

Pickaway-Ross Career and Technology Center
Ross County
Single Audit
For the Fiscal Year Ended June 30, 2015



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Dave Yost • Auditor of State

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

We have reviewed the *Independent Auditor's Report* of the Pickaway Ross Career and Technical Center, Ross County, prepared by Millhuff-Stang, CPA, Inc., for the audit period July 1, 2014 through June 30, 2015. 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.

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost
Auditor of State

April 22, 2016

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Pickaway-Ross Career and Technology Center
Ross County
Table of Contents
For the Fiscal Year Ended June 30, 2015

Title	Page
Independent Auditor’s Report	1
Management’s Discussion and Analysis	4
Basic Financial Statements:	
Government-Wide Financial Statements:	
Statement of Net Position	12
Statement of Activities	13
Fund Financial Statements:	
Balance Sheet – Governmental Funds	14
Reconciliation of Total Governmental Fund Balances to Net Position of Governmental Activities	15
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds.....	16
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities.....	17
Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual (Budget Basis) – General Fund	18
Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual (Budget Basis) – Adult Education Fund.....	19
Statement of Assets and Liabilities – Agency Funds.....	20
Notes to the Basic Financial Statements.....	21
Required Supplementary Information:	
Schedule of the Center’s Proportionate Share of Net Pension Liability-Last Two Fiscal Years	48
Schedule of the Center Contributions – Last Ten Fiscal Years	49
Schedule of Federal Awards Expenditures.....	50
Notes to the Schedule of Federal Awards Expenditures.....	51
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>	52
Report on Compliance For Each Major Federal Program and on Internal Control Over Compliance Required by OMB Circular A-133	54
Schedule of Findings and Questioned Costs OMB Circular A-133 Section .505.....	56

Independent Auditor's Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Pickaway-Ross Career and Technology Center, Ross County, Ohio (the Center), as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Center's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Center's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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 Pickaway-Ross Career and Technology Center, Ross County, Ohio, as of June 30, 2015, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 22 to the financial statements, during 2015, the Center adopted new accounting guidance in Governmental Accounting Standards Board (GASB) Statement No. 68, "Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27" and GASB Statement No. 71, "Pension Transition for Contributions Made Subsequent to the Measurement Date—an amendment of GASB Statement No. 68." The 2015 financial statements have been restated due to implementation of these pronouncements. Our opinion is not modified with respect to these matters.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the schedule of the Center's proportionate share of the net pension liability, and the schedule of Center contributions on pages 4 through 11, 48, and 49, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Center's basic financial statements. The schedule of federal awards expenditures, as required by Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The schedule of federal awards expenditures is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of federal awards expenditures is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 22, 2016 on our consideration of the Center's internal control over financial reporting and on 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Center's internal control over financial reporting and compliance.



Natalie Millhuff-Stang, CPA, CITP
President/Owner
Millhuff-Stang, CPA, Inc.

January 22, 2016

Pickaway-Ross Career and Technology Center
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2015
Unaudited

The Pickaway-Ross Career and Technology Center's (the Center) discussion and analysis of the annual financial statements provide a review of the financial performance for the fiscal year ended June 30, 2015. The intent of this discussion and analysis is to look at the Center's financial performance as a whole; readers should also review the notes to the basic financial statements and financial statements to enhance their understanding of the Center's financial performance.

Financial Highlights

- The Center's assets and deferred outflows of resources exceeded its liabilities and deferred inflows of resources at June 30, 2015 by \$4,888,698.
- General revenues accounted for \$11,987,255 in revenue or 59 percent of all revenues. Program specific revenues in the form of charges for services and sales, and grants and contributions accounted for \$8,388,376 or 41 percent of total revenues of \$20,375,631.
- The Center had \$19,476,682 in expenses related to governmental activities; \$8,388,376 of these expenses were offset by program specific charges for services and sales, and grants and contributions, while the remainder of these expenses were offset by general revenues.
- The Center has two major funds: the General Fund and the Adult Education Fund. All governmental funds had total revenues and other financing sources of \$20,814,789 and expenditures and other financing uses of \$19,697,557.

Using this Annual Report

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

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

Reporting the Center as a Whole

Government-Wide Financial Statements

The analysis of the Center as a whole begins on page 5. These statements provide information that will help the reader to determine whether the Center is financially improving or declining as a result of the year's financial activities. These statements include all assets, liabilities and deferred inflows/outflows of resources using the accrual basis of accounting similar to the accounting used by private sector companies. All current year revenues and expenses are taken into account regardless of when cash is received or paid.

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

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

Pickaway-Ross Career and Technology Center
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2015
Unaudited

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

Reporting the Center's Most Significant Funds

Fund Financial Statements

The analysis of the Center's funds begins on page 10. Fund financial statements provide detailed information about the Center's major funds – not the Center as a whole. Some funds are required by State law and bond covenants. Other funds may be established by the Treasurer with approval from the Board to help control, manage and report money received for a particular purpose or to show that the Center is meeting legal responsibilities for use of grants. The Center's major funds are the General Fund and Adult Education Fund.

Governmental Funds

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

Fiduciary Fund

The Center only has agency funds, which is used to account for student-managed activities and Federal student loan and grants administered by the Center. All of the Center's fiduciary activities are reported in a separate statement of fiduciary assets and liabilities. We exclude these activities from the Center's other financial statements because the Center cannot use these assets to finance its operations. The Center is responsible for ensuring that the assets reported in these funds are used for their intended purposes. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. Fiduciary funds use the accrual basis of accounting.

Notes to the Basic Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

The Center as a Whole

As stated previously, the statement of net position provides the perspective of the Center as a whole. Table 1 provides a summary of the Center's net position for 2015 compared to 2014.

Pickaway-Ross Career and Technology Center
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2015
Unaudited

Table 1
Net Position
Governmental Activities

	2015	2014*
<i>Assets</i>		
Current and Other Assets	\$23,126,598	\$20,402,142
Capital Assets, Net	17,421,650	18,364,269
Total Assets	40,548,248	38,766,411
Deferred Outflows of Resources	1,620,137	1,354,399
<i>Liabilities</i>		
Other Liabilities	2,266,541	1,601,030
Long-Term Liabilities	25,527,845	30,015,769
Total Liabilities	27,794,386	31,616,799
Deferred Inflows of Resources	9,485,301	4,514,262
<i>Net Position</i>		
Net Investment in Capital Assets	15,511,444	16,117,117
Restricted	4,788,773	4,096,619
Unrestricted (Deficit)	(15,411,519)	(16,223,987)
Total Net Position	\$4,888,698	\$3,989,749

*As restated. See note 22 of the notes to the basic financial statements for additional information.

Current and other assets increased \$2,724,456. This increase was primarily due to increases in cash and cash equivalents, accounts receivable, and intergovernmental receivable. Cash increased due to an excess of revenues received over expenses paid. Accounts receivable increased due to changes in processing procedures over adult education accounts and due to an increase in students in the adult education program. Intergovernmental receivable increased due to a new grant program that wasn't fully drawn by year-end. Capital assets of the Center decreased \$942,619 primarily as a result of depreciation expense and deletions, which was partially offset by capital asset additions. Deferred outflows of resources increased due to an increase in employer contributions made subsequent to the measurement date of the Center's net pension liability, which is discussed further below.

Current and other liabilities increased \$665,511 due to increases in accounts payables and accrued wages and benefits. Accounts payable increased due to timing of measurement dates and due to large tuition overages. Accrued wages and benefits increased due to an increase in accrued wages due to pay date timing and due to the recognition of bonuses at year-end as accruals. Long-term liabilities decreased \$4,487,924. This decrease is primarily due to principal payments on capital leases and due to a decrease in net pension liability estimates.

During 2015, the Center adopted GASB Statement 68, "Accounting and Financial Reporting for Pensions—an Amendment of GASB Statement 27," which significantly revises accounting for pension costs and liabilities. For reasons discussed below, many end users of these financial statements will gain a clearer understanding of the Center's actual financial condition by adding deferred inflows related to pension and the net pension liability to the reported net position and subtracting deferred outflows related to pension.

Pickaway-Ross Career and Technology Center
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2015
Unaudited

Governmental Accounting Standards Board Standards are national and apply to all government financial reports prepared in accordance with generally accepted accounting principles. When accounting for pension costs, GASB 27 focused on a funding approach. This approach limited pension costs to contributions annually required by law, which may or may not be sufficient to fully fund each plan's net pension liability. GASB 68 takes an earnings approach to pension accounting; however, the nature of Ohio's statewide pension systems and state law governing those systems requires additional explanation in order to properly understand the information presented in these statements.

Under the new standards required by GASB 68, the net pension liability equals the Center's proportionate share of each plan's collective:

1. Present value of estimated future pension benefits attributable to active and inactive employees' past service,
2. Minus plan assets available to pay these benefits.

GASB notes that pension obligations, whether funded or unfunded, are part of the "employment exchange" – that is, the employee is trading his or her labor in exchange for wages, benefits, and the promise of a future pension. GASB noted that the unfunded portion of this pension promise is a present obligation of the government, part of a bargained-for benefit to the employee, and should accordingly be reported by the government as a liability since they received the benefit of the exchange. However, the Center is not responsible for certain key factors affecting the balance of this liability. In Ohio, the employee shares the obligation of funding pension benefits with the employer. Both employer and employee contribution rates are capped by State statute. A change in these caps requires action of both Houses of the General Assembly and approval of the Governor. Benefit provisions are also determined by State statute. The employee enters the employment exchange with the knowledge that the employer's promise is limited not by contract but by law. The employer enters the exchange also knowing that there is a specific, legal limit to its contribution to the pension system. In Ohio, there is no legal means to enforce the unfunded liability of the pension system as against the public employer. State law operates to mitigate/lessen the moral obligation of the public employer to the employee, because all parties enter the employment exchange with notice as to the law. The pension system is responsible for the administration of the plan.

Most long-term liabilities have set repayment schedules or, in the case of compensated absences (i.e. sick and vacation leave), are satisfied through paid time-off or termination payments. There is no repayment schedule for the net pension liability. As explained above, changes in pension benefits, contribution rates, and return on investments affect the balance of the net pension liability, but are outside the control of the local government. In the event that contributions, investment returns, and other changes are insufficient to keep up with required pension payments, State statute does not assign/identify the responsible party for the unfunded portion. Due to the unique nature of how the net pension liability is satisfied, this liability is included within the long-term liability section of the statement of net position.

In accordance with GASB 68, the Center's statements prepared on an accrual basis of accounting include an annual pension expense for their proportionate share of each plan's change in net pension liability not accounted for as deferred inflows/outflows.

As a result of implementing GASB 68, the Center is reporting a net pension liability and deferred inflows/outflows of resources related to pension on the accrual basis of accounting. This implementation also had the effect of restating net position at June 30, 2014 from \$28,807,805 to \$3,989,749.

Table 2 shows the changes in net position for fiscal year 2015 and provides a comparison to fiscal year 2014.

Pickaway-Ross Career and Technology Center
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2015
Unaudited

Table 2
Changes in Net Position
Governmental Activities

	2015	2014*
<i>Revenues</i>		
<i>Program Revenue</i>		
Charges for Services and Sales	\$1,982,003	\$2,192,192
Operating Grants and Contributions	6,406,373	5,378,852
Total Program Revenue	8,388,376	7,571,044
<i>General Revenue</i>		
Property Taxes	4,875,518	5,117,913
Unrestricted Grants and Entitlements	6,638,154	6,936,081
Investment Earnings	75,023	74,320
Payments in Lieu of Taxes	770	608
Gain on Sale of Assets	199,628	0
Miscellaneous	198,162	178,517
Total General Revenue	11,987,255	12,307,439
Total Revenues	20,375,631	19,878,483
<i>Expenses</i>		
<i>Program Expenses</i>		
<i>Instruction</i>		
Regular	34,775	65,457
Vocational	13,119,898	12,817,091
<i>Support Services</i>		
Pupils	1,913,730	1,432,641
Instructional Staff	912,325	829,756
Board of Education	51,282	51,421
Administration	1,200,487	1,129,153
Fiscal	740,720	588,016
Operation and Maintenance of Plant	1,112,655	1,214,303
Pupil Transportation	35,574	23,830
Central	61,569	117,809
Operation of Non-Instructional Services	292,751	271,713
Interest and Fiscal Charges	916	2,330
Total Expenses	19,476,682	18,543,520
<i>Change in Net Position</i>	898,949	1,334,963
<i>Net Position Beginning of Year-Restated</i>	3,989,749	N/A
<i>Net Position End of Year</i>	\$4,888,698	\$3,989,749

*Restated for consistency between years.

Operating grants and contributions had a significant increase due to increases in restricted foundation funding and for new grant programs. The Center had also had revenue from the sale of assets in 2015 whereas there was no similar activity in the prior year. Various support services increased due to increase personnel costs. Central support services decreased significantly due to a decrease in employee benefits costs.

Pickaway-Ross Career and Technology Center
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2015
Unaudited

The information necessary to restate the 2014 beginning balances and the 2014 pension expense amounts for the effects of the initial implementation of GASB 68 is not available. Therefore, 2014 functional expenses still include pension expense of \$1,354,399 computed under GASB 27. GASB 27 required recognizing pension expense equal to the contractually required contributions to the plan. Under GASB 68, pension expense represents additional amounts earned, adjusted by deferred inflows/outflows. The contractually required contribution is no longer a component of pension expense. Under GASB 68, the 2015 statements report pension expenses of \$1,041,894. Consequently, in order to compare 2015 total program expenses to 2014, the following adjustments are needed:

Total 2015 program expenses under GASB 68	\$19,476,682
Pension expense under GASB 68	(1,041,894)
2015 contractually required contribution	<u>1,411,575</u>
Adjusted 2015 program expenses	19,846,363
Total 2014 program expenses under GASB 27	<u>18,543,520</u>
Increase in program expenses not related to pension	<u>\$1,302,843</u>

Governmental Activities

Operating grants and contributions and unrestricted grants and entitlements not restricted to specific programs comprised 31 percent and 33 percent of revenue while property taxes and charges for services and sales comprised 24 percent and 10 percent, respectively, for governmental activities of the Center for fiscal year 2015 and represent the largest sources of revenues.

As indicated by governmental program expenses, total instruction is emphasized. Total instruction comprised 68 percent of governmental program expenses with support services comprising 31 percent of governmental expenses. The Board of Education relies on taxes, grants and entitlements to support increased student achievement within the Center.

The statement of activities shows the cost of program services and the charges for services and sales, and grants and contributions offsetting those services. Table 3 shows 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
Net Cost of Governmental Activities

	Total Cost of Services 2015	Net Cost of Services 2015	Total Cost of Services 2014	Net Cost of Services 2014*
<i>Program Expenses</i>				
Instruction	\$13,154,673	\$6,828,536	\$12,882,548	\$7,197,268
Support Services	6,028,342	4,315,157	5,386,929	4,201,797
Operation of Non-Instructional Services	292,751	(56,303)	271,713	(428,869)
Interest and Fiscal Charges	916	916	2,330	2,280
Total	<u>\$19,476,682</u>	<u>\$11,088,306</u>	<u>\$18,543,520</u>	<u>\$10,972,476</u>

*Restated for consistency between years.

Pickaway-Ross Career and Technology Center
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2015
Unaudited

The Center's Funds

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

The General Fund had \$15,656,499 in revenues and \$14,813,548 in expenditures. The General Fund balance increased \$576,703 as revenues and other financing sources exceeded expenditures and other financing uses. Various support service expenditures increased during the year due to increases in foundation funding.

The Adult Education Fund had revenues of \$2,922,337 and expenditures of \$2,724,164 resulting in a \$198,173 increase in fund balance.

Budget Highlights - General Fund

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

During 2015, there were revisions to the General Fund budget. In part, these revisions increased estimated revenues and other sources by \$573,233 and decreased estimated expenditures and other uses by \$268,989. Actual revenues were slightly higher than final budget amounts with a difference of \$71,323. Actual expenditures were below final budgeted expenditures by \$235. 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 \$71,558 above the final budgeted amount.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2015, the Center had \$17,421,650 invested in land, buildings and improvements, furniture and equipment, and vehicles. Table 4 shows the fiscal year 2015 balances compared to 2014.

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

	2015	2014
Land	\$186,368	\$186,368
Buildings and Improvements	14,948,750	15,621,757
Furniture and Equipment	2,225,565	2,484,367
Vehicles	60,967	71,777
Capital Assets, Net	\$17,421,650	\$18,364,269

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

Pickaway-Ross Career and Technology Center
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2015
Unaudited

Debt Administration

At June 30, 2015, the Center had \$1,910,206 in outstanding capital leases with \$272,886 due within one year. At June 30, 2015, the Center's overall legal debt margin was \$189,777,622 with an unvoted debt margin of \$2,108,640. Please see notes 13 and 14 to the basic financial statements for additional information regarding long-term obligations.

Contacting the Center's Financial Management

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

Pickaway-Ross Career and Technology Center
Statement of Net Position
As of June 30, 2015

	Governmental Activities
Assets:	
Equity in Pooled Cash and Cash Equivalents	\$16,549,333
Accrued Interest Receivable	13,251
Accounts Receivable, Net	449,241
Intergovernmental Receivable	315,000
Property Taxes Receivable	5,799,773
Nondepreciable Capital Assets	186,368
Depreciable Capital Assets, net	17,235,282
<i>Total Assets</i>	40,548,248
Deferred Outflows of Resources:	
Pension	1,620,137
Liabilities:	
Accounts Payable	313,851
Accrued Wages and Benefits	1,565,190
Intergovernmental Payable	256,926
Matured Compensated Absences Payable	130,574
Long-Term Liabilities:	
Due Within One Year	643,413
Due in More Than One Year	24,884,432
<i>Total Liabilities</i>	27,794,386
Deferred Inflows of Resources:	
Property Taxes not Levied to Finance Current Year Operations	5,429,257
Pension	4,056,044
<i>Total Deferred Inflows of Resources</i>	9,485,301
Net Position:	
Net Investment in Capital Assets	15,511,444
Restricted for Capital Outlay	1,535,415
Restricted for Other Purposes	3,253,358
Unrestricted (Deficit)	(15,411,519)
<i>Total Net Position</i>	\$4,888,698

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

Pickaway-Ross Career and Technology Center
Statement of Activities
For the Fiscal Year Ended June 30, 2015

	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position
		Charges for Services and Sales	Operating Grants and Contributions	
Governmental Activities:				
Instruction:				
Regular	\$34,775	\$273	\$0	(\$34,502)
Vocational	13,119,898	1,230,097	5,095,767	(6,794,034)
Support Services:				
Pupils	1,913,730	518,819	776,285	(618,626)
Instructional Staff	912,325	86,837	194,986	(630,502)
Board of Education	51,282	198	0	(51,084)
Administration	1,200,487	9,324	49,846	(1,141,317)
Fiscal	740,720	6,435	0	(734,285)
Operation and Maintenance of Plant	1,112,655	22,479	23,629	(1,066,547)
Pupil Transportation	35,574	119	23,953	(11,502)
Central	61,569	275	0	(61,294)
Operation of Non-Instructional Services	292,751	107,147	241,907	56,303
Interest and Fiscal Charges	916	0	0	(916)
<i>Total Governmental Activities</i>	<u>\$19,476,682</u>	<u>\$1,982,003</u>	<u>\$6,406,373</u>	<u>(11,088,306)</u>

General Revenues:

Property Taxes Levied for:	
General Purposes	4,875,518
Grants and Entitlements not Restricted for	
Specific Programs	6,638,154
Investment Earnings	75,023
Payments in Lieu of Taxes	770
Gain on Sale of Assets	199,628
Miscellaneous	198,162
<i>Total General Revenues</i>	<u>11,987,255</u>
<i>Change in Net Position</i>	898,949
<i>Net Position Beginning of Year-Restated</i>	<u>3,989,749</u>
<i>Net Position End of Year</i>	<u>\$4,888,698</u>

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

Pickaway-Ross Career and Technology Center
Balance Sheet
Governmental Funds
As of June 30, 2015

	General Fund	Adult Education Fund	Other Governmental Funds	Total Governmental Funds
Assets:				
Equity in Pooled Cash and Cash Equivalents	\$12,136,163	\$1,582,932	\$2,830,238	\$16,549,333
Accrued Interest Receivable	13,251	0	0	13,251
Accounts Receivable, Net	0	449,241	0	449,241
Interfund Receivable	45,001	315,000	0	360,001
Intergovernmental Receivable	0	0	315,000	315,000
Property Taxes Receivable	5,799,773	0	0	5,799,773
<i>Total Assets</i>	<u>\$17,994,188</u>	<u>\$2,347,173</u>	<u>\$3,145,238</u>	<u>\$23,486,599</u>
Liabilities:				
Accounts Payable	\$205,410	\$31,838	\$76,603	\$313,851
Accrued Wages and Benefits	1,340,179	198,690	26,321	1,565,190
Interfund Payable	0	0	360,001	360,001
Intergovernmental Payable	208,812	39,464	8,650	256,926
Matured Compensated Absences Payable	130,574	0	0	130,574
<i>Total Liabilities</i>	1,884,975	269,992	471,575	2,626,542
Deferred Inflows of Resources:				
Property Taxes not Levied to Finance Current Year Operations	5,429,257	0	0	5,429,257
Unavailable Revenue	91,113	0	83,649	174,762
<i>Total Deferred Inflows of Resources</i>	5,520,370	0	83,649	5,604,019
Fund Balances:				
Restricted	0	2,077,181	2,627,943	4,705,124
Committed	381,064	0	0	381,064
Assigned	220,481	0	0	220,481
Unassigned (Deficit)	9,987,298	0	(37,929)	9,949,369
<i>Total Fund Balances</i>	<u>10,588,843</u>	<u>2,077,181</u>	<u>2,590,014</u>	<u>15,256,038</u>
<i>Total Liabilities, Deferred Inflows of Resources, and Fund Balances</i>	<u>\$17,994,188</u>	<u>\$2,347,173</u>	<u>\$3,145,238</u>	<u>\$23,486,599</u>

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

Pickaway-Ross Career and Technology Center
*Reconciliation of Total Governmental Fund Balances to
 Net Position of Governmental Activities
 As of June 30, 2015*

Total Governmental Fund Balances	\$15,256,038
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Amounts reported for governmental activities in the statement of net position are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	17,421,650
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Other long-term assets are not available to pay for current period expenditures and therefore are deferred in the funds.

Delinquent Property Taxes	91,113	
Grants	83,649	
Total	174,762	174,762

The net pension liability is not due and payable in the current period. Therefore, the liability and related deferred inflows/outflows are not reported in governmental funds:

Deferred Outflows-Pension	1,620,137	
Deferred Inflows-Pension	(4,056,044)	
Net Pension Liability	(22,012,468)	
Total	(24,448,375)	(24,448,375)

Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.

Compensated Absences	(1,605,171)	
Capital Lease Obligations	(1,910,206)	
Total	(3,515,377)	(3,515,377)

Net Position of Governmental Activities	<u><u>\$4,888,698</u></u>
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The notes to the basic financial statements are an integral part of this statement

Pickaway-Ross Career and Technology Center
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2015

	General Fund	Adult Education Fund	Other Governmental Funds	Total Governmental Funds
Revenues:				
Property Taxes	\$4,932,449	\$0	\$0	\$4,932,449
Intergovernmental	10,406,089	1,093,549	1,458,740	12,958,378
Interest	75,023	0	0	75,023
Tuition and Fees	86,774	1,524,561	0	1,611,335
Rent	4,800	0	0	4,800
Gifts and Donations	0	0	2,500	2,500
Customer Sales and Services	31,211	227,510	107,147	365,868
Payments in Lieu of Taxes	770	0	0	770
Miscellaneous	119,383	76,717	2,062	198,162
<i>Total Revenues</i>	15,656,499	2,922,337	1,570,449	20,149,285
Expenditures:				
Current:				
Instruction:				
Regular	27,074	0	0	27,074
Vocational	9,861,258	1,733,512	725,197	12,319,967
Support Services:				
Pupils	748,611	816,595	385,611	1,950,817
Instructional Staff	679,718	145,938	128,871	954,527
Board of Education	21,078	0	0	21,078
Administration	1,091,888	0	49,447	1,141,335
Fiscal	726,236	0	0	726,236
Operation and Maintenance of Plant	1,080,647	18,454	40,122	1,139,223
Pupil Transportation	11,844	0	23,730	35,574
Central	61,569	0	0	61,569
Operation of Non-Instructional Services	0	0	291,798	291,798
Capital Outlay	169,277	6,151	49,193	224,621
Debt Service:				
Principal	333,432	3,514	0	336,946
Interest	916	0	0	916
<i>Total Expenditures</i>	14,813,548	2,724,164	1,693,969	19,231,681
<i>Excess (Deficiency) of Revenues Over (Under) Expenditures</i>	842,951	198,173	(123,520)	917,604
Other Financing Sources (Uses):				
Transfers In	0	0	465,876	465,876
Proceeds from Sale of Assets	199,628	0	0	199,628
Transfers Out	(465,876)	0	0	(465,876)
<i>Total Other Financing Sources (Uses)</i>	(266,248)	0	465,876	199,628
<i>Net Change in Fund Balances</i>	576,703	198,173	342,356	1,117,232
<i>Fund Balance at Beginning of Year</i>	10,012,140	1,879,008	2,247,658	14,138,806
<i>Fund Balance at End of Year</i>	\$10,588,843	\$2,077,181	\$2,590,014	\$15,256,038

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

Pickaway-Ross Career and Technology Center
*Reconciliation of the Statement of Revenues, Expenditures and Changes
in Fund Balances of Governmental Funds to the Statement of Activities
For the Fiscal Year Ended June 30, 2015*

Net Change in Fund Balances - Total Governmental Funds \$1,117,232

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 of capital asset additions and depreciation in the current period.

Capital Asset Additions	224,621	
Current Year Depreciation	(1,150,927)	
Total	(926,306)	(926,306)

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. (16,313)

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

Delinquent Property Taxes	(56,931)	
Grants	83,649	
Total	26,718	26,718

Contractually required contributions are reported as expenditures in governmental funds. However, the statement of net position reports these amounts as deferred outflows. 1,411,575

Except for amounts reported as deferred inflows/outflows, changes in the net pension liability are reported as pension expense in the statement of activities. (1,041,894)

Repayments of capital lease obligations are expenditures in the governmental funds, but the repayments reduce long-term liabilities in the statement of net position and do not result in an expense in the statement of activities. 336,946

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

Increase in Compensated Absences Payable	(9,009)	
Total	(9,009)	(9,009)

Net Change in Net Position of Governmental Activities **\$898,949**

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

Pickaway-Ross Career and Technology Center
*Statement of Revenues, Expenditures and Change
in Fund Balance - Budget and Actual (Budgetary Basis)*
General Fund
For the Fiscal Year Ended June 30, 2015

	Budgeted Amounts			Variance with Final Budget: Positive (Negative)
	Original	Final	Actual	
Total Revenues and Other Financing Sources	\$15,424,359	\$15,997,592	\$16,068,915	\$71,323
Total Expenditures and Other Financing Uses	15,707,582	15,438,593	15,438,358	235
<i>Net Change in Fund Balance</i>	(283,223)	558,999	630,557	71,558
<i>Fund Balance at Beginning of Year</i>	9,270,475	9,270,475	9,270,475	0
<i>Prior Year Encumbrances Appropriated</i>	283,222	283,222	283,222	0
<i>Fund Balance at End of Year</i>	\$9,270,474	\$10,112,696	\$10,184,254	\$71,558

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

Pickaway-Ross Career and Technology Center
*Statement of Revenues, Expenditures and Change
in Fund Balance - Budget and Actual (Budgetary Basis)
Adult Education Fund
For the Fiscal Year Ended June 30, 2015*

	Budgeted Amounts			Variance with Final Budget: Positive (Negative)
	Original	Final	Actual	
Total Revenues and Other Financing Sources	\$1,505,530	\$1,363,482	\$2,620,411	\$1,256,929
Total Expenditures and Other Financing Uses	3,338,988	3,177,650	3,177,649	1
<i>Net Change in Fund Balance</i>	(1,833,458)	(1,814,168)	(557,238)	1,256,930
<i>Fund Balance at Beginning of Year</i>	1,694,527	1,694,527	1,694,527	0
<i>Prior Year Encumbrances Appropriated</i>	138,931	138,931	138,931	0
<i>Fund Balance at End of Year</i>	\$0	\$19,290	\$1,276,220	\$1,256,930

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

Pickaway-Ross Career and Technology Center
Statement of Fiduciary Assets and Liabilities
Agency Funds
As of June 30, 2015

Assets:	
Equity in Pooled Cash and Cash Equivalents	<u>\$99,720</u>
<i>Total Assets</i>	<u><u>\$99,720</u></u>
Liabilities:	
Undistributed Monies	<u>\$99,720</u>
<i>Total Liabilities</i>	<u><u>\$99,720</u></u>

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

Pickaway-Ross Career and Technology Center

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2015

Note 1 – Description of the Center and Reporting Entity

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

The Center was established in 1970 through the cooperation of all school districts involved. The Center serves an area of approximately 1,090 square miles. It is located in Ross County, and includes the school districts within Ross and Pickaway Counties. It is staffed by 35 non-certificated employees and 104 certificated full-time teaching personnel who provide services to 1,077 students and other community members. The Center currently operates 2 instructional buildings.

Reporting Entity:

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

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

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

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

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

The Center is associated with four organizations, two of which are defined as jointly governed organizations, one as a public entity shared risk pool, and one as an insurance purchasing pool. These organizations are the South Central Ohio Computer Association Council of Governments, Great Seal Education Network of Tomorrow, Ross County School Employees Insurance Consortium and the Ohio Association of School Business Officials Workers' Compensation Group Rating Plan, respectively. These organizations are presented in notes 16 and 17 to the basic financial statements.

Pickaway-Ross Career and Technology Center

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2015

Note 2 – Summary of Significant Accounting Policies

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

Fund Accounting

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

Governmental Funds

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

General Fund

The General Fund is the general operating fund of the Center and is used to account for all financial resources not accounted for and reported in another fund. The General Fund is available to the Center for any purpose provided it is expended or transferred according to the school laws of Ohio.

Adult Education Fund

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

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

Fiduciary Funds

Fiduciary fund reporting focuses on net position and changes in net position. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private purpose trust funds and agency funds. The Center's only fiduciary 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 Center's agency funds are used to account for student-managed activities and Federal student loan and grant programs administered by the Center.

Basis of Presentation

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

Pickaway-Ross Career and Technology Center

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2015

Government-wide Financial Statements

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

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

Fund Financial Statements

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

Measurement Focus

Government-Wide Financial Statements - The government-wide financial statements are prepared using the economic resources measurement focus. All assets, deferred inflows/outflows of resources, and liabilities associated with the operation of the Center are included on the statement of net position.

The statement of activities presents increases (i.e., revenues) and decreases (i.e., expenses) in total net position.

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, certain deferred inflows/outflows of resources and current liabilities generally are included on the balance sheet. The statement of revenues, expenditures and changes in fund balances reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements therefore include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

Basis of Accounting

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

Pickaway-Ross Career and Technology Center

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2015

Revenues – Exchange and Non-exchange Transactions

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

Non-exchange transactions, in which the Center receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. Revenue from property taxes is recognized in the fiscal year for which taxes are levied (note 6). Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the Center must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the Center on a reimbursement basis. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

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

Deferred Outflows and Deferred Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expenditure) until then. For the Center, deferred outflows of resources include amounts for pensions. Information on pensions is presented in note 10.

In addition to liabilities, the statement of net position and balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. For the Center, deferred inflows of resources include property taxes, grants, and pensions. Property taxes for which there is an enforceable legal claim as of June 30, 2015, but which were levied to finance fiscal year 2016 operations, and other revenues received in advance of the year for which they were intended to finance, have been recorded as deferred inflows of resources on the statement of net position and governmental fund balance sheet. Grants and entitlements not received within the available period and delinquent property taxes due at June 30, 2015, are recorded as deferred inflows of resources in the governmental funds and as revenue on the statement of activities. Information on pensions is presented in note 10.

Budgetary Process

All funds, other than 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.

Pickaway-Ross Career and Technology Center

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2015

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

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

Cash and Investments

Cash received by the Center is deposited into one of several bank accounts with individual fund balance integrity maintained. Balances of all funds are maintained in these accounts or are temporarily used to purchase certificates of deposit or investments. All investment earnings accrue to the General Fund except those specifically related to those funds deemed appropriate according to Board of Education policy. Interest earned during fiscal year 2015 was \$75,023, which was credited to the General Fund.

The Center records all its investments at fair value. For presentation on the financial statements, investments of the cash management pool are considered to be cash equivalents. The Center has invested in the certificates of deposit, State Treasury Asset Reserve of Ohio (STAR Ohio), money market funds, U.S. Treasury notes, and U.S. government agency securities during fiscal year 2015. 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, 2015.

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

Capital Assets and Depreciation

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

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

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

Pickaway-Ross Career and Technology Center

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2015

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, Fixtures and Equipment	5 - 20 years
Vehicles	5 years

Interfund Balances

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

Compensated Absences

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

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

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

Accrued Liabilities and Long-Term Obligations

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

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

Net Position

Net position represents the difference between assets, liabilities and deferred inflow/outflows of resources. Net investment in capital assets consists 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 position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the Center or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Net position restricted for other purposes include federal and state grants restricted to expenditures for specified purposes.

Pickaway-Ross Career and Technology Center

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2015

The Center applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

As of June 30, 2015, none of the Center's restricted net position was restricted by enabling legislation.

Fund Balances

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

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

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

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

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

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

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

Interfund Transactions

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

Pickaway-Ross Career and Technology Center

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2015

Estimates

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

Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the pension plans and additions to/deductions from their fiduciary net position have been determined on the same basis as they are reported by the pension systems. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. The pension systems report investments at fair value.

Note 3 – Accountability

The nonmajor Food Service Fund had a deficit fund balance of \$37,929. The deficit in this fund is due to adjustments for accrued liabilities and the timing of grant awards. The General Fund provides transfers when cash is required, not when expenditures are incurred.

Note 4 – Budgetary Basis of Accounting

While the Center is reporting financial position, results of operations, and changes in fund balances on the basis of accounting principles generally accepted in the United States of America (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The statements of revenues, expenditures and change in fund balance - budget and actual (budgetary basis) presented for the 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/expenses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Encumbrances are treated as expenditures/expenses for all funds (budget basis) rather than as a restriction, commitment, or assignment of fund balance for governmental funds (GAAP basis).
4. Certain funds that are legally budgeted in separate special revenue funds are considered part of the General Fund on a GAAP basis. These include the R.J. Pack Student Assistance, Employee Benefits, and Termination Benefits Special Revenue Funds.

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

Pickaway-Ross Career and Technology Center

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2015

	Net Change in Fund Balance	
	General	Adult Education
GAAP Basis	\$576,703	\$198,173
Revenue Accruals	212,788	(301,926)
Expenditure Accruals	276,032	(148,654)
Encumbrances	(375,846)	(304,831)
(Excess) Deficit of Funds Combined with General Fund for Reporting Purposes	(59,120)	0
Budget Basis	\$630,557	(\$557,238)

Note 5 – Deposits and Investments

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

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

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

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

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

1. United States treasury notes, bills, bonds, or other obligations of or securities issued by the United States treasury or any other obligation guaranteed as to the payment of principal and interest by the United States;
2. Bonds, notes, debentures, or other obligations of or securities issued by any federal government agency or instrumentality, including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above, provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. Interim deposits in the eligible institutions applying for interim money as provided in Section 135.08 of the Revised Code;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) above and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
7. The State Treasurer's investment pool (STAR Ohio);

Pickaway-Ross Career and Technology Center

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2015

8. Commercial paper notes issued by any entity that is defined in division (D) of section 1705.01 of the Revised Code and has assets exceeding five hundred million dollars, and to which notes are rated at the time of purchase in the highest classification established by at least two standard rating services; the aggregate value of the notes does not exceed ten percent of the aggregate value of the outstanding commercial paper of the issuing corporation; the notes mature no later than one hundred eighty days after purchase; and
9. Bankers' acceptances of banks that are members of the federal deposit insurance corporation to which both the obligations are eligible for purchase by the federal reserve system and the obligations mature no later than one hundred eighty days after purchase.

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

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

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

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

At June 30, 2015, the Center's bank balance was \$8,778,945. Of the Center's bank balance, \$1,246,996 was covered by FDIC and the remainder was collateralized by the financial institutions' public entity deposit pools in the manner described above.

Investments At June 30, 2015, the Center had the following investments:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Maturity</u>
STAR Ohio	\$3,682,973	Less than 1 year
Federal National Mortgage Association	500,694	Less than 1 year
Federal National Mortgage Association	200,482	1 to 2 years
Federal National Mortgage Association	1,732,687	3 to 5 years
Federal Home Loan Bank	319,978	Less than 1 year
Federal Home Loan Mortgage Corporation	374,493	1 to 2 years
Federal Home Loan Mortgage Corporation	955,933	3 to 5 years
Federal Farm Credit Bank	210,038	3 to 5 years
U.S. Treasury Note	310,145	Less than 1 year
First American Treasury Obligations Money Market Fund	2,025	Less than 1 year
Total	<u>\$8,289,448</u>	

Pickaway-Ross Career and Technology Center

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2015

Interest rate risk – Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. In accordance with the investment policy, the Center manages its exposure to declines in fair values by limiting the weighted average maturity of its investment portfolio.

Credit risk – Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The Center's policy does not address credit risk beyond the requirements of the Ohio Revised Code. The Center limits their investments to money market funds, U.S. government agency securities, U.S. Treasury notes, certificates of deposit, and STAR Ohio. Investments in money market funds and STAR Ohio were rated AAAM by Standard & Poor's. Investments in Federal National Mortgage Association, Federal Home Loan Bank, Federal Home Loan Mortgage Corporation, Federal Farm Credit Bank, and U.S. Treasury notes were rated AA+ 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 Center's investment policy allows investments in repurchase agreements, certificates of deposit, in financial institutions within the State of Ohio as designated by the Federal Reserve Board, and other investments as allowable per the Ohio Revised Code. Of the Center's investments, 44% was invested in STAR Ohio, 29% was invested in Federal National Mortgage Association, and 16% was invested in Federal Home Loan Mortgage Corporation.

Custodial credit risk – Custodial credit risk is the risk that, in the event of the failure of the counterparty, the government will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Center does not have a policy for custodial credit risk. All of the Center's investments are held in the name of the Center.

Note 6 – Property Taxes

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

Property taxes include amounts levied against all real and public utility property located within the Center's boundaries. Property tax revenue received during calendar year 2015 represents collections of calendar year 2014 taxes. Real property taxes received during calendar year 2015 were levied after April 1, 2014, on the assessed value listed as of January 1, 2014, the lien date. Assessed values for real property taxes are established by State law at 35% of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenue received in calendar year 2015 represents collections of calendar year 2014 taxes. Public utility real and tangible personal property taxes received in calendar year 2015 became a lien on December 31, 2013, were levied after April 1, 2014, and are collected in 2015 with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

The assessed values upon which fiscal year 2015 taxes were collected are:

Pickaway-Ross Career and Technology Center

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2015

	2014 Second-Half Collections		2015 First-Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential and Other Real Estate	\$1,831,349,280	90.70%	\$1,918,309,550	90.97%
Public Utility Personal	187,782,370	9.30%	190,330,690	9.03%
Total Assessed Value	\$2,019,131,650	100.00%	\$2,108,640,240	100.00%

Tax Rate per \$1,000 of Assessed Valuation	\$4.20	\$4.20
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The Center receives property taxes from Pickaway, Ross and Hocking Counties. The county auditors periodically advance to the Center its portion of the taxes collected. Second-half real property tax payments collected by the counties by June 30, 2015, are available to finance fiscal year 2015 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, 2015. 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 inflows of resources for that portion not intended to finance current year operations. The amount available as an advance at June 30, 2015 was \$279,403 in the General Fund.

Note 7 – Receivables

Receivables at June 30, 2015 consisted of property taxes, accounts (billings for user charged services, tuition and student fees), interest, interfund, and intergovernmental grants. All receivables are considered collectible in full, except accounts receivable, due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current fiscal year guarantee of federal funds. An allowance has been recognized against accounts receivable to account for uncollectible accounts.

A summary of the principal items of intergovernmental receivables follows:

<i>Nonmajor Fund:</i>	
Miscellaneous State Grants	\$315,000

Pickaway-Ross Career and Technology Center

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2015

Note 8 – Capital Assets

Capital asset activity for the fiscal year ended June 30, 2015 was as follows:

Asset Category	Balance at 7/1/14	Additions	Deletions	Balance at 6/30/15
<i>Nondepreciable Capital Assets:</i>				
Land	\$186,368	\$0	\$0	\$186,368
<i>Depreciable Capital Assets:</i>				
Buildings and Improvements	23,521,482	0	0	23,521,482
Furniture and Equipment	6,479,761	224,621	(149,147)	6,555,235
Vehicles	170,970	0	0	170,970
Total Depreciable Capital Assets	30,172,213	224,621	(149,147)	30,247,687
<i>Accumulated Depreciation:</i>				
Buildings and Improvements	(7,899,725)	(673,007)	0	(8,572,732)
Furniture and Equipment	(3,995,394)	(467,110)	132,834	(4,329,670)
Vehicles	(99,193)	(10,810)	0	(110,003)
Total Accumulated Depreciation	(11,994,312)	(1,150,927)	132,834	(13,012,405)
Depreciable Capital Assets, Net	18,177,901	(926,306)	(16,313)	17,235,282
Total Net Capital Assets	\$18,364,269	(\$926,306)	(\$16,313)	\$17,421,650

Depreciation expense was charged to governmental functions as follow:

<i>Instruction:</i>	
Vocational	\$1,114,618
<i>Support Services:</i>	
Pupils	837
Board of Education	1,252
Operation and Maintenance of Plant	31,682
Pupil Transportation	2,538
Total	<u>\$1,150,927</u>

Note 9 – Risk Management

The Center is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2015, the Center contracted with Catlin Indemnity Company for fleet, liability, property, and boiler and machinery insurance.

Coverages provided by this company are as follows:

Pickaway-Ross Career and Technology Center

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2015

Building and Contents (\$1,000 deductible)	\$46,337,886
Automobile Liability	1,000,000
Uninsured Motorists	1,000,000
General Liability:	
Per Occurrence	1,000,000
Aggregate Limit	2,000,000
Commercial Excess Liability:	
Per Occurrence and Aggregate	5,000,000

Settled claims have not exceeded this commercial coverage in any of the past three years. The Center reviewed their policies and modified coverage during the current fiscal year as deemed appropriate.

For fiscal year 2015, the Center participated in the Ohio Association of School Business Officials Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool (note 17). The intent of the GRP is to achieve the benefit of a reduced premium for the Center by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of the GRP. A participant will then either receive money from or be required to contribute to the "equity pooling fund". This "equity pooling" arrangement ensures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of CompManagement provides administrative, cost control and actuarial services to the GRP.

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

Note 10 – Defined Benefit Pension Plans

Net Pension Liability

The net pension liability reported on the statement of net position represents a liability to employees for pensions. Pensions are a component of exchange transactions—between an employer and its employees—of salaries and benefits for employee services. Pensions are provided to an employee—on a deferred-payment basis—as part of the total compensation package offered by an employer for employee services each financial period. The obligation to sacrifice resources for pensions is a present obligation because it was created as a result of employment exchanges that already have occurred.

The net pension liability represents the Center's proportionate share of each pension plan's collective actuarial present value of projected benefit payments attributable to past periods of service, net of each pension plan's fiduciary net position. The net pension liability calculation is dependent on critical long-term variables, including estimated average life expectancies, earnings on investments, cost of living adjustments and others. While these estimates use the best information available, unknowable future events require adjusting this estimate annually.

Pickaway-Ross Career and Technology Center

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2015

The Ohio Revised Code limits the Center’s obligation for this liability to annually required payments. The Center cannot control benefit terms or the manner in which pensions are financed; however, the Center does receive the benefit of employees’ services in exchange for compensation including pension.

GASB 68 assumes the liability is solely the obligation of the employer, because (1) they benefit from employee services; and (2) State statute requires all funding to come from these employers. All contributions to date have come solely from these employers (which also includes costs paid in the form of withholdings from employees). State statute requires the pension plans to amortize unfunded liabilities within 30 years. If the amortization period exceeds 30 years, each pension plan’s board must propose corrective action to the State legislature. Any resulting legislative change to benefits or funding could significantly affect the net pension liability. Resulting adjustments to the net pension liability would be effective when the changes are legally enforceable.

The proportionate share of each plan’s unfunded benefits is presented as a long-term *net pension liability* on the accrual basis of accounting. Any liability for the contractually-required pension contribution outstanding at the end of the year is included in *intergovernmental payable* on both the accrual and modified accrual bases of accounting.

Plan Description - School Employees Retirement System (SERS)

Plan Description – Center non-teaching employees participate in SERS, a cost-sharing multiple-employer defined benefit pension plan administered by SERS. SERS provides retirement, disability and survivor benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Ohio Revised Code Chapter 3309. SERS issues a publicly available, stand-alone financial report that includes financial statements, required supplementary information and detailed information about SERS’ fiduciary net position. That report can be obtained by visiting the SERS website at www.ohsers.org under Employers/Audit Resources.

Age and service requirements for retirement are as follows:

	Eligible to Retire on or before August 1, 2017 *	Eligible to Retire on or after August 1, 2017
Full Benefits	Any age with 30 years of service credit	Age 67 with 10 years of service credit; or Age 57 with 30 years of service credit
Actuarially Reduced Benefits	Age 60 with 5 years of service credit Age 55 with 25 years of service credit	Age 62 with 10 years of service credit; or Age 60 with 25 years of service credit
* Members with 25 years of service credit as of August 1, 2017, will be included in this plan.		

Annual retirement benefits are calculated based on final average salary multiplied by a percentage that varies based on year of service; 2.2 percent for the first thirty years of service and 2.5 percent for years of service credit over 30. Final average salary is the average of the highest three years of salary.

One year after an effective benefit date, a benefit recipient is entitled to a three percent cost-of-living adjustment (COLA). This same COLA is added each year to the base benefit amount on the anniversary date of the benefit.

Pickaway-Ross Career and Technology Center

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2015

Funding Policy – Plan members are required to contribute 10 percent of their annual covered salary and the Center is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to statutory maximum amounts of 10 percent for plan members and 14 percent for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the System's funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund). For the fiscal year ended June 30, 2015, the allocation to pension, death benefits, and Medicare B was 13.18 percent. The remaining 0.82 percent of the 14 percent employer contribution rate was allocated to the Health Care Fund.

The Center's contractually required contribution to SERS was \$236,739 for fiscal year 2015. Of this amount, \$0 is reported as an intergovernmental payable.

Plan Description - State Teachers Retirement System (STRS)

Plan Description – Center licensed teachers and other faculty members participate in STRS Ohio, a cost-sharing multiple-employer public employee retirement system administered by STRS. STRS provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS issues a stand-alone financial report that includes financial statements, required supplementary information and detailed information about STRS' fiduciary net position. That report can be obtained by writing to STRS, 275 E. Broad St., Columbus, OH 43215-3771, by calling (888) 227-7877, or by visiting the STRS Web site at www.strsoh.org.

New members have a choice of three retirement plans; a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. Benefits are established by Ohio Revised Code Chapter 3307. The DB plan offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service. Effective August 1, 2015, the calculation will be 2.2 percent of final average salary for the five highest years of earnings multiplied by all years of service. With certain exceptions, the basic benefit is increased each year by two percent of the original base benefit. For members retiring August 1, 2013, or later, the first two percent is paid on the fifth anniversary of the retirement benefit. Members are eligible to retire at age 60 with five years of qualifying service credit, or age 55 with 25 years of service, or 30 years of service regardless of age. Age and service requirements for retirement will increase effective August 1, 2015, and will continue to increase periodically until they reach age 60 with 35 years of service or age 65 with five years of service on August 1, 2026.

The DC Plan allows members to place all their member contributions and 9.5 percent of the 14 percent employer contributions into an investment account. Investment allocation decisions are determined by the member. The remaining 4.5 percent of the 14 percent employer rate is allocated to the defined benefit unfunded liability. 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.

The Combined Plan offers features of both the DB Plan and the DC Plan. In the Combined Plan, member contributions are allocated among investment choices by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The defined benefit portion of the Combined Plan payment is payable to a member on or after age 60 with five years of services. The defined contribution portion of the account may be taken as a lump sum payment or converted to a lifetime monthly annuity at age 50.

New members who choose the DC plan or Combined Plan will have another opportunity to reselect a permanent plan during their fifth year of membership. Members may remain in the same plan or transfer to another STRS plan. The optional annuitization of a member's defined contribution account or the defined contribution portion of a member's Combined Plan account to a lifetime benefit results in STRS bearing the risk of investment gain or loss on the account. STRS has therefore included all three plan options as one defined benefit plan for GASB 68 reporting purposes.

Pickaway-Ross Career and Technology Center

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2015

A DB or Combined Plan member with five or more years of credited service who is determined to be disabled may qualify for a disability benefit. Eligible survivors of members who die before service retirement may qualify for monthly benefits. New members on or after July 1, 2013, must have at least ten years of qualifying service credit that apply for disability benefits. Members in the DC Plan who become disabled are entitled only to their account balance. If a member of the DC Plan dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

Funding Policy – Employer and member contribution rates are established by the State Teachers Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. The statutory maximum employee contribution rate was increased one percent July 1, 2014, and will be increased one percent each year until it reaches 14 percent on July 1, 2016. For the fiscal year ended June 30, 2015, plan members were required to contribute 12 percent of their annual covered salary. The Center was required to contribute 14 percent; the entire 14 percent was the portion used to fund pension obligations. The fiscal year 2015 contribution rates were equal to the statutory maximum rates.

The Center's contractually required contribution to STRS was \$1,168,995 for fiscal year 2015. Of this amount \$185,791 is reported as an intergovernmental payable.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Center's proportion of the net pension liability was based on the Center's share of contributions to the pension plan relative to the contributions of all participating entities. Following is information related to the proportionate share and pension expense:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Proportionate Share of the Net Pension Liability	\$3,007,111	\$19,005,357	\$22,012,468
Proportion of the Net Pension Liability	0.059418%	0.07813591%	
Pension Expense	\$176,843	\$865,051	\$1,041,894

At June 30, 2015, the Center reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
<i>Deferred Outflows of Resources</i>			
Differences between expected and actual experience	\$25,594	\$182,968	\$208,562
Center contributions subsequent to the measurement date	251,468	1,160,107	1,411,575
Total Deferred Outflows of Resources	\$277,062	\$1,343,075	\$1,620,137
<i>Deferred Inflows of Resources</i>			
Net difference between projected and actual earnings on pension plan investments	\$488,063	\$3,516,063	\$4,004,126
Difference between Center contributions and proportionate share of contributions	0	51,918	51,918
Total Deferred Inflows of Resources	\$488,063	\$3,567,981	\$4,056,044

Pickaway-Ross Career and Technology Center

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2015

\$1,411,575 reported as deferred outflows of resources related to pension resulting from Center contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

	SERS	STRS	Total
Fiscal Year Ending June 30:			
2016	(\$115,617)	(\$833,274)	(\$948,891)
2017	(115,617)	(833,274)	(948,891)
2018	(115,617)	(833,274)	(948,891)
2019	(115,617)	(833,274)	(948,891)
Total	(\$462,468)	(\$3,333,096)	(\$3,795,564)

Actuarial Assumptions - SERS

SERS' total pension liability was determined by their actuaries in accordance with GASB Statement No. 67, as part of their annual actuarial valuation for each defined benefit retirement plan. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts (e.g., salaries, credited service) and assumptions about the probability of occurrence of events far into the future (e.g., mortality, disabilities, retirements, employment termination). Actuarially determined amounts are subject to continual review and potential modifications, as actual results are compared with past expectations and new estimates are made about the future.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing benefit costs between the employers and plan members to that point. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations.

Actuarial calculations reflect a long-term perspective. For a newly hired employee, actuarial calculations will take into account the employee's entire career with the employer and also take into consideration the benefits, if any, paid to the employee after termination of employment until the death of the employee and any applicable contingent annuitant. In many cases actuarial calculations reflect several decades of service with the employer and the payment of benefits after termination.

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation, prepared as of June 30, 2014, are presented below:

Wage Inflation	3.25 percent
Future Salary Increases, including inflation	4.00 percent to 22 percent
COLA or Ad Hoc COLA	3 percent
Investment Rate of Return	7.75 percent net of investments expense, including inflation
Actuarial Cost Method	Entry Age Normal

For post-retirement mortality, the table used in evaluating allowances to be paid is the 1994 Group Annuity Mortality Table set back one year for both men and women. Special mortality tables are used for the period after disability retirement.

Pickaway-Ross Career and Technology Center

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2015

The most recent experience study was completed June 30, 2010.

The long-term return expectation for the Pension Plan Investments has been determined using a building-block approach and assumes a time horizon, as defined in SERS' *Statement of Investment Policy*. A forecasted rate of inflation serves as the baseline for the return expectation. Various real return premiums over the baseline inflation rate have been established for each asset class. The long-term expected nominal rate of return has been determined by calculating a weighted averaged of the expected real return premiums for each asset class, adding the projected inflation rate, and adding the expected return from rebalancing uncorrelated asset classes. The target allocation and best estimates of arithmetic real rates of return for each major assets class are summarized in the following table:

Asset Class	Target		Long-Term Expected	
	Allocation		Real Rate of Return	
Cash	1.00	%	0.00	%
US Stocks	22.50		5.00	
Non-US Stocks	22.50		5.50	
Fixed Income	19.00		1.50	
Private Equity	10.00		10.00	
Real Assets	10.00		5.00	
Multi-Asset Strategies	15.00		7.50	
Total	100.00	%		

Discount Rate The total pension liability was calculated using the discount rate of 7.75 percent. The projection of cash flows used to determine the discount rate assumed the contributions from employers and from the members would be computed based on contribution requirements as stipulated by State statute. Projected inflows from investment earning were calculated using the long-term assumed investment rate of return (7.75 percent). Based on those assumptions, the plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefits to determine the total pension liability.

Sensitivity of the Centers Proportionate Share of the Net Pension Liability to Changes in the Discount Rate Net pension liability is sensitive to changes in the discount rate, and to illustrate the potential impact the following table presents the net pension liability calculated using the discount rate of 7.75 percent, as well as what each plan's net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.75 percent), or one percentage point higher (8.75 percent) than the current rate.

	Current		
	1% Decrease (6.75%)	Discount Rate (7.75%)	1% Increase (8.75%)
Center's proportionate share of the net pension liability	\$4,290,254	\$3,007,111	\$1,927,877

Actuarial Assumptions - STRS

The total pension liability in the June 30, 2014, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Pickaway-Ross Career and Technology Center

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2015

Inflation	2.75 percent
Projected salary increases	2.75 percent at age 70 to 12.25 percent at age 20
Investment Rate of Return	7.75 percent, net of investment expenses
Cost-of-Living Adjustments (COLA)	2 percent simple applied as follows: for members retiring before August 1, 2013, 2 percent per year; for members retiring August 1, 2013, or later, 2 percent COLA paid on fifth anniversary of retirement date.

Mortality rates were based on the RP-2000 Combined Mortality Table (Projection 2022—Scale AA) for Males and Females. Males' ages are set-back two years through age 89 and no set-back for age 90 and above. Females younger than age 80 are set back four years, one year set back from age 80 through 89 and not set back from age 90 and above.

Actuarial assumptions used in the June 30, 2014, valuation are based on the results of an actuarial experience study, effective July 1, 2012.

The 10 year expected real rate of return on pension plan investments was determined by STRS' investment consultant by developing best estimates of expected future real rates of return for each major asset class. The target allocation and best estimates of geometric real rates of return for each major asset class are summarized as follows:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic Equity	31.00 %	8.00 %
International Equity	26.00	7.85
Alternatives	14.00	8.00
Fixed Income	18.00	3.75
Real Estate	10.00	6.75
Liquidity Reserves	1.00	3.00
Total	100.00 %	

Discount Rate The discount rate used to measure the total pension liability was 7.75 percent as of June 30, 2014. The projection of cash flows used to determine the discount rate assumes member and employer contributions will be made at the statutory contribution rates in accordance with rate increases described above. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on those assumptions, STRS' fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2014. Therefore, the long-term expected rate of return on pension plan investments of 7.75 percent was applied to all periods of projected benefit payment to determine the total pension liability as of June 30, 2014.

Sensitivity of the Center's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate The following table presents the Center's proportionate share of the net pension liability calculated using the current period discount rate assumption of 7.75 percent, as well as what the Center's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one-percentage-point lower (6.75 percent) or one-percentage-point higher (8.75 percent) than the current rate:

Pickaway-Ross Career and Technology Center

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2015

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
Center's proportionate share of the net pension liability	\$27,208,241	\$19,005,357	\$12,068,478

Note 11 – Postemployment Benefits

School Employees Retirement System

In addition to a cost-sharing, multiple-employer defined benefit pension plan, the School Employees Retirement System of Ohio (SERS) administers a post-employment benefit plan.

Health Care Plan

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

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

The Health Care Fund was established under, and is administered in accordance with, Internal Revenue Code 105(e). Each year after the allocation for statutorily required pensions and benefits, the Retirement Board allocates the remainder of the employer 14 percent contribution to the Health Care Fund to be used to subsidize the cost of health care coverage. For the year ended June 30, 2015, the health care allocations was 0.82 percent. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated if less than a full year of service credit was earned. By statute no employer shall pay a health care surcharge greater than 2 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2015, the minimum compensation level was established at \$20,450. The surcharge, added to the unallocated portion of the 14 percent employer contribution rate is the total amount assigned to the Health Care Fund. The Center's contributions assigned to health care for the years ending June 30, 2015, 2014, and 2013 were \$35,295, \$35,549, and \$32,007.

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

The financial report of SERS' Health Care plan is included in its comprehensive annual financial report. The report can be obtained on SERS' website at www.ohsers.org under employers/audit resources.

Pickaway-Ross Career and Technology Center

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2015

State Teachers Retirement System

Plan Description – The Center participates in the cost-sharing multiple-employer defined benefit Health Plan administered by the State Teachers Retirement System of Ohio (STRS) for eligible retirees who participated in the defined benefit or combined pension plans offered by STRS. Ohio law authorizes STRS to offer this plan. Benefits include hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare Part B premiums. The Plan is included in the report of STRS which can be obtained by visiting www.strsoh.org or by calling (888) 227-7877.

Funding Policy – Ohio Revised Code Chapter 3307 authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS. Active employee members do not contribute to the Health Care Plan. All benefit recipients, for the most recent year, pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For fiscal year 2015, STRS did not allocate any employer contributions to post-employment health care. The Center's contributions for health care for the fiscal years ended June 30, 2015, 2014, and 2013 were \$0, \$81,764, and \$83,159, respectively. The full amount has been contributed for fiscal years 2015, 2014 and 2013.

Note 12 – Employee Benefits

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 180 days of accrued, but unused sick leave credit, to a maximum of 45 days, plus one-tenth of days 181 through 285, to a maximum of 10 and one-half days for all employees.

Insurance Benefits

The Center provides life insurance and accidental death and dismemberment insurance to most employees through the Metropolitan Education Council.

Deferred Compensation

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

Note 13 – Capital Leases – Lessee Disclosure

During fiscal year 2012, the Center entered into a lease for the purchase of copier equipment and the purchase of property. The copier lease was in the amount of \$83,193 and matured in 2015. The property lease was in the amount of \$200,000 and also matured in 2015.

During fiscal year 2006, the Center issued Qualified Zone Academy Bonds (QZAB) in the amount of \$5,220,000 at 0% interest, maturing in 2021. The terms of these QZAB are structured as a non-certificated lease-purchase agreement. This agreement also included a grant in the amount of \$853,820, making the total amount to be repaid \$4,366,180.

Pickaway-Ross Career and Technology Center

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2015

These leases meet 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.

The capital assets acquired by the leases have been capitalized in the statement of net position for governmental activities in the amount of \$4,889,713. 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 position for governmental activities. Principal payments in fiscal year 2015 totaled \$336,946.

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, 2015:

Year Ending June 30	Capital Leases
2016	\$272,886
2017	272,886
2018	272,886
2019	272,887
2020	272,887
Thereafter	545,774
Total Debt Payments	1,910,206
Less: Interest	(0)
Total Principal	<u>\$1,910,206</u>

Note 14 – Long-Term Obligations

Long-term debt and other obligations at June 30, 2015 and the related transactions for the year then ended are summarized below:

	Principal Outstanding at 7/1/14*	Additions	Deletions	Principal Outstanding at 6/30/15	Amount Due in One Year
Governmental Activities:					
Capital Leases	\$2,247,152	\$0	\$336,946	\$1,910,206	\$272,886
Compensated Absences	1,596,162	368,371	359,362	1,605,171	370,527
Net Pension Liability	26,172,455	0	4,159,987	22,012,468	0
Total Long-Term Obligations	<u>\$30,015,769</u>	<u>\$368,371</u>	<u>\$4,856,295</u>	<u>\$25,527,845</u>	<u>\$643,413</u>

*Restated. See note 22 for additional information.

Capital leases are being paid from the General Fund. Compensated absences are being paid from the funds from which the employees' salaries are paid, with the significant funds being the General Fund and the Adult Education Fund. The Center pays obligations related to employee compensation from the fund benefitting from their service.

The Center's overall legal debt margin was \$189,777,622 and an unvoted debt margin of \$2,108,640 at June 30, 2015.

Pickaway-Ross Career and Technology Center

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2015

Note 15 – Interfund Activity

As of June 30, 2015, receivables and payables that resulted from various interfund transactions were as follows:

	Interfund Receivable	Interfund Payable
<i>Major Funds:</i>		
General	\$45,001	\$0
Adult Education	315,000	0
<i>Nonmajor Funds:</i>		
Food Service	0	45,001
Miscellaneous State Grants	0	315,000
Total Nonmajor Funds	<u>0</u>	<u>360,001</u>
Total All Funds	<u>\$360,001</u>	<u>\$360,001</u>

The above interfund balance relates to advances from the General and Adult Education Funds in anticipation of the receipt of grant monies for the Food Service and Miscellaneous State Grant Funds.

For the fiscal year ended June 30, 2015, transfers in and out that resulted from various interfund transactions were as follows:

	Transfer In	Transfer Out
<i>Major Fund:</i>		
General	\$0	\$465,876
<i>Nonmajor Funds:</i>		
Permanent Improvement	250,000	0
Food Service	42,861	0
Classroom Facilities Maintenance	173,015	0
Total Nonmajor Funds	<u>465,876</u>	<u>0</u>
Total	<u>\$465,876</u>	<u>\$465,876</u>

The General Fund transferred monies to various funds to subsidize operations.

Note 16 – Jointly Governed Organizations

South Central Ohio Computer Association Council of Governments – The Center is a participant in the South Central Ohio Computer Association Council of Governments (SCOCA COG) which is an information technology center. SCOCA COG is a council of governments providing information technology services to 59 public education entities, 60 non-public education entities, and public libraries from 24 Ohio 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 COG consists of two representatives from each of the eleven participating counties, two school treasurers, and a representative for the fiscal agent. SCOCA COG 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 Center paid SCOCA COG \$129,015 for services provided during the fiscal year. Financial information for SCOCA COG can be obtained from their fiscal office located at Pike County Career Technology Center, P.O. Box 596, 175 Beaver Creek, Piketon, Ohio 45661.

Pickaway-Ross Career and Technology Center

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2015

Great Seal Education Network of Tomorrow – The Center 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.

Note 17 – Public Entity Shared Risk and Insurance Purchasing Pools

Ross County School Employees Insurance Consortium – The Ross County School Employees Insurance Consortium (the Consortium), a shared risk pool, currently operates to provide medical and dental insurance coverage to enrolled employees of the consortium members and to eligible dependents of those enrolled employees. Seven school districts within Ross County and its surrounding area have entered into an agreement with the Ross-Pike Educational Service District to form the Ross County School Employees Insurance Consortium. The overall objectives of the Consortium are to formulate and administer a program of medical and dental insurance for the benefit of the Consortium members’ employees and their dependents, to obtain lower costs for insurance coverage, and to secure cost control by implementing a program of comprehensive loss control. 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.

Accordingly, the Ross County School Employees Insurance Consortium is not part of the Center and its operations are not included as part of the reporting entity. To obtain financial information, write to the Ross-Pike Educational Service District, Erin Kirby who serves as Treasurer, at 475 Western Avenue, Chillicothe, Ohio 45601.

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

Note 18 – Statutory Set-Asides

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

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

	<u>Capital Maintenance</u>
Set-Aside Balance as of June 30, 2014	\$0
Current Year Set-Aside Requirement	177,608
Qualifying Disbursements	(68,884)
Current Year Offsets	<u>(250,000)</u>
Totals	<u>(\$141,276)</u>
Set-Aside Balance as of June 30, 2015	<u>\$0</u>
Total Restricted Assets	<u>\$0</u>

Pickaway-Ross Career and Technology Center

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2015

The Center had qualifying disbursements and offsets during the year that reduced the set-aside amount below zero in the capital maintenance set-aside. This extra amount may not be carried forward and used to reduce the set-aside requirements of future years.

Note 19 – Contingencies

Grants

The Center 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 are 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, the effect of any such disallowed claims on the overall financial position of the Center at June 30, 2015, if applicable, cannot be determined at this time.

Litigation

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

Note 20 – Encumbrance Commitments

At June 30, 2015, the Center had encumbrance commitments in governmental funds as follows:

<i>Major Funds:</i>	
General	\$375,846
Adult Education	304,831
<i>Nonmajor Funds:</i>	
Food Service	12,837
Other Local Grants	7,721
Classroom Facilities Maintenance	1,456
Public School Preschool	428
High Schools That Work	1,000
Miscellaneous State Grants	165,863
Adult Basic Literacy Grant	74
Vocational Education	208
Total Nonmajor Funds	<u>189,587</u>
Total Encumbrances	<u>\$870,264</u>

Note 21 – Fund Balances

Fund balance is classified as nonspendable, restricted, committed, assigned and/or unassigned based primarily on the extent to which the Center is bound to observe constraints imposed upon the use of the resources in the government funds. The constraints placed on the fund balance for the major governmental funds and all other governmental funds are presented below:

Pickaway-Ross Career and Technology Center

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2015

	General	Adult Education	Other Governmental Funds	Total Governmental Funds
<i>Restricted</i>				
Other Purposes	\$0	\$0	\$16,398	\$16,398
Classroom Facilities Maintenance	0	0	1,076,130	1,076,130
Adult Education	0	2,077,181	0	2,077,181
Capital Improvements	0	0	1,535,415	1,535,415
Total Restricted	<u>0</u>	<u>2,077,181</u>	<u>2,627,943</u>	<u>4,705,124</u>
<i>Committed</i>				
Other Purposes	30,839	0	0	30,839
Termination Benefits	350,225	0	0	350,225
Total Assigned	<u>381,064</u>	<u>0</u>	<u>0</u>	<u>381,064</u>
<i>Assigned</i>				
Other Purposes	220,481	0	0	220,481
<i>Unassigned (Deficit)</i>				
	<u>9,987,298</u>	<u>0</u>	<u>(37,929)</u>	<u>9,949,369</u>
Total Fund Balances	<u>\$10,588,843</u>	<u>\$2,077,181</u>	<u>\$2,590,014</u>	<u>\$15,256,038</u>

Note 22 – Implementation of New Accounting Pronouncements and Restatement of Beginning Balances

For fiscal year 2015, the Center implemented the Governmental Accounting Standards Board (GASB) Statement No. 68, “Accounting and Financial Reporting for Pensions,” and GASB Statement No 71, “Pension Transition for Contributions Made Subsequent to the Measurement Date-an Amendment of GASB Statement No. 68.” GASB 68 established standards for measuring and recognizing pension liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditure.

The implementation of this pronouncement had the following effect on net position as reported June 30, 2014:

Net Position June 30, 2014	\$28,807,805
Adjustments:	
Net Pension Liability	(26,172,455)
Deferred Outflows-Payments Subsequent to Measurement Date	1,354,399
Restated Net Position June 30, 2014	<u>\$3,989,749</u>

Other than employer contributions subsequent to the measurement date, the Center made no restatement for deferred inflows/outflows of resources as the information needed to generate these restatements was not available.

Pickaway-Ross Career and Technology Center
Required Supplementary Information
Schedule of the Center's Proportionate Share of the Net Pension Liability
Last Two Fiscal Years (1)

	2013	2014
<i>State Teachers Retirement System</i>		
Center's proportion of the net pension liability (asset)	0.07813591%	0.07813591%
Center's proportionate share of the net pension liability (asset)	\$22,639,057	\$19,005,357
Center's covered-employee payroll	\$8,171,138	\$8,019,362
Center's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	277.061233%	236.993393%
Plan fiduciary net position as a percentage of the total pension liability	69.296426%	74.707076%
<i>School Employees Retirement System</i>		
Center's proportion of the net pension liability (asset)	0.05941800%	0.05941800%
Center's proportionate share of the net pension liability (asset)	\$3,533,398	\$3,007,111
Center's covered-employee payroll	\$1,757,153	\$1,707,843
Center's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	201.086510%	176.076578%
Plan fiduciary net position as a percentage of the total pension liability	65.520824%	71.697842%

The amounts presented are as of the Center's measurement date which is the prior fiscal year end.

(1) Information not available prior to 2013.

Pickaway-Ross Career and Technology Center
Required Supplementary Information
Schedule of Center Contributions
Last Ten Fiscal Years

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
<i>State Teachers Retirement System</i>										
Contractually required contribution	\$1,551,462	\$1,129,854	\$1,106,866	\$1,162,625	\$1,158,403	\$1,141,302	\$1,118,682	\$1,062,248	\$1,042,517	\$1,168,995
Contributions in relation to the contractually required contribution	1,551,462	1,129,854	1,106,866	1,162,625	1,158,403	1,141,302	1,118,682	1,062,248	1,042,517	1,168,995
Contribution deficiency (excess)	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Center's covered-employee payroll	\$11,934,323	\$8,691,185	\$8,514,354	\$8,943,269	\$8,910,792	\$8,779,246	\$8,605,246	\$8,171,138	\$8,019,362	\$8,349,964
Contributions as a percentage of covered-employee payroll	13.00%	13.00%	13.00%	13.00%	13.00%	13.00%	13.00%	13.00%	13.00%	14.00%
<i>School Employees Retirement System</i>										
Contractually required contribution	\$161,756	\$183,832	\$171,123	\$156,681	\$272,361	\$223,037	\$243,174	\$243,190	\$236,707	\$236,739
Contributions in relation to the contractually required contribution	161,756	183,832	171,123	156,681	272,361	223,037	243,174	243,190	236,707	236,739
Contribution deficiency (excess)	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Center's covered-employee payroll	\$1,528,885	\$1,721,273	\$1,742,597	\$1,592,287	\$2,011,529	\$1,774,360	\$1,807,985	\$1,757,153	\$1,707,843	\$1,796,199
Contributions as a percentage of covered-employee payroll	10.58%	10.68%	9.82%	9.84%	13.54%	12.57%	13.45%	13.84%	13.86%	13.18%

Pickaway-Ross Career and Technology Center
Schedule of Federal Awards and Expenditures
For the Fiscal Year Ended June 30, 2015

Federal Grantor/Pass Through Grantor/Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Non-Cash Receipts	Disbursements	Non-Cash Disbursements
<u>United States Department of Agriculture</u>						
<i>Passed through the Ohio Department of Education</i>						
Child Nutrition Cluster:						
School Breakfast Program	3L70	10.553	\$62,966	\$0	\$62,966	\$0
National School Lunch Program	3L60	10.555	143,463	17,825	143,463	17,825
Total Child Nutrition Cluster			206,429	17,825	206,429	17,825
Child Nutrition Discretionary Grants	3L60	10.579	47,215	0	47,215	0
Total United States Department of Agriculture			253,644	17,825	253,644	17,825
<u>United States Department of Education</u>						
<i>Direct from the Federal Agency</i>						
Student Financial Aid Cluster:						
Federal Direct Student Loans	N	84.268	632,676	0	632,676	0
Federal Pell Grant Program	N	84.063	490,682	0	490,682	0
Total Student Financial Aid Cluster			1,123,358	0	1,123,358	0
<i>Passed through the Ohio Department of Education</i>						
Career and Technical Education-Basic Grants to States	3L90	84.048	462,873	0	462,665	0
Adult Education-Basic Grants to States	3120	84.002	165,275	0	165,200	0
Improving Teacher Quality State Grants	3Y60	84.367	3,834	0	3,834	0
Total United States Department of Education			1,755,340	0	1,755,057	0
Total Federal Financial Assistance			\$2,008,984	\$17,825	\$2,008,701	\$17,825

N - direct award.

The notes to the schedule of federal awards expenditures are an integral part of this schedule.

Pickaway-Ross Career and Technical Center
Notes to the Schedule of Federal Awards and Expenditures
For the Fiscal Year Ended June 30, 2015

Note 1 – Significant Accounting Policies

The accompanying schedule of federal awards expenditures is a summary of the activity of the Center's federal award programs. The schedule has been prepared on the cash basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*.

Note 2 – Guaranteed Student Loans

Non-monetary assistance is reported in the schedule at the dollar amount of guaranteed student loans disbursed.

Note 3 – Child Nutrition Cluster

Cash receipts from the U.S. Department of Agriculture are commingled with State grants. It is assumed that federal monies are expended first. Program regulations do not require the Center to maintain separate inventory records for purchased food and food received from the U.S. Department of Agriculture. This non-monetary assistance (expenditures) is reported in the schedule using the entitlement value of the commodities received. The Center allocated donated food commodities to the respective program that benefitted from the use of those donated food commodities.

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*

Independent Auditor's Report

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

We have audited, in accordance with the 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, the financial statements of the business-type activities and the discretely presented component unit of Pickaway-Ross Career and Technology Center, Ross County, (the Center) as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Center's basic financial statements, and have issued our report thereon dated January 22, 2016, wherein we noted the Center adopted new accounting guidance in Governmental Accounting Standards Board (GASB) Statement No. 68, "Accounting and Financial Reporting for Pensions— an amendment of GASB Statement No. 27" and GASB Statement No. 71, "Pension Transition for Contributions Made Subsequent to the Measurement Date—an amendment of GASB Statement No. 68," and restated beginning net position as a result of the implementation.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Center's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Center's internal control. Accordingly, we do not express an opinion on the effectiveness of the Center's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Center's financial statements are free from 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*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Natalie Millhuff-Stang, CPA, CITP
President/Owner
Millhuff-Stang, CPA, Inc.

January 22, 2016

**Report on Compliance For Each Major Federal Program and on Internal Control Over Compliance
Required by OMB Circular A-133**

Independent Auditor's Report

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

Report on Compliance for Each Major Federal Program

We have audited Pickaway-Ross Career and Technology Center's, Ross County, (the Center) compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on the Center's major federal program for the year ended June 30, 2015. The Center's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

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

Opinion on Each Major Federal Program

In our opinion, the Center complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2015.

Report on Internal Control Over Compliance

Management of the Center is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Center's internal control over compliance with the types of requirements that could have a direct and material effect on the major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Center's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.



Natalie Millhuff-Stang, CPA, CITP
President/Owner
Millhuff-Stang, CPA, Inc.

January 22, 2016

Pickaway-Ross Career and Technical Center
Schedule of Findings and Questioned Costs
OMB Circular A-133 Section .505
For the Fiscal Year Ended June 30, 2015

Section I – Summary of Auditor’s Results

<i>Financial Statements</i>		
Type of financial statement opinion:		Unmodified
Internal control over financial reporting:		
	Material weakness(es) identified?	No
	Significant deficiency(ies) identified that are not considered to be material weaknesses?	No
Noncompliance material to financial statements noted?		No
<i>Federal Awards</i>		
Internal control over major program(s):		
	Material weakness(es) identified?	No
	Significant deficiency(ies) identified that are not considered to be material weaknesses?	No
Type of auditor’s report issued on compliance for major programs:		Unmodified
Any auditing findings disclosed that are required to be reported in accordance with section 510(a) of OMB Circular A-133?		No
Identification of major program(s):		Student Financial Aid Cluster: Federal Direct Student Loans (CFDA #84.268) and Federal Pell Grant Program (CFDA #84.063)
Dollar threshold used to distinguish between type A and type B programs:		>\$300,000
Auditee qualified as low-risk auditee?		Yes

Section II – Financial Statement Findings

None

Section III – Federal Award Findings and Questioned Costs

None

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Dave Yost • Auditor of State

PICKAWAY ROSS CAREER AND TECHNOLOGY 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
MAY 5, 2016**