



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

**SINGLE AUDIT**

**FOR THE YEAR ENDED JUNE 30, 2005**



**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, each 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, 2005, 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 the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure 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 our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Pioneer Career and Technology Center: A Vocational School District, Richland County, Ohio, as of June 30, 2005, and the respective changes in financial position and cash flows, where applicable, thereof and the budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 2, 2005, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in considering the results of our audit.

Management's Discussion and Analysis is not a required part of the basic financial statements but is supplementary information accounting principles generally accepted in the United States of America requires. We have applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measuring and presenting the required supplementary information. However, we did not audit the information and express no opinion on it.

We conducted our audit to opine on the financial statements that collectively comprise the District's basic financial statements. The Federal Awards Receipts and Expenditures Schedule is required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements. We subjected the Federal Awards Receipts and Expenditures Schedule 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.



**Betty Montgomery**  
Auditor of State

December 2, 2005

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

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005  
UNAUDITED

The discussion and analysis of the Pioneer Career and Technology Center's (the "District") financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2005. The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should also review the basic financial statements and the notes to the basic financial statements to enhance their understanding of the District's financial performance.

**Financial Highlights**

Key financial highlights for 2005 are as follows:

- In total, net assets of governmental activities increased \$2,119,702, which represents an 18.85 percent increase from 2004.
- General revenues accounted for \$14,987,956 in revenue or 86.80 percent of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$2,278,741 or 13.20 percent of total revenues of \$17,266,697.
- The District had \$15,146,995 in expenses related to governmental activities; only \$2,278,741 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 \$14,987,956 were adequate to provide for these programs.
- The District's major governmental funds consist of the general fund and the capital projects fund. The general fund had \$15,014,015 in revenues and other financing sources and \$14,419,764 in expenditures and other financing uses. During fiscal year 2005, the general fund's fund balance increased \$614,506 from \$7,066,508 to \$7,681,014.
- The capital projects fund had a \$1,000,000 transfer in from the general fund which increased the fund balance from \$1,000,000 to \$2,000,000.

**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 and the capital projects fund are by far the most significant funds, and the only governmental funds reported as major funds.

**PIONEER CAREER AND TECHNOLOGY CENTER  
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MANAGEMENT'S DISCUSSION AND ANALYSIS  
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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 2005?" The Statement of Net Assets and the Statement of Activities answer this question. These statements include *all assets, liabilities, revenues and expenses* using the *accrual basis of accounting* similar to the accounting used by most private-sector companies. This basis of accounting will take 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.

The District's Statement of Net Assets and Statement of Activities can be found on pages 14-15 of this report.

**Reporting the District's Most Significant Funds**

***Fund Financial Statements***

The analysis of the District's major governmental funds begins on page 9. Fund financial reports provide detailed information about the District's major funds. 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 major governmental funds are the general fund and capital projects 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* that 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. The basic governmental fund financial statements can be found on pages 16-20 of this report.

***Proprietary Fund***

The District maintains a proprietary fund. Internal service funds are an accounting device used to accumulate and allocate costs internally among the District's various functions. The District's internal service fund accounts for employee benefits health self-insurance. The basic proprietary fund financial statements can be found on pages 21-23 of this report.



**PIONEER CAREER AND TECHNOLOGY CENTER  
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MANAGEMENT'S DISCUSSION AND ANALYSIS  
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***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.

***Notes to the Basic Financial Statements***

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. These notes to the basic financial statements can be found on pages 27-53 of this report.

**The District as a Whole**

The Statement of Net Assets provides the perspective of the District as a whole.

The table below provides a summary of the District's net assets for 2005 and 2004.

	<b>Net Assets</b>	
	Governmental Activities 2005	Governmental Activities 2004
<b><u>Assets</u></b>		
Current and other assets	\$ 18,423,443	\$ 16,429,793
Capital assets, net	<u>2,884,246</u>	<u>2,871,884</u>
Total assets	<u>21,307,689</u>	<u>19,301,677</u>
<b><u>Liabilities</u></b>		
Current liabilities	6,061,783	6,119,838
Long-term liabilities	<u>1,879,834</u>	<u>1,935,469</u>
Total liabilities	<u>7,941,617</u>	<u>8,055,307</u>
<b><u>Net Assets</u></b>		
Invested in capital assets, net of related debt	2,211,365	2,161,230
Restricted	3,698,576	2,556,406
Unrestricted	<u>7,456,131</u>	<u>6,528,734</u>
Total net assets	<u>\$ 13,366,072</u>	<u>\$ 11,246,370</u>

Over time, net assets can serve as a useful indicator of a government's financial position. At June 30, 2005, the District's assets exceeded liabilities by \$13,366,072. At year-end, unrestricted net assets were \$7,456,131.

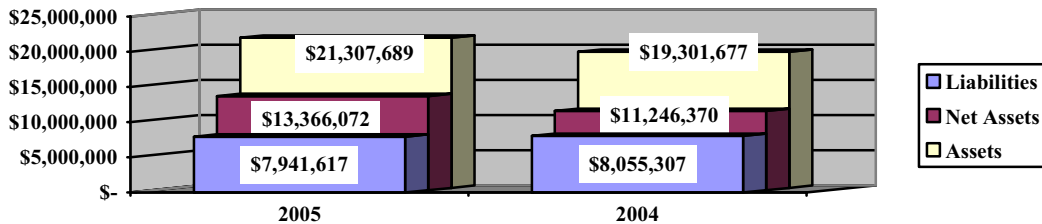
**PIONEER CAREER AND TECHNOLOGY CENTER  
RICHLAND COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
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At year-end, capital assets represented 13.54 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, 2005, were \$2,211,365. 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, \$3,698,576, represents resources that are subject to external restriction on how they may be used. The remaining balance of unrestricted net assets of \$7,456,131 may be used to meet the District's ongoing obligations to the students and creditors.

**Governmental Activities**



The table below shows the change in net assets for fiscal years 2005 and 2004.

**Change in Net Assets**

	Governmental Activities 2005	Governmental Activities 2004
<b>Revenues</b>		
Program revenues:		
Charges for services and sales	\$ 827,251	\$ 641,641
Operating grants and contributions	1,397,927	1,347,644
Capital grants and contributions	53,563	47,563
General revenues:		
Property taxes	6,081,670	5,700,108
Grants and entitlements	8,333,742	7,452,376
Investment earnings	254,121	203,093
Other	318,423	233,286
<b>Total Revenues</b>	<b>\$ 17,266,697</b>	<b>\$ 15,625,711</b>

**PIONEER CAREER AND TECHNOLOGY CENTER  
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MANAGEMENT'S DISCUSSION AND ANALYSIS  
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**Change in Net Assets**

	<u>Governmental Activities 2005</u>	<u>Governmental Activities 2004</u>
<b><u>Expenses</u></b>		
Program expenses:		
Instruction:		
Regular	\$ 575,977	\$ 558,137
Special	372,207	350,601
Vocational	7,548,530	6,730,142
Adult	519,747	-
Other	1,391	901,335
Support services:		
Pupil	1,066,721	1,114,769
Instructional staff	901,108	926,381
Board of education	45,258	41,311
Administration	1,155,027	1,044,780
Fiscal	414,434	488,869
Business	161,670	126,733
Operations and maintenance	1,619,955	1,342,915
Pupil transportation	29,581	27,835
Central	168,596	108,944
Food service operations	376,097	342,343
Extracurricular activities	129,970	39,365
Intergovernmental pass through	24,160	-
Interest and fiscal charges	<u>36,566</u>	<u>43,428</u>
Total expenses	<u>15,146,995</u>	<u>14,187,888</u>
Change in net assets	2,119,702	1,437,823
Net assets at beginning of year	<u>11,246,370</u>	<u>9,808,547</u>
Net assets at end of year	<u>\$ 13,366,072</u>	<u>\$ 11,246,370</u>

**Governmental Activities**

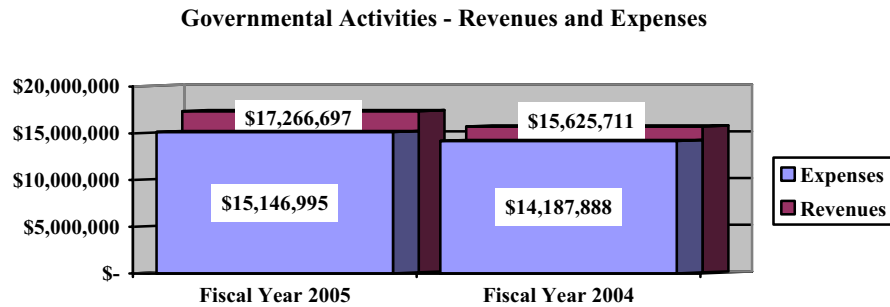
Net assets of the District's governmental activities increased \$2,119,702. Total governmental expenses of \$15,146,995 were offset by program revenues of \$2,278,741 and general revenues of \$14,987,956. Program revenues supported 15.04 percent of the total governmental expenses.

The primary sources of revenue for governmental activities are derived from property taxes, and grants and entitlements. These revenue sources represent 83.49 percent of total governmental revenue. Real estate property is reappraised every six years.

**PIONEER CAREER AND TECHNOLOGY CENTER  
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MANAGEMENT'S DISCUSSION AND ANALYSIS  
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The graph below presents the District's governmental activities revenue and expenses for fiscal years 2005 and 2004.



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.

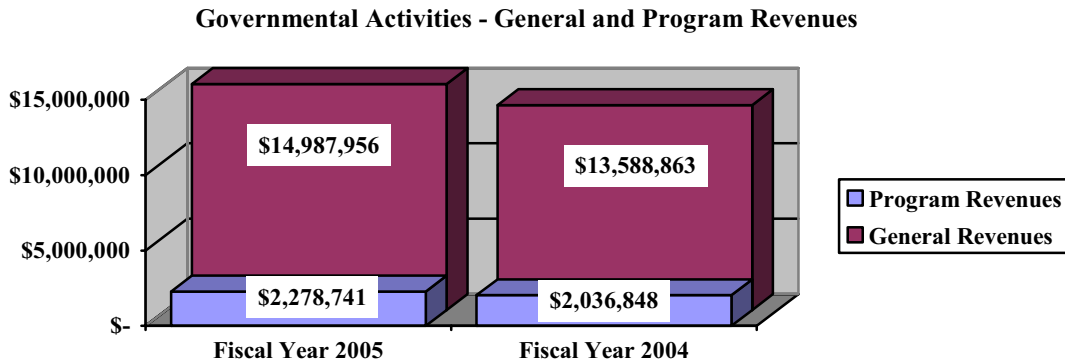
	<b>Governmental Activities</b>			
	Total Cost of Services <u>2005</u>	Net Cost of Services <u>2005</u>	Total Cost of Services <u>2004</u>	Net Cost of Services <u>2004</u>
<b>Program expenses</b>				
Instruction:				
Regular	\$ 575,977	\$ 575,977	\$ 558,137	\$ 558,137
Special	372,207	372,207	350,601	350,601
Vocational	7,548,530	7,065,315	6,730,142	6,445,682
Adult	519,747	(52,088)	-	-
Other	1,391	1,391	901,335	86,587
Support services:				
Pupil	1,066,721	743,438	1,114,769	765,468
Instructional staff	901,108	522,369	926,381	712,739
Board of education	45,258	45,258	41,311	41,311
Administration	1,155,027	1,121,753	1,044,780	999,328
Fiscal	414,434	406,727	488,869	478,576
Business	161,670	161,670	126,733	126,733
Operations and maintenance	1,619,955	1,618,266	1,342,915	1,341,926
Pupil transportation	29,581	28,923	27,835	27,835
Central	168,596	127,622	108,944	87,523
Food service operations	376,097	19,441	342,343	45,801
Extracurricular activities	129,970	76,407	39,365	39,365
Intergovernmental pass through	24,160	(2,988)		
Interest and fiscal charges	36,566	36,566	43,428	43,428
<b>Total</b>	<u>\$ 15,146,995</u>	<u>\$ 12,868,254</u>	<u>\$ 14,187,888</u>	<u>\$ 12,151,040</u>

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

MANAGEMENT'S DISCUSSION AND ANALYSIS  
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The dependence upon tax and other general revenues for governmental activities is apparent, 88.30 percent of instruction activities are supported through taxes and other general revenues. For all governmental activities, general revenue support is 84.96 percent. The District's taxpayers, as a whole, are by far the primary support for District's students.

The graph below presents the District's governmental activities revenue for fiscal years 2005 and 2004.



**The District's Funds**

The District's governmental funds (as presented on the balance sheet on page 16) reported a combined fund balance of \$11,387,899, which is higher than last year's total of \$9,540,281. The June 30, 2004 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, 2005 and 2004.

	Fund Balance June 30, 2005	Restated Fund Balance June 30, 2004	Increase
General	\$ 7,681,014	\$ 7,066,508	\$ 614,506
Capital Projects	2,000,000	1,000,000	1,000,000
Other Governmental	1,706,885	1,473,773	233,112
<b>Total</b>	<b>\$ 11,387,899</b>	<b>\$ 9,540,281</b>	<b>\$ 1,847,618</b>

**General Fund**

The District's general fund balance increased \$614,506. The increase in fund balance can be attributed to revenues increasing faster than expenditures. The table that follows assists in illustrating the financial activities and fund balance of the general fund.

**PIONEER CAREER AND TECHNOLOGY CENTER  
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MANAGEMENT'S DISCUSSION AND ANALYSIS  
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	<u>2005</u> <u>Amount</u>	<u>2004</u> <u>Amount</u>	<u>Percentage</u> <u>Change</u>
<b><u>Revenues</u></b>			
Taxes	\$ 5,990,431	\$ 5,683,622	5.40 %
Earnings on investments	257,633	200,298	28.62 %
Intergovernmental	8,333,742	7,452,376	11.83 %
Other revenues	<u>313,898</u>	<u>228,745</u>	37.23 %
Total	<u>\$ 14,895,704</u>	<u>\$ 13,565,041</u>	9.81 %
	<u>2005</u> <u>Amount</u>	<u>Restated</u> <u>2004</u> <u>Amount</u>	<u>Percentage</u> <u>Change</u>
<b><u>Expenditures</u></b>			
Instruction	\$ 7,626,029	\$ 7,140,477	6.80 %
Support services	4,382,660	4,244,986	3.24 %
Extracurricular activities	35,427	34,197	3.60 %
Capital outlay	118,311	-	100.00 %
Debt service	<u>193,136</u>	<u>174,454</u>	10.71 %
Total	<u>\$ 12,355,563</u>	<u>\$ 11,594,114</u>	6.57 %

***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 year 2005, the District amended its general fund budget one time. For the general fund, final budgeted revenues and other financing sources were \$13,545,403, which is more than the original budgeted revenues estimate of \$13,530,678. Actual revenues and other financing sources for fiscal 2005 was \$14,974,730. This represents a \$1,429,327 increase over final budgeted revenues.

General fund original appropriations (appropriated expenditures plus other financing uses) of \$14,986,496 remained consistent in the final budget. The actual budget basis expenditures and other financing uses for fiscal year 2005 totaled \$14,659,997, which was \$326,499 less than the final budget appropriations.

**Capital Assets and Debt Administration**

***Capital Assets***

At the end of fiscal year 2005, the District had \$2,884,246 invested in land, buildings and improvements, furniture and equipment, and vehicles. This entire amount is reported in governmental activities. The following table shows fiscal year 2005 balances compared to 2004:

**PIONEER CAREER AND TECHNOLOGY CENTER  
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MANAGEMENT'S DISCUSSION AND ANALYSIS  
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**Capital Assets at June 30  
(Net of Depreciation)**

	Governmental Activities	
	2005	2004
Land	\$ 25,000	\$ 25,000
Building and improvements	1,098,721	1,181,591
Furniture and equipment	1,686,782	1,580,791
Vehicles	73,743	84,502
Total	<u>\$ 2,884,246</u>	<u>\$ 2,871,884</u>

The overall increase in capital assets of \$12,362 is primarily due to capital outlays of \$524,178 exceeding total disposals of \$49,718 (net of accumulated depreciation) and depreciation expense of \$462,098 for fiscal year 2005.

See Note 8 to the basic financial statements for additional information on the District's capital assets.

***Debt Administration***

At June 30, 2005, the District had \$672,881 in energy conservation bonds and capital lease obligations outstanding. Of this total, \$60,238 is due within one year and \$612,643 is due within more than one year. The following table summarizes the bonds and leases outstanding.

**Outstanding Debt at June 30**

	Governmental Activities	Governmental Activities
	2005	2004
General obligation bonds	\$ -	\$ 80,000
Energy conservation bonds	560,000	595,000
Capital lease obligations	112,881	35,654
Total	<u>\$ 672,881</u>	<u>\$ 710,654</u>

See Note 10 to the basic financial statements for additional information on the District's debt administration.

**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 \$7,338,911 at June 30, 2005. 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 \$6,884,949 at June 30 in fiscal year 2004. This small increase of \$453,962 indicates that the district is maintaining a healthy cash balance. 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.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005  
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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 Center, 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 80 percent 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 seven years old, there are many updates, repairs and upgrades needed to continue quality vocational programming and protect the taxpayers investment for future students.

The District has committed itself to educational and financial excellence for many years. 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.



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

STATEMENT OF NET ASSETS  
JUNE 30, 2005

	<b>Governmental Activities</b>
<b>Assets:</b>	
Equity in pooled cash and cash equivalents. . . . .	\$ 11,284,324
Cash with fiscal agent. . . . .	566,733
Receivables:	
Taxes . . . . .	6,041,869
Accounts . . . . .	90,201
Intergovernmental . . . . .	142,215
Accrued interest . . . . .	171,176
Prepayments . . . . .	25,797
Materials and supplies inventory . . . . .	101,128
Capital assets:	
Land . . . . .	25,000
Depreciable capital assets, net . . . . .	2,859,246
Capital assets, net. . . . .	2,884,246
 Total assets. . . . .	 21,307,689
<b>Liabilities:</b>	
Accounts payable. . . . .	176,852
Accrued wages and benefits . . . . .	967,861
Pension obligation payable. . . . .	157,903
Intergovernmental payable . . . . .	51,185
Deferred revenue . . . . .	4,460,552
Accrued interest payable . . . . .	2,452
Claims payable . . . . .	244,978
Long-term liabilities:	
Due within one year. . . . .	259,918
Due within more than one year . . . . .	1,619,916
Total liabilities . . . . .	7,941,617
<b>Net Assets:</b>	
Invested in capital assets, net of related debt. . . . .	2,211,365
Restricted for:	
Capital projects . . . . .	3,599,790
State funded programs. . . . .	3,000
Federally funded programs. . . . .	30,523
Other purposes . . . . .	65,263
Unrestricted. . . . .	7,456,131
Total net assets . . . . .	\$ 13,366,072

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, 2005

		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	
<b>Governmental activities:</b>					
Instruction:					
Regular . . . . .	\$ 575,977	\$ -	\$ -	\$ -	\$ (575,977)
Special . . . . .	372,207	-	-	-	(372,207)
Vocational . . . . .	7,548,530	146,576	336,639	-	(7,065,315)
Adult . . . . .	519,747	234,665	337,170	-	52,088
Other . . . . .	1,391	-	-	-	(1,391)
Support services:					
Pupil . . . . .	1,066,721	51,698	271,585	-	(743,438)
Instructional staff . . . . .	901,108	142,367	236,372	-	(522,369)
Board of education . . . . .	45,258	-	-	-	(45,258)
Administration . . . . .	1,155,027	14,607	18,667	-	(1,121,753)
Fiscal . . . . .	414,434	-	7,707	-	(406,727)
Business . . . . .	161,670	-	-	-	(161,670)
Operations and maintenance . . . . .	1,619,955	-	1,689	-	(1,618,266)
Pupil transportation . . . . .	29,581	-	658	-	(28,923)
Central . . . . .	168,596	-	40,974	-	(127,622)
Operation of non-instructional services:					
Food service operations . . . . .	376,097	237,338	119,318	-	(19,441)
Extracurricular activities . . . . .	129,970	-	-	53,563	(76,407)
Intergovernmental pass-through . . . . .	24,160	-	27,148	-	2,988
Interest and fiscal charges . . . . .	36,566	-	-	-	(36,566)
Total governmental activities . . . . .	<u>\$ 15,146,995</u>	<u>\$ 827,251</u>	<u>\$ 1,397,927</u>	<u>\$ 53,563</u>	<u>(12,868,254)</u>
<b>General Revenues:</b>					
Property taxes levied for:					
General purposes . . . . .					6,081,670
Grants and entitlements not restricted to specific programs . . . . .					8,333,742
Investment earnings . . . . .					254,121
Miscellaneous . . . . .					318,423
Total general revenues . . . . .					<u>14,987,956</u>
Change in net assets . . . . .					2,119,702
<b>Net assets at beginning of year . . . . .</b>					<u>11,246,370</u>
<b>Net assets at end of year . . . . .</b>					<u>\$ 13,366,072</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2005

	<b>General</b>	<b>Capital Projects</b>	<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>
<b>Assets:</b>				
Equity in pooled cash and cash equivalents . . . . .	\$ 7,243,761	\$ 2,000,000	\$ 1,975,300	\$ 11,219,061
Receivables:				
Taxes . . . . .	6,041,869	-	-	6,041,869
Accounts . . . . .	12,520	-	77,681	90,201
Intergovernmental . . . . .	-	-	142,215	142,215
Accrued interest . . . . .	171,176	-	-	171,176
Interfund loans . . . . .	128,462	-	-	128,462
Prepayments . . . . .	25,797	-	-	25,797
Materials and supplies inventory . . . . .	61,679	-	39,449	101,128
Restricted assets:				
Equity in pooled cash and cash equivalents . . . . .	65,263	-	-	65,263
Total assets . . . . .	\$ 13,750,527	\$ 2,000,000	\$ 2,234,645	\$ 17,985,172
<b>Liabilities:</b>				
Accounts payable . . . . .	\$ 16,078	\$ -	\$ 160,774	\$ 176,852
Accrued wages and benefits . . . . .	819,524	-	148,337	967,861
Compensated absences payable . . . . .	18,029	-	-	18,029
Pension obligation payable . . . . .	115,145	-	42,758	157,903
Intergovernmental payable . . . . .	45,124	-	6,061	51,185
Interfund loans payable . . . . .	-	-	128,462	128,462
Deferred revenue . . . . .	5,055,613	-	41,368	5,096,981
Total liabilities . . . . .	6,069,513	-	527,760	6,597,273
<b>Fund Balances:</b>				
Reserved for encumbrances . . . . .	125,571	-	211,602	337,173
Reserved for materials and supplies inventory . . . . .	61,679	-	39,449	101,128
Reserved for prepayments . . . . .	25,797	-	-	25,797
Reserved for property tax unavailable for appropriation . . . . .	1,011,559	-	-	1,011,559
Reserved for budget stabilization . . . . .	65,263	-	-	65,263
Unreserved:				
Designated . . . . .	174,374	-	-	174,374
Undesignated, reported in:				
General fund . . . . .	6,216,771	-	-	6,216,771
Special revenue funds . . . . .	-	-	3,431	3,431
Capital projects funds . . . . .	-	2,000,000	1,452,403	3,452,403
Total fund balances . . . . .	7,681,014	2,000,000	1,706,885	11,387,899
Total liabilities and fund balances . . . . .	\$ 13,750,527	\$ 2,000,000	\$ 2,234,645	\$ 17,985,172

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, 2005

<b>Total governmental fund balances</b>		\$ 11,387,899
<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.		2,884,246
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.		
Taxes	\$ 473,960	
Intergovernmental revenue	41,368	
Accrued interest	121,101	
Total		636,429
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.		321,755
Accrued interest payable is not due and payable in the current period and therefore is not reported in the funds.		(2,452)
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	(1,188,924)	
Energy conservation bonds payable	(560,000)	
Capital lease obligation	(112,881)	
Total		(1,861,805)
<b>Net assets of governmental activities</b>		<b>\$ 13,366,072</b>

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, 2005

	<u>General</u>	<u>Capital Projects</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Revenues:</b>				
From local sources:				
Taxes . . . . .	\$ 5,990,431	\$ -	\$ -	\$ 5,990,431
Tuition. . . . .	-	-	422,390	422,390
Charges for services. . . . .	-	-	237,006	237,006
Earnings on investments. . . . .	257,633	-	1,940	259,573
Extracurricular. . . . .	-	-	15,014	15,014
Classroom materials and fees . . . . .	-	-	146,133	146,133
Other local revenues. . . . .	313,898	-	11,112	325,010
Other revenue . . . . .	-	-	3,840	3,840
Intergovernmental - State. . . . .	8,333,742	-	647,777	8,981,519
Intergovernmental - Federal . . . . .	-	-	805,863	805,863
Total revenue . . . . .	<u>14,895,704</u>	<u>-</u>	<u>2,291,075</u>	<u>17,186,779</u>
<b>Expenditures:</b>				
Current:				
Instruction:				
Regular . . . . .	525,178	-	-	525,178
Special. . . . .	368,616	-	-	368,616
Vocational. . . . .	6,732,235	-	467,131	7,199,366
Adult . . . . .	-	-	504,890	504,890
Other. . . . .	-	-	1,391	1,391
Support services:				
Pupil. . . . .	795,226	-	316,028	1,111,254
Instructional staff . . . . .	585,831	-	358,630	944,461
Board of education . . . . .	45,258	-	-	45,258
Administration. . . . .	1,074,241	-	33,953	1,108,194
Fiscal . . . . .	402,577	-	8,266	410,843
Business . . . . .	156,262	-	3,780	160,042
Operations and maintenance. . . . .	1,170,755	-	1,811	1,172,566
Pupil transportation . . . . .	24,490	-	706	25,196
Central. . . . .	128,020	-	40,576	168,596
Food service operations . . . . .	-	-	364,257	364,257
Extracurricular activities. . . . .	35,427	-	89,375	124,802
Intergovernmental pass-through . . . . .	-	-	24,160	24,160
Facilities acquisition and construction . . . . .	-	-	899,802	899,802
Capital outlay . . . . .	118,311	-	-	118,311
Debt service:				
Principal retirement . . . . .	156,084	-	-	156,084
Interest and fiscal charges . . . . .	37,052	-	-	37,052
Total expenditures . . . . .	<u>12,355,563</u>	<u>-</u>	<u>3,114,756</u>	<u>15,470,319</u>
Excess of revenues over (under) expenditures. . . . .	<u>2,540,141</u>	<u>-</u>	<u>(823,681)</u>	<u>1,716,460</u>
<b>Other financing sources (uses):</b>				
Transfers in . . . . .	-	1,000,000	1,064,201	2,064,201
Transfers (out). . . . .	(2,064,201)	-	-	(2,064,201)
Capital lease transaction. . . . .	118,311	-	-	118,311
Total other financing sources (uses) . . . . .	<u>(1,945,890)</u>	<u>1,000,000</u>	<u>1,064,201</u>	<u>118,311</u>
Net change in fund balances . . . . .	594,251	1,000,000	240,520	1,834,771
<b>Fund balances</b>				
at beginning of year (restated). . . . .	7,066,508	1,000,000	1,473,773	9,540,281
<b>Increase (decrease) in reserve</b>				
for inventory . . . . .	20,255	-	(7,408)	12,847
Fund balances at end of year. . . . .	<u>\$ 7,681,014</u>	<u>\$ 2,000,000</u>	<u>\$ 1,706,885</u>	<u>\$ 11,387,899</u>

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, 2005

<b>Net change in fund balances - total governmental funds</b>	\$	1,834,771
<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 capital outlays exceed depreciation expense in the current period.		
Capital asset additions	\$ 524,178	
Current year depreciation	(462,098)	
Total		62,080
The net effect of various miscellaneous transactions involving capital assets (i.e., sales, disposals, trade-ins, and donations) is to decrease net assets.		
		(49,718)
Governmental funds report expenditures for inventory when purchased. However, in the statement of activities, they are reported as an expense when consumed.		
		12,847
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Taxes	91,239	
Intergovernmental revenue	(5,869)	
Accrued interest	(10,166)	
Total		75,204
Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities on the statement of net assets.		
		115,000
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.		
		(118,311)
Principal payments on capital lease obligations are an expenditure in the governmental funds, but the repayment reduces long-term liabilities on the statement of net assets.		
		41,084
In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, interest is expensed when due.		
Accrued interest		486
Some expenses reported in the statement of activities, such as compensated absences, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.		
		(96,873)
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.		
		243,132
<b>Change in net assets of governmental activities</b>	<b>\$</b>	<b>2,119,702</b>

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, 2005

	<u>Budgeted Amounts</u>			<b>Variance with Final Budget Positive (Negative)</b>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
<b>Revenues:</b>				
From local sources:				
Taxes . . . . .	\$ 5,290,046	\$ 5,295,803	\$ 5,844,848	\$ 549,045
Earnings on investments. . . . .	218,555	218,793	241,476	22,683
Other local revenues . . . . .	217,301	217,536	240,091	22,555
Intergovernmental - State . . . . .	7,542,689	7,550,899	8,333,742	782,843
Total revenue . . . . .	<u>13,268,591</u>	<u>13,283,031</u>	<u>14,660,157</u>	<u>1,377,126</u>
<b>Expenditures:</b>				
Current:				
Instruction:				
Regular . . . . .	548,245	548,245	535,386	12,859
Special. . . . .	388,924	388,924	379,802	9,122
Vocational. . . . .	7,044,442	7,044,442	6,904,218	140,224
Support services:				
Pupil. . . . .	813,509	813,509	794,429	19,080
Instructional staff . . . . .	623,088	623,088	608,474	14,614
Board of education . . . . .	46,346	46,346	45,259	1,087
Administration. . . . .	1,152,018	1,152,018	1,124,998	27,020
Fiscal . . . . .	411,938	411,938	402,276	9,662
Business . . . . .	163,925	163,925	160,080	3,845
Operations and maintenance. . . . .	1,176,641	1,176,641	1,149,044	27,597
Pupil transportation . . . . .	25,471	25,471	24,874	597
Central. . . . .	131,397	131,397	128,315	3,082
Extracurricular activities. . . . .	37,284	37,284	36,410	874
Debt service:				
Principal retirement . . . . .	117,762	117,762	115,000	2,762
Interest and fiscal charges . . . . .	34,580	34,580	33,769	811
Total expenditures . . . . .	<u>12,715,570</u>	<u>12,715,570</u>	<u>12,442,334</u>	<u>273,236</u>
Excess of revenues over expenditures. . . . .	<u>553,021</u>	<u>567,461</u>	<u>2,217,823</u>	<u>1,650,362</u>
<b>Other financing sources (uses):</b>				
Refund of prior year expenditure. . . . .	65,223	65,294	72,063	6,769
Transfers in. . . . .	-	-	25,000	25,000
Transfers (out) . . . . .	(2,139,379)	(2,139,379)	(2,089,201)	50,178
Advances in. . . . .	196,864	197,078	217,510	20,432
Advances (out) . . . . .	(131,547)	(131,547)	(128,462)	3,085
Total other financing sources (uses) . . . . .	<u>(2,008,839)</u>	<u>(2,008,554)</u>	<u>(1,903,090)</u>	<u>105,464</u>
Net change in fund balance . . . . .	(1,455,818)	(1,441,093)	314,733	1,755,826
<b>Fund balance at beginning of year. . . . .</b>	6,727,814	6,727,814	6,727,814	-
<b>Prior year encumbrances appropriated . . . . .</b>	157,135	157,135	157,135	-
<b>Fund balance at end of year . . . . .</b>	<u>\$ 5,429,131</u>	<u>\$ 5,443,856</u>	<u>\$ 7,199,682</u>	<u>\$ 1,755,826</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, 2005

	<b>Governmental Activities - Internal Service Fund</b>
<b>Assets:</b>	
Current assets:	
Cash with fiscal agent. . . . .	\$ 566,733
Total assets. . . . .	<u>566,733</u>
 <b>Liabilities:</b>	
Claims payable . . . . .	<u>244,978</u>
Total liabilities. . . . .	<u>244,978</u>
 <b>Net assets:</b>	
Unrestricted. . . . .	<u>321,755</u>
Total net assets. . . . .	<u><u>\$ 321,755</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, 2005

	<b>Governmental Activities - Internal Service Fund</b>
<b>Operating revenues:</b>	
Sales/charges for services . . . . .	\$ 1,688,583
<b>Operating expenses:</b>	
Purchased services . . . . .	113,730
Claims expense. . . . .	1,336,435
	1,450,165
Total operating expenses. . . . .	1,450,165
Operating income. . . . .	238,418
<b>Nonoperating revenues:</b>	
Interest revenue . . . . .	4,714
Change in net assets . . . . .	243,132
<b>Net assets at beginning of year . .</b>	78,623
<b>Net assets at end of year . . . . .</b>	\$ 321,755

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, 2005

	<b>Governmental Activities - Internal Service Fund</b>
<b>Cash flows from operating activities:</b>	
Cash received from sales/charges for services . . . . .	\$ 1,688,583
Cash payments for purchased services . . . . .	(113,730)
Cash payments for claims expenses . . . . .	(1,472,341)
	102,512
<b>Net cash provided by operating activities . . . . .</b>	<b>102,512</b>
<b>Cash flows from investing activities:</b>	
Interest received . . . . .	4,714
	4,714
<b>Net increase in cash and cash equivalents. . . . .</b>	<b>107,226</b>
<b>Cash and cash equivalents at beginning of year . . .</b>	<b>459,507</b>
<b>Cash and cash equivalents at end of year. . . . .</b>	<b>\$ 566,733</b>
 <b>Reconciliation of operating income to net cash provided by operating activities:</b>	
Operating income. . . . .	\$ 238,418
Decrease in claims payable. . . . .	(135,906)
	82,512
<b>Net cash provided by operating activities . . . . .</b>	<b>\$ 102,512</b>

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, 2005

	<b>Private-Purpose Trust</b>	
	<b>Scholarship</b>	<b>Agency</b>
<b>Assets:</b>		
Equity in pooled cash and cash equivalents . . . . .	\$ 149,318	\$ 209,845
Total assets. . . . .	149,318	\$ 209,845
<b>Liabilities:</b>		
Accounts payable. . . . .	-	\$ 43,634
Intergovernmental payable. . . . .	-	132,115
Due to students . . . . .	-	34,096
Total liabilities . . . . .	-	\$ 209,845
<b>Net Assets:</b>		
Held in trust for scholarships . . . . .	149,318	
Total net assets . . . . .	\$ 149,318	

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, 2005

	<b>Private-Purpose Trust</b>
	<b>Scholarship</b>
<b>Additions:</b>	
Interest . . . . .	\$ 2,758
Gifts and contributions. . . . .	6,920
	9,678
Total additions. . . . .	9,678
<b>Deductions:</b>	
Scholarships awarded . . . . .	3,653
	6,025
Change in net assets . . . . .	6,025
<b>Net assets at beginning of year . . . . .</b>	<b>143,293</b>
<b>Net assets at end of year. . . . .</b>	<b>\$ 149,318</b>

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, 2005

**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 46 non-certificated employees and 128 certificated full-time teaching personnel, who provide services to 1,077 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" as amended by GASB Statement No. 39, "Determining Whether Certain Organizations Are Component Units". 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; or (3) the District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or (4) 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 these 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, 2005  
(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, 1 educational service center, 1 career and technology center and a consortium of community schools. 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 2005 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.

Each year, the participating school districts pay an enrollment fee to Sheakley Uniserve, 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 are the District's major governmental funds:



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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005  
(Continued)

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

**B. Fund Accounting (Continued)**

*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.

*Capital Projects Fund* - The capital projects fund is used to accumulate money for various capital projects.

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 health 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 funds account 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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005  
(Continued)

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

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

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.

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.

The private-purpose trust fund is reported using the economic resources measurement focus. Agency funds do not report a measurement focus as they do not report results of operations.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005  
(Continued)

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

**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).

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, 2005, but which were levied to finance fiscal year 2006 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

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

*Expenses/Expenditures* - On the accrual basis of accounting, expenses are recognized at the time they are incurred. The fair value of donated commodities received 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.

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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005  
(Continued)

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

**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. The expressed purpose of this budget document is to reflect the need for existing (or increased) tax rates.
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 the original and final Amended Certificates issued for fiscal year 2005.
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. (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 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 funds completed the year within the amount of their legally authorized cash basis appropriation.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005  
(Continued)

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

**E. Budgets (Continued)**

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 year 2005.

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.

**F. Cash and Investments**

To improve cash management, cash received by the District is pooled. Monies for all 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 year 2005, investments were limited to the State Treasury Asset Reserve of Ohio (STAR Ohio), federal agency securities and nonnegotiable certificates of deposit. 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 year 2005. 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, 2005.

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 2005 amounted to \$257,633, which includes \$81,900 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 District's investment account at year-end is provided in Note 4.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005  
(Continued)

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

**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.

**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 deductions during the year. Donated capital assets are recorded at their fair market values as of the date received. 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>	Governmental Activities <u>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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005  
(Continued)

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

**J. Compensated Absences (Continued)**

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, 2005, 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 age 50 with at least 5 years of service and all employees with at least 20 years of service were considered expected to become eligible to retire in accordance with GASB Statement No. 16.

The total liability for vacation and severance payments has been calculated using pay rates in effect at June 30, 2005, 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, compensated absences are recognized as liabilities and expenditures as payments come due each period upon the occurrence of employee resignations and retirements.

**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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005  
(Continued)

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

**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.

**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 or adopted by the District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

The District applies restricted resources first 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.



**PIONEER CAREER AND TECHNOLOGY CENTER  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005  
(Continued)

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

**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 the proprietary fund. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the basic financial statements.

**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 year 2005.

**NOTE 3 - ACCOUNTABILITY & COMPLIANCE**

**A. Change in Accounting Principles**

For fiscal year 2005, the District has implemented GASB Statement No. 40, "Deposit and Investment Risk Disclosures" and GASB Technical Bulletin No. 2004-2, "Recognition of Pension and Other Postemployment Benefit Expenditures/Expenses and Liabilities by Cost-Sharing Employers".

GASB Statement No. 40 establishes and modified disclosure requirements related to investment risks: credit risk (including custodial credit risk and concentrations of credit risk) and interest rate risk. This statement also establishes and modified disclosure requirements for custodial credit risk on deposits.

GASB Technical Bulletin No. 2004-2 addresses the amount that should be recognized as expenditure/expense and as a liability each period by employers participating in a cost-sharing multiple-employer pension and other postemployment benefit (OPEB) plans.

The implementation of GASB Statement No. 40 did not have an effect on the financial statements of the District, however additional note disclosure can be found in Note 4. The implementation of GASB Technical Bulletin No. 2004-2 had the following effect on the fund balances of the major and non-major funds of the District as they were previously reported as of June 30, 2004:

	<u>General</u>	<u>Capital Projects</u>	<u>Nonmajor</u>	<u>Total</u>
Fund Balances, June 30, 2004	\$ 7,085,096	\$ 1,000,000	\$ 1,497,331	\$ 9,582,427
GASB Technical Bulletin No. 2004-2	<u>(18,588)</u>	<u>-</u>	<u>(23,558)</u>	<u>(42,146)</u>
Restated Fund Balance, June 30, 2004	<u>\$ 7,066,508</u>	<u>\$ 1,000,000</u>	<u>\$ 1,473,773</u>	<u>\$ 9,540,281</u>

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005  
(Continued)

**NOTE 3 - ACCOUNTABILITY & COMPLIANCE (Continued)**

**B. Deficit Fund Balances**

Fund balances at June 30, 2005 included the following individual fund deficits:

<u>Nonmajor Funds</u>	<u>Deficit</u>
Other Grant	\$ 4,294
EMIS	33
Public School Preschool	5,810
Vocational Education Enhancements	10,713
Miscellaneous Federal Grants	28,954
Miscellaneous State Grants	25,140
Improving Teacher Quality	4,410
Title VI	3,314

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 resulted from adjustments for accrued liabilities.

**NOTE 4 - DEPOSITS AND INVESTMENTS**

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

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

Protection of 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;

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**NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)**

2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) 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 Treasurer's investment pool (STAR Ohio);
7. Certain banker's acceptance and commercial paper notes for a period not to exceed one hundred eighty days from the purchase date in an amount not to exceed twenty-five percent of the interim monies available for investment at any one time; and,
8. Under limited circumstances, 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, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

**A. Cash on Hand**

At year-end, the District had \$425 in undeposited cash on hand which is included on the financial statements of the District as part of "Equity in Pooled Cash and Cash Equivalents."

**B. 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, 2005 was \$566,733 and is not included in "Deposits with Financial Institutions" below.

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**NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)**

**C. Deposits with Financial Institutions**

At June 30, 2005, the carrying amount of all District deposits was \$6,316,740. Based on the criteria described in GASB Statement No. 40, “Deposits and Investment Risk Disclosures”, as of June 30, 2005, \$4,243,909 of the District’s bank balance of \$6,717,192 was exposed to custodial risk as discussed below, while \$2,473,283 was covered by Federal Deposit Insurance Corporation.

Custodial credit risk is the risk that, in the event of bank failure, the District’s deposits may not be returned. All deposits are collateralized with eligible securities in amounts equal to at least 105% of the carrying value of the deposits. Such collateral, as permitted by the Ohio revised Code, is held in single financial institution collateral pools at Federal Reserve Banks, or at member banks of the federal reserve system, in the name of the respective depository bank and pledged as a pool of collateral against all of the public deposits it holds or as specific collateral held at the Federal Reserve Bank in the name of the District.

**D. Investments**

As of June 30, 2005, the District had the following investments and maturities:

<u>Investment type</u>	<u>Balance at Fair Value</u>	<u>Investment Maturities</u>				
		<u>6 months or less</u>	<u>7 to 12 months</u>	<u>13 to 18 months</u>	<u>19 to 24 months</u>	<u>Greater than 24 months</u>
STAR Ohio	\$ 2,639,647	\$ 2,639,647	\$ -	\$ -	\$ -	\$ -
FHLB	1,284,173	-	-	197,188	493,501	593,484
FHLMC	493,745	-	197,216	296,529	-	-
FNMA	908,757	-	514,257	394,500	-	-
	<u>\$ 5,326,322</u>	<u>\$ 2,639,647</u>	<u>\$ 711,473</u>	<u>\$ 888,217</u>	<u>\$ 493,501</u>	<u>\$ 593,484</u>

The weighted average maturity of investments is .81 years.

*Interest Rate Risk:* As a means of limiting its exposure to fair value losses arising from rising interest rates and according to state law, the District’s investment policy limits investment portfolio maturities to five years or less.

*Credit Risk:* The District’s investments in federal agency securities were rated AAA and Aaa by Standard & Poor’s and Moody’s Investor Services, respectively. Standard & Poor’s has assigned STAR Ohio an AAAm money market rating.

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**NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)**

**D. Investments (Continued)**

*Concentration of Credit Risk:* The District places no limit on the amount that may be invested in any one issuer. The following table includes the percentage of each investment type held by the District at June 30, 2005:

<u>Investment type</u>	<u>Fair Value</u>	<u>% of Total</u>
STAR Ohio	\$ 2,639,647	49.56
FHLB	1,284,173	24.11
FHLMC	493,745	9.27
FNMA	908,757	17.06
	<u>\$ 5,326,322</u>	<u>100.00</u>

**E. Reconciliation of Cash and Investments to the Statement of Net Assets**

The following is a reconciliation of cash and investments as reported in the footnote above to cash and investments as reported on the statement of net assets as of June 30, 2005:

<u>Cash and Investments per footnote</u>		
Carrying amount of deposits		\$ 6,316,740
Investments		5,326,322
Cash on hand		425
Total		<u>\$ 11,643,487</u>
 <u>Cash and Investments per Statement of Net Assets</u>		
Governmental activities		\$ 11,284,324
Private-purpose trust fund		149,318
Agency funds		209,845
Total		<u>\$ 11,643,487</u>

**NOTE 5 - INTERFUND TRANSACTIONS**

- A. Interfund balances at June 30, 2005, 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	\$ 128,462

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, 2005 are reported on the statement of net assets.

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**NOTE 5 - INTERFUND TRANSACTIONS (Continued)**

- B.** Interfund transfers for the year ended June 30, 2005, consisted of the following, as reported on the fund financial statements:

Transfers from General fund to:	
Capital projects fund	\$1,000,000
Nonmajor governmental funds	1,064,201

Transfers are used to move revenues from the fund that statute or budget required to collect them to the fund that statute or budget requires to expend them and to use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

Interfund transfers between governmental funds are eliminated on the government-wide financial statements; therefore, no transfers are reported on the statement of activities.

**NOTE 6 - PROPERTY TAXES**

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

Property taxes include amounts levied against all real, public utility and tangible personal property (used in business) located in the District. Real property tax revenue received in calendar year 2005 represents collections of calendar year 2004 taxes. Real property taxes received in calendar year 2005 were levied after April 1, 2004, on the assessed value listed as of January 1, 2004, the lien date. Assessed values for real property taxes are established by state law at thirty-five percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, state statute permits alternate payment dates to be established.

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

Tangible personal property tax revenue received during calendar year 2005 (other than public utility property) represents the collection of 2005 taxes. Tangible personal property taxes received in calendar year 2005 were levied after April 1, 2004, on the value as of December 31, 2003. Tangible personal property is currently assessed at twenty-five percent of true value for capital assets and twenty-four percent of true value for inventory. Payments by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the District prior to June 30.

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**NOTE 6 - PROPERTY TAXES - (Continued)**

The District receives property taxes from Richland, Ashland, Crawford, Huron, Morrow, Marion, Wyandot and Seneca Counties. The County Auditors periodically advance to the District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2005, are available to finance fiscal year 2005 operations. The amount available to be advanced can vary based on the date tax bills are sent.

Accrued property taxes receivable includes real property, public utility property and tangible personal property taxes which are measurable as of June 30, 2005 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reported as revenue at fiscal year-end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred revenue.

The amount available as an advance at June 30, 2005 was \$1,011,559 in the general fund. This amount has been recorded as revenue. The amount available as an advance at June 30, 2004 was \$887,668 in the general fund.

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.

The assessed values upon which the fiscal year 2005 taxes were collected are:

	2004 Second Half Collections		2005 First Half Collections	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/Residential and Other Real Estate	\$ 1,786,607,440	81.33	\$ 1,805,732,850	81.98
Public Utility Personal	106,086,460	4.83	106,444,440	4.83
Tangible Personal Property	<u>304,004,702</u>	<u>13.84</u>	<u>290,610,078</u>	<u>13.19</u>
Total	<u>\$ 2,196,698,602</u>	<u>100.00</u>	<u>\$ 2,202,787,368</u>	<u>100.00</u>
Tax rate per \$1,000 of assessed valuation:	\$ 4.70		\$ 4.70	

**NOTE 7 - RECEIVABLES**

Receivables at June 30, 2005 consisted of taxes, accounts (billings for user charged services and student fees), accrued interest, 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:

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**NOTE 7 – RECEIVABLES (Continued)**

**Governmental Activities:**

Taxes	\$ 6,041,869
Accounts	90,201
Intergovernmental	142,215
Accrued interest	<u>171,176</u>
<b>Total</b>	<b><u>\$ 6,445,461</u></b>

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

**NOTE 8 - CAPITAL ASSETS**

Capital asset activity for the fiscal year ended June 30, 2005, was as follows:

	Balance <u>June 30, 2004</u>	<u>Additions</u>	<u>Deductions</u>	Balance <u>June 30, 2005</u>
<b>Governmental Activities:</b>				
<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	4,095,007	-	-	4,095,007
Furniture and equipment	4,852,058	500,720	(621,212)	4,731,566
Vehicles	246,362	23,458	(25,677)	244,143
Total capital assets, being depreciated	<u>9,193,427</u>	<u>524,178</u>	<u>(646,889)</u>	<u>9,070,716</u>
<i>Less: accumulated depreciation:</i>				
Buildings and improvements	(2,913,416)	(82,870)	-	(2,996,286)
Furniture and equipment	(3,271,267)	(356,712)	583,195	(3,044,784)
Vehicles	(161,860)	(22,516)	13,976	(170,400)
Total accumulated depreciation	<u>(6,346,543)</u>	<u>(462,098)</u>	<u>597,171</u>	<u>(6,211,470)</u>
Governmental activities capital assets, net	<u>\$ 2,871,884</u>	<u>\$ 62,080</u>	<u>\$ (49,718)</u>	<u>\$ 2,884,246</u>



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**NOTE 8 - CAPITAL ASSETS (Continued)**

Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$ 33,351
Special	5,198
Vocational	310,220
Other	7,713
Support Services:	
Pupil	4,123
Instructional staff	11,311
Administration	35,448
Fiscal	1,204
Business	1,259
Operations and maintenance	23,792
Pupil transportation	4,385
Noninstructional	18,926
Extracurricular activities	<u>5,168</u>
Total depreciation expense	<u>\$ 462,098</u>

**NOTE 9 - CAPITALIZED LEASES - LESSEE DISCLOSURE**

In the current fiscal year the District entered into capitalized leases for copier equipment and disposed of prior leases for copier equipment. 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 statement.

Capital assets consisting of copiers and a mail machine have been capitalized in the amount of \$118,311. 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 2005 totaled \$41,084 paid by the general fund.

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, 2005:

<u>Fiscal Year Ending June 30,</u>	<u>Amount</u>
2006	\$ 29,923
2007	29,707
2008	29,707
2009	29,707
2010	<u>20,819</u>
Total minimum lease payments	139,863
Less amount representing interest	<u>(26,982)</u>
Total	<u>\$ 112,881</u>

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**NOTE 10 - LONG-TERM OBLIGATIONS**

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

The following is a description of the District's energy conservation bonds outstanding as of June 30, 2005:

<u>Purpose</u>	<u>Interest Rate</u>	<u>Issue Date</u>	<u>Maturity Date</u>	<u>Balance June 30, 2004</u>	<u>Retired in 2005</u>	<u>Balance June 30, 2005</u>
Energy conservation bonds	5.51%	08/01/00	12/01/15	\$ 595,000	\$ (35,000)	\$ 560,000

- 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, and 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 general fund.

The source of payment is current operating revenues.

The following is a description of the District's bonds outstanding as of June 30, 2005:

<u>Purpose</u>	<u>Interest Rate</u>	<u>Issue Date</u>	<u>Maturity Date</u>	<u>Balance June 30, 2004</u>	<u>Retired in 2005</u>	<u>Balance June 30, 2005</u>
Building renovations	5.24%	06/01/95	12/01/04	\$ 80,000	\$ (80,000)	\$ -

- C. Principal and interest requirements to retire energy conservation bonds at June 30, 2005, are as follows:

<u>Year Ending June 30</u>	<u>Principal on Bonds</u>	<u>Interest on Bonds</u>	<u>Total</u>
2006	\$ 40,000	\$ 29,684	\$ 69,684
2007	40,000	27,654	67,654
2008	45,000	25,464	70,464
2009	45,000	23,113	68,113
2010	45,000	20,728	65,728
2011 - 2015	280,000	60,311	340,311
2016	<u>65,000</u>	<u>1,909</u>	<u>66,909</u>
Total	<u>\$ 560,000</u>	<u>\$ 188,863</u>	<u>\$ 748,863</u>

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**NOTE 10 - LONG-TERM OBLIGATIONS - (Continued)**

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

	Balance Outstanding June 30, 2004	Additions	Reductions	Balance Outstanding June 30, 2005	Amounts Due in One Year
<b>Governmental Activities:</b>					
Energy conservation bonds	\$ 595,000	\$ -	\$ (35,000)	\$ 560,000	\$ 40,000
General obligation bonds	80,000	-	(80,000)	-	-
Capital lease obligations	35,654	118,311	(41,084)	112,881	20,238
Compensated absences	<u>1,224,815</u>	<u>368,362</u>	<u>(386,224)</u>	<u>1,206,953</u>	<u>199,680</u>
Total long-term obligations, governmental activities	<u>\$ 1,935,469</u>	<u>\$ 486,673</u>	<u>\$ (542,308)</u>	<u>\$ 1,879,834</u>	<u>\$ 259,918</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, 2005 are a voted debt margin of \$198,250,863, an unvoted debt margin of \$2,202,787, and an unvoted energy conservation debt margin of \$19,265,086.

**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 Selective Insurance Company of South Carolina through Marsh USA Inc. for building and personal property insurance. Boiler and machinery coverage is included in the blanket building and personal property insurance, which has a blanket amount of \$38,050,626 with a deductible of \$1,000. Commercial general liability is provided by Selective Insurance Company of South Carolina with a \$1,000,000 per occurrence, \$3,000,000 aggregate limit and umbrella coverage of \$5,000,000 per occurrence, \$5,000,000 aggregate limit. Crime coverage is also provided with a limit of \$500,000, for public employee dishonesty, forgery, and money and securities with a \$1,000 deductible.

Vehicles are covered by Selective Insurance Company of South Carolina and carry a \$1,000 physical damage deductible. Automobile liability has a \$1,000,000 combined single limit of liability. The aforementioned umbrella policy is above the auto as well.

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. School leaders errors and omissions policy is provided by National Union Fire Insurance Company of Pittsburgh, PA in the aggregate amount of \$1,000,000, with a \$5,000 deductible for each wrongful act.

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.

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**NOTE 11 - RISK MANAGEMENT - (Continued)**

**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, American Administrative Group, 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 \$860.17 for family coverage and \$407.99 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 \$244,978 reported in the fund at June 30, 2005 is based on the requirements of GASB Statement No. 10 which requires that a liability for unpaid claims cost, including estimated costs relating to incurred but not reported claims, be reported. Changes in the fund's claims liability for fiscal year 2005 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>
2005	\$ 380,884	\$ 1,336,435	\$ (1,472,341)	\$ 244,978
2004	369,811	1,508,068	(1,496,995)	380,884

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 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 43215-3746, or by calling (614) 222-5853.

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**NOTE 12 - DEFINED BENEFIT PENSION PLAN - (Continued)**

**A. School Employees Retirement System (Continued)**

Plan members are required to contribute 10 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 2005, 10.57 percent of annual covered salary was the portion used to fund pension obligations. For fiscal year 2004, 9.09 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to 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, 2005, 2004, and 2003 were \$295,400, \$294,324 and \$275,864, respectively; 100 percent has been contributed for fiscal years 2005, 2004 and 2003.

**B. State Teachers Retirement System of Ohio**

The District contributes to the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple-employer public employee retirement system administered by the State Teachers Retirement Board. STRS Ohio provides retirement and disability benefits, annual cost-of-living adjustments, and death and survivor benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3307 of the Ohio Revised Code. 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, by calling (614) 227-4090, or by visiting the STRS website at [www.strsoh.org](http://www.strsoh.org).

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. 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. 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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005  
(Continued)

**NOTE 12 - DEFINED BENEFIT PENSION PLAN - (Continued)**

**B. State Teachers Retirement System of Ohio**

Plan members are required to contribute 10 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 years 2005 and 2004, 13 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 Ohio for the fiscal years ended June 30, 2005, 2004, and 2003 were \$1,013,037, \$969,845, and \$919,655, respectively; 100 percent has been contributed for fiscal years 2005, 2004, and 2003. Contributions to the DC and Combined Plans for fiscal 2005 were \$6,151 made by the District and \$24,240 made by plan members.

**C. Social Security System**

Effective July 1, 1991, all employees not otherwise covered by SERS or STRS Ohio have an option to choose Social Security or SERS/STRS. As of June 30, 2005, six 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 Ohio, 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 Ohio and SERS based on authority granted by state statute. Both STRS Ohio 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 Ohio. 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 Ohio funds shall be included in the employer contribution rate, currently 14 percent of covered payroll. For fiscal year 2005, the State Teachers Retirement Board allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. For the District, this amount equaled \$72,360 during fiscal year 2005.

STRS Ohio pays health care benefits from the Health Care Stabilization Fund. The balance in the Health Care Stabilization Fund was \$3.1 billion at June 30, 2004 (the latest information available). For the fiscal year ended June 30, 2004 (the latest information available), net health care costs paid by STRS Ohio were \$268.739 million and STRS had 111,853 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. Effective January 1, 2004, all retirees and beneficiaries are required to pay a portion of their health care premium. The portion is based on years of service, Medicare eligibility and retirement status. A safety net is in place for retirees whose household income falls below federal poverty levels. Premiums are reduced by 50 percent for those who apply.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005  
(Continued)

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

For fiscal year 2005, employer contributions to fund health care benefits were 3.43 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 2005, the minimum pay has been established at \$27,400. 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, before premium deduction. Gross expenses for health care at June 30, 2004 (the latest information available) were \$223.444 million and the target level was \$335.2 million. At June 30, 2004, (the latest information available) SERS had net assets available for payment of health care benefits of \$300.8 million and SERS had approximately 62,000 participants receiving health care benefits. For the District, the amount to fund health care benefits, including surcharge, equaled \$114,519 during the 2005 fiscal year.

**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 Revenues, 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 financing sources are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis);
- (b) Expenditures and other financing 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:

<b>Net Change in Fund Balance</b>	
	<u>General Fund</u>
Budget basis	\$ 314,733
Net adjustment for revenue accruals	235,547
Net adjustment for expenditure accruals	(52,458)
Net adjustment for other sources/uses	(42,800)
Adjustment for encumbrances	<u>139,229</u>
GAAP basis	<u>\$ 594,251</u>

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005  
(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, 2005, 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, 2004	\$ (1,332,754)	\$ -	\$ 65,263
Current year set-aside requirement	153,880	153,880	-
Qualifying disbursements	<u>(408,428)</u>	<u>(517,079)</u>	<u>-</u>
Total	<u>\$ (1,587,302)</u>	<u>\$ (363,199)</u>	<u>\$ 65,263</u>
Balance carried forward to FY 2006	<u>\$ (1,587,302)</u>	<u>\$ -</u>	<u>\$ 65,263</u>

Effective April 10, 2001 the Ohio legislative passed Am. Sub. Senate Bill 345 that addressed H.B. 412 set-aside requirements. The requirement for establishment of a budget reserve set-aside has been deleted from the law. A District may still establish a reserve, if it so chooses; however, the requirement is no longer mandatory. Monies in the budget reserve set-aside as of April 10, 2001 are classified in two categories: (1) Bureau of Workers' Compensation (BWC) refunds and (2) the balance of the reserve which does not represent BWC refunds. The statute includes specific purposes for which the monies representing BWC refunds can be used.



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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005  
(Continued)**

**NOTE 16 - STATUTORY RESERVES - (Continued)**

The District has elected to maintain the budget reserve until a future determination on the use of the funds can be made. The amount of the former budget stabilization reserve identified as Bureau of Worker's compensation refunds is classified as Reserved for Budget Stabilization and the remaining balance has been classified as Fund Balance - Designated.

The amount of the former budget stabilization reserve classified as Fund Balance - Designated is \$174,374.

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.

Although the District had qualifying disbursements during the year that reduced the set-aside amount 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, 2005 follows:

Amount restricted for budget stabilization	<u>\$ 65,263</u>
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**PIONEER CAREER AND TECHNOLOGY CENTER:  
A VOCATIONAL SCHOOL DISTRICT  
RICHLAND COUNTY**

**FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE  
FOR THE YEAR ENDED JUNE 30, 2005**

Federal Grantor/ Pass Through Grantor/ Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Non-Cash Receipts	Disbursements	Non-Cash Disbursements
<b><u>U.S. DEPARTMENT OF AGRICULTURE</u></b>						
<i>Passed through the Ohio Department of Education:</i>						
Child Nutrition Cluster:						
Food Donation	N/A	10.550		\$20,478		\$20,478
School Breakfast Program		10.553	\$9,229		\$9,229	
		051417-05-PU-04	2,522		2,522	
Total School Breakfast Program			11,751		11,751	
National School Lunch Program		10.555	62,196		62,196	
		051417-LL-P4-04	19,312		19,312	
Total National School Lunch Program			81,508		81,508	
Total U.S. Department of Agriculture - Child Nutrition Cluster			93,259	20,478	93,259	20,478
<b><u>U.S. DEPARTMENT OF EDUCATION</u></b>						
<i>Direct Program:</i>						
Federal Pell Grant Program	N/A	84.063	76,967		76,967	
<i>Passed through the Ohio Department of Education:</i>						
Adult Education_State Grant Program		051417-AB-S1-05	66,518		66,518	
Special Education_Grants to States		051417-6B-S3-05	9,362		0	
Vocational Education_Basic Grants to States		051417-20-C1-05	281,940		302,389	
		051417-20-A0-05	2,000		2,145	
		051417-20-C2-04	54,004		570	
		051417-20-C1-04	42,115		64,448	
<i>Passed through the Madison Local School District:</i>						
		051417-20-C2-05	40,364		40,484	
Total Vocational Education_Basic Grants to States			420,423		410,036	
<i>Passed through the Ohio Department of Education:</i>						
Safe and Drug-Free Schools and Communities_State Grants		051417-DR-S1-05	4,100		4,100	
		051417-DR-S1-04	24		0	
Total Safe and Drug-Free Schools and Communities_State Grants			4,124		4,100	
Eisenhower Professional Development State Grant		051417-MS-S1-04	0		1,100	
State Grants for Innovative Programs		051417-C2-S1-05	1,125		1,000	
		051417-C2-S1-04	5,508		3,089	
Total State Grants for Innovative Programs			6,633		4,089	
Comprehensive School Reform Demonstration		051417-RF-S2-01	35,000		0	
Vocational Education_Occupational and Employment Information State Grants		051417-OE-00-05	3,000		30,922	
		051417-OE-00-04	1,916		28	
Total Vocational Education_Occupational and Employment Information State Grants			4,916		30,950	
Improving Teacher Quality State Grants		051417-TR-S1-05	1,128		5,911	
		051417-TR-S1-04	3,701		4,171	
Total Improving Teacher Quality State Grants			4,829		10,082	
Total U.S. Department of Education			628,772		603,842	
<b><u>U.S. CORPORATION FOR NATIONAL AND COMMUNITY SERVICE</u></b>						
<i>Passed through the Ohio Department of Education:</i>						
Learn and Serve America_School and Community Based Programs		051417-SV-S1-05	1,995		2,803	
<b>Totals</b>			<b>\$724,026</b>	<b>\$20,478</b>	<b>\$699,904</b>	<b>\$20,478</b>

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

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

**NOTES TO THE FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE  
FOR THE YEAR ENDED JUNE 30, 2005**

**NOTE A – SIGNIFICANT ACCOUNTING POLICIES**

The accompanying Federal Awards Receipts and Expenditures Schedule (the Schedule) summarizes 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 non-monetary 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 INTERNAL CONTROL OVER  
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS  
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 governmental activities, each 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, 2005, which collectively comprise the District's basic financial statements and have issued our report thereon dated December 2, 2005. 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 the Comptroller General of the United States' *Government Auditing Standards*.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the District's internal control over financial reporting to determine our auditing procedures in order to express our opinions on the financial statements and not to opine on the internal control over financial reporting. Our consideration of the internal control would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts material to the financial statements we audited may occur and not be timely detected by employees when performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider material weaknesses. In a separate letter to the District's management dated December 2, 2005, we reported other matters involving internal control over financial reporting we did not deem reportable conditions.

**Compliance and Other Matters**

As part of reasonably assuring whether the District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect 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 an opinion. The results of our tests disclosed an instance of noncompliance or other matters we must report under *Government Auditing Standards* which is described in the accompanying Schedule of Findings as item 2005-001. In a separate letter to the District's management dated December 2, 2005, we reported other matters related to noncompliance we deemed immaterial.

101 Central Plaza South / 700 Bank One Tower / Canton, OH 44702  
Telephone: (330) 438-0617 (800) 443-9272 Fax: (330) 471-0001  
[www.auditor.state.oh.us](http://www.auditor.state.oh.us)

Pioneer Career and Technology Center:  
A Vocational School District  
Richland County  
Independent Accountants' Report on Internal Controls Over  
Financial Reporting and on Compliance and Other Matters  
Required by Government Auditing Standards  
Page 2

We intend this report solely for the information and use of the audit committee, management, the Board of Education, federal awarding agencies, and pass-through entities. It is not intended for 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

December 2, 2005



## 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 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 apply to each of its major federal programs for the year ended June 30, 2005. The summary of auditor's results section of the accompanying schedule of findings identifies the District's major federal programs. The District's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. 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 reasonably assure whether noncompliance occurred with the types of compliance requirements referred to above that could directly and materially affect a major federal program. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing other procedures we considered necessary in the circumstances. We believe 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 apply to each of its major federal programs for the year ended June 30, 2005.

#### Internal Control Over Compliance

The District's management 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 directly and materially affect a major federal program 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.

101 Central Plaza South / 700 Bank One Tower / Canton, OH 44702  
Telephone: (330) 438-0617 (800) 443-9272 Fax: (330) 471-0001  
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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 reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be timely detected by employees when performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

We intend this report solely for the information and use of the audit committee, management, the Board of Education, federal awarding agencies, and pass-through entities. It is not intended for 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

December 2, 2005



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

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A -133 § .505  
JUNE 30, 2005**

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

<i>(d)(1)(i)</i>	<b>Type of Financial Statement Opinion</b>	Unqualified
<i>(d)(1)(ii)</i>	<b>Were there any material control weakness conditions reported at the financial statement level (GAGAS)?</b>	No
<i>(d)(1)(ii)</i>	<b>Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?</b>	No
<i>(d)(1)(iii)</i>	<b>Was there any reported material non-compliance at the financial statement level (GAGAS)?</b>	Yes
<i>(d)(1)(iv)</i>	<b>Were there any material internal control weakness conditions reported for major federal programs?</b>	No
<i>(d)(1)(iv)</i>	<b>Were there any other reportable internal control weakness conditions reported for major federal programs?</b>	No
<i>(d)(1)(v)</i>	<b>Type of Major Programs' Compliance Opinion</b>	Unqualified
<i>(d)(1)(vi)</i>	<b>Are there any reportable findings under § .510?</b>	No
<i>(d)(1)(vii)</i>	<b>Major Programs (list):</b>	CFDA # 10.550, 10.553 and 10.555, Child Nutrition Cluster; CFDA # 84.048, Vocational Education_Basic Grants to States
<i>(d)(1)(viii)</i>	<b>Dollar Threshold: Type A/B Programs</b>	Type A: > \$ 300,000 Type B: all others
<i>(d)(1)(ix)</i>	<b>Low Risk Auditee?</b>	Yes

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

**FINDING NUMBER 2005-001**

**26 U.S.C. Section 3402 and Ohio Rev. Code Section 5747.06** require the employing government to withhold federal, state and local income and employment-related taxes (such as Medicare). They also require the government to report those tax matters to the appropriate authorities and to the recipients.

During fiscal year 2005, it was noted there were three employees hired between August 1986 and September 1987 that did not have Medicare taxes withheld from their earnings from the time of their employment to the present. As a result, the District did not remit to the IRS the employee or employer portion of the Medicare tax from the time the employees were hired to the present.

The District should withhold Medicare taxes from all employees that were hired after April 1986. The failure of the District to properly withhold and remit Medicare taxes may subject the District to Internal Revenue Service penalties and charges.

As of the date of this report, the District has filed a 941C form to amend the previous three years of 941s and has paid the employee and employer portion of the Medicare tax for the previous three years.

This matter will be referred to the Internal Revenue Service for whatever action deemed necessary.

**3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS**

None.

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

**SCHEDULE OF PRIOR AUDIT FINDINGS  
JUNE 30, 2005**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b><i>Explain:</i></b>
2004-001	Ohio Rev. Code Section 5705.41(D) Certification of funds.	Yes	Finding No Longer Valid





**Auditor of State  
Betty Montgomery**

88 East Broad Street  
P.O. Box 1140  
Columbus, Ohio 43216-1140

Telephone 614-466-4514  
800-282-0370

Facsimile 614-466-4490

**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  
JANUARY 12, 2006**