

**Auditor of State
Betty Montgomery**

**PIONEER CAREER AND TECHNOLOGY CENTER:
A VOCATIONAL SCHOOL DISTRICT
RICHLAND COUNTY**

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Auditor of State Betty Montgomery

INDEPENDENT ACCOUNTANTS' REPORT

Pioneer Career and Technology Center:
A Vocational School District
Richland County
27 Ryan Road
Shelby, Ohio 44875

To the Board of Education:

We have audited the accompanying financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of Pioneer Career and Technology Center: A Vocational School District, Richland County, Ohio, (the District) as of and for the year ended June 30, 2003, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the major fund, and the aggregate remaining fund information of Pioneer Career and Technology Center: A Vocational School District, Richland County, Ohio, as of June 30, 2003, and the respective changes in financial position and cash flows, where applicable, and the respective budgetary comparison for the General Fund thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 3, during the year ended June 30, 2003, the District implemented a new financial reporting model, as required by the provisions of Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*. As described in Note 8, the District increased its capital asset capitalization threshold from \$50 to \$1,000 for the fiscal year ended June 30, 2003.

In accordance with *Government Auditing Standards*, we have also issued our report dated April 26, 2004, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

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

We conducted our audit to form opinions on the financial statements that collectively comprise the District's basic financial statements. The Schedule of Receipts and Expenditures of Federal Awards is presented for additional analysis and is not a required part of the basic financial statements. We subjected the Schedule of Receipts and Expenditures of Federal Awards to the auditing procedures applied in the audit of the basic financial statements. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

Betty Montgomery
Auditor of State

April 26, 2004

**PIONEER CAREER & TECHNOLOGY CENTER
RICHLAND COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003
UNAUDITED

The discussion and analysis of the Pioneer Career & Technology Center's (the "District") financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2003. The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should also review the notes to the basic financial statements to enhance their understanding of the District's financial performance.

Financial Highlights

Key financial highlights for 2003 are as follows:

- In total, net assets of governmental activities increased \$1,054,967 which represents a 12.05 percent increase from 2002.
- General revenues accounted for \$13,430,275 in revenue or 86.86 percent of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$2,032,048 or 13.14 percent of total revenues of \$15,462,323.
- The District had \$14,407,356 in expenses related to governmental activities; only \$2,032,048 of these expenses were offset by program specific charges for services, grants or contributions. General revenues supporting governmental activities (primarily taxes and unrestricted grants and entitlements) of \$13,430,275 were adequate to provide for these programs.
- The District's only major governmental fund is the general fund. The general fund had \$13,109,009 in revenues and other financing sources and \$11,996,594 in expenditures and other financing uses. During fiscal 2003, the general fund's fund balance increased \$1,120,530 from \$6,063,922 to \$7,184,452.

Using the Basic Financial Statements

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand the District as a financial whole, an entire operating entity. The statements then proceed to provide an increasingly detailed look at specific financial activities.

The *Statement of Net Assets* and *Statement of Activities* provide information about the activities of the whole District, presenting both an aggregate view of the District's finances and a longer-term view of those 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 what remains for future spending. The fund financial statements also look at the District's most significant funds with all other nonmajor funds presented in total in one column. In the case of the District, the general fund is by far the most significant fund, and the only fund reported as a major fund.

**PIONEER CAREER & TECHNOLOGY CENTER
RICHLAND COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003
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Reporting the District as a Whole

Statement of Net Assets and the Statement of Activities

While this document contains the large number of funds used by the District to provide programs and activities, the view of the District as a whole looks at all financial transactions and asks the question, "How did we do financially during 2003?" The Statement of Net Assets and the Statement of Activities answer this question. These statements include *all assets* and *liabilities* using the *accrual basis of accounting* similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

These two statements report the District's *net assets* and changes in those assets. This change in net assets is important because it tells the reader that, for the District as a whole, the *financial position* of the District has improved or diminished. The causes of this change may be the result of many factors, some financial, some not. Non-financial factors include the District's property tax base, current property tax laws in Ohio restricting revenue growth, facility conditions, required educational programs and other factors.

In the Statement of Net Assets and the Statement of Activities, the Governmental Activities include the District's programs and services, including instruction, support services, operation and maintenance of plant, pupil transportation, extracurricular activities, and food service operations.

Reporting the District's Most Significant Funds

Fund Financial Statements

The analysis of the District's major governmental fund begins on page 9. Fund financial reports provide detailed information about the District's major fund. The District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the District's most significant funds. The District's only major governmental fund is the general fund.

Governmental Funds

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

Reporting the District's Fiduciary Responsibilities

The District is the trustee, or fiduciary, for its scholarship programs. This activity is presented as a private purpose trust fund. The District also acts in a trustee capacity as an agent for individuals. These activities are reported in an agency fund. All of the District's fiduciary activities are reported in separate Statements of Fiduciary Net Assets and Changes in Fiduciary Net Assets on pages 24 and 25. These activities are excluded from the District's other financial statements because the assets cannot be utilized by the District to finance its operations.

**PIONEER CAREER & TECHNOLOGY CENTER
RICHLAND COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003
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The District as a Whole

Recall that the Statement of Net Assets provides the perspective of the District as a whole. This is the first year for government-wide financial statements using the full accrual basis of accounting; therefore a comparison with prior years is not available. A comparative analysis will be provided in future years when prior year information is available.

The table below provides a summary of the District's net assets for 2003.

	Governmental Activities <u>2003</u>
<u>Assets</u>	
Current and other assets	\$ 15,398,526
Capital assets	<u>2,831,283</u>
Total assets	<u>18,229,809</u>
<u>Liabilities</u>	
Current liabilities	6,317,083
Long-term liabilities	<u>2,104,179</u>
Total liabilities	<u>8,421,262</u>
<u>Net Assets</u>	
Invested in capital assets, net of related debt	1,990,068
Restricted	1,342,227
Unrestricted	<u>6,476,252</u>
Total net assets	<u>\$ 9,808,547</u>

Over time, net assets can serve as a useful indicator of a government's financial position. At June 30, 2003, the District's assets exceeded liabilities by \$9,808,547. At year-end, net assets were \$9,808,547.

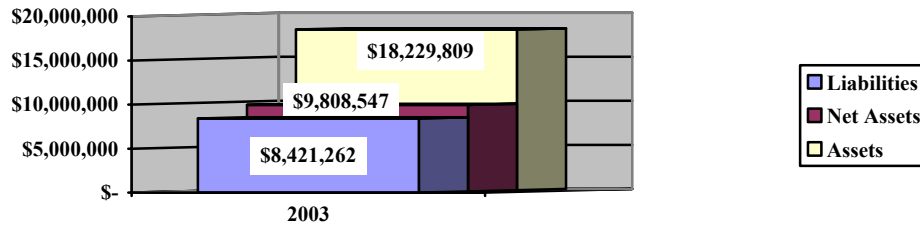
At year-end, capital assets represented 15.53 percent of total assets. Capital assets include land, buildings and improvements, furniture and equipment and vehicles. Capital assets, net of related debt to acquire the assets at June 30, 2003, was \$1,990,068. These capital assets are used to provide services to the students and are not available for future spending. Although the District's investment in capital assets is reported net of related debt, it should be noted that the resources to repay the debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities.

A portion of the District's net assets, \$1,342,227, represents resources that are subject to external restriction on how they may be used. The remaining balance of unrestricted net assets of \$6,476,252 may be used to meet the District's ongoing obligations to the students and creditors.

**PIONEER CAREER & TECHNOLOGY CENTER
RICHLAND COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003
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Governmental Activities



The table below shows the change in net assets for fiscal year 2003. Since this is the first year the District has prepared government-wide financial statements using the full accrual basis of accounting, revenue and expense comparisons to fiscal year 2002 are not available. A comparative analysis will be provided in future years when prior year information is available.

Change in Net Assets

	Governmental Activities <u>2003</u>
<u>Revenues</u>	
Program revenues:	
Charges for services and sales	\$ 731,167
Operating grants and contributions	1,252,855
Capital grants and contributions	48,026
General revenues:	
Property taxes	5,987,111
Grants and entitlements	6,974,786
Investment earnings	232,536
Other	<u>235,842</u>
Total revenues	<u>15,462,323</u>

**PIONEER CAREER & TECHNOLOGY CENTER
RICHLAND COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003
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Change in Net Assets

	Governmental Activities <u>2003</u>
<u>Expenses</u>	
Program expenses:	
Instruction:	
Regular	\$ 710,713
Special	331,757
Vocational	6,825,728
Other	629,458
Support services:	
Pupil	1,119,237
Instructional staff	1,114,300
Board of education	61,588
Administration	1,010,537
Fiscal	433,711
Business	115,537
Operations and maintenance	1,466,776
Pupil transportation	30,175
Central	143,855
Food service operations	320,771
Extracurricular activities	42,772
Interest and fiscal charges	<u>50,441</u>
Total expenses	<u>14,407,356</u>
Increase in net assets	<u>\$ 1,054,967</u>

Governmental Activities

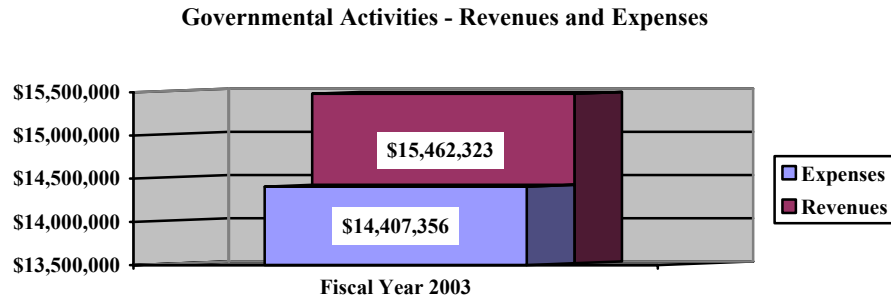
Net assets of the District's governmental activities increased by \$1,054,967. Total governmental expenses of \$14,407,356 were offset by program revenues of \$2,032,048 and general revenues of \$13,430,275. Program revenues supported 14.10 percent of the total governmental expenses.

The primary sources of revenue for governmental activities are derived from property taxes, and grants and entitlements. These revenue sources represent 83.83 percent of total governmental revenue. Real estate property is reappraised every six years.

**PIONEER CAREER & TECHNOLOGY CENTER
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MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003
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The graph below presents the District's governmental activities revenue and expenses for fiscal year 2003.



The Statement of Activities shows the cost of program services and the charges for services and grants offsetting those services. The following table shows, for governmental activities, the total cost of services and the net cost of services. That is, it identifies the cost of these services supported by tax revenue and unrestricted State grants and entitlements. Comparisons to 2002 have not been presented since they are not available.

Governmental Activities

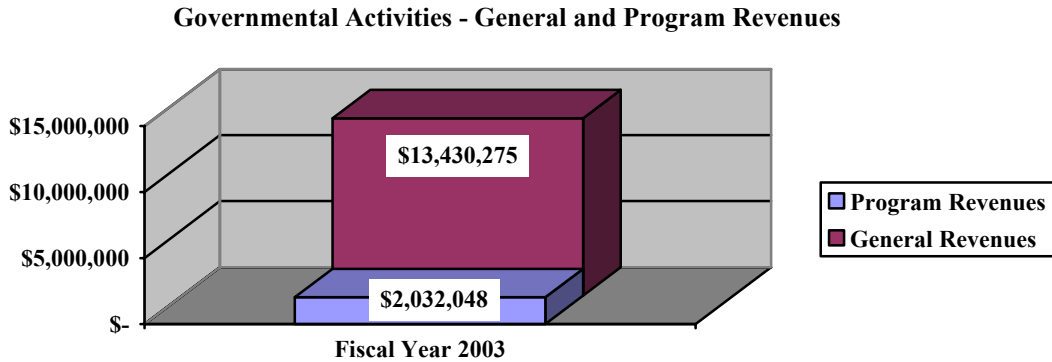
	Total Cost of Services <u>2003</u>	Net Cost of Services <u>2003</u>
Program expenses		
Instruction:		
Regular	\$ 710,713	\$ 677,628
Special	331,757	331,757
Vocational	6,825,728	6,551,530
Other	629,458	39,155
Support services:		
Pupil	1,119,237	757,961
Instructional staff	1,114,300	753,723
Board of education	61,588	61,588
Administration	1,010,537	979,771
Fiscal	433,711	433,711
Business	115,537	115,537
Operations and maintenance	1,466,776	1,466,776
Pupil transportation	30,175	30,175
Central	143,855	55,458
Food service operations	320,771	27,325
Extracurricular activities	42,772	42,772
Interest and fiscal charges	<u>50,441</u>	<u>50,441</u>
Total	<u><u>\$ 14,407,356</u></u>	<u><u>\$ 12,375,308</u></u>

The dependence upon tax and other general revenues for governmental activities is apparent, 89.44 percent of instruction activities are supported through taxes and other general revenues. For all governmental activities, general revenue support is 85.90 percent. The District's taxpayers, as a whole, are by far the primary support for District's students.

**PIONEER CAREER & TECHNOLOGY CENTER
RICHLAND COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003
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The graph below presents the District's governmental activities revenue for fiscal year 2003.



The District's Funds

The District's governmental funds (as presented on the balance sheet on page 16) reported a combined fund balance of \$8,381,569, which is higher than last year's total of \$7,057,950. The June 30, 2002 fund balances have been restated as described in Note 3.A to the basic financial statements. The schedule below indicates the fund balance and the total change in fund balance as of June 30, 2003 and 2002.

	Fund Balance <u>June 30, 2003</u>	Fund Balance (Restated) <u>June 30, 2002</u>	<u>Increase</u>
General	\$ 7,184,452	\$ 6,063,922	\$ 1,120,530
Other Governmental	<u>1,197,117</u>	<u>994,028</u>	<u>203,089</u>
Total	<u>\$ 8,381,569</u>	<u>\$ 7,057,950</u>	<u>\$ 1,323,619</u>

General Fund

The District's general fund balance increased by \$1,120,530 (after a restatement to the June 30, 2002, fund balance which is detailed in Note 3.A. to the basic financial statement). The increase in fund balance can be attributed to property tax increases and intergovernmental revenue increases. The table that follows assists in illustrating the financial activities and fund balance of the general fund.

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RICHLAND COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
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	2003	Restated 2002	Percentage
	<u>Amount</u>	<u>Amount</u>	<u>Change</u>
<u>Revenues</u>			
Taxes	\$ 5,637,213	\$ 5,463,799	3.17 %
Tuition	570	-	100.00 %
Earnings on investments	243,535	312,800	(22.14) %
Intergovernmental	6,974,786	6,512,546	7.10 %
Other revenues	<u>231,590</u>	<u>225,704</u>	2.61 %
Total	<u>\$ 13,087,694</u>	<u>\$ 12,514,849</u>	4.58 %
<u>Expenditures</u>			
Instruction	\$ 6,837,755	\$ 6,537,197	4.60 %
Support services	3,993,858	3,721,860	7.31 %
Extracurricular activities	37,664	31,461	19.72 %
Capital outly	14,899	-	100.00 %
Debt service	<u>25,906</u>	<u>26,155</u>	(0.95) %
Total	<u>\$ 10,910,082</u>	<u>\$ 10,316,673</u>	5.75 %

General Fund Budgeting Highlights

The District's budget is prepared according to Ohio law and is based on accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances. The most significant budgeted fund is the general fund.

During the course of fiscal 2003, the District amended its general fund budget one time. For the general fund, final budgeted revenues and other financing sources were \$12,677,377, which is more than the original budgeted revenues estimate of \$12,675,377. Actual revenues and other financing sources for fiscal 2003 was \$13,632,219. This represents a \$954,842 increase over final budgeted revenues.

General fund original appropriations (appropriated expenditures plus other financing uses) of \$12,709,572 were increased to \$12,711,572 in the final budget. The actual budget basis expenditures and other financing uses for fiscal year 2003 totaled \$12,325,686, which was \$385,886 lower than the final budget appropriations.

**PIONEER CAREER & TECHNOLOGY CENTER
RICHLAND COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003
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Capital Assets and Debt Administration

Capital Assets

At the end of fiscal 2003, the District had \$2,831,283 invested in land, buildings and improvements, furniture and equipment, and vehicles. This entire amount is reported in governmental activities. The following table shows fiscal 2003 balances compared to 2002:

	Capital Assets at June 30 (Net of Depreciation)	
	<u>Governmental Activities</u>	
	<u>2003</u>	<u>Restated 2002</u>
Land	\$ 25,000	\$ 25,000
Building and improvements	1,240,497	1,322,409
Furniture and equipment	1,495,295	1,469,031
Vehicles	<u>70,491</u>	<u>63,531</u>
Total	<u>\$ 2,831,283</u>	<u>\$ 2,879,971</u>

Total additions to capital assets for 2003 were \$419,650 and total disposals were \$28,827 (net of accumulated depreciation). The overall decrease in capital assets of \$48,688 is primarily due to the recording of \$439,511 in depreciation expense for fiscal 2003. See Note 8 for additional information on the District's capital assets.

Debt Administration

At June 30, 2003, the District had \$841,215 in general obligation bonds, energy conservation notes and capital lease obligations outstanding. Of this total, \$130,561 is due within one year and \$710,654 is due within greater than one year. The following table summarizes the bonds, notes and leases outstanding.

	Outstanding Debt, at Year End	
	Governmental Activities	Governmental Activities
	<u>2003</u>	<u>2002</u>
General obligation bonds	\$ 155,000	\$ 230,000
Energy conservation notes	630,000	665,000
Capital lease obligations	<u>56,215</u>	<u>61,751</u>
Total	<u>\$ 841,215</u>	<u>\$ 956,751</u>

The general obligation bonds were received in 1995 for building renovations. These bonds are scheduled to mature in fiscal year 2005 and bear an interest rate of 5.24 percent.

**PIONEER CAREER & TECHNOLOGY CENTER
RICHLAND COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
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The energy conservation notes were received in 2000. These notes are scheduled to mature in fiscal year 2016 and bear an interest rate of 5.51 percent.

In prior years, the District entered into capital lease obligations for copy machines and a mail machine. The capital lease obligations are scheduled to mature in fiscal year 2008. See Note 10 for additional information.

At June 30, 2003, the District's overall legal debt margin was \$187,462,667 with an unvoted debt margin of \$1,927,919.

Current Financial Related Activities

The District has carefully managed its general fund budgets in order to optimize the dollars available for educating the students it serves, and to minimize the levy millage amounts needed periodically from the community's citizens. As the preceding information shows, the general fund cash balance was \$7,184,452 at June 30, 2003. The general fund cash balance includes the cash balance of rotary funds. On a GAAP basis, these amounts are consolidated with the general fund. Fiscal year-end general fund cash balance was \$6,063,922 at June 30 in fiscal year 2002. This increase of \$1,120,530 indicates that the district is still on the positive side of the tax levy cycle. Sound fiscal management by the Board of Education and Administration has enabled the District to maintain a healthy cash balance, replace the 1 mill five year operating levy in 1999, and renew it again in November 2003 and continue a quality, comprehensive educational program.

The Board's five-year projections indicated that the natural budget cycle needs would require renewal of the five year operating levy in 2003. With Board guidance, the recent fiscal year budgets have been carefully managed in order to avoid additional tax millage above the current 4.7 voted mills that is being collected at 2.23 effective mills. In November 2003, the Board submitted, and the electors of the District approved (by a vote of 61.26% to 38.74%) a 1-mill renewal tax for the purpose of current expenses for a third five year period of time. (That levy is expected to generate approximately \$1,750,000 annually.) By monitoring its five-year forecast, the Board was able to request voter approval early in the forecast cycle to maintain the same millage and not face possible reductions in educational programming. The Board is committed to utilizing the funds the District receives from the renewal levy to increase teacher salaries and purchase instructional materials, textbooks, and technology. Substantial funds are also being set aside for vocational equipment and building repair and maintenance. It is anticipated that additional operating funds from local taxes will be necessary again in fiscal year 2008.

Several significant legislative and judicial actions have occurred that will have a major impact on our School District. The Ohio Supreme Court ruled in March 1997 that the State of Ohio was operating an unconstitutional educational system, one that was neither "adequate" nor "equitable." The state has not yet developed a school-funding plan that has been deemed acceptable by the Court, and ultimate resolution still seems to be some time in the future. There is concern that the state may not have the ability to fully fund the previously approved subsidies for primary and secondary education in the state budget. The biennial budget approved by the state for fiscal years 2004 and 2005 have been helpful to the funding situation for Pioneer Career and Technology District, but future funding increases remain uncertain. Changes to the state's school foundation funding formula did not bode well for additional revenue. Increases in enrollment over the past three years are a trend that has generated some additional revenue for the general fund, but this trend is not expected to continue.

Another challenge facing the District is the need to update its facilities to streamline operations and to enhance learning space design for students. The Board has done a preliminary building assessment in anticipation of the approval of building assistance funding through the Ohio School Facilities Commission. (OSFC funding will comprise approximately 79% of the approved project costs; thus, it is important to capture this revenue source to relieve some of the financial burden from local taxpayers.) As the facility is now thirty five years old, there are many updates, repairs and upgrades needed to continue quality vocational programming and protect the taxpayers investment for future students.

**PIONEER CAREER & TECHNOLOGY CENTER
RICHLAND COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003
UNAUDITED**

The District has committed itself to educational and financial excellence for many years. The budgeting and internal controls utilized by the District are well regarded, as exemplified by the unqualified audit opinions that have been received. Each challenge identified in this section is viewed simultaneously as an opportunity for the District to foray down paths not previously traveled to continue its commitment to excellence. The District is committed to living within its financial means, and working with the community it serves in order to garner adequate resources to support the educational program.

Contacting the District's Financial Management

This financial report is designed to provide our citizen's taxpayers, and investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information contact Mr. Jerry Payne, Treasurer, Pioneer Career & Technology Center, 27 Ryan Road, Shelby, Ohio 44875-0309.

**PIONEER CAREER AND TECHNOLOGY CENTER
RICHLAND COUNTY, OHIO**

STATEMENT OF NET ASSETS
JUNE 30, 2003

	Governmental Activities
Assets:	
Equity in pooled cash and cash equivalents.	\$ 8,657,540
Cash with fiscal agent.	256,681
Receivables:	
Taxes	5,959,809
Accounts	57,952
Intergovernmental	204,901
Accrued Interest	149,464
Prepayments	21,619
Materials and supplies inventory	90,560
Capital assets:	
Land	25,000
Depreciable capital assets, net	2,806,283
Capital assets, net.	2,831,283
 Total assets.	 18,229,809
Liabilities:	
Accounts payable.	66,337
Accrued wages and benefits	993,611
Pension obligation payable.	141,253
Intergovernmental payable	71,550
Deferred revenue	4,671,118
Accrued interest payable	3,403
Claims payable	369,811
Long-term liabilities:	
Due within one year.	420,998
Due within more than one year	1,683,181
Total liabilities	8,421,262
Net Assets:	
Invested in capital assets, net of related debt.	1,990,068
Restricted for:	
Capital projects	1,235,875
Other purposes	106,352
Unrestricted.	6,476,252
Total net assets	\$ 9,808,547

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**PIONEER CAREER AND TECHNOLOGY CENTER
RICHLAND COUNTY, OHIO**

STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2003

		Program Revenues			Net (Expense) Revenue and Changes in Net Assets
Expenses	Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	
Governmental activities:					
Instruction:					
Regular	\$ 710,713	\$ 30,360	\$ 2,725	\$ -	\$ (677,628)
Special	331,757	-	-	-	(331,757)
Vocational	6,825,728	71,552	154,620	48,026	(6,551,530)
Other	629,458	199,067	391,236	-	(39,155)
Support services:					
Pupil	1,119,237	43,764	317,512	-	(757,961)
Instructional staff	1,114,300	158,444	202,133	-	(753,723)
Board of education	61,588	-	-	-	(61,588)
Administration	1,010,537	13,436	17,330	-	(979,771)
Fiscal	433,711	-	-	-	(433,711)
Business	115,537	-	-	-	(115,537)
Operations and maintenance	1,466,776	-	-	-	(1,466,776)
Pupil transportation	30,175	-	-	-	(30,175)
Central	143,855	-	88,397	-	(55,458)
Operation of non-instructional services:					
Food service operations	320,771	214,544	78,902	-	(27,325)
Extracurricular activities	42,772	-	-	-	(42,772)
Interest and fiscal charges	50,441	-	-	-	(50,441)
Total governmental activities	<u>\$ 14,407,356</u>	<u>\$ 731,167</u>	<u>\$ 1,252,855</u>	<u>\$ 48,026</u>	<u>(12,375,308)</u>
General Revenues:					
Property taxes levied for:					
General purposes					5,831,675
Debt service					155,436
Grants and entitlements not restricted to specific programs					6,974,786
Investment earnings					232,536
Miscellaneous					235,842
Total general revenues					<u>13,430,275</u>
Change in net assets					1,054,967
Net assets at beginning of year					<u>8,753,580</u>
Net assets at end of year					<u>\$ 9,808,547</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**PIONEER CAREER AND TECHNOLOGY CENTER
RICHLAND COUNTY, OHIO**

BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2003

	General	Other Governmental Funds	Total Governmental Funds
Assets:			
Equity in pooled cash and cash equivalents	\$ 7,019,269	\$ 1,573,008	\$ 8,592,277
Receivables:			
Taxes	5,959,809	-	5,959,809
Accounts	989	56,963	57,952
Intergovernmental	-	204,901	204,901
Interfund loans	307,000	-	307,000
Accrued interest	149,464	-	149,464
Prepayments	21,619	-	21,619
Materials and supplies inventory	42,425	48,135	90,560
Restricted assets:			
Equity in pooled cash and cash equivalents	65,263	-	65,263
Total assets	\$ 13,565,838	\$ 1,883,007	\$ 15,448,845
Liabilities:			
Accounts payable	\$ 33,389	\$ 32,948	\$ 66,337
Accrued wages and benefits	874,611	119,000	993,611
Compensated absences payable	139,088	13,041	152,129
Pension obligation payable	99,207	13,898	113,105
Intergovernmental payable	65,337	6,213	71,550
Interfund loans payable	-	307,000	307,000
Deferred revenue	5,169,754	193,790	5,363,544
Total liabilities	6,381,386	685,890	7,067,276
Fund Balances:			
Reserved for encumbrances	176,356	376,894	553,250
Reserved for materials and supplies inventory	42,425	48,135	90,560
Reserved for prepayments	21,619	-	21,619
Reserved for property tax unavailable for appropriation	824,579	-	824,579
Reserved for Budget Stabilization	65,263	-	65,263
Unreserved, undesignated, reported in:			
General fund	6,054,210	-	6,054,210
Special revenue funds	-	(188,885)	(188,885)
Capital projects funds	-	960,973	960,973
Total fund balances	7,184,452	1,197,117	8,381,569
Total liabilities and fund balances	\$ 13,565,838	\$ 1,883,007	\$ 15,448,845

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**PIONEER CAREER AND TECHNOLOGY CENTER
RICHLAND COUNTY, OHIO**

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO
NET ASSETS OF GOVERNMENTAL ACTIVITIES
JUNE 30, 2003

Total governmental fund balances		\$ 8,381,569
<i>Amounts reported for governmental activities in the statement of net assets are different because:</i>		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		2,831,283
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.		
Taxes	\$ 366,235	
Intergovernmental revenue	193,790	
Accrued interest	132,401	
Total		692,426
An internal service fund is used by management to charge the costs of insurance to individual funds. The assets and liabilities of the internal service fund are included in governmental activities in the statement of net assets.		(113,130)
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.		
Compensated absences	1,110,835	
Pension obligation payable	28,148	
General obligation bonds payable	155,000	
Energy conservation notes payable	630,000	
Capital lease obligation	56,215	
Accrued interest payable	3,403	
Total		(1,983,601)
Net assets of governmental activities		\$ 9,808,547

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**PIONEER CAREER AND TECHNOLOGY CENTER
RICHLAND COUNTY, OHIO**

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003

	General	Other Governmental Funds	Total Governmental Funds
Revenues:			
From local sources:			
Taxes	\$ 5,637,213	\$ 155,436	\$ 5,792,649
Tuition	570	403,222	403,792
Charges for services	-	214,544	214,544
Earnings on investments	243,535	2,136	245,671
Extracurricular	-	13,286	13,286
Other local revenues	231,590	53,638	285,228
Other revenue	-	57,188	57,188
Intergovernmental - State	6,954,554	640,406	7,594,960
Intergovernmental - Federal	20,232	687,944	708,176
Total revenue	13,087,694	2,227,800	15,315,494
Expenditures:			
Current:			
Instruction:			
Regular	657,974	46,751	704,725
Special	296,467	-	296,467
Vocational	5,883,314	330,360	6,213,674
Other	-	629,011	629,011
Support services:			
Pupil	659,802	411,637	1,071,439
Instructional staff	685,222	437,289	1,122,511
Board of education	61,507	-	61,507
Administration	879,780	44,012	923,792
Fiscal	408,046	10,007	418,053
Business	105,965	3,655	109,620
Operations and maintenance	1,102,631	-	1,102,631
Pupil transportation	25,841	-	25,841
Central	65,064	78,791	143,855
Operation of non-instructional services:			
Food service operations	-	282,232	282,232
Extracurricular activities	37,664	-	37,664
Facilities acquisition and construction	-	724,181	724,181
Capital outlay	14,899	-	14,899
Debt service:			
Principal retirement	20,435	110,000	130,435
Interest and fiscal charges	5,471	45,436	50,907
Total expenditures	10,910,082	3,153,362	14,063,444
Excess of revenues over/(under) expenditures	2,177,612	(925,562)	1,252,050
Other financing sources (uses):			
Transfers in	-	1,086,512	1,086,512
Transfers (out)	(1,086,512)	-	(1,086,512)
Proceeds from sale of capital assets	6,416	-	6,416
Proceeds from capital lease transaction	14,899	-	14,899
Total other financing sources (uses)	(1,065,197)	1,086,512	21,315
Net change in fund balances	1,112,415	160,950	1,273,365
Fund balances at beginning of			
year (restated)	6,063,922	994,028	7,057,950
Increase in reserve for inventory	8,115	42,139	50,254
Fund balances at end of year	\$ 7,184,452	\$ 1,197,117	\$ 8,381,569

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**PIONEER CAREER AND TECHNOLOGY CENTER
RICHLAND COUNTY, OHIO**

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, 2003

Net change in fund balances - total governmental funds	\$	1,273,365
<i>Amounts reported for governmental activities in the statement of activities are different because:</i>		
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation expense exceeds capital outlays in the current period.		(19,861)
The net effect of various miscellaneous transactions involving capital assets (i.e., sales, disposals, trade-ins, and donations) is to decrease net assets.		(28,827)
Governmental funds report expenditures for inventory when purchased. However, in the statement of activities, they are reported as an expense when consumed.		50,254
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		123,476
Repayment of bond and note principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.		110,000
Proceeds of capital leases are recorded as revenue in the funds, however on the statement of activities, they are not reported as revenues as they increase the liabilities on the statement of net assets.		(14,899)
Principal payments on capital lease obligations is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.		20,435
Governmental funds report expenditures for interest when it is due. In the statement of activities, interest expense is recognized as the interest accrues, regardless of when it is due.		466
Some expenses reported in the statement of activities, such as compensated absences and pension obligations, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.		(75,507)
The internal service fund used by management to charge the costs of insurance to individual funds is not reported in the district-wide statement of activities. Governmental fund expenditures and the related internal service fund revenues are eliminated. The net expense of the internal service fund is allocated among the governmental activities.		(383,935)
Change in net assets of governmental activities	\$	1,054,967

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**PIONEER CAREER AND TECHNOLOGY CENTER
RICHLAND COUNTY, OHIO**

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2003

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues:				
From local sources:				
Taxes	\$ 5,194,106	\$ 5,194,106	\$ 5,586,333	\$ 392,227
Tuition.	530	530	570	40
Earnings on investments.	259,889	259,889	279,514	19,625
Other local revenues	201,733	203,733	216,641	12,908
Intergovernmental - State	6,466,261	6,466,261	6,954,554	488,293
Intergovernmental - Federal.	18,811	18,811	20,232	1,421
Total revenue	<u>12,141,330</u>	<u>12,143,330</u>	<u>13,057,844</u>	<u>914,514</u>
Expenditures:				
Current:				
Instruction:				
Regular	656,258	656,258	636,436	19,822
Special.	286,412	286,412	277,761	8,651
Vocational.	6,064,816	6,066,816	5,881,631	185,185
Support services:				
Pupil.	705,411	705,411	684,104	21,307
Instructional staff	716,809	716,809	695,158	21,651
Board of education	48,805	48,805	47,331	1,474
Administration.	938,187	938,187	909,850	28,337
Fiscal	424,006	424,006	411,199	12,807
Business	127,804	127,804	123,944	3,860
Operations and maintenance.	1,159,206	1,159,206	1,124,193	35,013
Pupil transportation	26,841	26,841	26,030	811
Central.	72,816	72,816	70,617	2,199
Extracurricular activities.	41,163	41,163	39,920	1,243
Total expenditures	<u>11,268,534</u>	<u>11,270,534</u>	<u>10,928,174</u>	<u>342,360</u>
Excess of revenues over expenditures.	<u>872,796</u>	<u>872,796</u>	<u>2,129,670</u>	<u>1,256,874</u>
Other financing sources (uses):				
Refund of prior year expenditure.	\$ 12,980	12,980	13,960	980
Transfers in.	3,719	3,719	4,000	281
Transfers (out)	(1,124,476)	(1,124,476)	(1,090,512)	33,964
Advances in.	511,383	511,383	550,000	38,617
Advances (out)	(316,562)	(316,562)	(307,000)	9,562
Proceeds from sale of capital assets.	5,965	5,965	6,415	450
Total other financing sources (uses)	<u>(906,991)</u>	<u>(906,991)</u>	<u>(823,137)</u>	<u>83,854</u>
Net change in fund balance	(34,195)	(34,195)	1,306,533	1,340,728
Fund balance at beginning of year.	5,403,835	5,403,835	5,403,835	-
Prior year encumbrances appropriated . .	140,188	140,188	140,188	-
Fund balance at end of year	<u>\$ 5,509,828</u>	<u>\$ 5,509,828</u>	<u>\$ 6,850,556</u>	<u>\$ 1,340,728</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**PIONEER CAREER AND TECHNOLOGY CENTER
RICHLAND COUNTY, OHIO**

STATEMENT OF NET ASSETS
PROPRIETARY FUND
JUNE 30, 2003

	<u>Governmental Activities - Internal Service Fund</u>
Assets:	
Current assets:	
Cash with fiscal agent.	\$ 256,681
 Total assets.	 <u>256,681</u>
 Liabilities:	
Claims payable	<u>369,811</u>
 Total liabilities.	 <u>369,811</u>
 Net assets:	
Unrestricted.	<u>(113,130)</u>
 Total net assets (deficit)	 <u><u>\$ (113,130)</u></u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**PIONEER CAREER AND TECHNOLOGY CENTER
RICHLAND COUNTY, OHIO**

STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET ASSETS
PROPRIETARY FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2003

	Governmental Activities - Internal Service Fund
Operating revenues:	
Sales/charges for services	\$ 1,631,833
Operating expenses:	
Purchased services.	252,660
Claims expense.	1,771,823
Total operating expenses.	2,024,483
Operating loss.	(392,650)
Nonoperating revenues:	
Interest revenue	8,715
Change in net assets	(383,935)
Net assets at beginning of year.	270,805
Net assets (deficit) at end of year.	\$ (113,130)

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**PIONEER CAREER AND TECHNOLOGY CENTER
RICHLAND COUNTY, OHIO**

STATEMENT OF CASH FLOWS
PROPRIETARY FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2003

	Governmental Activities - Internal Service Fund
Cash flows from operating activities:	
Cash received from sales/charges for services	\$ 1,631,833
Cash payments for contractual services	(252,660)
Cash payments for claims expenses	(1,715,201)
	(336,028)
Cash flows from investing activities:	
Interest received	8,715
	(327,313)
Net decrease in cash and cash equivalents.	
Cash and cash equivalents at beginning of year . . .	583,994
Cash and cash equivalents at end of year.	\$ 256,681
	(336,028)
 Reconciliation of operating loss to net cash used in operating activities:	
Operating loss.	\$ (392,650)
Changes in assets and liabilities:	
Increase in claims payable.	56,622
	(336,028)
Net cash used in operating activities	\$ (336,028)
	(336,028)

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**PIONEER CAREER AND TECHNOLOGY CENTER
RICHLAND COUNTY, OHIO**

STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
JUNE 30, 2003

	Private Purpose Trust	
	Scholarship	Agency
Assets:		
Equity in pooled cash and cash equivalents	\$ 144,460	\$ 478,384
Receivables:		
Accounts	-	34,645
Total assets	144,460	513,029
Liabilities:		
Accounts payable	-	52,330
Intergovernmental payable	-	424,527
Due to students	-	36,172
Total liabilities	-	\$ 513,029
Net Assets:		
Held in trust for scholarships	144,460	
Total net assets	\$ 144,460	

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**PIONEER CAREER AND TECHNOLOGY CENTER
RICHLAND COUNTY, OHIO**

STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003

	Private Purpose Trust
	Scholarship
Additions:	
Interest	\$ 2,221
Gifts and contributions.	3,720
	5,941
Deductions:	
Scholarships awarded	6,998
	(1,057)
Change in net assets	145,517
Net assets at beginning of year.	144,460
Net assets at end of year	\$ 144,460

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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**PIONEER CAREER AND TECHNOLOGY CENTER
RICHLAND COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003

NOTE 1 - DESCRIPTION OF THE CENTER

The Pioneer Career and Technology Center (the "District") was formed on June 18, 1965. The District is a vocational school district as defined by Section 3311.18 of the Ohio Revised Code and is a body politic and corporate. The District was established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The District operates under an appointed 11 member Board of Education and is responsible for the provision of public education to residents of the District.

The District's primary mission is to provide students with job training, which is expected to lead to the students' employment upon graduation from high school. The District includes 14 member school districts throughout Richland, Crawford, Huron, Morrow, Wyandot, Seneca, Marion, and Ashland counties.

The District also provides support services for the pupils, instructional staff, operation and maintenance of plant, food services, extracurricular activities, and nonprogrammed services. It is staffed by 53 non-certificated employees and 124 certificated full-time teaching personnel, who provide services to 977 students and other community members.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements of the District have been prepared in conformity with accounting principles generally accepted in the 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 District also applies Financial Accounting Standards Board (FASB) Statements and Interpretations issued on or before November 30, 1989, to its governmental activities and to its proprietary fund provided they do not conflict with or contradict GASB pronouncements. The District's significant accounting policies are described below.

A. Reporting Entity

The reporting entity has been defined in accordance with GASB Statement No. 14, "The Financial Reporting Entity". The reporting entity is composed of the primary government, component units and other organizations that are included to ensure that the basic financial statements of the District are not misleading. The primary government consists of all funds, departments, boards and agencies that are not legally separate from the District. For the District, this includes general operations, food service, preschool and student related activities of the District.

Component units are legally separate organizations for which the District is financially accountable. The District is financially accountable for an organization if the District appoints a voting majority of the organizations' government board and (1) the District is able to significantly influence the programs or services performed or provided by the organization; or (2) the District is legally entitled to or can otherwise have access to the organization's resources; the District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the District in that the District approves the budget, the issuance of debt or the levying of taxes. Based upon the application of this criteria, the District has no component units. The basic financial statements of the reporting entity include only those of the District (the primary government). The following organizations are described due to their relationship to the District:

**PIONEER CAREER AND TECHNOLOGY CENTER
RICHLAND COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003
(Continued)

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

A. Reporting Entity – (Continued)

JOINT VENTURE WITHOUT EQUITY INTEREST

Heartland Council of Governments (the “COG”)

The COG is a joint venture among 16 school districts and 1 educational service center. The joint venture was formed for the purpose of applying modern technology with the aid of computers and other electronic technology to administrative and instructional functions. Each member district supports the COG based on a per pupil charge dependent upon the software package utilized. In the event of dissolution of the COG, all current members will share in net obligations or asset liquidations in a ratio proportionate to their last twelve months’ financial contribution. The COG is governed by a Board of Directors consisting of superintendents of the member school districts. The degree of control exercised by any school district is limited to its representation on the Board. In accordance with GASB Statement No. 14, the District does not have any equity interest in the COG as a residual interest in the net resources of a joint venture upon dissolution is not equivalent to an equity interest. The District serves as fiscal agent for the COG and financial activity for fiscal year 2003 is reported in the financial statements as an agency fund.

PUBLIC ENTITY RISK POOLS

Ohio Association of School Business Officials Workers’ Compensation Group Rating Plan

The District participates in a group rating plan for workers’ compensation as established under Section 4123.29 of the Ohio Revised Code. The Ohio Association of School Business Officials Workers’ Compensation Group Rating Plan (the “Plan”) was established through the Ohio Association of School Business Officials (OASBO) as a group purchasing pool. The District uses Sheakley UniService, Inc. as the third party administrator of their worker’s compensation program.

Each year, the participating school districts pay an enrollment fee to Sheakley UniService, Inc. to cover the costs of administering the program.

B. Fund Accounting

The District uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self balancing set of accounts. There are three categories of funds: governmental, proprietary and fiduciary. Each category is divided into separate fund types.

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 purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance. The following is the District’s major governmental fund:

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

**PIONEER CAREER AND TECHNOLOGY CENTER
RICHLAND COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003
(Continued)

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

B. Fund Accounting - (Continued)

Other governmental funds of the District are used to account for (a) the accumulation of resources for, and payment of, general long-term debt principal, interest and related costs; (b) financial resources to be used for the acquisition, construction, or improvement of capital facilities other than those financed by proprietary and trust funds; and (c) for grants and other resources whose use is restricted to a particular purpose.

PROPRIETARY FUND

Proprietary funds are used to account for the District's ongoing activities which are similar to those often found in the private sector. The District has no enterprise funds. The following is a description of the District's internal service fund:

Internal Service Fund - The internal service fund is used to account for the financing of services provided by one department or agency to other departments or agencies of the district, or to other governments, on a cost-reimbursement basis. The only internal service fund of the District accounts for a self-insurance program which provides medical and dental benefits to employees.

FIDUCIARY FUNDS

Fiduciary fund reporting focuses on net assets and changes in net assets. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds and agency funds. Trust funds are used to account for assets held by the District under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the District's own programs. The District's only trust fund is a private purpose trust which accounts for scholarship programs for students. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The District's agency fund accounts for student activities and the Heartland COG.

C. Basis of Presentation and Measurement Focus

Government-wide Financial Statements - The statement of net assets and the statement of activities display information about the District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. Internal service fund operating activity is eliminated to avoid overstatement of revenues and expenses.

The government-wide statement of activities presents a comparison between direct expenses and program revenues for each function or program of the governmental activities of the District. 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 amounts paid by the recipient of 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 not classified as program revenues are presented as general revenues of the District.

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

**PIONEER CAREER AND TECHNOLOGY CENTER
RICHLAND COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003
(Continued)

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

C. Basis of Presentation and Measurement Focus – (Continued)

Fund Financial Statements - Fund financial statements report detailed information about the District. The focus of governmental fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column, and all nonmajor funds are aggregated into one column. The internal service fund is presented in a single column on the face of the proprietary fund statements. Fiduciary funds are reported by fund type.

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

Like the government-wide statements, the internal service fund is accounted for on a flow of economic resources measurement focus. All assets and all liabilities associated with the operation of this fund are included on the statement of fund net assets. The statement of revenues, expenses and changes in net assets presents increases (i.e., revenues) and decreases (i.e., expenses) in net total assets. The statement of cash flows provides information about how the District finances and meets the cash flow needs of its proprietary activity.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operation. The principal operating revenues of the District's internal service fund is charges for sales and services. Operating expenses for internal service funds include the cost of sales and services and administrative expenses. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Private-purpose trust funds are reported using the economic resources measurement focus. Agency funds do not report a measurement focus as they do not report results of operations.

D. 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. Governmental funds use the modified accrual basis of accounting. Proprietary and fiduciary funds also use the accrual basis of accounting.

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

Nonexchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied (see Note 6).

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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003
(Continued)

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

D. Basis of Accounting – (Continued)

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 District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. On a modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

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

Deferred Revenue - Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied. Property taxes for which there is an enforceable legal claim as of June 30, 2003, but which were levied to finance fiscal year 2004 operation, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

On governmental fund financial statements, receivables that will not be collected within the available period have also been reported as deferred revenue.

Expenses/Expenditures - On the accrual basis of accounting, expenses are recognized at the time they are incurred. The fair value of donated commodities used during the year is reported in the Statement of Revenues, Expenditures and Changes in Fund Balances as an expenditure with a like amount reported as intergovernmental revenue. Unused donated commodities are reported as deferred revenue.

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Allocation of cost, such as depreciation and amortization, are not recognized in governmental funds.

E. Budgets

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriation resolution, all of which are prepared on the budgetary basis of accounting. The certificate of estimated resources and the appropriation resolution are subject to amendment throughout the year with the legal restriction that appropriations cannot exceed estimated resources, as certified. The specific timetable is as follows:

1. Prior to January 15 of the preceding year, the Superintendent and Treasurer submit to the Board of Education a proposed operating budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing for all funds. Public hearings are publicized and conducted to obtain taxpayers' comments. The expressed purpose of this budget document is to reflect the need for existing (or increased) tax rates.

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NOTES TO THE BASIC FINANCIAL STATEMENTS
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(Continued)

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

E. Budgets – (Continued)

2. By no later than January 20, the Board-adopted budget is filed with the Richland County Budget Commission for tax rate determination.
3. Prior to April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the Budget Commission and receives the Commission's Certificate of Estimated Resources which states the projected revenue of each fund. Prior to June 30, the District must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the Certificate of Estimated Resources. The revised budget then serves as a basis for the appropriation measure. On or about July 1, the Certificate is amended to include any unencumbered balances from the preceding year as reported by the District Treasurer. The Certificate may be further amended during the year if projected increases or decreases in revenue are identified by the District Treasurer. The amounts reported in the budgetary statement reflect the amounts set forth in both the original and the final Amended Certificate issued for fiscal year 2003.
4. By July 1, the annual appropriation resolution is legally enacted by the Board of Education at the fund level of expenditures for all funds except the General fund, which is enacted at the fund and function level of expenditures. Thus, the District maintains two different legal levels of budgetary control. (State statute permits a temporary appropriation to be effective until no later than October 1 of each year.) Resolution appropriations by fund must be within the estimated resources as certified by the County Budget Commission and the total of expenditures and encumbrances may not exceed the appropriation totals.
5. All funds, other than agency funds, are legally required to be budgeted and appropriated. Short-term interfund loans are not required to be budgeted since they represent a temporary cash flow resource, and are intended to be repaid.
6. Any revisions that alter the total of any fund appropriation (all funds other than the general fund) or alter fund appropriations or total function appropriations within the general fund must be approved by the Board of Education.
7. Formal budgetary integration is employed as a management control device during the year for all funds consistent with the general obligation bond indenture and other statutory provisions. All departments/functions and funds completed the year within the amount of their legally authorized cash basis appropriation.
8. Appropriation amounts are as originally adopted, or as amended by the Board of Education through the year by supplemental appropriations which either reallocated or increased the original appropriated amounts.

All supplemental appropriations were legally enacted by the Board during fiscal 2003.

9. Unencumbered appropriations lapse at year-end. Encumbered appropriations are carried forward to the succeeding fiscal year and need not be reappropriated. Expenditures plus encumbrances may not legally exceed budgeted appropriations at the fund level for all funds except the general fund, which may not exceed budgeted appropriations at the fund and function level.

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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003
(Continued)

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

F. Cash and Investments

To improve cash management, cash received by the District is pooled. Monies for all funds, except for proprietary funds, are maintained in this pool. Individual fund integrity is maintained through the District's records. Each fund's interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents" on the basic financial statements.

During fiscal 2003, investments were limited to the State Treasury Asset Reserve of Ohio (STAR Ohio), and federal agency securities. All investments of the District had a maturity date of five years or less from the date of purchase.

Except for nonparticipating investment contracts, investments are reported at fair value, which is based on quoted market prices. Nonparticipating investment contracts such as nonnegotiable certificates of deposit are reported at cost.

The District has invested funds in STAR Ohio during fiscal 2003. 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, 2003.

Under existing Ohio statutes all investment earnings are assigned to the general fund unless statutorily required to be credited to a specific fund. The Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the general fund during fiscal year 2003 amounted to \$243,535, which includes \$49,387 assigned from other District funds.

For presentation on the basic financial statements, investments of the cash management pool and investments with original maturities of three months or less at the time they are purchased by the District are considered to be cash equivalents. Investments with an initial maturity of more than three months are reported as investments.

An analysis of the Treasurer's investment account at year-end is provided in Note 4.

G. Inventory

On government-wide and fund financial statements, inventories are presented on a first-in, first-out basis and are expensed when purchased. Inventories are accounted for using the purchase method.

On the fund financial statements, reported material and supplies inventory is equally offset by a fund balance reserve in the governmental funds which indicates that it does not constitute available spendable resources even though it is a component of net current assets.

Inventory consists of expendable supplies held for consumption, donated food and purchased food.

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(Continued)

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

H. Capital Assets

General capital assets result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net assets but are not reported in the fund financial statements.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their fair market values as of the date received. During fiscal year 2003, the District increased its capitalization threshold from \$50 to \$1,000. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not.

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

<u>Description</u>	<u>Governmental Activities Estimated Lives</u>
Buildings and improvements	25 - 50 years
Furniture and equipment	5 - 20 years
Vehicles	5 - 15 years

I. Interfund Balances

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "interfund loans receivables/payables." These amounts are eliminated in the governmental activities column on the Statement of Net Assets.

J. Compensated Absences

Compensated absences of the District consist of vacation leave and severance liability to the extent that payments to the employee for these absences are attributable to services already rendered and are not contingent on a specific event that is outside the control of the District and the employee.

In accordance with the provisions of GASB Statement No. 16, "Accounting for Compensated Absences", a liability for vacation leave is accrued if a) the employees' rights to payment are attributable to services already rendered; and b) it is probable that the employer will compensate the employees for the benefits through paid time off or other means, such as cash payment at termination or retirement. A liability for severance is accrued using the vesting method; i.e., the liability is based on the sick leave accumulated at June 30, 2003, by those employees who are currently eligible to receive termination (severance) payments, as well as those employees expected to become eligible in the future. For purposes of establishing a liability for severance on employees expected to become eligible to retire in the future, all employees with at least ten years of service were considered expected to become eligible to retire in accordance with GASB Statement No. 16.

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NOTES TO THE BASIC FINANCIAL STATEMENTS
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(Continued)

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

J. Compensated Absences – (Continued)

The total liability for vacation and severance payments has been calculated using pay rates in effect at June 30, 2003, and reduced to the maximum payment allowed by labor contract and/or statute, plus any applicable additional salary related payments.

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

For governmental fund financial statements, the current portion of unpaid compensated absences is the amount expected to be paid using expendable available resources. These amounts are recorded in the account “compensated absences payable” in the fund from which the employees who have accumulated unpaid leave are paid. The noncurrent portion of the liability is not reported.

K. Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements, and all payables, accrued liabilities and long-term obligations payable from the internal service fund are reported on the proprietary fund financial statements.

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources, are reported as obligations of the funds. However, claims and judgments, compensated absences, and contractually required pension contributions 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 during the current year. Bonds are recognized as a liability on the fund financial statements when due.

L. Fund Balance Reserves

The District reserves those portions of fund equity which are legally segregated for a specific future use or which do not represent available expendable resources and therefore are not available for appropriation or expenditure. Unreserved fund balance indicates that portion of fund equity which is available for appropriation in future periods. Fund equity reserves have been established for encumbrances, materials and supplies inventory, prepayments, property taxes unavailable for appropriation and budget stabilization. The reserve for property taxes unavailable for appropriation represents taxes recognized as revenue under GAAP but not available for appropriation under state statute.

M. Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary fund. For the District, these revenues are charges for services for the employee self-insurance program. Operating expenses are necessary costs incurred to provide services that are the primary activity of the fund.

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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003
(Continued)

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

N. Net Assets

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

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

O. Prepayments

Certain payments to vendors reflect the costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements. These items are reported as assets on the balance sheet using the allocation method, which amortizes their cost over the periods benefiting from the advance payment.

At fiscal year-end, because prepayments and deferrals are not available to finance future governmental fund expenditures, the fund balance is reserved by an amount equal to the carrying value of the asset.

P. Estimates

The preparation of the basic financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported in the basic financial statements and accompanying notes. Actual results may differ from those estimates.

Q. Restricted Assets

Assets are reported as restricted assets when limitations on their use change the normal understanding of the availability of the asset. Such constraints are either imposed by creditors, contributors, grantors, or laws of other governments or imposed by enabling legislation. Restricted assets include the amount required by state statute to be set-aside for budget stabilization. See Note 16 for details.

R. Interfund Activity

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses 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 and after nonoperating revenues/expenses in proprietary fund. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the basis financial statements.

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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003
(Continued)

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

S. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Board of Education and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during fiscal 2003.

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

A. Changes in Accounting Principles and Restatement of Fund Balance

For fiscal year 2003, the District has implemented GASB Statement No. 34, "Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments", GASB Statement No. 37, "Basic Financial Statements for State and Local Governments: Omnibus", GASB Statement No. 38, "Certain Financial Statement Note Disclosures", GASB Statement No. 41, "Budgetary Comparison Schedule - Perspective Differences", and GASB Interpretation No. 6, "Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements". At June 30, 2002, there was no effect on fund balance as a result of implementing GASB Statements 37, 38 and 41.

GASB Statement No. 37 clarifies certain provisions of Statement No. 34, including the required content of the Management Discussion and Analysis, the classification of program revenues and the criteria for determining major funds. GASB Statement No. 38, modifies, establishes and rescinds certain financial statement note disclosures.

GASB Statement No. 41 allows the presentation of budgetary schedules as required supplementary information based on the fund, organization or program structure that the government uses for its legally adopted budget when significant budgetary perspective differences result in the District not being able to present budgetary comparison for the general fund.

GASB Interpretation No. 6 clarifies the application of standards for modified accrual recognition of certain liabilities and expenditures in areas where differences have arisen, or potentially could arise, in interpretation and practice.

The government-wide financial statements show the District's programs for governmental activities. The beginning net asset amount for governmental activities reflects the change in fund balance for governmental funds at June 30, 2002, caused by the elimination of the internal service fund and the conversion to the accrual basis of accounting.

Governmental Activities - Fund Reclassification and Restatement of Fund Balance - Certain funds have been reclassified to properly reflect their intended purpose in accordance with the Standards of GASB Statement No. 34. It was also determined that GASB Interpretation No. 6 had an effect on fund balance as previously reported at June 30, 2002. In addition, intergovernmental receivables were understated at June 30, 2002.

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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003
(Continued)

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE - (Continued)

A. Changes in Accounting Principles and Restatement of Fund Balance - (Continued)

The fund reclassifications and the implementation of GASB Interpretation No. 6 had the following effect on the District's governmental fund balances as previously reported:

	<u>General</u>	<u>Nonmajor</u>	<u>Total</u>
Fund balance June 30, 2002	\$ 6,069,178	\$ 732,778	\$ 6,801,956
Fund reclassifications	2,769	50,016	52,785
Adjustment for understated intergovernmental receivables	-	242,926	242,926
Implementation of GASB Interpretation No. 6	<u>(8,025)</u>	<u>(31,692)</u>	<u>(39,717)</u>
Restated fund balance, June 30, 2002	<u>\$ 6,063,922</u>	<u>\$ 994,028</u>	<u>\$ 7,057,950</u>

The transition from governmental fund balance to net assets of the governmental activities is presented as follows:

	<u>Total</u>
Restated fund balance, June 30, 2002	\$ 7,057,950
GASB 34 adjustments:	
Long-term (deferred) assets	568,950
Capital assets	2,879,971
Accrued interest payable	(3,869)
Pension obligation	(16,610)
Long-term liabilities	(2,003,617)
Internal service fund	<u>270,805</u>
Governmental activities net assets, June 30, 2002	<u>\$ 8,753,580</u>

B. Deficit Fund Balances/Net Assets

Fund balances/net assets at June 30, 2003 included the following individual fund deficits:

	<u>Deficit</u>
<u>Nonmajor Funds</u>	
Teacher Development	\$ 10
Career Development	9,663
Adult Education	162,539
Eisenhower Grant	1,167
Vocational Education	85,025
Title VI	291
Miscellaneous Federal Grants	33,371
<u>Proprietary Fund</u>	
Self-Insurance	113,130

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(Continued)

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE - (Continued)

B. Deficit Fund Balances/Net Assets – (Continued)

These funds complied with Ohio state law, which does not permit a cash basis deficit at year-end. The general fund is liable for any deficits in these funds and provides transfers when cash is required, not when accruals occur. The deficit fund balances results from adjustments for accrued liabilities.

C. Compliance

Contrary to Ohio Rev. Code Section 5705.41(D), the District did not certify the availability of funds for certain expenditures prior to incurring the obligation.

NOTE 4 - EQUITY IN POOLED CASH AND CASH EQUIVALENTS

The District maintains a cash and investment pool used by all funds. Each fund type's portion of this pool is displayed on the basic financial statements as "Equity in Pooled Cash and Cash Equivalents". Statutes require the classification of monies held by the District into three categories.

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

Inactive deposits are public deposits 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 deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings accounts, including passbook accounts.

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

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

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;

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(Continued)

NOTE 4 - EQUITY IN POOLED CASH AND CASH EQUIVALENTS - (Continued)

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 2% and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasury Asset Reserve of Ohio (STAR Ohio);
7. Certain bankers' acceptances and commercial paper notes for a period not to exceed 180 days in an amount not to exceed 25% of the interim monies available for investment at any one time; and
8. Under limited circumstances, corporate debt instruments rated in either of the two highest rating classifications by at least two nationally recognized rating agencies.

Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the District, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the Treasurer or qualified trustee or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

Cash on Hand: At fiscal year-end, the District had \$425 in undeposited cash on hand which is included on the basic financial statements of the District as part of "Equity in Pooled Cash and Cash Equivalents", but is not included in the total amount of deposits reported below.

Cash with Fiscal Agent: The District is self-insured through a fiscal agent. The money held by the fiscal agent cannot be identified as an investment or deposit, since it is held in a pool made up of numerous participants. The amount held by the fiscal agent at June 30, 2003, was \$256,681.

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

Deposits: At year-end, the carrying amount of the District's deposits was \$7,186,872 and the bank balance was \$7,458,619. These balances included \$7,080,810 in nonnegotiable certificates of deposit. Of the bank balance:

1. \$993,370 was covered by federal depository insurance;
2. \$6,192,810 was covered by collateral held in the pledging bank's trust department in the District's name; and

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NOTES TO THE BASIC FINANCIAL STATEMENTS
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(Continued)

NOTE 4 - EQUITY IN POOLED CASH AND CASH EQUIVALENTS - (Continued)

3. \$272,439 was uninsured and unregistered as defined by GASB although it was secured by collateral held by third party trustees, pursuant to section 135.181 Ohio Revised Code, in collateralized pools securing all public funds on deposit with specific depository institutions; these securities not being in the name of the District. Although all state statutory requirements for the deposit of money had been followed, non-compliance with federal requirements would potentially subject the District to a successful claim by the FDIC.

Collateral is required for demand deposits and certificates of deposit in excess of all deposits not covered by federal depository insurance. Obligations that may be pledged as collateral are obligations of the United States and its agencies, obligations of the State of Ohio and its municipalities, and obligations of the other states. Obligations pledged to secure deposits must be delivered to a bank other than the institution in which the deposit is made. Written custodial agreements are required.

Investments: The District's investments are categorized below to give an indication of the level of custodial credit risk assumed by the District at fiscal year-end. Category 1 includes investments that are insured or registered or securities held by the District. Category 2 includes uninsured and unregistered investments for which the securities are held by the counterparty's trust department or agent in the District's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty or by its trust department or agent, but not in the District's name. Investments in STAR Ohio are not categorized as they are not evidenced by securities that exist in physical or book entry form.

	Category 2	Fair Value
Investments:		
Federal agency securities	\$ 150,095	\$ 150,095
Not subject to categorization:		
Investment in STAR Ohio	-	1,942,992
Total investments	\$ 150,095	\$ 2,093,087

The classification of cash and cash equivalents, and investments on the basic financial statements is based on criteria set forth in GASB Statement No. 9. A reconciliation between the classifications of cash and cash equivalents and investments on the basic financial statements per GASB Statement No. 9 and the classifications of deposits and investments per GASB Statement No. 3 is as follows:

	Cash and Cash Equivalents/Deposits	Investments
GASB Statement No. 9	\$ 9,537,065	\$ -
Investments of the cash management pool:		
Investment in STAR Ohio	(1,942,992)	1,942,992
Federal agency securities	(150,095)	150,095
Cash with fiscal agent	(256,681)	-
Cash on hand	(425)	-
GASB Statement No. 3	\$ 7,186,872	\$ 2,093,087

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NOTES TO THE BASIC FINANCIAL STATEMENTS
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(Continued)

NOTE 5 - INTERFUND TRANSACTIONS

- A. Interfund balances at June 30, 2003 as reported on the fund statements, consist of the following individual interfund loans receivable and payable:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Nonmajor governmental funds	\$ 307,000

The primary purpose of the interfund balances is to cover costs in specific funds where revenues were not received by June 30. These interfund balances will be repaid once the anticipated revenues are received. All interfund balances are expected to be repaid within one year.

Interfund balances between governmental funds are eliminated on the government-wide financial statements; therefore, no internal balances at June 30, 2003 are reported on the statement of net assets.

- B. Interfund transfers for the year ended June 30, 2003, consisted of the following, as reported on the fund financial statements:

Transfers to Nonmajor Governmental funds from:	
General Fund	\$1,086,512

The primary purpose of the interfund transfers is to cover the cost of various permanent improvement projects in the District.

NOTE 6 - PROPERTY TAXES

Property taxes are levied and assessed on a calendar year basis. Distributions from the second half of the calendar year occur in a new fiscal year and are intended to finance the operations of that year. Property taxes include amounts levied against all real, public utility and tangible (used in business) property located in the District.

Real property taxes and public utility taxes are levied after April 1 on the assessed value listed as of the prior January 1, the lien date. Assessed values are established by state law at 35% of appraised market value.

Public utility property taxes are assessed on tangible personal property, as well as land and improvements. Real property is assessed at 35% of market value and personal property is assessed at varying rates of true value.

Tangible personal property taxes attach as a lien and are levied on January 1 of the current year. Tangible personal property assessments are 25% of true value. The first \$10,000 of assessed value is exempt from taxation. The District receives a state subsidy in lieu of tax revenue which would otherwise have been collected.

The assessed value upon which the 2003 taxes were collected was \$2,082,918,517. Agricultural/residential and public utility/minerals real estate represented 66.43% or \$1,383,590,080 of this total; commercial & industrial real estate represented 13.57% or \$282,640,730 of this total; public utility tangible represented 5.11% or \$106,528,890 of this total and general tangible property represented 14.89% or \$310,158,817 of this total. The voted general tax rate at the fiscal year ended June 30, 2003 was \$4.70 per \$1,000.00 of assessed valuation for operations.

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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003
(Continued)

NOTE 6 - PROPERTY TAXES - (Continued)

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

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

The District receives property taxes from Richland, Ashland, Crawford, Huron, Morrow, Marion, Wyandot and Seneca Counties. The Richland County Auditor periodically advances to the District its portion of the taxes collected. These tax "advances" are based on statutory cash flow collection rates. Final "settlements" are made each February and August.

Accrued property taxes receivable represents delinquent taxes outstanding and real property, personal property and public utility taxes, which became measurable as of June 30, 2003. Although total property tax collections for the next fiscal year are measurable, they are not (exclusive of advances) intended to finance current fiscal year operations. The net receivable (total receivable less amount available intended to finance the current year) is therefore offset by a credit to deferred revenue for that portion not intended to finance current year operations.

The amount available as an advance at June 30, 2003, was \$824,579 in the general fund and is recognized as revenue.

Taxes available for advance and recognized as revenue, but not received by the District prior to June 30, 2003, are reflected as a reservation of fund balance for future appropriations. The District is prohibited, by law, from appropriating this revenue in accordance with ORC Section 5705.35, since an advance of revenue was not requested or received prior to the fiscal year-end.

On a full accrual basis, collectible delinquent property taxes have been recorded as a receivable and revenue, while on a modified accrual basis the revenue has been deferred.

NOTE 7 - RECEIVABLES

Receivables at June 30, 2003 consisted of taxes, accounts (billings for user charged services and student fees), accrued interest, and intergovernmental grants and entitlements. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of state programs and the current year guarantee of federal funds. A summary of the principal items of receivables reported on the Statement of Net Assets follows:

Governmental Activities:

Property taxes	\$ 5,959,809
Accounts	57,952
Intergovernmental	204,901
Accrued interest	<u>149,464</u>
Total	<u>\$ 6,372,126</u>

Receivables have been disaggregated on the face of the basic finance statements. All receivables are expected to be collected within subsequent years.

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NOTES TO THE BASIC FINANCIAL STATEMENTS
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(Continued)

NOTE 8 - CAPITAL ASSETS

- A. The capital asset balances of the governmental activities have been restated due to changes in the District's capital asset policy, (see Note 2.H.) errors and omissions the prior year, and to depreciate capital assets in accordance with GASB Statement No. 34.

	<u>Balance</u> <u>06/30/02</u>	<u>Adjustments</u>	<u>Restated</u> <u>Balance</u> <u>06/30/02</u>
Governmental Activities:			
<i>Capital assets, not being depreciated:</i>			
Land	\$ 25,000	\$ -	\$ 25,000
Total capital assets, not being depreciated	<u>25,000</u>	<u>-</u>	<u>25,000</u>
<i>Capital assets, being depreciated:</i>			
Building and improvements	4,046,511	24,532	4,071,043
Furniture and equipment	6,253,823	(1,624,943)	4,628,880
Vehicles	177,592	5,755	183,347
Textbooks	<u>267,465</u>	<u>(267,465)</u>	<u>-</u>
Total capital assets, being depreciated	<u>10,745,391</u>	<u>(1,862,121)</u>	<u>8,883,270</u>
<i>Less: accumulated depreciation</i>	<u>-</u>	<u>(6,028,299)</u>	<u>(6,028,299)</u>
Governmental activities capital assets, net	<u>\$ 10,770,391</u>	<u>\$ (7,890,420)</u>	<u>\$ 2,879,971</u>

- B. Capital asset activity for the fiscal year ended June 30, 2003, was as follows:

	<u>Restated</u> <u>Balance</u> <u>06/30/02</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>06/30/03</u>
Governmental Activities:				
<i>Capital assets, not being depreciated:</i>				
Land	\$ 25,000	\$ -	\$ -	\$ 25,000
Total capital assets, not being depreciated	<u>25,000</u>	<u>-</u>	<u>-</u>	<u>25,000</u>
<i>Capital assets, being depreciated:</i>				
Buildings and improvements	4,071,043	-	-	4,071,043
Furniture and equipment	4,628,880	372,722	(541,001)	4,460,601
Vehicles	<u>183,347</u>	<u>46,928</u>	<u>(22,082)</u>	<u>208,193</u>
Total capital assets, being depreciated	<u>8,883,270</u>	<u>419,650</u>	<u>(563,083)</u>	<u>8,739,837</u>
<i>Less: accumulated depreciation:</i>				
Buildings and improvements	(2,748,634)	(81,912)	-	(2,830,546)
Furniture and equipment	(3,159,849)	(331,950)	526,493	(2,965,306)
Vehicles	<u>(119,816)</u>	<u>(25,649)</u>	<u>7,763</u>	<u>(137,702)</u>
Total accumulated depreciation	<u>(6,028,299)</u>	<u>(439,511)</u>	<u>534,256</u>	<u>(5,933,554)</u>
Governmental activities capital assets, net	<u>\$ 2,879,971</u>	<u>\$ (19,861)</u>	<u>\$ (28,827)</u>	<u>\$ 2,831,283</u>

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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003
(Continued)

NOTE 8 - CAPITAL ASSETS - (Continued)

Depreciation expense was charged to governmental functions as follows:

<u>Instruction:</u>	
Regular	\$ 32,484
Special	6,230
Vocational	256,505
Other	9,115
 <u>Support Services:</u>	
Pupil	7,181
Instructional staff	18,283
Administration	48,058
Fiscal	1,886
Business	1,587
Operations and maintenance	32,586
Pupil transportation	4,334
Noninstructional	16,154
Extracurricular activities	<u>5,108</u>
Total depreciation expense	<u>\$ 439,511</u>

NOTE 9 - CAPITALIZED LEASES - LESSEE DISCLOSURE

In the current year and in prior years, the District entered into capitalized leases for copier equipment and a mail machine. These lease agreements meet the criteria of a capital lease as defined by FASB Statement 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 financial statements for the governmental funds. These expenditures are reported as function expenditures on the budgetary statements.

Capital assets consisting of copiers and a mail machine have been capitalized in the amount of \$118,893. This amount represents the present value of the minimum lease payments at the time of acquisition. A corresponding liability is recorded in the government-wide financial statements. Principal payments in fiscal year 2003 totaled \$20,435 paid by the general fund.

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NOTES TO THE BASIC FINANCIAL STATEMENTS
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(Continued)

NOTE 9 - CAPITALIZED LEASES - LESSEE DISCLOSURE - (Continued)

The following is a schedule of the future long-term minimum lease payments required under the capital lease and the present value of the future minimum lease payments as of June 30, 2003:

<u>Fiscal Year Ending June 30,</u>	<u>Amount</u>
2004	\$ 24,728
2005	23,214
2006	11,479
2007	3,228
2008	<u>1,077</u>
Total minimum lease payments	63,726
Less amount representing interest	<u>(7,511)</u>
Total	<u>\$ 56,215</u>

NOTE 10 - LONG-TERM OBLIGATIONS

- A. In prior years, the District issued energy conservation notes to provide for energy improvements to various District buildings. The primary source of repayment of these notes is through energy savings as a result of the improvements.

The following is a description of the District's energy conservation notes outstanding as of June 30, 2003:

<u>Purpose</u>	<u>Interest Rate</u>	<u>Issue Date</u>	<u>Maturity Date</u>	<u>Balance July 1, 2002</u>	<u>Retired in 2003</u>	<u>Balance June 30, 2003</u>
Energy conservation notes	5.51%	08/01/00	12/01/15	<u>\$ 665,000</u>	<u>\$ (35,000)</u>	<u>\$ 630,000</u>

- B. In prior years, the District issued general obligation bonds which were issued to provide funds for the acquisition and construction and/or renovation of equipment and facilities, are general obligations of the District, for which the full faith and credit of the District are pledged for repayment. Payments of principal and interest relating to these bonds are recorded as expenditures in the debt service fund.

The source of payment is current operating revenues.

The following is a description of the District's bonds outstanding as of June 30, 2003:

<u>Purpose</u>	<u>Interest Rate</u>	<u>Issue Date</u>	<u>Maturity Date</u>	<u>Balance July 1, 2002</u>	<u>Retired in 2003</u>	<u>Balance June 30, 2003</u>
Building renovations	5.24%	06/01/95	12/01/04	<u>\$ 230,000</u>	<u>\$ (75,000)</u>	<u>\$ 155,000</u>

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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003
(Continued)

NOTE 10 - LONG-TERM OBLIGATIONS - (Continued)

C. Principal and interest requirements to retire general obligation bonds and energy conservation notes at June 30, 2003, are as follows:

Year Ending June 30	Principal on Bonds and Notes	Interest on Bonds and Notes	Total
2004	\$ 110,000	\$ 39,726	\$ 149,726
2005	115,000	33,769	148,769
2006	40,000	29,684	69,684
2007	40,000	27,654	67,654
2008	45,000	25,464	70,464
2009 - 2013	250,000	89,585	339,585
2014 - 2016	<u>185,000</u>	<u>16,475</u>	<u>201,475</u>
Total	<u>\$ 785,000</u>	<u>\$ 262,357</u>	<u>\$ 1,047,357</u>

D. The District's long-term obligations during the year consist of the following:

	Restated Balance Outstanding 06/30/02	Additions	Reductions	Balance Outstanding 06/30/03	Amounts Due in One Year
Governmental Activities:					
Energy conservation bonds	\$ 665,000	\$ -	\$ (35,000)	\$ 630,000	\$ 35,000
General obligation bonds	230,000	-	(75,000)	155,000	75,000
Capital lease obligation	61,751	14,899	(20,435)	56,215	20,561
Compensated absences	<u>1,124,884</u>	<u>383,631</u>	<u>(245,551)</u>	<u>1,262,964</u>	<u>290,437</u>
Total long-term obligations, governmental activities	<u>\$ 2,081,635</u>	<u>\$ 398,530</u>	<u>\$ (375,986)</u>	<u>\$ 2,104,179</u>	<u>\$ 420,998</u>

E. Legal Debt Margin

The Ohio Revised Code provides that voted net general obligation debt of the District shall never exceed 9% of the total assessed valuation of the District. The code further provides that unvoted indebtedness shall not exceed 1/10 of 1% of the property valuation of the District.

The effects of these debt limitations at June 30, 2003 are a voted debt margin of \$187,462,667, an unvoted debt margin of \$1,927,919, and an unvoted energy conservation debt margin of \$18,116,267.

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(Continued)

NOTE 11 - RISK MANAGEMENT

The District is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets, error and omissions, injuries to employees and natural disasters. The District contracted with Republican Franklin Insurance Company through Utica National Insurance Group for building and personal property insurance.

Boiler and machinery coverage is included in the blanket building and personal property. Professional liability is provided by Republic Franklin Insurance Company with a \$1,000,000 per occurrence, \$3,000,000 aggregate limit and umbrella coverage of \$2,000,000 per occurrence, \$2,000,000 aggregate limit.

Vehicles are covered by Republican Franklin Group and carry a \$100 deductible for comprehensive and \$250 collision. Automobile liability has a \$1,000,000 combined single limit of liability.

Public officials bond insurance is provided by Travelers Casualty and Surety Company of America for a total of \$260,000. The Treasurer's bond is provided by Ohio Casualty Insurance Company in the amount of \$20,000. Honesty Blanket Position Coverage of \$100,000 is included in the Utica National Insurance.

The District provides \$40,000 and 2.5 times their salary in life insurance and accidental death and dismemberment insurance to its general employees and to its administrators, respectively, through Madison National Life Insurance.

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

A. Employee Health

The District has elected to provide employee medical/surgical benefits through a self-insured program. The District maintains a self-insurance Internal Service fund to account for and finance its uninsured risk of loss in this program. This plan provides a medical/surgical plan, with a \$150 single and \$300 family deductible per year. The plan also provides dental and vision care. A third-party administrator, Gallagher Benefits Administrators, Inc., located in Lisle, Illinois, reviews and pays all claims. The administrator purchases stop-loss coverage of \$35,000 per employee. The District pays into the self-insurance Internal Service fund \$657.36 for family coverage and \$342.42 for individual coverage per employee per month, which represents the entire premium required. This premium is paid by the fund that pays the salary for the employee and is based on historical cost information.

The claims liability of \$369,811 reported in the fund at June 30, 2003 is based on the requirements of GASB Statement No. 10 which requires that a liability for unpaid claims cost, including estimated of cost relating to incurred but not reported claims, be reported. Changes in the fund's claims liability for fiscal 2003 and the prior fiscal year follows:

<u>Year</u>	<u>Balance at Beginning of Year</u>	<u>Current Year Claims</u>	<u>Claim Payments</u>	<u>Balance at End of Year</u>
2003	\$ 313,189	\$ 1,771,823	\$ (1,715,201)	\$ 369,811
2002	301,136	1,117,542	(1,105,489)	313,189

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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003
(Continued)

NOTE 11 - RISK MANAGEMENT - (Continued)

Post employment health care is provided to plan participants or their beneficiaries through the respective retirement systems discussed in Note 13. As such, no funding provisions are required by the District.

B. Workers' Compensation

The District participates in the Ohio Association of School Business Officials Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool (Note 2.A.). The intent of the GRP is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the GRP. Participants of the GRP are placed in tiers according to their loss history. Participants with low loss histories are rewarded with greater savings than participants with higher loss histories. Each participant pays its workers' compensation premium to the state based on the rate for its GRP tier rather than its individual rate. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. Sheakley Uniservice, Inc. provides administrative cost control and actuarial services to the GRP.

NOTE 12 - DEFINED BENEFIT PENSION PLANS

A. School Employees Retirement System

The District contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing, multiple-employer defined benefit pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by State Statute Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. The report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3476, or by calling (614) 222-5853.

Plan members are required to contribute 9 percent of their annual covered salary and the District is required to contribute at an actuarially determined rate. The current District rate is 14 percent of annual covered payroll. A portion of the District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits. For fiscal year 2003, 8.17 percent of annual covered salary was the portion used to fund pension obligations. For fiscal year 2002, 5.46 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to a statutory maximum amount, by the SERS' Retirement Board. The adequacy of the contribution rates is determined annually. The District's required contributions to SERS for the fiscal years ended June 30, 2003, 2002, and 2001 were \$275,864, \$253,376, and \$262,305, respectively; 100% has been contributed for fiscal years 2003, 2002, and 2001.

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NOTES TO THE BASIC FINANCIAL STATEMENTS
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(Continued)

NOTE 12 - DEFINED BENEFIT PENSION PLANS - (Continued)

B. State Teachers Retirement System

The District participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple-employer public employee retirement system. STRS Ohio provides retirement and disability benefits, to members and death and survivor benefits to beneficiaries. STRS Ohio issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. The report may be obtained by writing to the State Teachers Retirement System of Ohio, 275 East Broad Street, Columbus, Ohio 43215-3371, or by calling (614) 227-4090.

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on member contributions and earned interest matched by STRS Ohio funds times an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5 percent of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. DC and Combined Plan members will transfer to the Defined Benefit Plan during their fifth year of membership unless they permanently select the DC or Combined Plan. Existing members with less than five years of service credit as of June 30, 2001, were given the option of making a one time irrevocable decision to transfer their account balances from the existing DB Plan into the DC Plan or the Combined Plan. This option expired on December 31, 2001. Benefits are established by Chapter 3307 of the Ohio Revised Code.

A DB or Combined Plan member with five or more years credited service who becomes disabled may qualify for a disability benefit. Eligible spouses and dependents of these active members who die before retirement may qualify for survivor benefits. Members in the DC Plan who become disabled are entitled only to their account balance. If a member dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

Plan members were required to contribute 9.3 percent of their annual covered salaries. The current District rate is 14% of annual covered payroll. A portion of the District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits. For fiscal year 2003, 13 percent of annual covered salary was the portion used to fund pension obligations. For fiscal year 2002, 9.5 percent of annual covered salary was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employee contributions. The District's required contributions to STRS for the fiscal years ended June 30, 2003, 2002, and 2001 were \$919,655, \$891,583, and \$924,025, respectively; 100 percent has been contributed for fiscal years 2003, 2002, and 2001.

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(Continued)

NOTE 12 - DEFINED BENEFIT PENSION PLANS - (Continued)

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the SERS or the STRS have an option to choose Social Security or the SERS/STRS. As of June 30, 2003, five members of the Board of Education have elected Social Security. The District's liability is 6.2 percent of wages paid.

NOTE 13 - POSTEMPLOYMENT BENEFITS

The District provides comprehensive health care benefits to retired teachers and their dependents through STRS, and to retired non-certified employees and their dependents through SERS. Benefits include hospitalization, physicians' fees, prescription drugs, and partial reimbursement of monthly Medicare Part B premiums. Benefit provisions and the obligations to contribute are established by STRS and SERS based on authority granted by state statute. Both STRS and SERS are funded on a pay-as-you-go-basis.

The State Teachers Retirement Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium. By Ohio law, the cost of coverage paid from STRS funds shall be included in the employer contribution rate, currently 14 percent of covered payroll. For this fiscal year, the State Teachers Retirement Board allocated employer contributions equal to 1 percent of covered payroll to the Health Care Reserve fund. For the District, this amount equaled \$65,690 during fiscal 2003.

STRS pays health care benefits from the Health Care Stabilization Fund. The balance in the Health Care Stabilization Fund was \$2.8 billion at June 30, 2003. For the fiscal year ended June 30, 2003 net health care costs paid by STRS were \$352.301 million and STRS had 108,294 eligible benefit recipients.

For SERS, coverage is made available to service retirees with 10 or more years of qualifying service credit, and disability and survivor benefit recipients. Members retiring on or after August 1, 1989, with less than 25 years of service credit must pay a portion of their premium for health care. The portion is based on years of service up to a maximum of 75 percent of the premium.

For this fiscal year, employer contributions to fund health care benefits were 5.83 percent of covered payroll. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2003, the minimum pay has been established at \$14,500. The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund.

The target level for the health care reserve is 150 percent of annual health care expenses. Expenses for health care at June 30, 2003 were \$204.931 million and the target level was \$307.4 million. At June 30, 2003 SERS had net assets available for payment of health care benefits of \$303.6 million and SERS had approximately 50,000 participants receiving health care benefits. For the District, the amount to fund health care benefits, including surcharge, equaled \$132,684 during the 2003 fiscal year.

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NOTES TO THE BASIC FINANCIAL STATEMENTS
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(Continued)

NOTE 14 - BUDGETARY BASIS OF ACCOUNTING

While reporting financial position, results of operations, and changes in fund balance on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts and disbursements.

The Statement of Revenue, Expenditures, and Changes in Fund Balance - Budget and Actual (Non-GAAP Budgetary Basis) presented for the general fund is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and the GAAP basis are that:

- (a) Revenues and other sources are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis);
- (b) Expenditures and other uses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis);
- (c) In order to determine compliance with Ohio law, and to reserve that portion of the applicable appropriation, total outstanding encumbrances (budget basis) are recorded as the equivalent of an expenditure, as opposed to a reservation of fund balance for that portion of outstanding encumbrances not already recognized as an account payable (GAAP basis).

The adjustments necessary to convert the results of operations for the year on the budget basis to the GAAP basis for the general fund is as follows:

Net Change in Fund Balance

	<u>General Fund</u>
Budget basis	\$ 1,306,533
Net adjustment for revenue accruals	29,850
Net adjustment for expenditure accruals	(206,830)
Net adjustment for other sources/uses	(242,060)
Adjustment for encumbrances	<u>224,922</u>
GAAP basis	<u>\$ 1,112,415</u>

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NOTES TO THE BASIC FINANCIAL STATEMENTS
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(Continued)

NOTE 15 - CONTINGENCIES

A. Grants

The District receives significant financial assistance from numerous federal, state and local agencies in the form of grants. The disbursement 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 District. However in the opinion of management, any such disallowed claims will not have a material effect on the financial position of the District.

B. Litigation

The District is involved in no material litigation as either plaintiff or defendant.

C. State School Funding Decision

On December 11, 2002, the Ohio Supreme Court issued its latest opinion regarding the state's school funding plan. The decision reaffirmed earlier decisions that Ohio's current school funding plan is unconstitutional.

The Supreme Court relinquished jurisdiction over the case and directed "...the Ohio General Assembly to enact a school funding scheme that is thorough and efficient...". The District is currently unable to determine what effect, if any, this decision will have on its future state funding and its financial operations.

NOTE 16 - STATUTORY RESERVES

The District is required by state law to set-aside certain general fund revenue amounts, as defined by statute, into various reserves. These reserves are calculated and presented on a cash basis. During the fiscal year ended June 30, 2003, the reserve activity was as follows:

	<u>Textbooks</u>	<u>Capital Acquisition</u>	<u>Budget Stabilization</u>
Set-aside cash balance as of June 30, 2002	\$ (883,571)	\$ -	\$ 65,263
Current year set-aside requirement	146,587	146,587	-
Qualifying disbursements	<u>(302,000)</u>	<u>(463,665)</u>	<u>-</u>
Total	<u>\$ (1,038,984)</u>	<u>\$ (317,078)</u>	<u>\$ 65,263</u>
Balance carried forward to FY 2004	<u>\$ (1,038,984)</u>	<u>\$ -</u>	<u>\$ 65,263</u>

Budget stabilization monies represent Bureau of Workers' Compensation (BWC) refunds that were received prior to April 10, 2001 they have been shown as a restricted asset and reserved fund balance in the general fund since allowable expenditures are restricted by state statute.

The District had qualifying disbursements during the year that reduced the textbooks set-aside amount below zero; this extra amount is being carried forward to reduce the set-aside requirements of future years.

**PIONEER CAREER AND TECHNOLOGY CENTER
RICHLAND COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003
(Continued)

NOTE 16 - STATUTORY RESERVES - (Continued)

Although the District had qualifying disbursements during the year that reduced the set-aside amounts below zero for the capital acquisition reserve, this extra amount may not be used to reduce the set-aside requirement for future years. The negative amount is therefore not presented as being carried forward to the next fiscal year.

A schedule of restricted assets at June 30, 2003 follows:

Amount restricted for budget stabilization	<u>\$ 65,263</u>
--	------------------

**PIONEER CAREER AND TECHNOLOGY CENTER:
A VOCATIONAL SCHOOL DISTRICT
RICHLAND COUNTY**

**SCHEDULE OF RECEIPTS AND EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2003**

Federal Grantor/ Pass Through Grantor/ Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Non-Cash Receipts	Disbursements	Non-Cash Disbursements
<u>U.S. DEPARTMENT OF AGRICULTURE</u>						
<i>Passed through the Ohio Department of Education:</i>						
<i>Child Nutrition Cluster:</i>						
Food Donation Program	N/A	10.550		\$14,638		\$14,638
School Breakfast Program	051417-05-PU 03 051417-05-PU 02	10.553	\$5,464 583		\$5,464 583	
Total School Breakfast Program			6,047		6,047	
National School Lunch Program	051417-LL-P4 03 051417-LL-P4 02	10.555	6,478 48,333		6,478 48,333	
Total National School Lunch Program			54,811		54,811	
Total U.S. Department of Agriculture - Child Nutrition Cluster			60,858	14,638	60,858	14,638
<u>U.S. DEPARTMENT OF LABOR</u>						
<i>Passed through the Ohio Department of Education:</i>						
Employment Services and Job Training Pilot and Demonstration Programs	051417-20-HS 02	17.249			9,035	
<u>U.S. DEPARTMENT OF EDUCATION</u>						
<i>Direct Program:</i>						
Federal Pell Grant Program	N/A N/A	84.063	35,939 2,792		35,939 2,792	
Total Federal Pell Grant Program			38,731		38,731	
<i>Passed through the Ohio Department of Education:</i>						
Adult Education - State Grant Program	051417-AB-S1 03 051417-AB-S1 02	84.002	74,704 73,347		74,704 9,231	
Total Adult Education - State Grant Program			148,051		83,935	
Vocational Education - Basic Grants to States	051417-20-C2 03 051417-20-A5 03 051417-20-C2 02 051417-20-C1 02 051417-20-A0 02 051417-20-A0 01	84.048	386,346 12,750 109,726 226,996 10,340 21,760		436,540 15,000 25,752 8,354 13,588 14,644	
Total Vocational Education - Basic Grants to States			767,918		513,878	
Eisenhower Professional Development State Grant	051417-MS-S1-02	84.281			2,276	
Innovative Education Program Strategies	051417-C2-S1 03 051417-C2-S1 02 051417-C2-S1 01	84.298	962 769		229 1,278 1,193	
Total Innovative Education Program Strategies			1,731		2,700	
Occupational and Employment Information State Grants	N/A N/A	84.346	7,650 1,700		5,681 2,000	
Total Occupational and Employment Information State Grants			9,350		7,681	
Improving Teacher Quality State Grants	051417-TR-S1 03	84.367	966		1,852	
Safe and Drug-Free Schools and Communities - State Grants	051417-DR-S1 03	84.186	400		2,223	
<i>Passed through the District's Member Schools:</i>						
Safe and Drug-Free Schools and Communities - State Grants	N/A	84.186	100		837	
Total Safe and Drug-Free Schools and Communities - State Grants			500		3,060	
Total U.S. Department of Education			967,247		654,113	
<u>CORPORATION FOR NATIONAL AND COMMUNITY SERVICE</u>						
<i>Passed through the Ohio Department of Education:</i>						
Learn and Serve America - School and Community Based Programs	051417-SV-S4 03 051417-SV-53 02	94.004	9,980		9,980 1,482	
Total Learn and Serve America - School & Community Based Programs			9,980		11,462	
Totals			\$1,038,085	\$14,638	\$735,468	\$14,638

The notes to the Schedule of Receipts and Expenditures of Federal Awards are an integral part of this statement.

**PIONEER CAREER AND TECHNOLOGY CENTER:
A VOCATIONAL SCHOOL DISTRICT
RICHLAND COUNTY**

**NOTES TO SCHEDULE OF RECEIPTS AND EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2003**

NOTE A – SIGNIFICANT ACCOUNTING POLICIES

The accompanying Schedule of Receipts and Expenditures of Federal Awards (the Schedule) is a summary of the activity of the District's federal award programs. The Schedule has been prepared on the cash basis of accounting.

NOTE B – CHILD NUTRITION CLUSTER

Program regulations do not require the District to maintain separate inventory records for purchased food and food received from the U.S. Department of Agriculture. This nonmonetary assistance (expenditures) is reported in the Schedule at the fair market value of the commodities received.

Cash receipts from the U.S. Department of Agriculture are commingled with State grants. It is assumed federal monies are expended first.



Auditor of State Betty Montgomery

INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE AND ON INTERNAL CONTROL REQUIRED BY GOVERNMENT AUDITING STANDARDS

Pioneer Career and Technology Center:
A Vocational School District
Richland County
27 Ryan Road
Shelby, Ohio 44875

To the Board of Education:

We have audited the financial statements of the Pioneer Career and Technology Center: A Vocational School District, Richland County, Ohio, (the District) as of and for the year ended June 30, 2003, and have issued our report thereon dated April 26, 2004 wherein we noted the District implemented Government Accounting Standards Board Statement No. 34 and noted the District increased its capital asset capitalization threshold. 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.

Compliance

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, 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 an instance of noncompliance that is required to be reported under *Government Auditing Standards* which is described in the accompanying Schedule of Findings as item 2003-001.

Internal Control Over Financial Reporting

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

However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the District in a separate letter dated April 26, 2004

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www.auditor.state.oh.us

Pioneer Career and Technology Center:
A Vocational School District
Richland County
Independent Accountants' Report on Compliance and on
Internal Control Required by *Government Auditing Standards*
Page 2

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

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

Betty Montgomery
Auditor of State

April 26, 2004



Auditor of State Betty Montgomery

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

Pioneer Career and Technology Center:
A Vocational School District
Richland County
27 Ryan Road
Shelby, Ohio 44875

To the Board of Education:

Compliance

We have audited the compliance of the Pioneer Career and Technology Center: A Vocational School District, Richland County, Ohio, (the District) with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement* that are applicable to each major federal program for the year ended June 30, 2003. The District's major federal program is identified in the summary of auditor's results section of the accompanying Schedule of Findings. Compliance with the requirements of laws, regulations, contracts and grants applicable to each major federal program is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

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

In our opinion, the District complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended June 30, 2003.

Internal Control Over Compliance

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

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Pioneer Career and Technology Center:
A Vocational School District
Richland County
Independent Accountants' Report on Compliance with Requirements
Applicable to Each Major Federal Program and on Internal Control Over
Compliance In Accordance with OMB Circular A-133
Page 2

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

However, we noted a certain matter involving the internal control over compliance that does not require inclusion in this report, that we have reported to management of the District in a separate letter dated April 26, 2004.

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



Betty Montgomery
Auditor of State

April 26, 2004

**PIONEER CAREER AND TECHNOLOGY CENTER:
A VOCATIONAL SCHOOL DISTRICT
RICHLAND COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 §.505
JUNE 30, 2003**

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

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

FINDING NUMBER 2003-001

Ohio Rev. Code Section 5705.41(D) states in part, that no subdivision or taxing unit shall make any contract or order any expenditure of money unless there is attached thereto a certificate of the fiscal officer of the subdivision that the amount required to meet the same has been lawfully appropriated for such purpose and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrances. Every such contract made without such a certificate shall be null and void and no warrant shall be issued in payment of any amount due thereon.

This section also provides two “exceptions” to the above requirements:

- A. Then and Now Certificate - If no certificate is furnished as required, upon receipt of the fiscal officer’s certificate that both at the time that the contract or order was made and at the time he is completing his certification a sufficient sum was appropriated and free of any previous encumbrances, the Board may authorize the issuance of a warrant in payment of the amount due upon such contract or order by resolution within 30 days from the receipt of such certificate, if such expenditure is otherwise valid.
- B. If the amount involved is less than \$1,000 (\$3,000 as of April 7, 2003), the fiscal officer may authorize it to be paid without the affirmation of the Board upon completion of the “then and now” certificate, provided that the expenditure is otherwise lawful.

For 2003, 25% of the expenditures tested were not certified by the Treasurer prior to incurring the obligation, and neither of the two exceptions noted above were utilized. It was also noted that the Treasurer issued a Then and Now Certificate that exceeded \$1,000 and did not have a resolution from the Board for the transaction. The District should certify the availability of funds prior to incurring the obligation for expenditures. The District also should properly implement the use of Then and Now certificates and Blanket Certificates as further permitted by Ohio Rev. Code Section 5705.41.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None.



**Auditor of State
Betty Montgomery**

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PIONEER CAREER AND TECHNOLOGY CENTER

RICHLAND 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 13, 2004**