

**Pickaway Ross Career & Technical Center**

**Chillicothe, Ohio**

**Basic Financial Statements**

Single Audit

July 1, 2003 Through June 30, 2004

Fiscal Year Audited Under GAGAS: 2004



**BALESTRA, HARR & SCHERER**  
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**Auditor of State  
Betty Montgomery**

Board of Education  
Pickaway-Ross Career & Technical Center  
895 Crouse Chapel Rd  
Chillicothe, OH 45601

We have reviewed the Independent Auditor's Report of the Pickaway-Ross Career & Technical Center, Ross County, prepared by Balestra, Harr & Scherer CPAs, Inc., for the audit period July 1, 2003 through June 30, 2004. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

A handwritten signature in cursive script that reads "Betty Montgomery".

BETTY MONTGOMERY  
Auditor of State

January 21, 2005

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# BALESTRA, HARR & SCHERER CPAs, INC.

CERTIFIED PUBLIC ACCOUNTANTS

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Ohio Society of Certified Public Accountants

## INDEPENDENT AUDITOR-S REPORT

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

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Pickaway Ross Career and Technical Center (the District), Ross County, as of and for the year ended June 30, 2004, which collectively comprise the District-s basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District-s management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the District, as of June 30, 2004, and the respective changes in financial position thereof, and the respective budgetary comparisons for each major fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 17, 2004, on our consideration of the District-s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The schedule of federal awards expenditures is presented for purposes of additional analysis and is not a required part of the basic financial statements. The schedule of federal awards expenditures has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Balestra, Harr & Scherer CPAs, Inc.  
Balestra, Harr & Scherer CPAs, Inc.  
December 17, 2004

Pickaway Ross Career & Technical Center  
Chillicothe, Ohio  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2004

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**MANAGEMENT'S DISCUSSION AND ANALYSIS**

The Pickaway Ross Career & Technical Center's (the School District) discussion and analysis of the annual financial statements provides a review of the financial performance for the fiscal year ended June 30, 2004. The intent of this discussion and analysis is to look at the School District's financial performance as a whole; readers should also review the notes to the basic financial statements and financial statements to enhance their understanding of the School District's financial performance.

The Management's Discussion and Analysis (MD&A) is an element of the new reporting model adopted by the Governmental Accounting Standard Board (GASB) in their Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, issued June 1999.

**FINANCIAL HIGHLIGHTS**

- The School District's assets exceeded its liabilities at June 30, 2004 by \$3,045,258.
- General revenues accounted for \$10,131,175 in revenue or 58 percent of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$7,242,692 or 42 percent of total revenues of \$17,373,867.
- The School District had \$17,812,457 in expenses related to governmental activities; only \$7,242,692 of these expenses was offset by program specific charges for services, grants, or contributions.
- The School District has two major funds; the General Fund and the Adult Education Fund. The General Fund had \$12,860,883 in revenues and \$13,484,448 in expenditures and transfers. The General Fund's balance decreased by \$623,565. The Adult Education Fund had revenues of \$2,647,003 and transfers and expenditures of \$2,658,358 resulting in a \$688,645 increase in fund balance.

**USING THIS ANNUAL FINANCIAL REPORT**

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

Pickaway Ross Career & Technical Center  
Chillicothe, Ohio  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2004

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The Statement of Net Assets and Statement of Activities provide information about the activities of the School District as a whole and present a long-term view of the School District's finances. Major Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as the amount of funds available for future spending. The fund financial statements also look at the School District's most significant funds with all other nonmajor funds presented in total in one column.

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

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

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

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

- Governmental Activities. All of the School District's programs and services are reported here including instruction, support services, operation of non-instructional services, and extracurricular activities.

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

### **Fund Financial Statements**

The analysis of the School District's funds begins on page 12. Fund financial statements provide detailed information about the School District's major funds – not the School District as a whole. Some funds are required by State law and bond covenants. Other funds may be established by the Treasurer with approval from the Board to help control, manage and report money received for a particular purpose or to show that the School District is meeting legal responsibilities for use of grants. The Pickaway Ross Career & Technical Center's only major funds are the General Fund and Adult Education Fund.



Pickaway Ross Career & Technical Center  
 Chillicothe, Ohio  
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**Governmental Funds.** Most of the School District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in future periods. These funds are reported using the modified accrual basis of accounting, which measures cash and all other financial assets that can be readily converted to cash. The governmental fund statements provide a detailed short-term view of the School District's general government operations and the basic services it provides. Governmental fund information helps to determine whether there are more or fewer financial resources that can be spent in the near future to finance educational programs. The relationship (or difference) between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds is reconciled in the financial statements.

**THE SCHOOL DISTRICT AS A WHOLE**

As stated previously, the Statement of Net Assets provides the perspective of the School District as a whole. Table 1 provides a summary of the School District's net assets for 2004 compared to 2003.

Table 1  
 Net Assets

	2004	2003
Assets:		
Current Assets	\$7,883,656	\$7,891,238
Capital Assets, Net	2,277,764	2,420,141
Total Assets	10,161,420	10,311,379
Liabilities:		
Current and Other Liabilities	5,178,353	5,424,069
Long-Term Liabilities	1,937,809	1,403,462
Total Liabilities	7,116,162	6,827,531
Net Assets:		
Invested in Capital Assets, Net of Related Debt	1,997,977	1,922,045
Restricted	101,529	0
Unrestricted	945,752	1,561,803
Total Net Assets	\$3,045,258	\$3,483,848

Total net assets of the District as a whole decreased \$438,590.

Pickaway Ross Career & Technical Center  
 Chillicothe, Ohio  
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Table 2 shows the changes in net assets for the fiscal year ended June 30, 2004 as compared to 2003.

Table 2  
 Change in Net Assets

	2004	2003
Revenues		
Program Revenues:		
Charges for Services	\$1,802,138	\$1,409,882
Operating Grants and Contributions	5,440,554	5,068,897
Total Program Revenues	7,242,692	6,478,779
General Revenues:		
Property Taxes	3,732,670	3,714,202
Grants and Entitlements	6,249,092	6,096,786
Investment Earnings	80,977	107,478
Gifts & Donations	21,750	0
Payments in Lieu of Taxes	3,596	0
Other	43,090	137,474
Total General Revenues	10,131,175	10,055,940
Total Revenues	17,373,867	16,534,719
Program Expenses		
Instruction		
Regular	806,986	801,505
Special	522	260
Vocational	11,592,855	10,260,338
Adult/Continuing	120,364	145,195
Support Services		
Pupils	1,562,737	1,624,283
Instructional Staff	1,149,655	1,303,766
Board of Education	85,931	32,397
Administration	386,944	521,720
Fiscal and Business	430,176	390,897
Operation & Maintenance of Plant	884,218	925,329
Pupil Transportation	12,233	16,533
Central	76,244	81,816
Operation of Non-Instructional Services	662,435	626,767
Extracurricular Activities	9,038	13,029
Interest & Fiscal Charges	32,119	37,001
Total Expenses	17,812,457	16,780,836
Net Assets at Beginning of Year – As Restated - See Note 3	3,483,848	3,729,965
Change in Net Assets	(438,590)	(246,117)
Net Assets at End of Year	\$3,045,258	\$3,483,848

Pickaway Ross Career & Technical Center  
 Chillicothe, Ohio  
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**Governmental Activities**

General revenue grants and entitlements comprised 36 percent of revenue for governmental activities of the Pickaway-Ross Career & Technical Center for fiscal year 2004 and represent the largest source of revenue. Program revenue operating grants and contributions comprised 31 percent of revenue for governmental activities of the District and represents the second largest source of revenue. The third largest source of revenue is property taxes which comprised 21 percent of revenue for governmental activities during 2004.

As indicated by governmental program expenses, total instruction is emphasized. Total instruction comprised 70 percent of governmental program expenses with support services comprising 26 percent of governmental expenses. The Board of Education relies on taxes, grants and entitlements to support increased student achievement within the school district.

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

Table 3  
 Total and Net Cost of Program Services  
 Governmental Activities

	2004		2003*	
	Total Cost of Services	Net Cost of Services	Total Cost of Services	Net Cost of Services
Instruction	\$12,520,727	\$(7,419,378)	\$11,207,298	\$(6,754,803)
Support Services	4,588,138	(3,083,247)	4,896,741	(3,536,348)
Operation of Non-instructional Services	662,435	(26,345)	626,767	(95,909)
Extracurricular Activities	9,038	(8,857)	13,029	(12,906)
Interest and Fiscal Charges	32,119	(31,938)	37,001	(36,641)
<b>Total Expenses</b>	<b>\$17,812,457</b>	<b>\$(10,569,765)</b>	<b>\$16,780,836</b>	<b>\$(10,436,607)</b>

\* As restated See Note 3

**THE SCHOOL DISTRICT'S FUNDS**

Information about the School District's major governmental funds begins on page 12. These funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues of \$17,338,031 and expenditures of \$16,957,359. There was no significant change in the District's total fund balances relative to the prior year.

Pickaway Ross Career & Technical Center  
Chillicothe, Ohio  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2004

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**General Fund Budgeting Highlights**

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

During 2004, there were several revisions to the General Fund budget. In part, these revisions increased estimated resources by \$2,649,164. 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 balances were \$1,342,829 below the final budgeted amount.

**CAPITAL ASSETS AND DEBT ADMINISTRATION**

**Capital Assets**

At the end of fiscal year 2004, the School District had \$2,277,764 invested in land, buildings, equipment, and vehicles. Table 4 shows the fiscal year 2004 balances compared to 2003.

Table 4  
Capital Assets  
(Net of Accumulated Depreciation)

	2004	2003
Land	\$186,368	\$191,116
Buildings and Improvements	1,035,864	1,156,743
Furniture and Equipment	1,029,413	1,046,828
Vehicles	26,119	25,454
Totals	<u>\$2,277,764</u>	<u>\$2,420,141</u>

Changes in capital assets from the prior year resulted from additions, deletions and depreciation. Please see note 9 to the basic financial statements for additional information regarding capital assets.

Pickaway Ross Career & Technical Center  
Chillicothe, Ohio  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2004

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**Debt**

At June 30, 2004, the School District had \$175,000 in bonds outstanding with the entire amount due within one year. Table 5 summarizes the bonds outstanding:

Table 5  
Outstanding Debt at Year End

	2004	2003
1994 Energy Conservation Bonds	<u>\$175,000</u>	<u>\$340,000</u>

The Energy Conservation Bonds were issued May 15, 1994 in the amount of \$1,360,000. The unvoted general obligation bonds were issued for the purpose of implementing energy conservation measures for the school district. The final payment is due in fiscal year 2005.

At June 30, 2004 the School District's overall legal debt margin was \$155,489,843 with an unvoted debt margin of \$1,729,609. Please see note 15 to the basic financial statements for additional information regarding long-term obligations.

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

This financial report is designed to provide our citizens, taxpayers, creditors, and investors with a general overview of the School District's financial and to show the School District's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact Ben Vanhorn, Treasurer, Pickaway Ross Career & Technical Center, 895 Crouse Chapel Road, Chillicothe, Ohio 45601.

**Pickaway-Ross Career & Technical Center**  
*Statement of Net Assets*  
*June 30, 2004*

	<b>Governmental Activities</b>
<b>ASSETS:</b>	
Current Assets:	
Equity in Pooled Cash and Cash Equivalents	\$ 3,871,746
Cash and Cash Equivalents	
with Fiscal Agents	36,057
Accrued Interest Receivable	6,264
Accounts Receivable	196,085
Intergovernmental Receivable	36,463
Taxes Receivable	3,737,041
Noncurrent Assets:	
Non-Depreciable Capital Assets	186,368
Depreciable Capital Assets, net	2,091,396
<b>Total Assets</b>	<b>\$ 10,161,420</b>
 <b>LIABILITIES:</b>	
Current Liabilities:	
Accounts Payable	\$ 119,940
Accrued Wages and Benefits	1,215,528
Intergovernmental Payable	289,843
Accrued Interest Payable	4,990
Matured Compensated Absences Payable	29,442
Deferred Revenue	3,311,645
Claims Payable	206,965
Noncurrent Liabilities:	
Due Within One Year	1,286,776
Due in More Than One Year	651,033
<b>Total Liabilities</b>	<b>7,116,162</b>
 <b>NET ASSETS:</b>	
Invested in Capital Assets, Net of Related Debt	1,997,977
Restricted for Debt Service	80,152
Restricted for Other Purposes	21,377
Unrestricted	945,752
<b>Total Net Assets</b>	<b>\$ 3,045,258</b>

See accompanying notes to the basic financial statements

**Pickaway-Ross Career & Technical Center**  
**Statement of Activities**  
**For the Fiscal Year Ended June 30, 2004**

	<u>Program Revenues</u>			<u>Total</u>
	<u>Expenses</u>	<u>Charges for Services and Sales</u>	<u>Operating Grants and Contributions</u>	
<b>Governmental Activities:</b>				
<b>Instruction:</b>				
Regular	\$ 806,986	\$ 11,024	\$ -	\$ (795,962)
Special	522	-	377,955	377,433
Vocational	11,592,855	904,792	3,683,811	(7,004,252)
Adult/Continuing	120,364	47,021	76,746	3,403
<b>Support Services:</b>				
Pupils	1,562,737	378,532	606,032	(578,173)
Instructional Staff	1,149,655	159,471	243,471	(746,713)
Board of Education	85,931	542	-	(85,389)
Administration	386,944	17,851	21,171	(347,922)
Fiscal	423,906	7,404	2,646	(413,856)
Business	6,270	-	-	(6,270)
Operation and Maintenance of Plant	884,218	13,550	2,646	(868,022)
Pupil Transportation	12,233	3,243	5,293	(3,697)
Central	76,244	16,575	26,464	(33,205)
Operation of Non-Instructional Services	662,435	241,771	394,319	(26,345)
Extracurricular Activities	9,038	181	-	(8,857)
Interest and Fiscal Charges	32,119	181	-	(31,938)
<b>Total Governmental Activities</b>	<b>\$17,812,457</b>	<b>\$ 1,802,138</b>	<b>\$ 5,440,554</b>	<b>\$ (10,569,765)</b>

**General Revenues:**

Property Taxes Levied for:

General Purposes	3,732,670
Grants and Entitlements not Restricted to Specific Programs	6,249,092
Gifts and Donations not Restricted to Specific Programs	21,750
Investment Earnings	80,977
Payments in Lieu of Taxes	3,596
Miscellaneous	43,090

*Total General Revenues* 10,131,175

Change in Net Assets (438,590)

*Net Assets at Beginning of Year - (As Restated - See Note 3)* 3,483,848

*Net Assets at End of Year* \$3,045,258

See accompanying notes to the basic financial statements

**Pickaway-Ross Career & Technical Center**  
**Balance Sheet**  
**Governmental Funds**  
**June 30, 2004**

	<u>General Fund</u>	<u>Adult Education Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>ASSETS:</b>				
Current Assets:				
Equity in Pooled Cash and Cash Equivalents	\$ 3,247,368	\$ 90,654	\$ 227,839	\$ 3,565,861
Accrued Interest Receivable	6,264	-	-	6,264
Accounts Receivable	-	196,085	-	196,085
Interfund Receivable	312,376	-	-	312,376
Intergovernmental Receivable	-	-	6,125	6,125
Taxes Receivable	3,551,978	-	185,063	3,737,041
	<u>3,551,978</u>	<u>-</u>	<u>185,063</u>	<u>3,737,041</u>
Total Assets	<u>\$ 7,117,986</u>	<u>\$ 286,739</u>	<u>\$ 419,027</u>	<u>\$ 7,823,752</u>
<b>LIABILITIES:</b>				
Current Liabilities:				
Accounts Payable	\$ 51,493	\$ 61,967	\$ 6,480	\$ 119,940
Accrued Wages and Benefits	1,054,425	65,925	95,178	1,215,528
Interfund Payable	-	-	87,376	87,376
Intergovernmental Payable	121,480	23,144	4,105	148,729
Matured Compensated Absences Payable	29,442	-	-	29,442
Deferred Revenue	3,206,734	-	185,065	3,391,799
	<u>3,206,734</u>	<u>-</u>	<u>185,065</u>	<u>3,391,799</u>
Total Liabilities	<u>4,463,574</u>	<u>151,036</u>	<u>378,204</u>	<u>4,992,814</u>
<b>FUND BALANCES:</b>				
Reserved:				
Reserved for Encumbrances	93,500	61,369	214,759	369,628
Reserved for Property Taxes	345,244	-	-	345,244
Unreserved, Undesignated, Reported in:				
General Fund	2,215,668	-	-	2,215,668
Special Revenue Funds	-	74,334	(173,936)	(99,602)
	<u>-</u>	<u>74,334</u>	<u>(173,936)</u>	<u>(99,602)</u>
Total Fund Balances	<u>2,654,412</u>	<u>135,703</u>	<u>40,823</u>	<u>2,830,938</u>
Total Liabilities and Fund Balances	<u>\$ 7,117,986</u>	<u>\$ 286,739</u>	<u>\$ 419,027</u>	<u>\$ 7,823,752</u>

See accompanying notes to the basic financial statements.



**Pickaway-Ross Career & Technical Center**  
**Reconciliation of Total Governmental Fund Balances to**  
**Net Assets of Governmental Activities**  
**June 30, 2004**

<b>Total Governmental Fund Balances</b>		\$	2,830,938
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.			2,277,764
Other long-term assets are not available to pay for current period expenditures and therefore are deferred in the funds.			
Taxes	80,154		
Total			80,154
Intergovernmental payable includes contractually required pension contributions not expected to be paid with expendable available financial resources and therefore not reported in the funds			(141,114)
An internal service fund is used by management to charge the cost of insurance to individuals. The assets and liabilities of the internal service fund are included in governmental activities in the statement of net assets.			(59,685)
Long-Term Liabilities, including bonds, capital lease obligations, long-term portion of compensated absences are not due and payable in the current period and therefore are not reported in the funds.			
Accrued Interest Payable	(4,990)		
Compensated Absences	(1,658,022)		
Capital Lease Obligations	(104,787)		
Energy Conservation Notes	(175,000)		
Total			(1,942,799)
<b>Net Assets of Governmental Activities</b>		<b>\$</b>	<b>3,045,258</b>

See accompanying notes to the basic financial statements

**Pickaway-Ross Career & Technical Center**  
**Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Governmental Funds**  
**For the Fiscal Year Ended June 30, 2004**

	<u>General Fund</u>	<u>Adult Education Fund</u>	<u>All Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>REVENUES:</b>				
Property and Other Local Taxes	\$ 3,512,282	\$ -	\$ 184,550	\$ 3,696,832
Intergovernmental	9,043,219	1,192,499	1,453,928	11,689,646
Interest	80,977	-	-	80,977
Tuition and Fees	134,936	829,748	-	964,684
Rent	4,346	-	-	4,346
Gifts and Donations	500	-	21,250	21,750
Customer Sales and Services	41,446	621,247	170,417	833,110
Payments in Lieu of Taxes	3,596	-	-	3,596
Miscellaneous	39,581	3,509	-	43,090
Total Revenues	<u>12,860,883</u>	<u>2,647,003</u>	<u>1,830,145</u>	<u>17,338,031</u>
<b>EXPENDITURES:</b>				
<b>Current:</b>				
<b>Instruction:</b>				
Regular	700,283	-	-	700,283
Special	522	-	-	522
Vocational	8,736,221	1,706,083	337,926	10,780,230
Adult/Continuing	-	-	124,313	124,313
<b>Support Services:</b>				
Pupils	513,182	732,264	251,726	1,497,172
Instructional Staff	742,968	217,666	174,943	1,135,577
Board of Education	40,868	-	-	40,868
Administration	367,601	-	32,562	400,163
Fiscal	417,334	545	3,000	420,879
Business	6,270	-	-	6,270
Operation and Maintenance of Plant	856,936	-	5,000	861,936
Pupil Transportation	138	-	8,239	8,377
Central	30,440	1,800	39,601	71,841
Operation of Non-Instructional Services	17,759	-	636,693	654,452
Extracurricular Activities	9,038	-	-	9,038
<b>Debt Service:</b>				
Principal	53,309	-	165,000	218,309
Interest	7,579	-	19,550	27,129
Total Expenditures	<u>12,500,448</u>	<u>2,658,358</u>	<u>1,798,553</u>	<u>16,957,359</u>
Excess of Revenues Over (Under) Expenditures	360,435	(11,355)	31,592	380,672
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers - In	-	700,000	18,000	718,000
Transfers - Out	(984,000)	-	-	(984,000)
Total Other Financing Sources (Uses)	<u>(984,000)</u>	<u>700,000</u>	<u>18,000</u>	<u>(266,000)</u>
Net Change in Fund Balances	(623,565)	688,645	49,592	114,672
Fund Balance (Deficit) at Beginning of Year	3,277,977	(552,942)	(8,769)	2,716,266
Fund Balance (Deficit) at End of Year	<u>\$ 2,654,412</u>	<u>\$ 135,703</u>	<u>\$ 40,823</u>	<u>\$ 2,830,938</u>

See accompanying notes to the basic financial statements.

**Pickaway-Ross Career & Technical Center**  
**Reconciliation of the Statement of Revenues, Expenditures and Changes**  
**in Fund Balances of Governmental Funds to the Statement of Activities**  
**For the Fiscal Year Ended June 30, 2004**

**Net Change in Fund Balances - Total Governmental Funds** \$ 114,672

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

Governmental funds report capital outlays as expenditures. However in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation exceeded capital outlays in the current period.

Capital Asset Additions	185,277	
Current Year Depreciation	(312,102)	
Total	(126,825)	(126,825)

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 fixed assets.

Loss on Disposal of Capital Assets	(15,552)	
Total	(15,552)	(15,552)

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

Taxes	35,838	
Total	35,838	35,838

Repayment of bond principal 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.

165,000

Repayment of capital leases 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.

53,309

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

128,740

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

Increase in Compensated Absences	(752,656)	
Increase in Interest Payable	(4,990)	
Increase in Intergovernmental Payable	(36,126)	

Total	(793,772)	
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**Net Change in Net Assets of Governmental Activities** \$ (438,590)

See accompanying notes to the basic financial statements

**Pickaway Ross Career & Technical Center**  
*Statement of Revenues, Expenditures and Changes*  
*In Fund Balance - Budget and Actual*  
*(Budget Basis)*  
*General Fund*  
*For the Fiscal Year Ended June 30, 2004*

	<b>Budgeted Amounts</b>			<b>Variance with Final Budget: Positive (Negative)</b>
	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	
Total Revenues and Other Sources	\$ 12,773,438	\$ 15,422,602	\$ 13,735,944	\$ (1,686,658)
Total Expenditures and Other Uses	13,849,749	13,949,460	13,605,631	343,829
Net Change in Fund Balance	(1,076,311)	1,473,142	130,313	(1,342,829)
Fund Balance, July 1, 2003	3,363,297	3,363,297	3,363,297	-
Prior Year Encumbrances Appropriated	113,982	113,982	113,982	-
Fund Balance, June 30, 2004	<u>\$ 2,400,968</u>	<u>\$ 4,950,421</u>	<u>\$ 3,607,592</u>	<u>\$ (1,342,829)</u>

See accompanying notes to the basic financial statements

**Pickaway Ross Career & Technical Center**  
*Statement of Revenues, Expenditures and Changes*  
*In Fund Balance - Budget and Actual*  
*(Budget Basis)*  
*Adult Education*  
*For the Fiscal Year Ended June 30, 2004*

	<b>Budgeted Amounts</b>			<b>Variance with Final Budget: Positive (Negative)</b>
	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	
Total Revenues and Other Sources	\$ 4,020,000	\$ 3,220,000	\$ 3,180,123	\$ (39,877)
Total Expenditures and Other Uses	<u>3,582,588</u>	<u>2,743,141</u>	<u>2,743,141</u>	<u>-</u>
Net Change in Fund Balance	437,412	476,859	436,982	(39,877)
Fund Balance, July 1, 2003	10,432	10,432	10,432	-
Prior Year Encumbrances Appropriated	<u>51,795</u>	<u>51,795</u>	<u>51,795</u>	<u>-</u>
Fund Balance, June 30, 2004	<u>\$ 499,639</u>	<u>\$ 539,086</u>	<u>\$ 499,209</u>	<u>\$ (39,877)</u>

See accompanying notes to the basic financial statements

**Pickaway Ross Career & Technical Center**  
**Statement of Fund Net Assets**  
**Governmental Activities - Internal Service Fund**  
**as of June 30, 2004**

	<u><b>Internal Service Fund</b></u>
<b>ASSETS:</b>	
Current Assets:	
Equity in Pooled Cash and Cash Equivalents	\$305,885
Cash and Cash Equivalents with Fiscal Agents	36,057
Intergovernmental Receivable	<u>30,338</u>
<i>Total Assets</i>	<u><u>372,280</u></u>
<b>LIABILITIES:</b>	
Current Liabilities:	
Interfund Payable	225,000
Claims Payable	<u>206,965</u>
<i>Total Liabilities</i>	<u>431,965</u>
<b>NET ASSETS:</b>	
Unrestricted	<u><u>(\$59,685)</u></u>

See accompanying notes to the basic financial statements

**Pickaway Ross Career & Technical Center**  
**Statement of Revenues, Expenses and**  
**Changes In Fund Net Assets**  
**Governmental Activities - Internal Service Fund**  
**For the Fiscal Year Ended June 30, 2004**

	<u><b>Internal Service Fund</b></u>
Operating Revenues:	
Charges for Services	<u>\$1,491,406</u>
<i>Total Operating Revenue</i>	<u>1,491,406</u>
Operating Expenses:	
Purchased Services	21,468
Claims Expense	<u>1,607,198</u>
<i>Total Operating Expenses</i>	<u>1,628,666</u>
<i>Operating Loss</i>	(137,260)
Transfer - In	<u>266,000</u>
Change in Net Assets	128,740
Net Assets (Deficit) at Beginning of Year	<u>(188,425)</u>
Net Assets (Deficit) at End of Year	<u><u>(\$59,685)</u></u>

See accompanying notes to the basic financial statements

**Pickaway Ross Career & Technical Center**  
**Statement of Cashflows**  
**Governmental Activities - Internal Service Fund**  
**For the Fiscal Year Ended June 30, 2004**

	<b><u>Internal Service Fund</u></b>
<b><i>Increase (Decrease) in Cash and Cash Equivalents</i></b>	
<i>Cash Flows from Operating Activities:</i>	
Cash Received from Transaction with Other Funds	\$1,491,406
Cash Payments for Vendor Payments	(21,468)
Cash Payments for Claims	<u>(1,576,459)</u>
<i>Net Cash Used for Operating Activities</i>	<u>(106,521)</u>
 <i>Cash Flows from Noncapital Financing Activities:</i>	
Transfers - In	266,000
Advances - In	225,000
Advances - Out	<u>(300,503)</u>
 Net Cash Used for Noncapital Financing Activities	 190,497
 Cash and Cash Equivalents at Beginning of Year	 <u>221,910</u>
 Cash and Cash Equivalents at End of Year	 <u><u>\$305,886</u></u>
 <b><i>Reconciliation of Operating Loss to Net Cash Provided by Operating Activities</i></b>	
 Operating Income	 (\$137,260)
 <i>Changes in Assets and Liabilities:</i>	
Decrease in Claims Payable	<u>30,739</u>
 <i>Net Cash Provided by Operating Activities</i>	 <u><u>(\$106,521)</u></u>
 See accompanying notes to the basic financial statements	



**Pickaway Ross Career & Technical Center**  
**Statement of Fiduciary Assets and Liabilities**  
**Agency Funds**  
**June 30, 2004**

<b>Assets</b>	
Equity in Pooled Cash and Cash Equivalents	<u>\$39,675</u>
<b>Total Assets</b>	<u><u>39,675</u></u>
<b>Liabilities</b>	
Undistributed Monies	<u>39,675</u>
<b>Total Liabilities</b>	<u><u>\$39,675</u></u>

See accompanying notes to the basic financial statements

Pickaway-Ross Career & Technical Center  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2004

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

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

The School District was established in 1970 through the cooperation of all school districts involved. The School District serves an area of approximately 1,090 square miles. It is located in Ross County, and includes the school districts within Ross and Pickaway Counties. It is staffed by 38 non-certificated employees and 142 certificated full-time teaching personnel who provide services to 1,079 students and other community members. The School District currently operates 2 instructional buildings.

*Reporting Entity:*

The School District is a jointly governed organization, legally separate from other organizations. The Board of Education of the School District is not directly elected, although no other school district appoints a voting majority of the Board. None of the school districts that appoint Board members are financially accountable for the School District.

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

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

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

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

The School District is associated with five organizations, three of which are defined as jointly governed organizations, one as a claims servicing pool, and one as an insurance purchasing pool. These organizations are the South Central Ohio Computer Association, Great Seal Education Network of Tomorrow, Pilasco-Ross Special Education Regional Resource Center, Ross County School Employees Insurance Consortium and the Ohio School Boards Association Workers' Compensation Group Rating Plan, respectively. These organizations are presented in Notes 17 and 18 to the basic financial statements.

Pickaway-Ross Career & Technical Center  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2004

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

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

**Fund Accounting**

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

**Governmental Funds**

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

**General Fund**

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

**Adult Education**

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

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

**Proprietary Funds**

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

**Internal Service Fund**

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

Pickaway-Ross Career & Technical Center  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2004

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

**Basis of Presentation**

The School District's basic financial statements consist of government-wide statements, including a statement of net assets and a statement of activities, and fund financial statements which provide a more detailed level of financial information.

**Government-wide Financial Statements**

The statement of net assets and the statement of activities display information about the School District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds.

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

**Fund Financial Statements**

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

**Measurement Focus**

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

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

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

Pickaway-Ross Career & Technical Center  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2004

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

**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 basis of accounting arise in the recognition of revenue, the recording of deferred revenue, and in the presentation of expenses versus expenditures.

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

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

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

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

**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, 2004, but which were levied to finance fiscal year 2005 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue. On governmental fund financial statements, receivables that will not be collected within the available period have also been reported as deferred revenue.

**Expenses/Expenditures**

On the accrual basis of accounting, expenses are recognized at the time they are incurred. The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable, except for (1) principal and interest on general long-term debt and capital lease obligations, which is recorded when due and (2) the costs of accumulated unpaid vacation, personal leave and sick leave are reported as fund liabilities in the period in which they will be liquidated with available financial resources rather than in the period earned by employees. Allocations of cost, such as depreciation and amortization, are not recognized in governmental funds.

Pickaway-Ross Career & Technical Center  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2004

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

**Budgetary Process**

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

The certificate of estimated resources may be amended during the year if projected increases or decreases in revenue are identified by the School District Treasurer. The amounts reported as the original budgeted amounts in the budgetary statements reflect the amounts in the certificate when the original appropriations were adopted. The amounts reported as the final budgeted amounts in the budgetary statements reflect the amounts in the final amended certificate issued during fiscal year 2004.

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

**Encumbrances**

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

**Cash and Investments**

Cash received by the School District is deposited into one of several bank accounts with individual fund balance integrity maintained. Balances of all funds are maintained in these accounts or are temporarily used to purchase certificates of deposit or investments. All investment earnings accrue to the General Fund except those specifically related to those funds deemed appropriate according to Board of Education policy. Interest earned amounted to \$80,977 all of which was recorded in the General Fund.

The School District records all its investments at fair value. For presentation on the balance sheet, investments of the cash management pool are considered to be cash equivalents. The School District has invested in the State Treasury Asset Reserve of Ohio (STAR Ohio) and repurchase agreements during fiscal year 2004. STAR Ohio is an investment pool managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price, which is the price the investment could be sold for on June 30, 2004.

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

Pickaway-Ross Career & Technical Center  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2004

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

**Capital Assets and Depreciation**

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

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

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

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

<u>Description</u>	<u>Estimated Lives</u>
Building and Improvements	30-40 years
Improvements other than buildings	10-20 years
Furniture, Fixtures and Equipment	5-20 years
Vehicles	5 years

**Interfund Balances**

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

**Compensated Absences**

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

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

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

Pickaway-Ross Career & Technical Center  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2004

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

**Accrued Liabilities and Long-Term Obligations**

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

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

**Net Assets**

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

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

**Fund Balance Reserves**

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

**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.

**Estimates**

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



Pickaway-Ross Career & Technical Center  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2004

**NOTE 3 - CHANGE IN ACCOUNTING PRINCIPLE AND RESTATEMENT OF FUND BALANCE/NET ASSETS**

For the fiscal year 2004, the School District has implemented Governmental Accounting Standards Board (GASB) Statement No.39, "Determining Whether Certain Organizations are Component Units." GASB Statement No. 39 is an amendment to GASB Statement No. 14 and provides additional guidance to determine whether certain organizations for which the primary government is not financially accountable should be reported as component units based on the nature and significance of their relationships with the primary government.

At June 30, 2004, the district does not have any organizations that qualify as a component unit of the primary government and therefore, there was no effect on fund balance as a result of implementing GASB 39.

Restatements: Modified restatements were made to reclassify the internal service activity previously reported within the general fund on the modified basis and correct accounting errors. Net Asset restatement amounts were to correct accounting errors related to intergovernmental payables.

These restatements had the following effects on fund balances of the major and non-major funds of the District as they were previously reported.

	General	Adult Education	Non- Major	Internal Service	Total
Fund Balances, June 30, 2003	\$2,975,265	(\$545,640)	\$41,682	\$0	\$2,471,307
Reclass of Internal Service Fund	188,425	0	0	(188,425)	0
Restatement Amount	114,287	(7,302)	(50,451)	0	56,534
Restated Fund Balances, June 30, 2003	<u>\$3,277,977</u>	<u>(\$552,942)</u>	<u>(\$8,769)</u>	<u>(\$188,425)</u>	<u>\$2,527,841</u>
Net Assets, June 30, 2003					\$3,416,573
Restatement Amount					<u>67,275</u>
Restated Net Assets, June 30, 2003					<u><u>\$3,483,848</u></u>

**NOTE 4 – ACCOUNTABILITY AND COMPLIANCE**

A. Accountability

At June 30, 2004, the Food Service, Adult Basic Ed, and Vocational Education Perkins Grant Special Revenue Funds had deficit fund balances of \$54,895, \$8,805, and \$75,754, respectively, which were created by the application of accounting principles generally accepted in the United States of America. The General Fund provides transfers to cover deficit balances; however, this is done when cash is needed rather than when accruals occur.

**NOTE 5 - BUDGETARY BASIS OF ACCOUNTING**

While the School District is reporting financial position, results of operations, and changes in fund balances on the basis of 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 Combined Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual (Budget Basis) – General Fund and Adult Education Fund are presented on the budgetary basis to provide a meaningful comparison of actual results with the budget.

Pickaway-Ross Career & Technical Center  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2004

**NOTE 5 – BUDGETARY BASIS OF ACCOUNTING (Continued)**

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/expenses for all funds (budget basis) rather than as a reservation of fund balance for governmental fund types.

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

Net Change in Fund Balance		
	General	Adult Ed
GAAP Basis	(\$623,565)	\$688,645
Adjustments:		
Revenue Accruals	875,061	(166,889)
Expenditure Accruals	(148)	(12,624)
Encumbrances	(121,035)	(72,159)
Budget Basis	\$130,313	\$436,982

**NOTE 6 - DEPOSITS AND INVESTMENTS**

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

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

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

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

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

Pickaway-Ross Career & Technical Center  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2004

**NOTE 6 - DEPOSITS AND INVESTMENTS (Continued)**

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

1. United States treasury notes, bills, bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the federal national mortgage association, federal home loan bank, federal farm credit bank, federal home loan mortgage corporation, government national mortgage association, and student loan marketing association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool (STAR Ohio);
7. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred eighty days from the date of purchase in an amount not to exceed twenty-five percent of the interim monies available for investment at any one time; and
8. Under limited circumstances, debt interests rated in either of the two highest rating classifications by at least two nationally recognized rating agencies.

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

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

At fiscal year end, the School District had \$750 in undeposited cash on hand which is included on the balance sheet of the School District as part of "equity in pooled cash and cash equivalents".

The following information classifies deposits and investments by categories of risk as defined in GASB Statement No. 3, *Deposits with Financial Institutions, Investments (including Repurchase Agreements) and Reverse Repurchase Agreements*.

*Deposits:* At fiscal year end, the carrying amount of the School District's deposits was \$2,681,641 and the bank balance was \$3,690,809. Of the bank balance, \$212,748 was covered by federal depository insurance and \$3,478,061 was uninsured and uncollateralized. Although the securities serving as collateral were held by the pledging financial institution's trust department in the School District's name and all State statutory requirements for the deposit of money had been followed, non-compliance with federal requirements could potentially subject the School District to a successful claim by the Federal Deposit Insurance Corporation.

Pickaway-Ross Career & Technical Center  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2004

**NOTE 6 - DEPOSITS AND INVESTMENTS (Continued)**

*Investments:* The School District's investments are required to be categorized to give an indication of the level of risk assumed by the School District at fiscal year end. Category 1 includes investments that are insured or registered or for which the securities are held by the School District or its agent in the School District's name. Category 2 includes uninsured and unregistered investments which are held by the counterparty's trust department or agent in the School District's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty, or by its trust department or agent but not in the School District's name. The School District's investments in STAR Ohio, an investment pool operated by the Ohio State Treasurer, is an unclassified investments since they are not evidenced by securities that exist in physical or book entry form.

	<u>Category 3</u>	<u>Fair Value</u>
Repurchase Agreement	\$591,045	\$591,045
STAR Ohio	<u>N/A</u>	<u>674,042</u>
Total Investments	<u>\$591,045</u>	<u>\$1,265,087</u>

The classification of cash and cash equivalents and investments on the basic financial statements is based on criteria set forth in GASB Statement No. 9, *Reporting Cash Flows of Proprietary and Non-Expendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting*.

A reconciliation between the classifications of cash and cash equivalents and investments on the basic financial statements and the classification of deposits and investments presented above per GASB Statement No. 3 is as follows:

	<u>Cash and Cash Equivalents/Deposits</u>	<u>Investments</u>
<i>GASB Statement No. 9</i>	\$3,947,478	\$0
Cash on Hand	(750)	0
Investments:		
Repurchase Agreement	(591,045)	591,045
STAR Ohio	<u>(674,042)</u>	<u>674,042</u>
<i>GASB Statement No. 3</i>	<u>\$2,681,641</u>	<u>\$1,265,087</u>

Pickaway-Ross Career & Technical Center  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2004

**NOTE 7 - PROPERTY TAXES**

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

Property taxes include amounts levied against all real, public utility and tangible personal property located in the School District. Property tax revenue received during calendar 2004 for real and public utility property taxes represents collections of calendar 2003 taxes. Property tax payments received during calendar 2004 for tangible personal property (other than public utility property) are for calendar 2004 taxes.

2003 real property taxes are levied after April 1, 2004, on the assessed value as of January 1, 2004, the lien date. Assessed values are established by State law at thirty-five percent of appraised market value.

Public utility tangible personal property currently is assessed at varying percentages of true value; public utility real property is assessed at thirty-five percent of true value. 2004 public utility property taxes became a lien December 31, 2003, are levied after April 1, 2004 and are collected in 2005 with real property taxes.

2003 tangible personal property taxes are levied after April 1, 2003, on the value as of December 31, 2003. Collections are made in 2003. Tangible personal property assessments are twenty-five percent of true value.

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

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

The assessed values upon which fiscal year 2004 taxes were collected are:

	2003 Second- Half Collections		2004 First- Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential and Other Real Estate	\$1,309,022,840	77.02%	\$1,336,028,490	77.24%
Public Utility	123,194,490	7.25%	113,541,680	6.57%
Tangible Personal Property	267,318,050	15.73%	280,039,202	16.19%
<b>Total Assessed Value</b>	<b>\$1,699,535,380</b>	<b>100.00%</b>	<b>\$1,729,609,372</b>	<b>100.00%</b>
Tax rate per \$1,000 of assessed valuation	\$3.20		\$3.20	

The School District receives property taxes from Pickaway, Ross and Hocking Counties. The county auditors periodically advance to the School District its portion of the taxes collected. Second-half real property tax payments collected by the counties by June 30, 2004, are available to finance fiscal year 2004 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable represents delinquent taxes outstanding and real property, tangible personal property, and public utility taxes, which became measurable as of June 30, 2004. 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, 2004, was \$345,244 in the General Fund.

Pickaway-Ross Career & Technical Center  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2004

**NOTE 8 - RECEIVABLES**

Receivables at June 30, 2004, consisted of property taxes, accounts (billings for user charged services, tuition and student fees), interest, interfund, and intergovernmental grants. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current fiscal year guarantee of federal funds.

A summary of the principal items of intergovernmental receivables follows:

	Amounts
Non-Major Funds:	
State Grants	\$2,259
Food Service	3,866
Total Non-Major Funds	6,125
Internal Service	30,338
Total Intergovernmental Receivables	\$36,463

**NOTE 9 - CAPITAL ASSETS**

Capital assets activity for the fiscal year ended June 30, 2004, was as follows:

	Ending Balance 06/30/03	Additions	Deletions	Ending Balance 06/30/04
<b>Governmental Activities</b>				
Capital Assets, Not Being Depreciated:				
Land	\$191,116	0	(4,748)	\$186,368
Total Capital Assets, Not Being Depreciated	191,116	0	(4,748)	186,368
Capital Assets Being Depreciated:				
Buildings and Improvements	5,311,523	0	0	5,311,523
Furniture and Equipment	3,337,769	180,777	(603,847)	2,914,699
Vehicles	132,650	4,500	(62,584)	74,566
Total Capital Assets, Being Depreciated	8,781,942	185,277	(666,431)	8,300,788
Less Accumulated Depreciation:				
Buildings and Improvements	(4,154,780)	(120,879)	0	(4,275,659)
Furniture and Equipment	(2,290,941)	(187,388)	593,043	(1,885,286)
Vehicles	(107,196)	(3,835)	62,584	(48,447)
Total Accumulated Depreciation	(6,552,917)	(312,102)	655,627	(6,209,392)
Total Capital Assets Being Depreciated, Net	2,229,025	(126,825)	(10,804)	2,091,396
Governmental Activities Capital Assets, Net	\$2,420,141	\$(126,825)	\$(15,552)	\$2,277,764

Pickaway-Ross Career & Technical Center  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2004

**NOTE 9 - CAPITAL ASSETS (Continued)**

\*Depreciation expense was charged to governmental functions as follows:

Instruction:	
Vocational	\$225,064
Adult/Continuing	708
Support Services:	
Pupil	22,649
Instructional Staff	2,749
Board of Education	43,683
Administration	1,470
Fiscal & Business	1,309
Operation and Maintenance of Plant	10,279
Pupil Transportation	3,085
Central	635
Non-Instructional Services	471
Total Depreciation Expense	<u><u>\$312,102</u></u>

**NOTE 10 - RISK MANAGEMENT**

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2004, the School District contracted with Indiana Insurance for fleet, liability, and property insurance and boiler and machinery coverage.

Coverages provided by these companies are as follows:

Building and Contents (\$5,000 deductible)	\$15,891,584
Boiler and Machinery (\$5,000 deductible)	20,000,000
Automobile Liability (\$100 deductible)	1,000,000
Uninsured Motorists (\$100 deductible)	1,000,000
Employee Benefits Liability (Aggregate)	500,000
General Liability (\$100 deductible)	
Per occurrence	2,000,000
Aggregate	5,000,000

Settled claims have not exceeded this commercial coverage in any of the past three years. There has been no significant change in coverage from last year.

For fiscal year 2004, the School District participated in the Ohio School Boards Association Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool (Note 18). The intent of the GRP is to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of the GRP. A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund". This "equity pooling" arrangement ensures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of Sheakley Uniserve provides administrative, cost control and actuarial services to the GRP.

Pickaway-Ross Career & Technical Center  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2004

**NOTE 10 - RISK MANAGEMENT (Continued)**

Medical/surgical and dental insurance is offered to employees through self-insurance accounted in an Internal Service Fund. The School District is a member of a claims servicing pool, consisting of fourteen school districts within Ross and Pickaway Counties, in which monthly premiums are paid to the fiscal agent who in turn pays the claims on the School District's behalf. The medical claims liability of \$206,965 reported in the internal service fund at June 30, 2004 is based on an estimate provided by the third party administrator and the requirements of GASB Statement No. 10, *Accounting and Financial Reporting for Risk Financing and Related Insurance Issues*, which requires that a liability for unpaid claim costs, including estimates of costs relating to incurred but not reported claims, be reported. The estimate was not affected by incremental claim adjustment expenses and does not include other allocated or unallocated claim adjustment expenses.

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

	Balance at Beginning of Year	Current Year Claims	Claims Payments	Balance at End of Year
2002	\$439,323	\$1,355,265	\$1,423,492	\$371,096
2003	371,096	1,087,560	1,282,430	176,226
2004	176,226	1,607,198	1,576,459	206,965

**NOTE 11 - DEFINED BENEFIT PENSION PLANS**

**School Employees Retirement System**

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

Plan members are required to contribute 10% of their annual covered salary and the Pickaway-Ross Career & Technical Center is required to contribute at an actuarially determined rate. The current rate is 14% of annual covered payroll. A portion of the School District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2004, 9.09 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by SERS's Retirement Board. The School District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2004, 2003, and 2002 were \$152,558, \$211,043, and \$59,136, respectively; 59% has been contributed for fiscal year 2003 and 100% for the fiscal years 2002 and 2001. \$62,742 represents the unpaid contribution for fiscal year 2004 and is recorded as a liability within the respective funds.



Pickaway-Ross Career & Technical Center  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2004

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

**State Teachers Retirement System**

The Pickaway-Ross Career & Technical Center contributes to the State Teachers Retirement System of Ohio (STRS), a cost-sharing multiple employer public employee retirement system administered by the State Teachers Retirement Board. STRS provides basic retirement benefits, disability, survivor, and health care benefits based on eligible service credit to members and beneficiaries. Chapter 3307 of the Ohio Revised Code establishes benefits. STRS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information for STRS. The report may be obtained by writing to the State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3771 or by calling (614)227-4090, or by visiting the STRS Ohio website at [www.strsoh.org](http://www.strsoh.org).

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

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. The Combined Plan offers features of the DC Plan and the DB Plan. In the Combined Plan, member contributions are allocated by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. Contributions in to 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.

The DB 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 31<sup>st</sup> year of earned Ohio service credit is calculated at 2.5%. An additional one-tenth of a percent is added to the calculation for 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 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.

The DC Plane 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 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 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 designed beneficiary is entitled to receive the member's account balance.

Member contributions for the Combined Plan Benefits 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.

Pickaway-Ross Career & Technical Center  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2004

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

Eligible faculty of Ohio 's public colleges and universities may choose to enroll in either STRS Ohio or an alternative retirement plan (SRP) offered by their employer. Employees have 120 days from their employment date to select a retirement plan.

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

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

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

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.

For fiscal year 2003 plan members were required to contribute 10% of their annual covered salary and the Pickaway-Ross Career & Technical Center was required to contribute 14%; 13% was the portion allocated to fund pension obligations. Contribution rates are established by STRS, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. The School District's required contributions for pension obligations to STRS for the fiscal years ended June 30, 2004, 2003, and 2002 were \$1,026,337, \$1,232,973, and \$807,361, respectively; 91% has been contributed for fiscal year 2004 and 100 percent for the fiscal years 2003 and 2002. \$95,814 represents the unpaid contribution for fiscal year 2004 and is recorded as a liability within the respective funds.

**C. Social Security System**

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System have an option to choose Social Security or the School Employees Retirement System/State Teachers Retirement System. As of June 30, 2004, four members of the Board of Education have elected Social Security. The Board's liability is 6.2 percent of wages paid.

**D. Early Retirement Incentive**

The School District has an Early Retirement Incentive program. Participation is open to any employees who are within the retirement range established by SERS or STRS. The School District will buy years of service credit for these employees if the incentive is taken when the employee becomes eligible under the program. The liability at June 30, 2004, has been recorded in the Statement of Net Assets. See Note 15.

Pickaway-Ross Career & Technical Center  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2004

**NOTE 12 - POSTEMPLOYMENT BENEFITS**

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

All STRS benefit recipients and sponsored dependents are eligible for health care coverage. The STRS Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium. By Ohio law, the cost of the coverage paid from STRS funds shall be included in the employer contribution rate, currently 14% of covered payroll. For the fiscal year ended June 30, 2004, the STRS Board allocated employer contributions equal to 1% of covered payroll to the Health Care Reserve Fund. For the School District, this amount equaled \$93,637 for fiscal year 2004.

STRS pays health care benefits from the Health Care Reserve Fund. At June 30, 2003, (the latest information available) the balance in the Fund was \$2.8 billion. For the year ended June 30, 2003, net health care costs paid by STRS were \$352,301,000 and STRS had 108,294 eligible benefit recipients.

For SERS, coverage is made available to service retirees with ten or more fiscal years of qualifying service credit, and to disability and survivor benefit recipients. Members retiring on or after August 1, 1989, with less than twenty-five years of service credit must pay a portion of their premium for health care. The portion is based on years of service up to a maximum of 75 percent of the premium.

After the allocation for basic benefits, the remainder of the employer's 14% contribution is allocated to providing health care benefits. For the fiscal year ended June 30, 2004, employer contributions to fund health care benefits were 4.91% of covered payroll. In addition, SERS levies a surcharge to fund health care benefits equal to 14% of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2004, the minimum pay was established at \$24,500. For the School District, the amount contributed to fund health care benefits, including the surcharge, during the 2004 fiscal year equaled \$120,978.

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

**NOTE 13 - EMPLOYEE BENEFITS**

**A. Compensated Absences**

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

**B. Insurance Benefits**

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

Pickaway-Ross Career & Technical Center  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2004

**NOTE 13 - EMPLOYEE BENEFITS (Continued)**

**C. Deferred Compensation**

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

**NOTE 14 - CAPITAL LEASES - LESSEE DISCLOSURE**

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

The capital asset acquired by the lease has been capitalized in the statement of net assets for governmental activities in the amount of \$593,091. This amount represents the present value of the minimum lease payments at the time of acquisition. A corresponding liability was recorded on the statement of net assets for governmental activities. Principal payments in fiscal year 2004 totaled \$53,309.

The following is a schedule of the future long-term minimum lease payments required under the capital leases and the present value of the minimum lease payments as of June 30, 2004:

Fiscal Year Ending June 30,	Principal & Interest
2005	\$37,990
2006	37,990
2007	37,990
Total	113,970
Less: Amount Representing Interest	(9,183)
Present Value of Net Minimum Lease Payments	\$104,787

**NOTE 15 - LONG-TERM OBLIGATIONS**

Long-term debt and other obligations at June 30, 2004 and the related transactions for the year then ended are summarized below:

	Principal Outstanding 6/30/03	Additions	Deductions	Principal Outstanding 6/30/04	Amount Due Within One Year
1994 Energy Conservation Bonds 5.75%	\$340,000	0	165,000	175,000	\$175,000
Capital Leases	158,096	0	53,309	104,787	32,609
Compensated Absences*	905,366	1,658,022	905,366	1,658,022	1,025,858
Total Long Term Obligations	\$1,403,462	1,658,022	1,123,675	1,937,809	\$1,233,467

\* Includes Early Retirement Incentive Liability – See Note 11 D.

Pickaway-Ross Career & Technical Center  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2004

**NOTE 15 - LONG-TERM OBLIGATIONS (Continued)**

*Energy Conservation Bonds* - On May 15, 1994, Pickaway-Ross Joint Vocational School District issued \$1,360,000 in unvoted general obligation bonds for the purpose of providing energy conservation measures for the School District, under the authority of Ohio Revised Code sections 133.06(G) and 3313.372. The bonds were issued for a ten year period with final maturity during fiscal year 2005. The debt will be retired from the debt service fund.

Capital leases will be paid from the General Fund. Compensated absences will be paid from the fund from which the employees' salaries are paid.

The School District's overall legal debt margin was \$155,489,843 with an energy conservation debt margin of \$152,618,184 and an unvoted debt margin of \$1,729,609 at June 30, 2004.

Principal and interest requirements to retire general obligation debt, including notes outstanding at June 30, 2004, are as follows:

Fiscal year Ending June 30,	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2005	\$175,000	\$10,063	\$185,063

**NOTE 16 - INTERFUND ACTIVITY**

As of June 30, 2004, receivables and payables that resulted from various interfund transactions were as follows:

Fund Type/Fund	Interfund Receivables	Interfund Payables
General Fund	\$312,376	\$0
Non-major Special Revenue Funds:		
Food Service	0	54,698
Knowledge Works Foundation	0	30,000
Post Secondary Vocational Ed.	0	2,678
Total Non-major Special Revenue	0	87,376
 Internal Service Fund	 0	 225,000
 Total All Funds	 \$312,376	 \$312,376

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

For the fiscal year ended June 30, 2004 transfers in and out that resulted from various interfund transactions were as follows:

Fund Type/Fund	Transfer From	Transfer To
General Fund	\$984,000	\$0
Major Special Revenue Fund:		
Adult Education	0	700,000
Non-major Special Revenue Fund:		
Food Service	0	18,000
Internal Service Fund	0	266,000
Total All Funds	\$984,000	\$984,000

The General Fund transferred monies to the other funds to subsidize such funds.

Pickaway-Ross Career & Technical Center  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2004

**NOTE 17 - JOINTLY GOVERNED ORGANIZATIONS**

*South Central Ohio Computer Association* - The School District is a participant in the South Central Ohio Computer Association (SCOCA) which is a computer consortium. SCOCA is an association of public school districts within the boundaries of Highland, Adams, Pike, Scioto, Brown, Ross, Vinton, Jackson and Lawrence Counties. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member school districts. The governing board of SCOCA consists of two representatives from each of the eight participating counties, two school treasurers, and a representative for the fiscal agent. SCOCA is not accumulating significant financial resources nor is it experiencing fiscal stress that may cause an additional financial benefit to or burden on members in the future. The School District paid SCOCA \$55,708 for services provided during the year. Financial information can be obtained from their fiscal agent, the Pike County Joint Vocational School District, Tonya Cooper, who serves as Treasurer, at P. O. Box 577, 175 Beaver Creek Road, Piketon, Ohio 45661.

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

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

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

**NOTE 18 - CLAIMS SERVICING AND INSURANCE PURCHASING POOLS**

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

*Ohio School Boards Association Workers' Compensation Group Rating Plan* - The School District participates in the Ohio School Boards Association Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool. The GRP's business and affairs are conducted by a three member Board of directors consisting of the President, the President-Elect and the Immediate Past President of the OSBA. The Executive Director of the OSBA, or his designee, serves as coordinator of the program. Each year, the participating school districts pay an enrollment fee to the GRP to cover the costs of administering the program.

Pickaway-Ross Career & Technical Center  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2004

**NOTE 19 - SET-ASIDE CALCULATIONS**

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

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

	Textbooks	Capital Acquisitions
Set-aside Cash Balance as of June 30, 2003	\$0	\$0
Current year set-aside requirement	355,739	355,739
Prior Year Carryover	(172,381)	(420,798)
Qualifying disbursements	(360,582)	(229,635)
Set-aside Balance Carried Forward to Future Years	(\$177,224)	(\$294,694)
Set-aside Reserve Balance as of June 30, 2004	\$0	\$0

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

**NOTE 20 - SCHOOL FUNDING COURT DECISION**

On December 11, 2002, the Ohio Supreme Court issued its latest opinion regarding the State’s school funding plan. The decision reaffirmed earlier decisions that Ohio’s current school-funding plan is unconstitutional. The Supreme Court relinquished jurisdiction over the case and directed “...the Ohio General Assembly to enact a school-funding scheme that is thorough and efficient...”

On March 4, 2003, the Plaintiffs filed a motion with the Common Pleas Court of Perry County requesting that such Court schedule and conduct a conference to address the State’s compliance with the orders of such Court and the Supreme Court. On May 16, 2003, the Ohio Supreme Court granted a Writ of Prohibition as filed by the State and ordered the Common Pleas Court of Perry County to dismiss the motion for a compliance conference. The Ohio Supreme Court further stated again its ruling made on December 11, 2002, which reaffirmed earlier decisions that Ohio’s current school-funding decision is unconstitutional and vacated its decision of September 6, 2001.

The School District is currently unable to determine what effect, if any, this decision will have on its future State funding and on its financial operations.

Pickaway-Ross Career & Technical Center  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2004

**NOTE 21 - CONTINGENCIES**

**A. Grants**

The School District received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 2004.

**NOTE 22 – SUSEQUENT EVENTS**

In July of 2004, the Pickaway Ross Career & Technical Center was approved for \$18 million in Ohio School Facilities for the purpose of renovations .



Pickaway-Ross Joint Vocational School District  
Ross County

Schedule of Federal Awards Expenditures  
For the Year Ended June 30, 2004

Federal Grantor/ Pass Through Grantor/ Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	In-Kind Receipts	Disbursements	In-Kind Disbursements
<b>United States Department of Agriculture</b>						
<i>Passed through the Ohio Department of Education</i>						
Nutrition Cluster:						
Food Distribution Program	NA	10.550	\$0	\$9,038	\$0	\$9,038
National School Lunch Program	051433 LLP4	10.555	45,525	0	45,525	0
<b>Total United States Department of Agriculture</b>			45,525	9,038	45,525	9,038
<b>United States Department of Education</b>						
<i>Direct from the Federal Agency</i>						
<i>Student Financial Aid Cluster</i>						
Federal Family Education Loans	N	84.032	223,742	0	223,742	0
Federal Pell Grant Program	N	84.063	183,432	0	183,432	0
Total Student Financial Aid Cluster			407,174	0	407,174	0
<i>Passed through Ohio Department of Education</i>						
Vocational Education: Basic Grants to State	015433-2O	84.048	467,795	0	418,727	0
Title II-A Consolidated	051433-TRS1	84.367	14,787	0	15,335	0
Adult and Community Education	051433-ABS1	84.002	98,703	0	98,703	0
Innovative Education Program Strategy	051433-C2S1	84.298	20,127	0	19,382	0
Safe & Drug Free Schools and Communities: State Grants	051433-DRS1	84.186	2,894	0	2,277	0
<b>Total United States Department of Education</b>			1,011,480	0	961,598	0
<b>Total Federal Financial Assistance</b>			\$1,057,005	\$9,038	\$1,007,123	\$9,038

Legend:

NA = Not Available

N = Direct Assistance

See accompanying notes to the Schedule of Federal Awards Expenditures.

Pickaway Ross Career and Technical Center  
Notes to Schedule of Federal Awards Expenditures  
For the Fiscal Year Ended June 30, 2004

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**NOTE A - SIGNIFICANT ACCOUNTING POLICIES**

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

**NOTE B - FOOD DISTRIBUTIONS**

Nonmonetary assistance is reported in the schedule at the fair market value of the commodities received and disbursed. Monies are commingled with State grants. It is assumed federal monies are expended first. At June 30, 2004, the District had no significant food commodities in inventory.

# BALESTRA, HARR & SCHERER CPAs, INC.

CERTIFIED PUBLIC ACCOUNTANTS

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## **REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

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

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Pickaway Ross Career and Technical Center (the District), as of and for the year ended June 30, 2004, which collectively comprise the District's basic financial statements as listed in the table of contents, and have issued our report thereon dated December 17, 2004. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

### **Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the basic financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

### **Compliance and Other Matters**

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

Members of the Board

Pickaway Ross Career and Technical Center

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS  
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENTAL  
AUDITING STANDARDS*

Page 2

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

Balestra, Harr & Scherer CPAs, Inc.

Balestra, Harr & Scherer CPAs, Inc.

December 17, 2004

# BALESTRA, HARR & SCHERER CPAs, INC.

CERTIFIED PUBLIC ACCOUNTANTS

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

Members of the Board  
Pickaway Ross Career and Technical Center  
895 Crouse Chapel Road  
P.O. Box 577  
Chillicothe, Ohio 45601

### **Compliance**

We have audited the compliance of Pickaway Ross Career and Technical Center (the District) with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement* that are applicable to its major federal program for the year ended June 30, 2004. The District's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

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

In our opinion, the District complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended June 30, 2004.

Members of the Board

Pickaway Ross Career and Technical Center

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

Page 2

### **Internal Control Over Compliance**

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

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

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

Balestra, Harr & Scherer CPAs, Inc.

Balestra, Harr & Scherer CPAs, Inc.

December 17, 2004

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

PICKAWAY ROSS CAREER AND TECHNICAL CENTER  
ROSS COUNTY  
JUNE 30, 2004

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

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

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

PICKAWAY ROSS CAREER AND TECHNICAL CENTER  
ROSS COUNTY  
JUNE 30, 2004

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

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

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





**Auditor of State  
Betty Montgomery**

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**PICKAWAY-ROSS CAREER & TECHNICAL CENTER  
ROSS COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
FEBRUARY 10, 2005**