

Pickaway-Ross Career and Technology Center
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2011
(Unaudited)

MANAGEMENT'S DISCUSSION AND ANALYSIS

The Pickaway-Ross Career and Technology Center's (the Center) discussion and analysis of the annual financial statements provides a review of the financial performance for the fiscal year ended June 30, 2011. The intent of this discussion and analysis is to look at the Center'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 Center's financial performance.

FINANCIAL HIGHLIGHTS

- The Center's assets exceeded its liabilities at June 30, 2011 by \$27,075,320.
- General revenues accounted for \$15,434,980 in revenue or 75 percent of all revenues. Program specific revenues in the form of charges for services and sales, and grants and contributions accounted for \$5,073,863 or 25 percent of total revenues of \$20,508,843.
- The Center had \$19,776,804 in expenses related to governmental activities; \$5,246,517 of these expenses were offset by program specific charges for services and sales, and grants and contributions, while the remainder of these expenses were offset by general revenues.
- The Center has two major funds: the General Fund and the Adult Education Fund. All governmental funds had total revenues and other financing sources of \$20,885,173 and expenditures and other financing uses of \$19,756,943.

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 and Technology Center's financial situation as a whole and also give a detailed view of the Center's financial activities.

The statement of net assets and statement of activities provide information about the activities of the Center as a whole and present a long-term view of the Center'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 Center's most significant funds with all other nonmajor funds presented in total in one column.

REPORTING THE CENTER AS A WHOLE

The analysis of the Center 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 Center 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 Center's net assets and changes to those assets. This change informs the reader whether the Center'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 Center's financial well-being. Some of these factors include the Center's tax base, current property tax laws in Ohio restricting revenue growth, the condition of capital assets, and required educational programs.

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In the statement of net assets and the statement of activities, the Center has only one kind of activity.

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

REPORTING THE CENTER'S MOST SIGNIFICANT FUNDS

Fund Financial Statements

The analysis of the Center's funds begins on page 7. Fund financial statements provide detailed information about the Center's major funds – not the Center 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 Center is meeting legal responsibilities for use of grants. The Pickaway-Ross Career and Technology Center's major funds are the General Fund and Adult Education Fund.

Governmental Funds. Most of the Center's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in future periods. These funds are reported using 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 Center'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.

Fiduciary Funds. The Center only has an agency fund, which is used to account for student-managed activities. All of the Center's fiduciary activities are reported in a separate statement of fiduciary assets and liabilities. We exclude these activities from the Center's other financial statements because the Center cannot use these assets to finance its operations. The Center 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.

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THE CENTER AS A WHOLE

As stated previously, the statement of net assets provides the perspective of the Center as a whole. Table 1 provides a summary of the Center's net assets for 2011 compared to 2010.

Table 1
 Net Assets
 Governmental Activities

	2011	2010
Assets		
Current and Other Assets	\$ 16,630,268	\$ 15,286,277
Capital Assets, Net	20,786,061	21,507,404
Total Assets	37,416,329	36,793,681
Liabilities		
Current and Other Liabilities	5,819,210	5,600,134
Long-Term Liabilities	4,521,799	4,850,266
Total Liabilities	10,341,009	10,450,400
Net Assets		
Invested in Capital Assets		
Net of Related Debt	17,784,311	18,232,768
Restricted	2,999,609	2,944,510
Unrestricted	6,291,400	5,166,003
Total Net Assets	\$ 27,075,320	\$ 26,343,281

Current and other assets increased \$1,343,991. This increase was primarily due to an increase in cash on hand as of June 30, 2011, which resulted from a decrease in expenditures during the year. Capital assets of the Center decreased \$721,343 primarily as a result of depreciation expense, which was partially offset by capital asset additions.

Current and other liabilities increased \$219,076. This increase was primarily due to increases in accounts and matured compensated absences payable, which were partially offset by a decrease in deferred revenue. Long-term liabilities decreased \$328,467. This decrease is primarily due to a decrease in the compensated absences liability and principal payments on capital leases.

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Table 2 shows the changes in net assets for the fiscal year ended June 30, 2011 as compared to 2010.

Table 2
Change in Net Assets
Governmental Activities

	2011	2010
Revenues		
Program Revenues:		
Charges for Services and Sales	\$ 2,037,503	\$ 2,820,896
Operating Grants and Contributions	3,036,360	2,831,928
Total Program Revenues	5,073,863	5,652,824
General Revenues:		
Property Taxes	5,077,375	5,035,164
Grants and Entitlements Not Restricted to Specific Programs	10,202,651	10,123,254
Investment Earnings	49,249	54,450
Payments in Lieu of Taxes	594	566
Miscellaneous	105,111	107,743
Total General Revenues	15,434,980	15,321,177
Total Revenues	20,508,843	20,974,001
Program Expenses		
Instruction		
Regular	1,170,078	1,027,825
Vocational	13,243,679	14,319,423
Adult/Continuing	430	1,813
Support Services		
Pupils	1,452,550	1,778,906
Instructional Staff	1,248,713	1,248,996
Board of Education	52,430	55,696
Administration	390,463	442,631
Fiscal	579,747	539,504
Business	7,361	11,363
Operation & Maintenance of Plant	1,230,602	1,256,668
Pupil Transportation	16,529	14,551
Central	73,058	41,039
Operation of Non-Instructional Services	293,008	303,739
Extracurricular Activities	18,156	25,694
Total Expenses	19,776,804	21,067,848
Special Item:		
Refund of Prior Year Insurance Premiums	-	888,297
Change in Net Assets	732,039	794,450
Net Assets at Beginning of Year	26,343,281	25,548,831
Net Assets at End of Year	\$ 27,075,320	\$ 26,343,281

Charges for Services and Sales decreased due to a decrease in tuition as a result of fewer programs offered during the current year. Operating grants and contributions increased due to increases in funding for the Carl Perkins and ABLIE Instruction programs. Vocational Instruction and Pupils support services decreased due to the Center operating 6 less programs and a decrease in staff from the prior year.

Pickaway-Ross Career and Technology Center

Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2011

(Unaudited)

Governmental Activities

Operating grants and contributions and grants and entitlements not restricted to specific programs comprised 15 percent and 49 percent of revenue while property taxes and charges for services and sales comprised 25 percent and 11 percent, respectively, for governmental activities of the Pickaway-Ross Career and Technology Center for fiscal year 2011 and represent the largest sources of revenue.

As indicated by governmental program expenses, total instruction is emphasized. Total instruction comprised 73 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 Center.

The statement of activities shows the cost of program services and the charges for services and sales, and grants and contributions 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

	2011		2010	
	Total Cost of Services	Net Cost of Services	Total Cost of Services	Net Cost of Services
Instruction	\$ 14,414,187	\$ 11,087,071	\$ 15,349,061	\$ 12,384,180
Support Services	5,051,453	4,041,359	5,389,354	4,330,217
Operation of Non-Instructional Services	293,008	(443,594)	303,739	(1,324,943)
Extracurricular Activities	18,156	18,105	25,694	25,570
Total Expenses	<u>\$ 19,776,804</u>	<u>\$ 14,702,941</u>	<u>\$ 21,067,848</u>	<u>\$ 15,415,024</u>

THE CENTER'S FUNDS

The Center's governmental funds are accounted for using the modified accrual basis of accounting. The most significant change in the Center's total fund balance was in the General Fund.

The General Fund had \$16,202,429 in revenues and \$15,186,585 in expenditures and other financing uses. The General Fund balance increased \$1,015,844 as revenues exceeded expenditures and other financing uses. Property taxes and intergovernmental revenue increased while interest and customer sales and services decreased. Customer sales and services decreased due to a decrease in tuition as a result of fewer programs offered during the current year. Property taxes increased as a result of an increase in the amount available as an advance. Intergovernmental revenue increased due primarily to additional monies received from state foundation.

All Other Governmental Funds had revenues and other financing sources of \$1,539,382 and expenditures of \$1,228,007 resulting in a \$311,375 increase in fund balance. The Adult Education Fund had revenues of \$3,143,362 and expenditures of \$3,342,351 resulting in a \$198,989 decrease in fund balance.

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General Fund Budgeting Highlights

The Center'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 2011, there were several revisions to the General Fund budget. In part, these revisions decreased estimated revenues and other sources by \$16,808 and increased estimated expenditures and other uses by \$234,973. Actual revenues were the same as the final budget. Actual expenditures were below final budgeted expenditures by \$616,278 due to advances out, which are not legally required to be appropriated as they are temporary movements of money that will be repaid within the same or next fiscal year and transfers out. 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 \$616,278 above the final budgeted amount.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of fiscal year 2011, the Center had \$20,786,061 invested in land, buildings and improvements, furniture and equipment, and vehicles. Table 4 shows the fiscal year 2011 balances compared to 2010.

Table 4
 Capital Assets (Net of Accumulated Depreciation)
 Governmental Activities

	2011	2010
Land	\$ 186,368	\$ 186,368
Buildings and Improvements	17,382,879	17,939,266
Furniture and Equipment	3,187,061	3,344,760
Vehicles	29,753	37,010
Totals	\$ 20,786,061	\$ 21,507,404

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, 2011, the Center had \$3,001,750 in outstanding capital leases with \$272,886 due within one year.

At June 30, 2011, the Center's overall legal debt margin was \$172,469,841 with an unvoted debt margin of \$1,916,332. Please see note 14 to the basic financial statements for additional information regarding long-term obligations.

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Management's Discussion and Analysis
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CONTACTING THE CENTER'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, creditors, and investors with a general overview of the Center's finances and to show the Center'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 and Technology Center, 895 Crouse Chapel Road, Chillicothe, Ohio 45601.

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Pickaway-Ross Career and Technology Center
Statement of Net Assets
As of June 30, 2011

	Governmental Activities
ASSETS:	
Current Assets:	
Equity in Pooled Cash and Cash Equivalents	\$ 11,453,118
Accrued Interest Receivable	4,706
Accounts Receivable, Net	319,626
Intergovernmental Receivable	34,028
Taxes Receivable	4,751,587
Restricted Cash and Cash Equivalents	67,203
Noncurrent Assets:	
Non-Depreciable Capital Assets	186,368
Depreciable Capital Assets, Net	20,599,693
Total Assets	37,416,329
LIABILITIES:	
Current Liabilities:	
Accounts Payable	426,050
Accrued Wages and Benefits	1,250,907
Retainage Payable	67,203
Intergovernmental Payable	436,579
Matured Compensated Absences Payable	199,667
Deferred Revenue	3,438,804
Noncurrent Liabilities:	
Due Within One Year	526,964
Due in More Than One Year	3,994,835
Total Liabilities	10,341,009
NET ASSETS:	
Invested in Capital Assets, Net of Related Debt	17,784,311
Restricted for Capital Outlay	722,101
Restricted for Adult Education	1,429,625
Restricted for Other Purposes	847,883
Unrestricted	6,291,400
Total Net Assets	\$ 27,075,320

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

Pickaway-Ross Career and Technology Center
Statement of Activities
For the Fiscal Year Ended June 30, 2011

	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Assets
		Charges for Services and Sales	Operating Grants and Contributions	
Governmental Activities:				
Instruction:				
Regular	\$ 1,170,078	\$ 3,265		\$ (1,166,813)
Vocational	13,243,679	1,011,335	2,312,429	(9,919,915)
Adult/Continuing	430	37	50	(343)
Support Services:				
Pupils	1,452,550	274,188	371,002	(807,360)
Instructional Staff	1,248,713	108,793	144,629	(995,291)
Board of Education	52,430	58	-	(52,372)
Administration	390,463	8,343	9,962	(372,158)
Fiscal	579,747	1,618	-	(578,129)
Business	7,361	21	-	(7,340)
Operation and Maintenance of Plant	1,230,602	36,234	45,063	(1,149,305)
Pupil Transportation	16,529	4,227	5,753	(6,549)
Central	73,058	203	-	(72,855)
Operation of Non-Instructional Services	293,008	589,130	147,472	443,594
Extracurricular Activities	18,156	51	-	(18,105)
<i>Total Governmental Activities</i>	<u>\$ 19,776,804</u>	<u>\$ 2,037,503</u>	<u>\$ 3,036,360</u>	<u>(14,702,941)</u>
General Revenues:				
Property Taxes Levied for:				
General Purposes				5,077,375
Grants and Entitlements not Restricted to Specific Programs				10,202,651
Investment Earnings				49,249
Payments in Lieu of Taxes				594
Miscellaneous				105,111
<i>Total General Revenues</i>				<u>15,434,980</u>
<i>Change in Net Assets</i>				732,039
<i>Net Assets at Beginning of Year</i>				<u>26,343,281</u>
<i>Net Assets at End of Year</i>				<u>\$ 27,075,320</u>

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

Pickaway-Ross Career and Technology Center
Balance Sheet
Governmental Funds
As of June 30, 2011

	<u>General Fund</u>	<u>Adult Education Fund</u>	<u>All Other Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS:				
Equity in Pooled Cash and Cash Equivalents	\$ 8,228,429	\$ 1,601,350	\$ 1,623,339	\$ 11,453,118
Accrued Interest Receivable	4,706	-	-	4,706
Accounts Receivable, Net	-	319,626	-	319,626
Interfund Receivable	80,654	-	-	80,654
Intergovernmental Receivable	-	-	34,028	34,028
Taxes Receivable	4,751,587	-	-	4,751,587
Restricted Cash and Cash Equivalents	-	-	67,203	67,203
Total Assets	<u>\$13,065,376</u>	<u>\$ 1,920,976</u>	<u>\$ 1,724,570</u>	<u>\$ 16,710,922</u>
LIABILITIES:				
Accounts Payable	\$ 188,254	\$ 207,124	\$ 30,672	\$ 426,050
Accrued Wages and Benefits	1,173,422	64,870	12,615	1,250,907
Retainage Payable	-	-	67,203	67,203
Interfund Payable	-	-	80,654	80,654
Intergovernmental Payable	333,233	95,801	7,545	436,579
Matured Compensated Absences Payable	199,667	-	-	199,667
Deferred Revenue	3,640,100	-	4,000	3,644,100
Total Liabilities	<u>5,534,676</u>	<u>367,795</u>	<u>202,689</u>	<u>6,105,160</u>
FUND BALANCES:				
Restricted	-	1,553,181	1,595,490	3,148,671
Committed	265,273	-	-	265,273
Assigned	227,678	-	-	227,678
Unassigned	7,037,749	-	(73,609)	6,964,140
Total Fund Balances	<u>7,530,700</u>	<u>1,553,181</u>	<u>1,521,881</u>	<u>10,605,762</u>
Total Liabilities and Fund Balances	<u>\$13,065,376</u>	<u>\$ 1,920,976</u>	<u>\$ 1,724,570</u>	<u>\$ 16,710,922</u>

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

Pickaway-Ross Career and Technology Center
*Reconciliation of Total Governmental Fund Balances to
 Net Assets of Governmental Activities
 As of June 30, 2011*

Total Governmental Fund Balances		\$ 10,605,762
Amounts reported for governmental activities in the statement of net assets are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		20,786,061
Other long-term assets are not available to pay for current period expenditures and therefore are deferred in the funds.		
Taxes	201,296	
Intergovernmental	4,000	
Total		205,296
Long-term liabilities, including 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.		
Compensated Absences	(1,520,049)	
Capital Lease Obligations	(3,001,750)	
Total		(4,521,799)
Net Assets of Governmental Activities		\$ 27,075,320

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

Pickaway-Ross Career and Technology Center
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2011

	General Fund	Adult Education Fund	All Other Governmental Funds	Total Governmental Funds
REVENUES:				
Property Taxes	\$ 5,084,690	\$ -	\$ -	\$ 5,084,690
Intergovernmental	10,937,146	1,266,863	1,010,655	13,214,664
Interest	48,804	-	445	49,249
Tuition and Fees	3,055	1,516,170	-	1,519,225
Rent	1,595	135	-	1,730
Gifts and Donations	-	347	20,000	20,347
Customer Sales and Services	35,750	358,526	122,272	516,548
Payments in Lieu of Taxes	594	-	-	594
Miscellaneous	90,795	1,321	12,995	105,111
Total Revenues	<u>16,202,429</u>	<u>3,143,362</u>	<u>1,166,367</u>	<u>20,512,158</u>
EXPENDITURES:				
Current:				
Instruction:				
Regular	1,178,064	-	-	1,178,064
Vocational	9,535,966	2,444,288	691,208	12,671,462
Adult/Continuing	-	-	100	100
Support Services:				
Pupils	697,420	699,818	34,305	1,431,543
Instructional Staff	970,724	198,245	86,407	1,255,376
Board of Education	20,748	-	-	20,748
Administration	341,790	-	19,793	361,583
Fiscal	565,330	-	-	565,330
Business	7,361	-	-	7,361
Operation and Maintenance of Plant	1,130,220	-	89,535	1,219,755
Pupil Transportation	2,014	-	11,430	13,444
Central	72,891	-	-	72,891
Operation of Non-Instructional Services	-	-	292,672	292,672
Extracurricular Activities	18,156	-	-	18,156
Capital Outlay	-	-	2,557	2,557
Debt Service:				
Principal	<u>272,886</u>	<u>-</u>	<u>-</u>	<u>272,886</u>
Total Expenditures	<u>14,813,570</u>	<u>3,342,351</u>	<u>1,228,007</u>	<u>19,383,928</u>
Excess of Revenues Over (Under) Expenditures	1,388,859	(198,989)	(61,640)	1,128,230
OTHER FINANCING SOURCES (USES):				
Transfers In	-	-	373,015	373,015
Transfers Out	<u>(373,015)</u>	<u>-</u>	<u>-</u>	<u>(373,015)</u>
Total Other Financing Sources (Uses)	<u>(373,015)</u>	<u>-</u>	<u>373,015</u>	<u>-</u>
Net Change in Fund Balances	1,015,844	(198,989)	311,375	1,128,230
Fund Balances at Beginning of Year - As Restated, See Note 20	<u>6,514,856</u>	<u>1,752,170</u>	<u>1,210,506</u>	<u>9,477,532</u>
Fund Balances at End of Year	<u>\$ 7,530,700</u>	<u>\$ 1,553,181</u>	<u>\$ 1,521,881</u>	<u>\$ 10,605,762</u>

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

Pickaway-Ross Career and Technology 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, 2011*

Net Change in Fund Balances - Total Governmental Funds	\$	1,128,230
<p>Amounts reported for governmental activities in the statement of activities are different because:</p>		
<p>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 exceed capital asset additions depreciation in the current period.</p>		
Capital Asset Additions	465,683	
Current Year Depreciation	<u>(1,159,252)</u>	
Total		(693,569)
<p>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. This is the amount of the loss on the disposal of capital assets.</p>		
Loss on Disposal of Capital Assets	<u>(27,774)</u>	
Total		(27,774)
<p>Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.</p>		
Taxes	(7,315)	
Intergovernmental	<u>4,000</u>	
Total		(3,315)
<p>Repayment of capital lease obligations are expenditures in the governmental funds, but the repayment reduces liabilities in the statement of net assets and does not result in an expense in the statement of activities.</p>		
		272,886
<p>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.</p>		
Decrease in Compensated Absences	<u>55,581</u>	
Total		<u>55,581</u>
Net Change in Net Assets of Governmental Activities	\$	<u><u>732,039</u></u>

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

Pickaway-Ross Career and Technology Center
Statement of Revenues, Expenditures and Changes
In Fund Balance - Budget and Actual
(Budgetary Basis)
General Fund
For the Fiscal Year Ended June 30, 2011

	<u>Budgeted Amounts</u>			Variance with Final Budget: Positive (Negative)
	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	
Total Revenues and Other Sources	\$ 15,960,757	\$ 15,943,949	\$ 15,943,949	\$ -
Total Expenditures and Other Uses	<u>15,740,758</u>	<u>15,975,731</u>	<u>15,359,453</u>	<u>616,278</u>
Net Change in Fund Balance	219,999	(31,782)	584,496	616,278
Fund Balance, July 1, 2010 - As Restated, See Note 20	6,022,626	6,022,626	6,022,626	-
Prior Year Encumbrances Appropriated	<u>205,534</u>	<u>205,534</u>	<u>205,534</u>	<u>-</u>
Fund Balance, June 30, 2011	<u>\$ 6,448,159</u>	<u>\$ 6,196,378</u>	<u>\$ 6,812,656</u>	<u>\$ 616,278</u>

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

Pickaway-Ross Career and Technology 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, 2011

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with Final Budget: Positive (Negative)
	<u>Original Budget</u>	<u>Final Budget</u>		
Total Revenues and Other Sources	\$ 3,910,758	\$ 2,182,204	\$ 3,382,204	\$ 1,200,000
Total Expenditures and Other Uses	<u>5,260,766</u>	<u>3,888,770</u>	<u>3,497,794</u>	<u>390,976</u>
Net Change in Fund Balance	(1,350,008)	(1,706,566)	(115,590)	1,590,976
Fund Balance, July 1, 2010	1,271,490	1,271,490	1,271,490	-
Prior Year Encumbrances Appropriated	<u>157,164</u>	<u>157,164</u>	<u>157,164</u>	<u>-</u>
Fund Balance, June 30, 2011	<u>\$ 78,646</u>	<u>\$ (277,912)</u>	<u>\$ 1,313,064</u>	<u>\$ 1,590,976</u>

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

Pickaway-Ross Career and Technology Center
Statement of Fiduciary Assets and Liabilities
Agency Fund
As of June 30, 2011

ASSETS:	
Equity in Pooled Cash and Cash Equivalents	<u>\$ 92,114</u>
Total Assets	<u>\$ 92,114</u>
LIABILITIES:	
Undistributed Monies	<u>\$ 92,114</u>
Total Liabilities	<u>\$ 92,114</u>

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

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Pickaway-Ross Career and Technology Center

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2011

NOTE 1 - DESCRIPTION OF THE CENTER AND REPORTING ENTITY

Pickaway-Ross Career and Technology Center (the "Center") 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 Center possesses its own budgeting and taxing authority. The Center exposes students to job training leading to employment upon graduation from high school.

The Center was established in 1970 through the cooperation of all school districts involved. The Center 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 36 non-certificated employees and 112 certificated full-time teaching personnel who provide services to 1,130 students and other community members. The Center currently operates 2 instructional buildings.

Reporting Entity:

The Center is a jointly governed organization, legally separate from other organizations. The Board of Education of the Center 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 Center.

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

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

The following entities which perform activities within the Center's boundaries for the benefit of its residents are excluded from the accompanying financial statements because the Center is not financially accountable for these entities nor are they fiscally dependent on the Center.

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

The Center is associated with four organizations, two of which are defined as jointly governed organizations, one as a public entity shared risk pool, and one as an insurance purchasing pool. These organizations are the South Central Ohio Computer Association, Great Seal Education Network of Tomorrow, 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 and Technology Center

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2011

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Pickaway-Ross Career and Technology 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 Center's accounting policies are described below.

Fund Accounting

The Center'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 Center 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 fund reporting focuses on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the 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 Center's major governmental funds:

General Fund

The General Fund is the general operating fund of the Center and is used to account for all financial resources not accounted for and reported in another fund. The General Fund is available to the Center 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. The main source of revenue for the Adult Education Fund is tuition and fees.

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

Pickaway-Ross Career and Technology Center
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 Center's only fiduciary fund is an agency fund. 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 Center's agency fund is used to account for student-managed activities.

Basis of Presentation

The Center'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 Center 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 Center at year-end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the Center'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 Center. 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 Center.

Fund Financial Statements

During the year, the Center segregates transactions related to certain Center 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 Center 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. Fiduciary funds are reported by fund type.

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 Center 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.

Pickaway-Ross Career and Technology Center

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2011

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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 fiduciary funds. Differences in the accrual and modified accrual bases 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. Measurable means the amount of the transaction can be determined. 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 Center, available means expected to be received within sixty days of fiscal year end.

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

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

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, 2011, but which were levied to finance fiscal year 2012 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue. On the governmental fund financial statements, receivables that will not be collected within the available period have also been reported as deferred revenue.

Pickaway-Ross Career and Technology Center
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 fund, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the appropriation resolution and the certificate of estimated resources which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amounts that the Board of Education may appropriate. The appropriation resolution is the Board's authorization to spend resources and sets annual limits on expenditures plus encumbrances at a level of control selected by the Board. The legal level of 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 Center's 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 the fiscal year.

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.

Pickaway-Ross Career and Technology Center

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2011

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cash and Investments

Cash received by the Center 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 2011 was \$49,249, which was credited to the General fund and the Construction non-major capital projects fund in the amounts of \$48,804 and \$445, respectively.

The Center 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 Center has invested in the certificates of deposit, State Treasury Asset Reserve of Ohio (STAROhio), money market funds, and U.S. government agency securities during fiscal year 2011. STAROhio is an investment pool managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAROhio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAROhio are valued at STAROhio's share price, which is the price the investment could be sold for on June 30, 2011.

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

Capital Assets and Depreciation

All capital assets of the Center 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 capital assets are recorded at their fair market values as of the date received. The Center maintains a capitalization threshold of \$1,000. The Center 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 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

Pickaway-Ross Career and Technology Center

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2011

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Interfund Balances

On the 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.

Compensated Absences

Vacation and personal leave benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the Center 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 Center has identified as probable of receiving payment in the future. The Center 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 Center'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 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 Center 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 Center applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

As of June 30, 2011, of the Center's \$2,999,609 in restricted net assets, none was restricted by enabling legislation.

Pickaway-Ross Career and Technology Center
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Balance Reserves

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

Nonspendable The nonspendable fund balance classification includes amounts that cannot be spent because they are not in the spendable form, or legally or contractually required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash.

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

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

Assigned Amounts in the assigned fund balance classification are intended to be used by the Center for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the General Fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the General Fund, assigned amounts represent intended uses established by policies of the Center Board of Education.

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

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

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.

Pickaway-Ross Career and Technology Center

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2011

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America require 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.

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, or laws or other governments or imposed by enabling legislation. Restricted assets in the Non-Major Capital Projects Construction Fund represent cash held as retainage for contractors.

NOTE 3 – ACCOUNTABILITY

The Food Service special revenue fund had a deficit fund balance of \$73,609. The deficit in this fund is 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.

NOTE 4 - BUDGETARY BASIS OF ACCOUNTING

While the Center 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 budget basis and GAAP basis are that:

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Encumbrances are treated as expenditures (budget basis) rather than as a restriction, commitment, or assignment of fund balance.

Pickaway-Ross Career and Technology Center

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2011

NOTE 4 - BUDGETARY BASIS OF ACCOUNTING (Continued)

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	\$1,015,844	\$ (198,989)
Adjustments:		
Revenue Accruals	(58,480)	238,842
Expenditure Accruals	32,262	132,840
Perspective Difference:		
Activity of Funds Reclassified for GAAP Reporting Purposes	(161,484)	-
Encumbrances	(243,646)	(288,283)
Budget Basis	<u>\$ 584,496</u>	<u>\$ (115,590)</u>

NOTE 5 - DEPOSITS AND INVESTMENTS

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

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

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

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

Interim 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 of 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 and Technology Center

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2011

NOTE 5 - DEPOSITS AND INVESTMENTS (Continued)

4. Bonds and other obligations of the State of Ohio;
5. Interim deposits in the eligible institutions applying for interim money as provided in Section 135.08 of the Revised Code;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) above 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. Certain bankers' acceptances for a period not to exceed one hundred eighty days and commercial paper notes for a period not to exceed one hundred eighty days in an amount not to exceed twenty-five percent of the interim moneys available for investment at any one time;
9. Linked deposits as authorized by ordinance adopted pursuant to Section 135.80 of the Revised Code;
10. Commercial paper notes issued by any entity that is defined in division (D) of section 1705.01 of the Revised Code and has assets exceeding five hundred million dollars, and to which notes are rated at the time of purchase in the highest classification established by at least two standard rating services; the aggregate value of the notes does not exceed ten percent of the aggregate value of the outstanding commercial paper of the issuing corporation; the notes mature no later than one hundred eighty days after purchase; and
11. Bankers' acceptances of banks that are members of the federal deposit insurance corporation to which both the obligations are eligible for purchase by the federal reserve system and the obligations mature no later than one hundred eighty days after purchase.

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

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

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

Pickaway-Ross Career and Technology Center

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2011

NOTE 5 - DEPOSITS AND INVESTMENTS (Continued)

Deposits: Custodial credit risk is the risk that in the event of a bank failure, the Center'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 Center'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, 2011, the Center's bank balance was \$4,149,922. Of the Center's bank balance, \$919,123 was covered by FDIC and the remainder was collateralized by the financial institution's public entity deposit pool in the manner described above.

Investments: At June 30, 2011, the Center had the following investments:

	Fair Value	Weighted Average Maturity (Yrs.)
Money Market Funds	\$330,134	< 1 year
Federal National Mortgage Association	400,121	1 to 2 years
Federal Home Loan Mortgage Corporation	2,195,597	1 to 2 years
Federal Home Loan Bank	1,169,032	1 to 2 years
US Treasury Bill	149,802	< 1 year
Repurchase Agreement	50,300	< 1 year
STAROhio	1,198,721	< 1 year
Total Fair Value	<u>\$5,493,707</u>	

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 Center 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 Center's policy does not address credit risk beyond the requirements of the Ohio Revised Code. The Center limits their investments to money market funds, U.S. government agency notes, and STAROhio. Investments in money market funds and STAROhio were rated AAAM by Standard & Poor's. Investments in Federal National Mortgage Association, Federal Home Loan Mortgage Corporation, and Federal Home Loan Bank were rated AAA by Standard & Poor's. Repurchase agreements were 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 Center's investment policy allows investments in repurchase agreements, certificates of deposit, within financial institutions within the State of Ohio as designated by the Federal Reserve Board, and other investments as allowable per the Ohio Revised Code. Of the Center's investments, 6% was invested in money market funds, 7% was invested in Federal National Mortgage Association, 40% was invested in Federal Home Loan Mortgage Corporation, 21% was invested in Federal Home Loan Bank, 3% was invested in a US Treasury Bill, 1% was invested in a repurchase agreement, and 22% was invested in STAROhio.

Custodial credit risk – 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 Center does not have a policy for custodial credit risk. All of the Center's investments are held in the name of the Center.

Pickaway-Ross Career and Technology Center

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2011

NOTE 6 - PROPERTY TAXES

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

Property taxes include amounts levied against all real, public utility and tangible personal property located within the Center's boundaries. Property tax revenue received during calendar year 2011 represents collections of calendar year 2010 taxes. Real property taxes received during calendar year 2011 were levied after April 1, 2010, on the assessed value listed as of January 1, 2010, the lien date. Assessed values for real property taxes are established by State law at 35% of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenue received in calendar year 2011 represents collections of calendar year 2010 taxes. Public utility real and tangible personal property taxes received in calendar year 2011 became a lien on December 31, 2010, were levied after April 1, 2010, and are collected in 2011 with real property taxes. Public utility real property is assessed at thirty-five percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

Tangible personal property tax revenue received during calendar year 2011 (other than public utility property tax) represents the collection of 2011 taxes levied against local and inter-exchange telephone companies. Tangible personal property tax on business inventory, manufacturing machinery and equipment, and furniture and fixtures is no longer levied and collected. The October 2008 tangible personal property tax settlement was the last property tax settlement for general personal property taxes. Tangible personal property taxes received from telephone companies in calendar year 2011 were levied after April 1, 2010, on the value as of December 31, 2010. Payments by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the School District prior to June 30.

The assessed values upon which fiscal year 2011 taxes were collected are:

	2010 Second-Half Collections		2011 First-Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential and Other Real Estate	\$1,729,892,630	94.29%	\$1,748,667,180	91.25%
Public Utility	95,503,180	5.21%	164,073,740	8.56%
Tangible Personal Property	9,242,000	0.50%	3,590,650	0.19%
Total Assessed Value	<u>\$1,834,637,810</u>	<u>100.00%</u>	<u>\$1,916,331,570</u>	<u>100.00%</u>
Tax rate per \$1,000 of assessed valuation	\$4.20		\$4.20	

The Center receives property taxes from Pickaway, Ross and Hocking Counties. The county auditors periodically advance to the Center its portion of the taxes collected. Second-half real property tax payments collected by the counties by June 30, 2011, are available to finance fiscal year 2011 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Pickaway-Ross Career and Technology Center

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2011

NOTE 6 - PROPERTY TAXES (Continued)

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, 2011. 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, 2011, was \$1,111,488 in the General Fund.

NOTE 7 - RECEIVABLES

Receivables at June 30, 2011, 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, except accounts receivable, 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. An allowance has been recognized against accounts receivable to account for uncollectible accounts.

A summary of the principal items of intergovernmental receivables follows:

	<u>Amount</u>
Non-major Special Revenue Funds:	
Food Services	\$ 15,028
ABLE Instruction	15,000
Title II-A	<u>4,000</u>
Total Intergovernmental Receivable	<u>\$ 34,028</u>

Pickaway-Ross Career and Technology Center

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2011

NOTE 8 - CAPITAL ASSETS

Capital assets activity for the fiscal year ended June 30, 2011, was as follows:

	Ending Balance 06/30/10	Additions	Deletions	Ending Balance 06/30/11
Governmental Activities				
Capital Assets, Not Being Depreciated				
Land	\$ 186,368	\$ -	\$ -	\$ 186,368
Total Capital Assets, Not Being Depreciated	<u>186,368</u>	<u>-</u>	<u>-</u>	<u>186,368</u>
Capital Assets Being Depreciated:				
Buildings and Improvements	23,151,998	109,319	-	23,261,317
Furniture and Equipment	6,837,667	355,069	(1,274,867)	5,917,869
Vehicles	104,070	1,295	-	105,365
Total Capital Assets Being Depreciated	<u>30,093,735</u>	<u>465,683</u>	<u>(1,274,867)</u>	<u>29,284,551</u>
Less Accumulated Depreciation:				
Buildings and Improvements	(5,212,732)	(665,706)	-	(5,878,438)
Furniture and Equipment	(3,492,907)	(484,994)	1,247,093	(2,730,808)
Vehicles	(67,060)	(8,552)	-	(75,612)
Total Accumulated Depreciation	<u>(8,772,699)</u>	<u>(1,159,252)</u>	<u>1,247,093</u>	<u>(8,684,858)</u>
Total Capital Assets Being Depreciated, Net	<u>21,321,036</u>	<u>(693,569)</u>	<u>(27,774)</u>	<u>20,599,693</u>
Governmental Activities Capital Assets, Net	<u>\$ 21,507,404</u>	<u>\$ (693,569)</u>	<u>\$ (27,774)</u>	<u>\$ 20,786,061</u>

Depreciation expense was charged to governmental functions as follows:

Instruction:	
Vocational	\$ 1,118,476
Adult/Continuing	330
Support Services:	
Pupils	1,320
Board of Education	31,682
Fiscal	-
Operation and Maintenance of Plant	4,192
Pupil Transportation	3,085
Central	167
Total Depreciation Expense	<u>\$ 1,159,252</u>

Pickaway-Ross Career and Technology Center

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2011

NOTE 9 - RISK MANAGEMENT

The Center is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2011, the Center contracted with Government Underwriters of America for fleet, liability, property, and boiler and machinery insurance.

Coverages provided by this company are as follows:

Building and Contents (\$1,000 deductible)	\$31,662,000
Automobile Liability (\$250 Comprehensive, \$500 collision deductibles)	1,000,000
Uninsured Motorists (\$250 Comprehensive, \$500 Collision deductibles)	1,000,000
General Liability	
Per occurrence	1,000,000
Aggregate	3,000,000
Commercial Excess Liability	
Per occurrence and Aggregate	5,000,000

Settled claims have not exceeded this commercial coverage in any of the past three years. The Center evaluated insurance coverages and therefore increased their coverage for the current year.

For fiscal year 2011, the Center 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 Center 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 CompManagement provides administrative, cost control and actuarial services to the GRP.

The Center is a member of the Ross County School Employees Insurance Consortium, a public entity shared risk pool (Note 17), consisting of seven government entities within the County offering medical and dental insurance to their employees. Monthly premiums are paid to the Ross-Pike County Educational Service Center as fiscal agent, who in turns pays the claims on the Center's behalf. The Consortium is responsible for the management and operations of the program. Upon termination of the Consortium, for any reason, the Consortium shall have no obligation under the plan beyond paying the difference between the claims incurred (even though later filed) and expenses of the Plan due up to the date of termination plus extended benefits, if any, provided under the Plan. Such claims and expenses shall be paid from the fund of the Consortium.

Pickaway-Ross Career and Technology Center

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2011

NOTE 10 - DEFINED BENEFIT PENSION PLANS

School Employees Retirement System

The School District contributes to the School Employees Retirement System (SERS), a cost-sharing multiple employer defined benefit pension plan. SERS provides retirement, disability, and survivor benefits; annual cost-of-living adjustments; and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report can be obtained on SERS' website, www.ohsers.org, under *Employers/Audit Resources*.

Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended, up to a statutory maximum amounts, by the SERS' Retirement Board. The Retirement Board acting with the advice of the actuary, allocates the employer contribution rate among four of the funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund) of the System. For fiscal year 2011, the allocation to pension and death benefits is 11.81 percent. The remaining 2.19 percent of the 14 percent employer contribution rate is allocated to the Health Care and Medicare B Funds. The School District's contributions to SERS for the fiscal years ended June 30, 2011, 2010 and 2009 were \$223,037, \$272,361, and \$156,681, respectively; 45 percent has been contributed for fiscal year 2011 and 100 percent for the fiscal years 2010 and 2009. \$121,786 represents the unpaid contribution for fiscal year 2011 and is recorded as a liability within the respective funds.

State Teachers Retirement System

The School District participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple-employer public employee retirement system.

STRS Ohio is a statewide retirement plan for licensed teachers and other faculty members employed in the public schools of Ohio or any school, community school, college, university, institution or other agency controlled, managed and supported, in whole or in part, by the state or any political subdivision thereof.

Plan Options - 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 percent of earned compensation among various investment choices. The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are allocated to investment choices 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.

Pickaway-Ross Career and Technology Center

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2011

NOTE 10 - DEFINED BENEFIT PENSION PLANS (Continued)

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 an annuity benefit or equivalent lump-sum payment in addition to the original retirement allowance. A reemployed retiree may alternatively receive a refund of only member contributions with interest before age 65, once employment is terminated.

Benefits are increased annually by 3% of the original base amount for Defined Benefit Plan participants.

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.

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.

Pickaway-Ross Career and Technology Center

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2011

NOTE 10 - DEFINED BENEFIT PENSION PLANS (Continued)

Chapter 3307 of the Revised Code provides statutory authority for member and employer contributions. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10% for members and 14% for employers.

For the fiscal years ended June 30, 2011, 2010, and 2009, plan members were required to contribute 10 percent of their annual covered salaries. The School District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations.

The School District's contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2011, 2010, and 2009 were \$1,141,302, \$1,158,403, and \$1,162,625, respectively; 84 percent of the required contribution has been made for fiscal year 2011 and 100 percent of the required contribution has been made for fiscal years 2010 and 2009. \$184,362 represents the unpaid contribution for fiscal year 2011 and is recorded as a liability within the respective funds.

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 STRS Ohio, 275 E. Broad St., Columbus, OH 43215-3771 or by calling (888) 227-7877, or by visiting the STRS Ohio website at www.strsoh.org.

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, 2011, three 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

State Teachers Retirement System

STRS Ohio administers a pension plan that is comprised of: a defined benefit plan; a self-directed defined contribution plan; and a combined plan which is a hybrid of the defined benefit and defined contribution plan.

Ohio law authorizes STRS Ohio to offer a cost-sharing, multiple-employer health care plan. STRS Ohio provides access to health care coverage to eligible retirees who participated in the defined benefit or combined plans. Coverage under the current program includes hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare Part B premiums. Pursuant to Section 3307 of the Ohio Revised Code, the Retirement Board has discretionary authority over how much, if any, of the associated health care costs will be absorbed by STRS Ohio. All benefit recipients, for the most recent year, pay a portion of the health care costs in the form of a monthly premium.

STRS Ohio issues a stand-alone financial report. Interested parties can view the most recent Comprehensive Financial Annual Report by visiting www.strsoh.org or by requesting a copy by calling toll-free 1-888-227-7877.

Under Ohio law, funding for post-employment health care may be deducted from employer contributions. Of the 14 percent employer contribution rate, 1 percent of covered payroll was allocated to post-employment health care for the years ended June 30, 2011, 2010 and 2009. The 14 percent employer contribution rate is the maximum rate established under Ohio law. For the School District, these amounts equaled \$89,010, \$88,943, and \$88,912, for fiscal years 2011, 2010, and 2009, respectively, which equaled the required allocation for each year.

Pickaway-Ross Career and Technology Center

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2011

NOTE 11 - POSTEMPLOYMENT BENEFITS (Continued)

School Employees Retirement System

In addition to a cost-sharing, multiple-employer defined benefit pension plan, the School Employees Retirement System (SERS) administers two postemployment benefit plans.

Medicare Part B Plan

The Medicare B plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries as set forth in Ohio Revised Code 3309.69. Qualified benefit recipients who pay Medicare Part B premiums may apply for and receive a monthly reimbursement from SERS. The reimbursement amount is limited by statute to the lesser of the January 1, 1999 Medicare Part B premium or the current premium. The Medicare Part B premium for calendar year 2011 was \$96.40 for most participants, but could be as high as \$369.10 per month depending on their income. SERS' reimbursement to retirees was \$45.50.

The Retirement Board, acting with the advice of the actuary, allocates a portion of the current employer contribution rate to the Medicare B Fund. For fiscal years 2011, 2010, and 2009, the actuarially required allocation was 0.76 percent, 0.76 percent, and 0.75 percent. For the School District, contributions for the years ended June 30, 2011, 2010, and 2009, were \$14,762, \$13,969, and \$13,571, which equaled the required contributions for those years.

Health Care Plan

Ohio Revised Code 3309.375 and 3309.69 permit SERS to offer health care benefits to eligible retirees and beneficiaries. SERS' Retirement Board reserves the right to change or discontinue any health plan or program. SERS offers several types of health plans from various vendors, including HMO's, PPO's, Medicare Advantage, and traditional indemnity plans. A prescription drug program is also available to those who elect health coverage. SERS employs two third-party administrators and a pharmacy benefit manager to manage the self-insurance and prescription drug plans, respectively.

The Ohio Revised Code provides the statutory authority to fund SERS' post-employment benefits through employer contributions. Active members do not make contributions to the post-employment benefit plans.

The Health Care Fund was established under, and is administered in accordance with, Internal Revenue Code 105(e).

Each year after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer 14 percent contribution to the Health Care Fund. At June 30, 2011, 2010, and 2009, the health care allocations were 1.43 percent, 0.46 percent, and 4.16 percent, respectively. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. Statutes provide that no employer shall pay a health care surcharge greater than 2 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2011, the minimum compensation level was established at \$35,800. The surcharge, added to the unallocated portion of the 14 percent employer contribution rate is the total amount assigned to the Health Care Fund. For the School District, the amounts assigned to health care, including the surcharge, during the 2011, 2010, and 2009 fiscal years equaled \$68,300, \$45,177, and \$109,888, respectively, which equaled the required allocation for each year.

The SERS Retirement Board establishes the rules for the premiums paid by the retirees for health care coverage for themselves and their dependents or for their surviving beneficiaries. Premiums vary depending upon the plan selected, qualified years of service, Medicare eligibility, and retirement status.

The financial reports of SERS' Health Care and Medicare B plans are included in its *Comprehensive Annual Financial Report*. The report can be obtained by contacting SERS, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746 or by calling toll free (800) 878-5853. It is also posted on SERS' website at www.ohsers.org under *Employers/Audit Resources*.

