

Pickaway Ross Career & Technical Center

Chillicothe, Ohio

Basic Financial Statements

Single Audit

July 1, 2005 Through June 30, 2006

Fiscal Year Audited Under GAGAS: 2006



BALESTRA, HARR & SCHERER
CERTIFIED PUBLIC ACCOUNTANTS

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

TELEPHONE (740) 289-4131

FAX (740) 289-3639

www.bhscpas.com



Mary Taylor, CPA
Auditor of State

Board of Education
Pickaway-Ross Career and Technical Center
895 Crouse Chapel Rd.
Chillicothe, Ohio 45601-9009

We have reviewed the *Independent Auditor's Report* of the Pickaway-Ross Career and Technical Center, Ross County, prepared by Balestra, Harr & Scherer, CPAs, Inc., for the audit period July 1, 2005 to June 30, 2006. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

Mary Taylor

Mary Taylor, CPA
Auditor of State

February 21, 2007

This Page is Intentionally Left Blank.

Pickaway-Ross Career & Technical Center
 Chillicothe, Ohio
 Basic Financial Statements
 For the Fiscal Year Ended June 30, 2006

Independent Auditor’s Report.....	1
Management’s Discussion and Analysis	3
Basic Financial Statements	
Government-Wide Financial Statements:	
Statement of Net Assets	10
Statement of Activities.....	11
Fund Financial Statements:	
Balance Sheet-Governmental Funds.....	12
Reconciliation of Total Governmental Fund Balances To Net Assets of Governmental Activities.....	13
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds.....	14
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	15
Statement of Revenues, Expenditures and Changes in Fund Balance Budget and Actual (Budget Basis) – General Fund	16
Statement of Revenues, Expenditures and Changes in Fund Balance Budget and Actual (Budget Basis) – Adult Education Fund.....	17
Statement of Fund Net Assets – Government Activities – Internal Service Fund.....	18
Statement of Revenues, Expenses, and Changes in Fund Net Assets Governmental Activities – Internal Service Fund.....	19
Statement of Cashflows – Governmental Activities – Internal Service Fund	20
Statement of Fiduciary Assets and Liabilities – Agency Funds	21
Notes to the Basic Financial Statements.....	22
Schedule of Federal Awards Receipts and Expenditures	44
Notes to Schedule of Federal Awards Receipts and Expenditures.....	45
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With <i>Government Auditing Standards</i>	46
Report on Compliance With Requirements Applicable to Each Major Program and on Internal Control Over Compliance in Accordance With OMB Circular A-133.....	48
Schedule of Findings OMB Circular §.505	50

BALESTRA, HARR & SCHERER, CPAs, INC.

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

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

Member American Institute of Certified Public Accountants

Ohio Society of Certified Public Accountants

Independent Auditor's Report

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

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

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated November 17, 2006 on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The accompanying schedule of federal awards expenditures is presented for purposes of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

As described in Note 3, the District implemented Governmental Accounting Standards Board (GASB) Statement No. 42, *Accounting and Financial Reporting for Impairment of Capital assets and for Insurance Recoveries*, GASB Statement No. 46, *Net Assets Restricted by Enabling Legislation*, and GASB Statement No. 47, *Accounting for Termination Benefits*.

A handwritten signature in cursive script that reads "Balestra, Harr & Scherer". The signature is written in dark ink on a light-colored background.

Balestra, Harr & Scherer, CPAs, Inc.

November 17, 2006

Pickaway Ross Career & Technical Center
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2006

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, 2006. The intent of this discussion and analysis is to look at the School District's financial performance as a whole; readers should also review the notes to the basic financial statements and financial statements to enhance their understanding of the School District's financial performance.

FINANCIAL HIGHLIGHTS

- The School District's assets exceeded its liabilities at June 30, 2006 by \$18,976,322.
- General revenues accounted for \$26,530,453 in revenue or 83 percent of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$5,532,171 or 17 percent of total revenues of \$32,062,624.
- The School District had \$17,063,780 in expenses related to governmental activities; all of these expenses were offset by program specific charges for services and sales, grants, or contributions.
- The School District has three major funds; the General fund, the Adult Education fund and the Construction fund. All governmental funds had total revenues and other financing sources of \$29,767,109 and expenditures and other financing uses of \$23,616,802.

USING THIS ANNUAL FINANCIAL REPORT

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

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

Pickaway Ross Career & Technical Center
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2006

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

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

Pickaway Ross Career & Technical Center
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2006

Proprietary Funds. Proprietary fund reporting focuses on the determination of operating receipts over (under) operating disbursements and changes in net assets. Proprietary funds are classified as enterprise or internal service and the School District' only has an internal service fund which is used to account for their self-insurance program for employ medical and dental claims. This fund is reported using the cash basis of accounting.

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

THE SCHOOL DISTRICT AS A WHOLE

As stated previously, the Statement of Net Assets provides the perspective of the School District as a whole. Table 1 provides a summary of the School District's net assets for 2006 compared to 2005.

Table 1
Net Assets

	2006	2005
Assets:		
Current Assets	\$27,510,919	\$8,558,721
Capital Assets, Net	2,434,650	2,218,464
Total Assets	29,945,569	10,777,185
Liabilities:		
Current and Other Liabilities	5,592,207	5,199,324
Long-Term Liabilities	5,377,040	1,600,383
Total Liabilities	10,969,247	6,799,707
Net Assets:		
Invested in Capital Assets, Net of Related Debt	2,364,874	2,102,624
Restricted	19,458,880	469,037
Unrestricted	(2,847,432)	1,405,817
Total Net Assets	\$18,976,322	\$3,977,478

Current assets, restricted net assets, and total net assets of the District increased \$18,952,198, \$18,989,843, and \$14,998,844 respectively. These increases are primarily due to an Ohio School Facilities Commission (OSFC) grant received by the District and monies received from debt issuance. Long term liabilities increased \$3,776,657. This increase is due to debt financing issued by the District as part of the OSFC grant requirement.

Pickaway Ross Career & Technical Center
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2006

Table 2 shows the changes in net assets for the fiscal year ended June 30, 2006 as compared to 2005.

Table 2
Change in Net Assets

	2006	2005
Revenues		
Program Revenues:		
Charges for Services and Services	\$2,196,684	\$1,657,380
Operating Grants and Contributions	3,335,487	3,640,064
Total Program Revenues	5,532,171	5,297,444
General Revenues:		
Property Taxes	3,626,541	3,683,724
Grants and Entitlements Restricted to Classroom Facilities Projects	14,039,938	0
Grants and Entitlements Not Restricted to Specific Programs	8,364,567	8,336,498
Investment Earnings	338,164	92,001
Gifts & Donations	548	0
Payments in Lieu of Taxes	3,511	3,524
Miscellaneous	157,164	181,487
Total General Revenues	26,530,453	12,297,234
Total Revenues	32,062,624	17,594,678
Program Expenses		
Instruction		
Regular	800,899	599,654
Vocational	10,480,951	10,583,499
Adult/Continuing	100,927	114,262
Support Services		
Pupils	1,597,339	1,544,537
Instructional Staff	1,232,279	1,172,256
Board of Education	66,124	79,068
Administration	421,391	471,292
Fiscal	541,027	457,495
Operation & Maintenance of Plant	921,419	917,807
Pupil Transportation	11,012	12,767
Central	47,016	25,640
Operation of Non-Instructional Services	825,047	590,386
Extracurricular Activities	12,626	7,618
Interest & Fiscal Charges	5,723	10,454
Total Expenses	17,063,780	16,586,735
Net Assets at Beginning of Year	3,977,478	2,969,535
Change in Net Assets	14,998,844	1,007,943
Net Assets at End of Year	\$18,976,322	\$3,977,478

Pickaway Ross Career & Technical Center
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2006

The most significant increase was in grants and entitlements restricted to classroom facilities projects, which increased \$14,039,938 from \$0 in fiscal year 2005. This increase was due to the Ohio School Facilities Commission grant received by the School District.

Governmental Activities

Grants and entitlements restricted to specific programs and grants and entitlements not restricted to specific programs comprised 44 percent and 26 percent of revenue for governmental activities of the Pickaway-Ross Career & Technical Center for fiscal year 2006 and represent the largest sources of revenue.

Property taxes comprised 11 percent of revenue for governmental activities during 2006.

As indicated by governmental program expenses, total instruction is emphasized. Total instruction comprised 67 percent of governmental program expenses with support services comprising 28 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

	2006		2005	
	Total Cost of Services	Net Cost of Services	Total Cost of Services	Net Cost of Services
Instruction	\$11,382,777	\$8,806,233	\$11,297,415	\$8,177,948
Support Services	4,837,607	3,423,888	4,680,862	3,125,725
Operation of Non-instructional Services	825,047	(716,682)	590,386	(32,277)
Extracurricular Activities	12,626	12,447	7,618	7,441
Interest and Fiscal Charges	5,723	5,723	10,454	10,454
Total Expenses	\$17,063,780	\$11,531,609	\$16,586,735	\$11,289,291

THE SCHOOL DISTRICT'S FUNDS

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

The Construction fund is a new fund implemented in fiscal year 2006 for the purpose of accounting for all monies received and expended in connection with contracts entered into by the School District for the building and equipping of classroom facilities. This fund had revenues and other financing sources of \$11,703,476 and expenditures of \$5,742,925 resulting in a \$5,960,551 fund balance at June 30, 2006. This \$5,960,551 increase was due primarily to the issuance of debt in conjunction with the OSFC grant received by the District.

Pickaway Ross Career & Technical Center
 Management's Discussion and Analysis
 For the Fiscal Year Ended June 30, 2006

The General fund had \$13,107,005 in revenues and other financing sources and \$13,580,843 in expenditures and transfers. The General fund balance decreased \$473,838 primarily due to increased costs and transfers of funds to the Ohio School Facilities Commission Maintenance Requirement Special Revenue fund and the Employee Benefits Internal Service fund.

The Adult Education fund had revenues of \$2,976,338 and expenditures of \$2,494,303 resulting in a \$482,035 increase in fund balance. The increase in fund balance is due to cost saving measures which decreased expenditures.

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 2006, there were several revisions to the General Fund budget. In part, these revisions decreased estimated resources by \$10,581 and increased estimated appropriations by \$191,143. The Treasurer has been given the authority by the Board of Education to make line item adjustments within the budget. The General fund's ending unobligated cash balance was \$174,317 above the final budgeted amount.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of fiscal year 2006, the School District had \$2,434,650 invested in land, buildings and improvements, furniture and equipment, and vehicles. Table 4 shows the fiscal year 2006 balances compared to 2005.

Table 4
 Capital Assets
 (Net of Accumulated Depreciation)

	Governmental Activities	
	2006	2005
Land	\$186,368	\$186,368
Buildings and Improvements	909,531	981,773
Furniture and Equipment	1,308,039	1,020,379
Vehicles	30,712	29,944
Totals	\$2,434,650	\$2,218,464

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

Pickaway Ross Career & Technical Center
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2006

Debt

At June 30, 2006, the School District had \$4,366,180 outstanding in QZAB Bonds. The QZAB bonds were issued during fiscal year 2006 as part of the required financing for an Ohio School Facilities Commission grant the School District received.

At June 30, 2006 the School District's overall legal debt margin was \$164,843,293 with an unvoted debt margin of \$1,831,592. 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 finances and to show the School District's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact Ben Vanhorn, Treasurer, Pickaway Ross Career & Technical Center, 895 Crouse Chapel Road, Chillicothe, Ohio 45601.

Pickaway-Ross Career & Technical Center
Statement of Net Assets
As of June 30, 2006

	Governmental Activities
ASSETS:	
Current Assets:	
Equity in Pooled Cash and Cash Equivalents	\$ 10,782,848
Cash and Cash Equivalents with Fiscal Agents	119,606
Accrued Interest Receivable	51,945
Accounts Receivable	423,838
Intergovernmental Receivable	12,396,262
Taxes Receivable	3,736,420
Noncurrent Assets:	
Non-Depreciable Capital Assets	186,368
Capital Assets, net	2,248,282
Total Assets	29,945,569
 LIABILITIES:	
Current Liabilities:	
Accounts Payable	155,715
Accrued Wages and Benefits	1,136,185
Contracts Payable	36,855
Intergovernmental Payable	454,480
Matured Compensated Absences Payable	38,392
Deferred Revenue	3,299,069
Claims Payable	471,511
Noncurrent Liabilities:	
Due Within One Year	582,716
Due in More Than One Year	4,794,324
Total Liabilities	10,969,247
 NET ASSETS:	
Invested in Capital Assets, Net of Related Debt	2,364,874
Restricted for Capital Outlay	18,342,285
Restricted for Other Purposes	1,116,595
Unrestricted	(2,847,432)
Total Net Assets	\$ 18,976,322

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

Pickaway-Ross Career & Technical Center
Statement of Activities
For the Fiscal Year Ended June 30, 2006

	<u>Expenses</u>	<u>Program Revenues</u>		<i>Net (Expense)</i> <u>Revenue and</u> <u>Changes in</u> <u>Net Assets</u>
		<u>Charges for</u> <u>Services and Sales</u>	<u>Operating Grants</u> <u>and Contributions</u>	
Governmental Activities:				
Instruction:				
Regular	\$ 800,899	\$ 11,296	\$ -	\$ (789,603)
Vocational	10,480,951	648,068	1,827,061	(8,005,822)
Adult/Continuing	100,927	26,809	63,310	(10,808)
Support Services:				
Pupils	1,597,339	282,975	649,614	(664,750)
Instructional Staff	1,232,279	127,858	275,260	(829,161)
Board of Education	66,124	538	-	(65,586)
Administration	421,391	17,035	27,526	(376,830)
Fiscal	541,027	8,697	2,753	(529,577)
Operation and Maintenance of Plant	921,419	12,910	-	(908,509)
Pupil Transportation	11,012	2,331	5,505	(3,176)
Central	47,016	717	-	(46,299)
Operation of Non-Instructional Services	825,047	1,057,271	484,458	716,682
Extracurricular Activities	12,626	179	-	(12,447)
Debt Service:				
Interest and Fiscal Charges	5,723	-	-	(5,723)
<i>Total Governmental Activities</i>	<u>\$ 17,063,780</u>	<u>\$ 2,196,684</u>	<u>\$ 3,335,487</u>	<u>(11,531,609)</u>
		General Revenues:		
		Property Taxes Levied for:		
				3,626,541
			General Purposes	
			Grants and Entitlements Restricted	
			to Classroom Facilities Projects	14,039,938
			Grants and Entitlements not Restricted	
			to Specific Programs	8,364,567
			Gifts and Donations not Restricted	
			to Specific Programs	548
			Investment Earnings	338,184
			Payments in Lieu of Taxes	3,511
			Miscellaneous	157,164
			<i>Total General Revenues</i>	<u>26,530,453</u>
			Change in Net Assets	14,998,844
			<i>Net Assets at Beginning of Year</i>	<u>3,977,478</u>
			<i>Net Assets at End of Year</i>	<u>\$ 18,976,322</u>

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

Pickaway-Ross Career & Technical Center
Balance Sheet
Governmental Funds
As of June 30, 2006

	<u>General Fund</u>	<u>Adult Education Fund</u>	<u>Construction Fund</u>	<u>All Other Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS:					
Current Assets:					
Equity in Pooled Cash and Cash Equivalents	\$ 3,257,953	\$ 708,180	\$ 5,976,307	\$ 461,172	\$ 10,403,612
Accrued Interest Receivable	30,846	-	21,099	-	51,945
Accounts Receivable	38	423,800	-	-	423,838
Interfund Receivable	114,407	-	-	-	114,407
Intergovernmental Receivable	-	-	12,385,379	-	12,385,379
Taxes Receivable	3,736,420	-	-	-	3,736,420
Total Assets	<u>7,139,664</u>	<u>1,131,980</u>	<u>18,382,785</u>	<u>461,172</u>	<u>27,115,601</u>
LIABILITIES:					
Current Liabilities:					
Accounts Payable	94,486	49,872	-	11,357	155,715
Accrued Wages and Benefits	1,032,094	67,057	-	37,034	1,136,185
Contracts Payable	-	-	36,855	0	36,855
Interfund Payable	-	-	-	114,407	114,407
Intergovernmental Payable	368,821	71,180	-	14,479	454,480
Matured Compensated Absences Payable	38,392	-	-	-	38,392
Deferred Revenue	3,406,067	-	12,385,379	-	15,791,446
Total Liabilities	<u>4,939,860</u>	<u>188,109</u>	<u>12,422,234</u>	<u>177,277</u>	<u>17,727,480</u>
FUND BALANCES:					
Reserved:					
Reserved for Encumbrances	133,306	75,012	-	270,866	479,184
Reserved for Property Taxes	330,353	-	-	-	330,353
Unreserved, Undesignated/(Deficit), Reported in:					
General Fund	1,736,145	-	-	-	1,736,145
Special Revenue Funds	-	868,859	-	13,029	881,888
Capital Projects Funds	-	-	5,960,551	-	5,960,551
Total Fund Balances	<u>2,199,804</u>	<u>943,871</u>	<u>5,960,551</u>	<u>283,895</u>	<u>9,388,121</u>
Total Liabilities and Fund Balances	<u>\$ 7,139,664</u>	<u>\$ 1,131,980</u>	<u>\$ 18,382,785</u>	<u>\$ 461,172</u>	<u>\$ 27,115,601</u>

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

Pickaway-Ross Career & Technical Center
Reconciliation of Total Governmental Fund Balances to
Net Assets of Governmental Activities
As of June 30, 2006

Total Governmental Fund Balances		\$ 9,388,121
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		2,434,650
Other long-term assets are not available to pay for current period expenditures and therefore are deferred in the funds.		
Taxes	106,998	
Intergovernmental	<u>12,385,379</u>	
Total		12,492,377
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.		38,214
Long-Term Liabilities, including loans, capital lease obligations and the long-term portion of compensated absences are not due and payable in the current period and therefore are not reported in the funds.		
QZAB Loan	(4,366,180)	
Compensated Absences	(941,084)	
Capital Lease Obligations	<u>(69,776)</u>	
Total		<u>(5,377,040)</u>
Net Assets of Governmental Activities		\$ <u>18,976,322</u>

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

Pickaway-Ross Career & Technical Center
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2006

	<u>General Fund</u>	<u>Adult Education Fund</u>	<u>Construction Fund</u>	<u>All Other Governmental Funds</u>	<u>Total Governmental Funds</u>
REVENUES:					
Property and Other Local Taxes	\$ 3,619,973	\$ -	\$ -	\$ -	\$ 3,619,973
Intergovernmental	8,950,869	1,120,811	1,654,559	1,613,059	13,339,298
Interest	209,267	-	128,917	-	338,184
Tuition and Fees	135,699	1,120,591	-	-	1,256,290
Rent	4,898	45,026	-	-	49,924
Gifts and Donations	548	1,231	-	17,500	19,279
Customer Sales and Services	38,707	676,248	-	175,516	890,471
Payments in Lieu of Taxes	3,511	-	-	-	3,511
Miscellaneous	143,533	12,431	-	1,200	157,164
Total Revenues	13,107,005	2,976,338	1,783,476	1,807,275	19,674,094
EXPENDITURES:					
Current:					
Instruction:					
Regular	800,039	-	-	-	800,039
Vocational	9,118,817	1,482,279	189,105	461,583	11,251,784
Adult/Continuing	-	-	-	89,949	89,949
Support Services:					
Pupils	545,249	844,011	-	180,416	1,569,676
Instructional Staff	761,779	168,013	-	249,784	1,179,576
Board of Education	31,875	-	-	-	31,875
Administration	437,674	-	-	44,419	482,093
Fiscal	540,570	-	-	6,384	546,954
Operation and Maintenance of Plant	930,909	-	-	-	930,909
Pupil Transportation	8	-	-	7,919	7,927
Central	46,547	-	-	-	46,547
Operation of Non-Instructional Services	29,948	-	-	758,277	788,225
Extracurricular Activities	12,626	-	-	-	12,626
Debt Service:					
Principal	46,064	-	5,553,820	-	5,599,884
Interest	5,723	-	-	-	5,723
Total Expenditures	13,307,828	2,494,303	5,742,925	1,798,731	23,343,787
Excess of Revenues Over (Under) Expenditures	(200,823)	482,035	(3,959,449)	8,544	(3,669,693)
OTHER FINANCING SOURCES (USES):					
Transfers-In	-	-	-	173,015	173,015
Proceeds from Issuance of Notes and Bonds	-	-	9,920,000	-	9,920,000
Transfers - Out	(273,015)	-	-	-	(273,015)
Total Other Financing Sources (Uses)	(273,015)	-	9,920,000	173,015	9,820,000
Net Change in Fund Balances	(473,838)	482,035	5,960,551	181,559	6,150,307
Fund Balances at Beginning of Year	2,673,642	461,836	-	102,336	3,237,814
Fund Balances at End of Year	\$ 2,199,804	\$ 943,871	\$ 5,960,551	\$ 283,895	\$ 9,388,121

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

Pickaway-Ross Career & Technical Center
Reconciliation of the Statement of Revenues, Expenditures and Changes
in Fund Balances of Governmental Funds to the Statement of Activities
For the Fiscal Year Ended June 30, 2006

Net Change in Fund Balances - Total Governmental Funds \$ 6,150,307

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	536,222	
Current Year Depreciation	(316,618)	
Total	219,604	219,604

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	(3,418)	
Total	(3,418)	(3,418)

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

Taxes	6,568	
Intergovernmental	12,385,378	
Total	12,391,946	12,391,946

Proceeds from the bonds and loans in the statement of revenues, expenditures and changes in fund balances that are reported as other financing sources are not reported as revenues in the statement of activities. (9,920,000)

Repayment of bonds and loan 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. 5,553,820

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. 46,064

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. 17,062

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.

Decrease in Compensated Absences	543,459	
Total	543,459	543,459

Net Change in Net Assets of Governmental Activities **\$ 14,998,844**

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

Pickaway Ross Career & Technical Center
Statement of Revenues, Expenditures and Changes
In Fund Balance - Budget and Actual
(Budget Basis)
General Fund
For the Fiscal Year Ended June 30, 2006

	Budgeted Amounts			Variance with Final Budget: Positive (Negative)
	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	
Total Revenues and Other Sources	\$ 13,025,694	\$ 13,015,113	\$ 13,274,467	\$ 259,354
Total Expenditures and Other Uses	13,436,403	13,627,546	13,712,583	(85,037)
Net Change in Fund Balance	(410,709)	(612,433)	(438,116)	174,317
Fund Balance, July 1, 2005	3,404,354	3,404,354	3,404,354	-
Prior Year Encumbrances Appropriated	138,574	138,574	138,574	-
Fund Balance, June 30, 2006	<u>\$ 3,132,219</u>	<u>\$ 2,930,495</u>	<u>\$ 3,104,812</u>	<u>\$ 174,317</u>

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

Pickaway Ross Career & Technical Center
Statement of Revenues, Expenditures and Changes
In Fund Balance - Budget and Actual
(Budget Basis)
Adult Education Fund
For the Fiscal Year Ended June 30, 2006

	Budgeted Amounts			Variance with Final Budget: Positive (Negative)
	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	
Total Revenues and Other Sources	\$ 3,085,000	\$ 2,185,000	\$ 2,755,065	\$ 570,065
Total Expenditures and Other Uses	<u>3,453,000</u>	<u>2,558,612</u>	<u>2,558,612</u>	<u>-</u>
Net Change in Fund Balance	(368,000)	(373,612)	196,453	570,065
Fund Balance, July 1, 2005	368,278	368,278	368,278	-
Prior Year Encumbrances Appropriated	<u>58,877</u>	<u>58,877</u>	<u>58,877</u>	<u>-</u>
Fund Balance, June 30, 2006	<u><u>\$ 59,155</u></u>	<u><u>\$ 53,543</u></u>	<u><u>\$ 623,608</u></u>	<u><u>\$ 570,065</u></u>

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

Pickaway Ross Career & Technical Center
Statement of Fund Net Assets
Governmental Activities - Internal Service Fund
As of June 30, 2006

	<u>Internal Service Fund</u>
ASSETS:	
Current Assets:	
Equity in Pooled Cash and Cash Equivalents	\$ 379,236
Cash and Cash Equivalents with Fiscal Agents	119,606
Intergovernmental Receivable	<u>10,883</u>
 <i>Total Assets</i>	 <u><u>509,725</u></u>
 LIABILITIES:	
Current Liabilities:	
Claims Payable	<u>471,511</u>
 <i>Total Liabilities</i>	 <u>471,511</u>
 NET ASSETS:	
Unrestricted	<u><u>\$ 38,214</u></u>

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

Pickaway Ross Career & Technical Center
Statement of Revenues, Expenses and
Changes In Fund Net Assets
Governmental Activities - Internal Service Fund
For the Fiscal Year Ended June 30, 2006

	Internal Service Fund
Operating Revenues:	
Charges for Services	\$ 2,022,318
<i>Total Operating Revenue</i>	2,022,318
Operating Expenses:	
Purchased Services	124,434
Claims Expense	1,988,670
<i>Total Operating Expenses</i>	2,113,104
<i>Operating Loss</i>	(90,786)
Non-Operating Revenues:	
Interest	7,848
<i>Income (Loss) Before Transfers</i>	(82,938)
Transfer - In	100,000
Change in Net Assets	17,062
Net Assets at Beginning of Year	21,152
Net Assets at End of Year	\$ 38,214

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

Pickaway Ross Career & Technical Center
Statement of Cash Flows
Governmental Activities - Internal Service Fund
For the Fiscal Year Ended June 30, 2006

	Internal Service Fund
<i>Increase (Decrease) in Cash and Cash Equivalents</i>	
<i>Cash Flows from Operating Activities:</i>	
Cash Received from Transaction with Other Funds	\$ 2,022,318
Cash Payments for Vendor Payments	(124,434)
Cash Payments for Claims	(1,742,051)
<i>Net Cash Used for Operating Activities</i>	155,833
 <i>Cash Flows from Noncapital Financing Activities:</i>	
Short Term Loan from Other Funds	57,049
Advances - Out	(100,000)
 Net Cash Used for Noncapital Financing Activities	 (42,951)
 Cash and Cash Equivalents at Beginning of Year	 385,960
 Cash and Cash Equivalents at End of Year	 \$ 498,842
 <i>Reconciliation of Operating Loss to Net Cash Provided by Operating Activities</i>	
 Operating Loss	 \$ (90,786)
 <i>Changes in Assets and Liabilities:</i>	
Increase in Claims Payable	246,619
 <i>Net Cash Provided by Operating Activities</i>	 \$ 155,833

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

Pickaway Ross Career & Technical Center
Statement of Fiduciary Assets and Liabilities
Agency Funds
As of June 30,2006

Assets	
Equity in Pooled Cash and Cash Equivalents	<u>\$46,055</u>
Total Assets	<u><u>\$46,055</u></u>
Liabilities	
Undistributed Monies	<u>46,055</u>
Total Liabilities	<u><u>\$46,055</u></u>

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

Pickaway-Ross Career & Technical Center
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2006

NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY

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

The School District was established in 1970 through the cooperation of all school districts involved. The School District serves an area of approximately 1,090 square miles. It is located in Ross County, and includes the school districts within Ross and Pickaway Counties. It is staffed by 34 non-certificated employees and 125 certificated full-time teaching personnel who provide services to 1,142 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, 2006

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Fund Accounting

The School District's accounts are maintained on the basis of funds, each of which is considered a separate accounting entity. Fund accounting is designed to demonstrate legal compliance and to aid management by segregating transactions related to specific School District'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 are the School District's major governmental funds:

General Fund

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

Adult Education

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

Construction

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

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

Proprietary Funds

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

Pickaway-Ross Career & Technical Center
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2006

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Internal Service Fund

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

Fiduciary Funds

Fiduciary fund reporting focuses on net assets and changes in net assets. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private purpose trust funds and agency funds. The School District's only fiduciary funds are agency funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. In accordance with GASB 34, fiduciary funds are not included in the government-wide statements. The District's only agency funds are funds used to account for student-managed activities.

Basis of Presentation

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

Government-wide Financial Statements

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

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

Fund Financial Statements

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

Pickaway-Ross Career & Technical Center
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2006

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus

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

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

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

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

Basis of Accounting

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

Revenues – Exchange and Non-exchange Transactions

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

Non-exchange transactions, in which the School District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. Revenue from property taxes is recognized in the fiscal year for which taxes are levied. (See Note 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.

Pickaway-Ross Career & Technical Center
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2006

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Deferred Revenue

Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied. Property taxes for which there is an enforceable legal claim as of June 30, 2006, but which were levied to finance fiscal year 2007 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue. On governmental fund financial statements, receivables that will not be collected within the available period have also been reported as deferred revenue.

Expenses/Expenditures

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

Budgetary Process

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

The certificate of estimated resources may be amended during the year if projected increases or decreases in revenue are identified by the School District Treasurer. The amounts reported as the original budgeted amounts in the budgetary statements reflect the amounts in the certificate when the original appropriations were adopted. The amounts reported as the final budgeted amounts in the budgetary statements reflect the amounts in the final amended certificate issued during fiscal year 2006.

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

Encumbrances

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

Pickaway-Ross Career & Technical Center
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2006

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cash and Investments

Cash received by the School District is deposited into one of several bank accounts with individual fund balance integrity maintained. Balances of all funds are maintained in these accounts or are temporarily used to purchase certificates of deposit or investments. All investment earnings accrue to the General Fund except those specifically related to those funds deemed appropriate according to Board of Education policy. Interest earned during fiscal year 2006 was \$338,184, which was credited to the General fund and the Construction fund in the amounts of \$209,267 and \$128,917 respectively.

The School District records all its investments at fair value. For presentation on the financial statements, investments of the cash management pool are considered to be cash equivalents. The School District has invested in the State Treasury Asset Reserve of Ohio (STAR Ohio) and repurchase agreements during fiscal year 2006. 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, 2006.

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

The School District has \$119,606 in a bank account set aside for the self insurance program which is recorded as "Cash and Cash Equivalents with Fiscal Agents."

Capital Assets and Depreciation

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

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

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

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

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

Interfund Balances

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

Pickaway-Ross Career & Technical Center
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2006

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Compensated Absences

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

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

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

Accrued Liabilities and Long-Term Obligations

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

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

Net Assets

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

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

Fund Balance Reserves

Reserved fund balances indicate that portion of fund balance, which is not available for current appropriation or is legally segregated for a specific use. Fund balances are reserved for encumbrances 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 balance reflected for Governmental Funds are available for use within the specific purpose of those funds.

Pickaway-Ross Career & Technical Center
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2006

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Interfund Transactions

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

Estimates

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

NOTE 3 - CHANGE IN ACCOUNTING PRINCIPLES

For the fiscal year 2006, the School District implemented GASB Statement No. 42, *Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries*, GASB Statement No. 46, *Net Assets Restricted by Enabling Legislation*, and GASB Statement No. 47, *Accounting for Termination Benefits*. GASB Statement No. 42 establishes accounting and financial reporting standards for impairment of capital assets. GASB Statement No. 46 requires that limitations on the use of net assets imposed by enabling legislation be reported as restricted net assets. GASB Statement No. 47 establishes accounting standards for termination benefits. The application of these new standards did not have a material effect on the financial statements, nor did their implementation require a restatement of prior year balances.

NOTE 4 – COMPLIANCE

The General had expenditures plus encumbrances in excess of appropriations at June 30, 2006 in the amount of \$85,037. The School District does not appropriate advances from the General Fund, which were \$114,408, and are not required to be appropriated.

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 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.

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

Pickaway-Ross Career & Technical Center
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2006

NOTE 5 – BUDGETARY BASIS OF ACCOUNTING (Continued)

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

Net Change in Fund Balance		
	General	Adult Education
GAAP Basis	(\$473,838)	\$482,035
Adjustments:		
Revenue Accruals	167,462	(221,273)
Expenditure Accruals	21,956	20,269
Encumbrances	(153,696)	(84,578)
Budget Basis	(\$438,116)	\$196,453

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 monies may be deposited or invested in the following securities:

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

Pickaway-Ross Career & Technical Center
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2006

NOTE 6 - DEPOSITS AND INVESTMENTS (Continued)

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

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

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

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

Deposits: Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The District's policy for deposits is any balance not covered by depository insurance will be collateralized by the financial institutions with pledged securities. As of June 30, 2006, \$3,412,845 of the District's bank balance of \$4,727,776 was exposed to custodial risk because it was uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the District's name.

Investments: At June 30, 2006, the School District had the following investments:

	Fair Value	Weighted Average Maturity (Yrs.)
Repurchase Agreement	\$5,281,270	< 1 year
STAR Ohio	1,851,403	< 1 year
Total Fair Value	\$7,132,673	

Pickaway-Ross Career & Technical Center
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2006

NOTE 6 - DEPOSITS AND INVESTMENTS (Continued)

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

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

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

The District limits their investments to Repurchase Agreements and STAR Ohio. Investments in STAR Ohio were rated AAAM by Standard & Poor's.

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

The District's investment policy allows investments in Repurchase Agreements, Certificates of Deposit or within financial institutions within the State of Ohio as designated by the Federal Reserve Board. The District has invested 100% in investments with no weighted maturity. More than 5 percent of the School District's investments are in Star Ohio and Repurchase Agreements. These investments were 74% and 26%, respectively, of the School District's total investments as of June 30, 2006.

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

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

NOTE 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 2006 for real and public utility property taxes represents collections of calendar 2005 taxes. Property tax payments received during calendar 2006 for tangible personal property (other than public utility property) are for calendar 2006 taxes.

2005 real property taxes are levied after April 1, 2006, on the assessed value as of January 1, 2006, the lien date. Assessed values are established by State law at thirty-five percent of appraised market value.

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. 2006 public utility property taxes became a lien December 31, 2005, are levied after April 1, 2006 and are collected in 2007 with real property taxes.

2005 tangible personal property taxes are levied after April 1, 2005, on the value as of December 31, 2005. Collections are made in 2006. 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.

Pickaway-Ross Career & Technical Center
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2006

NOTE 7 - PROPERTY TAXES (Continued)

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 2006 taxes were collected are:

	2005 Second- Half Collections		2006 First- Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential and Other Real Estate	\$1,426,322,770	80.60%	\$1,513,999,590	82.66%
Public Utility	114,772,590	6.48%	121,770,370	6.65%
Tangible Personal Property	<u>228,629,095</u>	<u>12.92%</u>	<u>195,822,179</u>	<u>10.69%</u>
Total Assessed Value	<u><u>\$1,769,724,455</u></u>	<u><u>100.00%</u></u>	<u><u>\$1,831,592,139</u></u>	<u><u>100.00%</u></u>
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, 2006, are available to finance fiscal year 2006 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable represents delinquent taxes outstanding and real property, tangible personal property, and public utility taxes which became measurable as of June 30, 2006. 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, 2006, was \$330,353 in the General Fund.

NOTE 8 - RECEIVABLES

Receivables at June 30, 2006, 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:

	<u>Amount</u>
Major Capital Projects Fund:	
Construction	\$ 12,385,379
Non-major Internal Service Fund:	
Employee Benefits	<u>10,883</u>
Total Intergovernmental Receivable	<u><u>\$ 12,396,262</u></u>

Pickaway-Ross Career & Technical Center
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2006

NOTE 9 - CAPITAL ASSETS

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

	Ending Balance 06/30/05	Additions	Deletions	Ending Balance 06/30/06
Governmental Activities				
Capital Assets, Not Being Depreciated				
Land	\$ 186,368	\$ -	\$ -	\$ 186,368
Total Capital Assets, Not Being Depreciated	<u>186,368</u>	<u>-</u>	<u>-</u>	<u>186,368</u>
Capital Assets Being Depreciated:				
Buildings and Improvements	5,311,523	-	-	5,311,523
Furniture and Equipment	3,132,592	529,494	(32,589)	3,629,497
Vehicles	84,294	6,728	-	91,022
Total Capital Assets Being Depreciated	<u>8,528,409</u>	<u>536,222</u>	<u>(32,589)</u>	<u>9,032,042</u>
Less Accumulated Depreciation:				
Buildings and Improvements	(4,329,750)	(72,242)	-	(4,401,992)
Furniture and Equipment	(2,112,213)	(238,416)	29,171	(2,321,458)
Vehicles	(54,350)	(5,960)	-	(60,310)
Total Accumulated Depreciation	<u>(6,496,313)</u>	<u>(316,618)</u>	<u>29,171</u>	<u>(6,783,760)</u>
Total Capital Assets Being Depreciated, Net	<u>2,032,096</u>	<u>219,604</u>	<u>(3,418)</u>	<u>2,248,282</u>
Governmental Activities Capital Assets, Net	<u>\$ 2,218,464</u>	<u>\$ 219,604</u>	<u>\$ (3,418)</u>	<u>\$ 2,434,650</u>

Depreciation expense was charged to governmental functions as follows:

Instruction:	
Adult/Continuing	\$ 609
Vocational	241,384
Support Services:	
Pupils	21,977
Instructional Staff	2,030
Board of Education	34,249
Administration	1,243
Fiscal	977
Operation and Maintenance of Plant	10,595
Pupil Transportation	3,085
Central	469
Total Depreciation Expense	<u>\$ 316,618</u>

Pickaway-Ross Career & Technical Center
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2006

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 2006, the School District contracted with Indiana Insurance for fleet, liability, and property insurance and boiler and machinery coverage.

Coverages provided by this company are as follows:

Building and Contents (\$1,000 deductible)	\$18,893,759
Boiler and Machinery (\$5,000 deductible)	20,000,000
Automobile Liability (\$100 deductible)	1,000,000
Uninsured Motorists (\$250 Comprehensive, \$500 Collision deductibles)	1,000,000
Employee Benefits Liability (\$1,000)	1,000,000
General Liability (\$100 deductible)	
Per occurrence	1,000,000
Aggregate	2,000,000

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

For fiscal year 2006, 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.

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 \$471,511 reported in the internal service fund at June 30, 2006 is based on an estimate provided by the third party administrator and the requirements of GASB Statement No. 10, *Accounting and Financial Reporting for Risk Financing and Related Insurance Issues*, which requires that a liability for unpaid claim costs, including estimates of costs relating to incurred but not reported claims, be reported. The estimate was not affected by incremental claim adjustment expenses and does not include other allocated or unallocated claim adjustment expenses.

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

	Balance at Beginning of Year	Current Year Claims	Claims Payments	Balance at End of Year
2005	206,965	1,622,454	1,604,527	224,892
2006	224,892	1,988,670	1,742,051	471,511

Pickaway-Ross Career & Technical Center
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2006

NOTE 11 - DEFINED BENEFIT PENSION PLANS

A. 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. It is also posted on SERS' website, www.ohsers.org, under Forms and Publications.

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 2006, 11.7 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, 2006, 2005, and 2004 were \$161,756, \$218,769, and \$152,558, respectively; 52% has been contributed for fiscal year 2006 and 100% for the fiscal years 2005 and 2004. \$78,090 represents the unpaid contribution for fiscal year 2006 and is recorded as a liability within the respective funds.

B. State Teachers Retirement System

State Teachers Retirement System of Ohio (STRS Ohio) is a cost-sharing, multiple-employer public employee retirement system. STRS Ohio is a statewide retirement plan for licensed teachers and other faculty members employed in the public schools of Ohio or any school, college, university, institution or other agency controlled, managed and supported, in whole or in part, by the state or any political subdivision thereof.

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

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

Pickaway-Ross Career & Technical Center
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2006

NOTE 11 - DEFINED BENEFIT PENSION PLANS (Continued)

B. State Teachers Retirement System (Continued)

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

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

Eligible faculty of Ohio's public colleges and universities may choose to enroll in either STRS Ohio or an alternative retirement plan (ARP) 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 benefit or a lump-sum payment in addition to the original retirement allowance. Effective April 11, 2005, a reemployed retiree may alternatively receive a refund of member contributions with interest before age 65, once employment is terminated.

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

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

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

Chapter 3307 of the Revised Code provides statutory authority for member and employer contributions. Contribution rates are established by STRS, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers; 13% of which was the portion used to fund pension obligations. The School District's required contributions for pension obligations to STRS for the fiscal years ended June 30, 2006, 2005, and 2004 were \$1,551,462, \$1,076,650, and \$1,026,337, respectively; 91% has been contributed for fiscal year 2006 and 100% for fiscal years 2005 and 2004. \$145,370 represents the unpaid contribution for fiscal year 2006 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, 2006, four members of the Board of Education have elected Social Security. The Board's liability is 6.2 percent of wages paid.

Pickaway-Ross Career & Technical Center
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2006

NOTE 11 - DEFINED BENEFIT PENSION PLANS (Continued)

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. There was no liability under this program as of June 30, 2006.

NOTE 12 - POSTEMPLOYMENT BENEFITS

State Teachers Retirement System of Ohio (STRS Ohio) provides access to health care coverage to retirees who participated in the Defined Benefit or Combined Plans and their dependents. Coverage under the current program includes hospitalization, physicians' fees, prescription drugs and partial reimbursement of monthly Medicare Part B premiums. Pursuant to the Revised Code, the State Teachers Retirement Board (the board) has discretionary authority over how much, if any, of the associated health care costs will be absorbed by STRS Ohio. All benefit recipients pay a portion of the health care cost in the form of a monthly premium.

The Revised Code grants authority to STRS Ohio to provide health care coverage to eligible benefit recipients, spouses and dependents. By Ohio law, health care benefits are not guaranteed and the cost of the coverage paid from STRS Ohio funds shall be included in the employer contribution rate, currently 14% of covered payroll.

The Retirement Board allocates employer contributions to the Health Care Stabilization Fund from which health care benefits are paid. For the fiscal year ended June 30, 2005 (the latest available), the board allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. For the School District, this amount equaled \$114,678 for fiscal year 2006.

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

The Ohio Revised Code gives SERS the discretionary authority to provide postretirement health care to retirees and their dependents. Coverage is made available to service retirees with ten or more fiscal years of qualifying service credit, disability and survivor benefit recipients. Effective January 1, 2004, all retirees and beneficiaries are required to pay a portion of their premium for health care. The portion is based on years of service, Medicare eligibility and retirement status.

After the allocation for basic benefits, the remainder of the employer's 14% contribution is allocated to providing health care benefits. At June 30, 2006, the healthcare allocation is 2.3%. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, prorated for partial service credit. For fiscal year 2006, the minimum pay was established at \$35,800. The surcharge, added to the unallocated portion of the 14% employer contribution rate, provides for maintenance of the asset target level for the health care fund. For the School District, the amount contributed to fund health care benefits, including the surcharge, during the 2006 fiscal year equaled \$81,134.

Health care benefits are financed on a pay-as-you-go basis. Net health care costs for the year ending June 30, 2005 (the most recent available) were \$178,221,113. The target level for the health care fund is 150% of the projected claims less premium contributions for the next fiscal year. As of June 30, 2005, the value of the health care fund was \$267.5 million, which is about 168% of next year's projected net health care costs of \$158,776,151. On the basis of actuarial projections, the allocated contributions will be insufficient, in the long term, to provide for a health care reserve equal to at least 150% of estimated annual net claim costs. The number of participants eligible to receive benefits is 58,123.

Pickaway-Ross Career & Technical Center
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2006

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.

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

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

The capital assets acquired by the leases have been capitalized in the statement of net assets for governmental activities in the amount of \$240,340. This amount represents the present value of the minimum lease payments at the time of acquisition. A corresponding liability was recorded on the statement of net assets for governmental activities. Principal payments in fiscal year 2006 totaled \$46,064.

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, 2006:

Fiscal Year Ending June 30,	Principal & Interest
2007	53,547
2008	13,797
2009	7,069
Total	74,413
Less: Amount Representing Interest	(4,637)
Present Value of Net Minimum Lease Payments	\$69,776

Pickaway-Ross Career & Technical Center
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2006

NOTE 15 - LONG-TERM OBLIGATIONS

Long-term debt and other obligations at June 30, 2006 and the related transactions for the year then ended are summarized below:

	Principal Outstanding 6/30/05	Additions	Deductions	Principal Outstanding 6/30/06	Amount Due Within One Year
OASBO Loan	\$0	\$4,700,000	\$4,700,000	\$0	\$0
QZAB Bonds	0	5,220,000	853,820	4,366,180	272,886
Capital Leases	115,840	0	46,064	69,776	48,404
Compensated Absences	1,484,543	941,084	1,484,543	941,084	261,426
Total Long Term Obligations	\$1,600,383	\$10,861,084	\$7,084,427	\$5,377,040	\$582,716

OASBO Loan – During fiscal year 2006, the School District entered into an agreement to borrow \$4,700,000 from OASBO for the portion of financing required as part of an Ohio School Facilities Commission grant the School District received. The loan was to mature in 2023 at a total cost including interest and administrative fees of \$8,137,646. The School District subsequently entered into a more favorable debt agreement to issue QZAB bonds and the OASBO loan was repaid during the fiscal year with the proceeds of the QZAB bonds.

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

Amortization of the above debt is as follows:

	Principal	Interest	Total
2007	\$ 272,886	\$ -	\$ 272,886
2008	272,886	-	272,886
2009	272,886	-	272,886
2010	272,886	-	272,886
2011	272,886	-	272,886
2012-2016	1,364,432	-	1,364,432
2017-2021	1,364,432	-	1,364,432
2022	272,886	-	272,886
	<u>\$ 4,366,180</u>	<u>\$ -</u>	<u>\$ 4,093,294</u>

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 \$164,843,293 and an unvoted debt margin of \$1,831,592 at June 30, 2006.

Pickaway-Ross Career & Technical Center
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2006

NOTE 16 - INTERFUND ACTIVITY

As of June 30, 2006, receivables and payables that resulted from various interfund transactions were as follows:

Fund Type/Fund	Interfund Receivables	Interfund Payables
General Fund	\$114,407	\$0
Non-major Special Revenue Funds:		
(006) Food Service	0	86,234
(413) Post Secondary	0	24,573
(461) Business MGMT Tech Prep	0	3,600
Total Non-major Special Revenue	0	114,407
 Total All Funds	 \$114,407	 \$114,407

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

For the fiscal year ended June 30, 2006 transfers in and out that resulted from various interfund transactions were as follows:

Fund Type/Fund	Transfer From	Transfer To
General Fund	\$273,015	
(024) Internal Service	0	100,000
(034) OSFC Maintenance	0	173,015
Total All Funds	\$273,015	\$273,015

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

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 \$52,137 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.

Pickaway-Ross Career & Technical Center
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2006

NOTE 17 - JOINTLY GOVERNED ORGANIZATIONS (Continued)

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.

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.

Pickaway-Ross Career & Technical Center
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2006

NOTE 19 - SET-ASIDE CALCULATIONS (Continued)

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

	Textbooks	Capital Acquisitions
Set-aside Cash Balance as of June 30, 2005	\$0	\$0
Current year set-aside requirement	358,991	358,991
Prior Year Carryover	(129,387)	(335,937)
Qualifying disbursements	(460,496)	(404,204)
Set-aside Balance Carried Forward to Future Years	(\$230,892)	(\$381,150)
Set-aside Reserve Balance as of June 30, 2006	\$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 - CONTINGENCIES

A. Grants

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

NOTE 21 – CONTRACTUAL COMMITMENT

As of June 30, 2006, the School District had contract purchase commitments for school facilities renovations as follows:

Contractor	Contract Amount	Payments	Balance at 6/30/2006
Burgess & Niple	\$ 1,151,734	\$ 14,250	\$ 1,137,484
Total	\$ 1,151,734	\$ 14,250	\$ 1,137,484

NOTE 22 – NET ASSETS RESTRICTED BY ENABLING LEGISLATION

As of June 30, 2006, of the School District's \$19,458,880 restricted net assets, \$0 were restricted by enabling legislation.

Pickaway Ross Career & Technical Center
Ross County

Schedule of Federal Awards Receipts and Expenditures
For the Year Ended June 30, 2006

Federal Grantor/ Pass Through Grantor/ Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Non-Cash Receipts	Disbursements	Non-Cash Disbursements
United States Department of Agriculture						
<i>Passed through Ohio Department of Education</i>						
<i>Nutrition Cluster:</i>						
National School Lunch	LLP4	10.555	\$ 53,538	\$ -	\$ 53,538	\$ -
Total Nutrition Cluster			53,538	-	53,538	-
Food Distribution Program	NA	10.550	-	8,635	-	8,635
Total United States Department of Agriculture			53,538	8,635	53,538	8,635
United States Department of Education						
<i>Direct from the Federal Agency</i>						
<i>Student Financial Aid Cluster</i>						
Federal Family Education Loans	NA	84.032	321,596	-	321,596	-
Federal Pell Grant Program	NA	84.063	197,716	-	197,716	-
Total Student Financial Aid Cluster			519,312	-	519,312	-
<i>Passed through Ohio Department of Education</i>						
Adult Basic Education	ABS1	84.002	106,237	-	106,237	-
VOCED Basic Grant	20C1	84.048	429,081	-	427,969	-
Safe & Drug Free Schools and Communities: State Grants	DRS1	84.186	7,979	-	6,948	-
Inovative Education Program Strategy	C2S1	84.298	9,604	-	9,297	-
Improving Teacher Quality State Grants	TRS1	84.367	12,690	-	10,927	-
Total United States Department of Education			1,084,903	-	1,080,690	-
Total Federal Financial Assistance			\$ 1,138,441	\$ 8,635	\$ 1,134,228	\$ 8,635

N/A - Not Available

See accompanying notes to the schedule of federal awards expenditures

Pickaway Ross Career and Technical Center
Notes to Schedule of Federal Awards Receipts and Expenditures
For the Fiscal Year Ended June 30, 2006

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 Organization*. 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, 2006, the District had no significant food commodities in inventory.

BALESTRA, HARR & SCHERER, CPAs, INC.

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

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

Member American Institute of Certified Public Accountants

Ohio Society of Certified Public Accountants

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

Members of the 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, 2006, which collectively comprise the District's basic financial statements as listed in the table of contents, and have issued our report thereon dated November 17, 2006 wherein we indicated the District implemented GASB Statements No. 42, 46, and 47. 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 financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance 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 *GOVERNMENT 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.

A handwritten signature in cursive script that reads "Balestra, Harr & Scherer". The signature is written in black ink on a light-colored background.

Balestra, Harr & Scherer, CPAs, Inc.

November 17, 2006

BALESTRA, HARR & SCHERER, CPAs, INC.

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

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

Member American Institute of Certified Public Accountants

Ohio Society of Certified Public Accountants

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

Members of the Board
Pickaway Ross Career and Technical Center
895 Crouse Chapel Road
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, 2006. 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 occurred with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program. 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, 2006.

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

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 the 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, regulations, contracts, and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be 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 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.

November 17, 2006

SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 SECTION .505

PICKAWAY ROSS CAREER AND TECHNICAL CENTER
ROSS COUNTY
JUNE 30, 2006

1. SUMMARY OF AUDITOR'S RESULTS

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

SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 SECTION .505

PICKAWAY ROSS CAREER AND TECHNICAL CENTER
ROSS COUNTY
JUNE 30, 2006

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

Finding Number	None
----------------	------

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

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



Mary Taylor, CPA
Auditor of State

PICKAWAY-ROSS CAREER AND TECHNICAL CENTER
ROSS COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
MARCH 6, 2007