the basic financial statements for the governmental funds. These expenditures are reported as function expenditures on the budgetary statements.

The capital assets acquired by the leases have been capitalized in the statement of net assets for governmental activities in the amount of \$240,340. This amount represents the present value of the minimum lease payments at the time of acquisition. A corresponding liability was recorded on the statement of net assets for governmental activities. Principal payments in fiscal year 2007 totaled \$50,165.

Pickaway-Ross Career & Technical Center  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2007

**NOTE 13 - CAPITAL LEASES - LESSEE DISCLOSURE (Continued)**

The following is a schedule of the future long-term minimum lease payments required under the capital leases and the present value of the minimum lease payments as of June 30, 2007:

Fiscal Year Ending June 30,	Principal & Interest
2008	\$13,797
2009	7,069
Total	20,866
Less: Amount Representing Interest	(1,255)
Present Value of Net Minimum Lease Payments	\$19,611

**NOTE 14 - LONG-TERM OBLIGATIONS**

Long-term debt and other obligations at June 30, 2007 and the related transactions for the year then ended are summarized below:

	Principal Outstanding 6/30/06	Additions	Deductions	Principal Outstanding 6/30/07	Amount Due Within One Year
QZAB Bonds	\$4,366,180	\$0	\$272,886	\$4,093,294	\$272,886
Capital Leases	69,776	0	50,165	19,611	12,870
Compensated Absences	941,084	1,003,716	941,084	1,003,716	246,931
Total Long Term Obligations	\$5,377,040	\$1,003,716	\$1,264,135	\$5,116,621	\$532,687

*QZAB Bonds* – During fiscal year 2006, the School District issued Qualified Zone Academy Bonds (QZAB) in the amount of \$5,220,000 at 0% interest, maturing in 2021. This agreement also included a grant in the amount of \$853,820, making the total amount to be repaid \$4,366,180. These bonds will be repaid from the General Fund.

Amortization of the above debt is as follows:

	Principal	Interest	Total
2008	\$ 272,886	\$ -	\$ 272,886
2009	272,886	-	272,886
2010	272,886	-	272,886
2011	272,886	-	272,886
2012	272,886	-	272,886
2013-2017	1,364,432	-	1,364,432
2018-2022	1,364,432	-	1,364,432
	\$ 4,093,294	\$ -	\$ 4,093,294

Capital leases will be paid from the General Fund. Compensated absences will be paid from the fund from which the employees' salaries are paid, with the significant funds being the General Fund and the Adult Education Fund.

The School District's overall legal debt margin was \$160,347,788 and an unvoted debt margin of \$1,781,642 at June 30, 2007.

Pickaway-Ross Career & Technical Center  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2007

**NOTE 15 - INTERFUND ACTIVITY**

As of June 30, 2007, receivables and payables that resulted from various interfund transactions were as follows:

Fund Type/Fund	Interfund Receivables	Interfund Payables
General Fund	\$188,833	\$0
Non-major Special Revenue Funds:		
Food Service	0	65,288
Post Secondary	0	71,970
Business MGMT Tech Prep	0	20,975
Perkins	0	30,600
Total Non-major Special Revenue	0	188,833
 Total All Funds	 \$188,833	 \$188,833

All of the above interfund balances relate to advances from the General Fund in anticipation of the receipt of grant monies for Special Revenue Funds. For reporting purposes in the Government-Wide Financial Statements all interfund receivables and payables were eliminated.

For the fiscal year ended June 30, 2007 transfers in and out that resulted from various interfund transactions were as follows:

Fund Type/Fund	Transfer From	Transfer To
Major Funds:		
General Fund	\$308,227	\$0
Adult Education	0	85,212
Non-major Special Revenue Fund:		
OSFC Maintenance	0	173,015
Non-major Internal Service Fund:		
Internal Service	0	50,000
Total All Funds	\$308,227	\$308,227

The General Fund transferred monies to the Adult Education, Ohio School Facilities Maintenance and Internal Service funds to subsidize these funds.

**NOTE 16 - JOINTLY GOVERNED ORGANIZATIONS**

*South Central Ohio Computer Association* - The School District is a participant in the South Central Ohio Computer Association (SCOCA) which is a computer consortium. SCOCA is an association of public school districts within the boundaries of Highland, Adams, Pike, Scioto, Brown, Ross, Vinton, Jackson and Lawrence Counties. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member school districts. The governing board of SCOCA consists of two representatives from each of the nine participating counties, two school treasurers, and a representative for the fiscal agent. SCOCA is not accumulating significant financial resources nor is it experiencing fiscal stress that may cause an additional financial benefit to or burden on members in the future. The School District paid SCOCA \$94,382 for services provided during the year. Financial information can be obtained from their fiscal agent, the Pike County Joint Vocational School District, Tonya Cooper, who serves as Treasurer, at P. O. Box 577, 175 Beaver Creek Road, Piketon, Ohio 45661.

Pickaway-Ross Career & Technical Center  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2007

**NOTE 16 - JOINTLY GOVERNED ORGANIZATIONS (Continued)**

*Great Seal Education Network of Tomorrow* - The School District is a member of the Great Seal Education Network of Tomorrow (the "Council"). The Council is a regional council of governments consisting of twelve city, local, and joint vocational school districts, two educational service centers and the Ohio University-Chillicothe Campus for the purpose of promoting the use of advanced telecommunications and technology to provide enhanced educational opportunities to the communities of Ross and Pickaway Counties. The Council is operated under the direction of a Board of Directors consisting of one representative (the superintendent or another person appointed by the board of education) of each of the members. To obtain financial information, write to the Ohio University-Chillicothe Campus, who acts as fiscal agent, at 571 West Fifth Street, Chillicothe, Ohio 45601.

*The Pilasco-Ross Special Education Regional Resource Center* - The Pilasco-Ross Special Education Regional Resource Center (Pilasco-Ross) is a special education service center which selects its own board, adopts its own budget and receives direct Federal and State grants for its operation. The jointly-governed organization was formed for the purpose of initiating, expanding, and improving special education programs and services for children with disabilities and their parents.

Pilasco-Ross is governed by a board composed of superintendents of participating schools, parents of children with disabilities, representatives of chartered nonpublic schools, representatives of county boards of MR/DD, Shawnee State University, and the Southeast Regional Professional Development Center whose terms rotate every year. The degree of control exercised by any participating school district is limited to its representation on the Board. The School District's Superintendent is a member of the Pilasco-Ross Board. Financial information can be obtained by contacting the fiscal agent, Jim Tordiff, Treasurer, at Dawson-Bryant Local School District, 222 Lane Street, Coal Grove, Ohio 45638.

**NOTE 17 - CLAIMS SERVICING AND INSURANCE PURCHASING POOLS**

*Ross County School Employees Insurance Consortium* - The School District is a member of the Ross County School Employees Insurance Consortium (the "Consortium"), a claims servicing pool consisting of fourteen school districts within Ross County and its surrounding area during fiscal year 2007. Medical/surgical, dental, vision, or life insurance is administered through a third party administrator, Professional Risk Management Co., depending on which coverages the individual member district chooses. The Consortium's business and affairs are managed by a Council consisting of one representative for each participating school. The participating school districts pay an administrative fee to the fiscal agent to cover the costs of administering the Consortium. To obtain financial information, write to the Westfall Local School District, Ernest D. Strawser who serves as Treasurer, at 19463 Pherson Pike, Williamsport, Ohio 43164.

*Ohio Association of School Business Officials Workers' Compensation Group Rating Plan* - The School District participates in the Ohio Association of School Business Officials Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool. Each year, the participating school districts pay an enrollment fee to the GRP to cover the costs of administering the program.

**NOTE 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 or construction of capital improvements. Amounts not spent by year-end or offset by similarly restricted resources received during the year must be held in restricted cash at year-end and carried forward to be used for the same purposes in future years.

Pickaway-Ross Career & Technical Center  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2007

**NOTE 18 - SET-ASIDE CALCULATIONS (Continued)**

The following information describes the change in the year-end set-aside amounts for textbooks and capital acquisition. Disclosure of this information is required by State statute.

	Textbooks	Capital Acquisitions
Set-aside Cash Balance as of June 30, 2006	\$0	\$0
Current year set-aside requirement	387,769	387,769
Prior Year Carryover	(230,892)	(381,150)
Qualifying disbursements	(484,895)	(181,740)
Set-aside Balance Carried Forward to Future Years	(\$328,018)	(\$175,121)
Set-aside Reserve Balance as of June 30, 2007	\$0	\$0

The School District had prior year carryovers and qualifying disbursements during the year that reduced the set-aside amounts below zero in the Textbooks and Capital Acquisition Reserves. These extra amounts may be carried forward and used to reduce the set-aside requirements of future years.

**NOTE 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, 2007.

**B. Litigation**

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

**NOTE 20 – CONTRACTUAL COMMITMENT**

As of June 30, 2007, the School District had contract purchase commitments for school facilities renovations as follows:

Contractor	Contract Amount	Payments	Balance at 6/30/2007
R.W. Setterlin	\$ 5,339,000	\$ 319,382	\$ 5,019,618
Gutridge Plumbing	1,200,000	178,589	1,021,411
Emerald Fire	360,450	117,308	243,142
General Temperature Control	4,033,000	428,004	3,604,996
Accurate Electric	2,385,730	232,763	2,152,967
Microman	984,962	37,387	947,575
Total	<u>\$ 14,303,142</u>	<u>\$ 1,313,433</u>	<u>\$ 12,989,709</u>

Pickaway Ross Career & Technical Center  
Ross County

Schedule of Federal Awards Expenditures  
For the Fiscal Year Ended June 30, 2007

Federal Grantor/ Pass Through Grantor/ Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Non-Cash Receipts	Disbursements	Non-Cash Disbursements
<b>United States Department of Agriculture</b>						
<i>Passed through Ohio Department of Education</i>						
<i>Nutrition Cluster:</i>						
National School Lunch Program	LLP4	10.555	\$ 47,158	\$ -	\$ 47,158	\$ -
Total Nutrition Cluster			47,158		47,158	
Food Donation	N/A	10.550		11,189		11,189
<b>Total United States Department of Agriculture</b>			47,158	11,189	47,158	11,189
<b>United States Department of Education</b>						
<i>Direct from the Federal Agency</i>						
<i>Student Financial Aid Cluster</i>						
Federal Family Education Loans	N/A	84.032	351,206	-	351,206	-
Federal Pell Grant Program	N/A	84.063	235,675	-	235,675	-
Total Student Financial Aid Cluster			586,881	-	586,881	-
<i>Passed through Ohio Department of Education</i>						
Adult Education - State Grant Program	ABS1	84.002	152,105	-	153,395	-
Vocational Education - Basic Grants to States	20C1	84.048	410,242	-	390,316	-
Safe & Drug Free Schools and Communities: State Grants	DRS1	84.186	6,156	-	9,794	-
State Grants for Innovative Programs	C2S1	84.298	4,609	-	5,357	-
Improving Teacher Quality State Grants	TRS1	84.367	12,381	-	9,706	-
<b>Total United States Department of Education</b>			1,172,374	-	1,155,449	-
<b>Total Federal Financial Assistance</b>			\$ 1,219,532	\$ 11,189	\$ 1,202,607	\$ 11,189

N/A - Not Available

See accompanying notes to the schedule of federal awards expenditures

Pickaway Ross Career and Technical Center  
Notes to Schedule of Federal Awards Expenditures  
For the Fiscal Year Ended June 30, 2007

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**NOTE A – SIGNIFICANT ACCOUNTING POLICIES**

The accompanying schedule of federal awards expenditures includes the federal grant activity of the Pickaway Ross Career and Technical Center and is presented on the cash basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

**NOTE B – FOOD DONATION**

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 nonmonetary assistance (expenditures) is reported in the schedule of the fair market value of commodities received.

**BALESTRA, HARR & SCHERER, CPAs, INC.**

528 South West Street, P.O. Box 687  
Piketon, Ohio 45661

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Telephone (740) 289-4131  
Fax (740) 289-3639  
www.bhscpas.com

Member American Institute of Certified Public Accountants

Ohio Society of Certified Public Accountants

**Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards***

Members of the Governing Board  
Pickaway Ross Career and Technical Center  
895 Crouse Chapel Road  
Chillicothe, Ohio 45601

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Pickaway Ross Career and Technical Center, (the District), as of and for the year ended June 30, 2007, which collectively comprise the District's basic financial statements and have issued our report thereon dated December 14, 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 *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the basic financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the District's financial statements that is more than inconsequential will not be prevented or detected by the District's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the District's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

### **Compliance and Other Matters**

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

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



Balestra, Harr & Scherer, CPAs, Inc.

December 14, 2007

# BALESTRA, HARR & SCHERER CPAs, INC.

528 South West Street, P.O. Box 687  
Piketon, Ohio 45661

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Telephone (740) 289-4131  
Fax (740) 289-3639  
www.bhscpas.com

Member American Institute of Certified Public Accountants

Ohio Society of Certified Public Accountants

## **Report on Compliance With Requirements Applicable to Each Major Program and on Internal Control Over Compliance in Accordance With OMB Circular A-133**

Members of the Governing Board  
Pickaway Ross Career and Technical Center  
895 Crouse Chapel Road  
Chillicothe, Ohio 45601

### **Compliance**

We have audited the compliance of the Pickaway Ross Career and Technical Center, (the District) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to its major federal program for the year ended June 30, 2007. The District's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

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

In our opinion, the District complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended June 30, 2007.

### **Internal Control Over Compliance**

The management of the District is responsible for establishing and maintaining effective internal control over compliance with the 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 the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

**Internal Control Over Compliance (Continued)**

A control deficiency in the District's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the District's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the District's internal control.

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

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



Balestra, Harr & Scherer, CPAs, Inc.

December 14, 2007

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
OMB CIRCULAR A -133 SECTION .505**

**PICKAWAY ROSS CAREER AND TECHNICAL CENTER  
ROSS COUNTY  
JUNE 30, 2007**

**1. SUMMARY OF AUDITOR'S RESULTS**

<i>(d)(1)(i)</i>	<b>Type of Financial Statement Opinion</b>	Unqualified
<i>(d)(1)(ii)</i>	<b>Were there any material weaknesses reported at the financial statement level (GAGAS)?</b>	No
<i>(d)(1)(ii)</i>	<b>Were there any other significant deficiencies reported at the financial statement level (GAGAS)?</b>	No
<i>(d)(1)(iii)</i>	<b>Was there any reported material non-compliance at the financial statement level (GAGAS)?</b>	No
<i>(d)(1)(iv)</i>	<b>Were there any material weaknesses reported for major federal programs?</b>	No
<i>(d)(1)(iv)</i>	<b>Were there any other significant deficiencies reported for major federal programs?</b>	No
<i>(d)(1)(v)</i>	<b>Type of Major Programs Compliance Opinion</b>	Unqualified
<i>(d)(1)(vi)</i>	<b>Are there any reportable findings under .510?</b>	No
<i>(d)(1)(vii)</i>	<b>Major Programs (list):</b>	Student Financial Aid Cluster – CFDA# 84.032 & 84.063
<i>(d)(1)(viii)</i>	<b>Dollar Threshold: Type A\B Programs</b>	Type A: > \$ 300,000 Type B: all others
<i>(d)(1)(ix)</i>	<b>Low Risk Auditee?</b>	Yes

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
OMB CIRCULAR A -133 SECTION .505**

**PICKAWAY ROSS CAREER AND TECHNICAL CENTER  
ROSS COUNTY  
JUNE 30, 2007**

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

Finding Number	None
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**3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS**

Finding Number	None
CFDA Title and Number	
Federal Award Number/Year	
Federal Agency	
Pass-Through Agency	



**Mary Taylor, CPA**  
Auditor of State

**PICKAWAY ROSS CAREER AND TECHNICAL CENTER**

**ROSS COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
JANUARY 31, 2008**