



Rea & associates *a brighter way*

Pioneer Career & Technology Center Richland County, Ohio

Audited Financial Statements

For the Fiscal Year Ended
June 30, 2013



Dave Yost • Auditor of State

Board of Education
Pioneer Career and Technology Center
27 Ryan Road
Shelby, OH 44875

We have reviewed the *Independent Auditor's Report* of the Pioneer Career and Technology Center, Richland County, prepared by Rea & Associates, Inc., for the audit period July 1, 2012 through June 30, 2013. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

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

Dave Yost
Auditor of State

December 6, 2013

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

**BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

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October 31, 2013

To the Board of Education
Pioneer Career and Technology Center
Richland County, Ohio
27 Ryan Road
Shelby, OH 44875

Independent Auditor's Report

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Pioneer Career and Technology Center, Richland County, Ohio (the "District"), as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the District, as of June 30, 2013, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the general fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As described in Note 3 to the financial statements, during fiscal year 2013, the District adopted new accounting guidance in Governmental Accounting Standards Board (GASB) Statement No. 63, "*Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*", and GASB Statement No. 65, "*Items Previously Reported as Assets and Liabilities*"; and as a result restated their June 30, 2012 net position of governmental activities due to a reclassification of debt issuance costs as an expense in the period incurred rather than amortizing over the life of the debt. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 4 through 13 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The Schedule of Expenditures of Federal Awards, as required by Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations is presented for the purpose of additional analysis and is not a required part of the basic financial statements.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 31, 2013 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Hea & Associates, Inc.

Medina, OH

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

The management's 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, 2013. 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 fiscal year 2013 are as follows:

- The District restated net position at June 30, 2012 as described in Note 3.A to the basic financial statements. In total, net position of governmental activities decreased \$1,130,858, which represents a 2.91% decrease from fiscal year 2012.
- General revenues accounted for \$14,054,346 in revenue or 83.43% of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$2,791,950 or 16.57% of total revenues of \$16,846,296.
- The District had \$17,977,154 in expenses related to governmental activities; only \$2,791,950 of these expenses were offset by program specific charges for services and sales, grants or contributions. General revenues supporting governmental activities (primarily taxes and unrestricted grants and entitlements) of \$14,054,346 were not adequate to provide for these programs.
- The District's major governmental funds consist of the general fund and the classroom facilities fund. The general fund had \$15,235,678 in revenues and \$16,151,781 in expenditures and other financing uses. The general fund had an increase in the reserve for inventory of \$2,426. During fiscal year 2013, the general fund's fund balance decreased \$913,677 from \$9,389,160 to \$8,475,483.
- The classroom facilities fund had \$3,704 in revenues and \$253,318 in expenditures. During fiscal year 2013, the classroom facilities fund's fund balance decreased \$249,614 from \$4,201,753 to \$3,952,139.

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 position 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 classroom facilities fund are by far the most significant funds, and the only governmental funds reported as major funds.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

Reporting the District as a Whole

Statement of Net Position 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 the District do financially during fiscal year 2013?" The statement of net position and the statement of activities answer this question. These statements include all assets, deferred outflows, liabilities, deferred inflows, 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 position and changes in net position. This change in net position 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 position and the statement of activities, the governmental activities include the District's programs and services, including instruction, support services, operation of non-instructional services, and extracurricular activities.

The District's statement of net position 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 10. 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 the classroom facilities 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 position 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
RICHLAND COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

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 and the Heartland Council of Governments. These activities are reported in an agency fund. All of the District's fiduciary activities are reported in separate statements of fiduciary net position and changes in fiduciary net position on pages 24-25. 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 26-56 of this report.

The District as a Whole

The statement of net position provides the perspective of the District as a whole.

Certain asset, deferred outflow, liability, deferred inflow, and net position classifications have been restated by the District for fiscal year 2012 to conform to fiscal year 2013 presentation in accordance with GASB Statement No. 63 and GASB Statement No. 65. The net position of the District was restated at June 30, 2012 as described in Note 3.A to the basic financial statements. The table below provides a summary of the District's net position at June 30, 2013 and June 30, 2012.

	Net Position	
	Governmental Activities	(Restated) Governmental Activities
	2013	2012
<u>Assets</u>		
Current assets	\$ 22,515,285	\$ 23,880,224
Capital assets, net	<u>32,188,365</u>	<u>32,760,408</u>
Total assets	<u>54,703,650</u>	<u>56,640,632</u>
<u>Liabilities</u>		
Current liabilities	1,945,690	2,210,680
Long-term liabilities	<u>12,271,766</u>	<u>12,801,306</u>
Total liabilities	<u>14,217,456</u>	<u>15,011,986</u>
<u>Deferred Inflows</u>	<u>2,744,581</u>	<u>2,756,175</u>
<u>Net Position</u>		
Net investment in capital assets	20,812,777	21,257,747
Restricted	4,423,642	4,697,866
Unrestricted	<u>12,505,194</u>	<u>12,916,858</u>
Total net position	<u>\$ 37,741,613</u>	<u>\$ 38,872,471</u>

Over time, net position can serve as a useful indicator of a government's financial position. At June 30, 2013, the District's assets exceeded liabilities and deferred inflows by \$37,741,613. At year end, unrestricted net position was \$12,505,194.

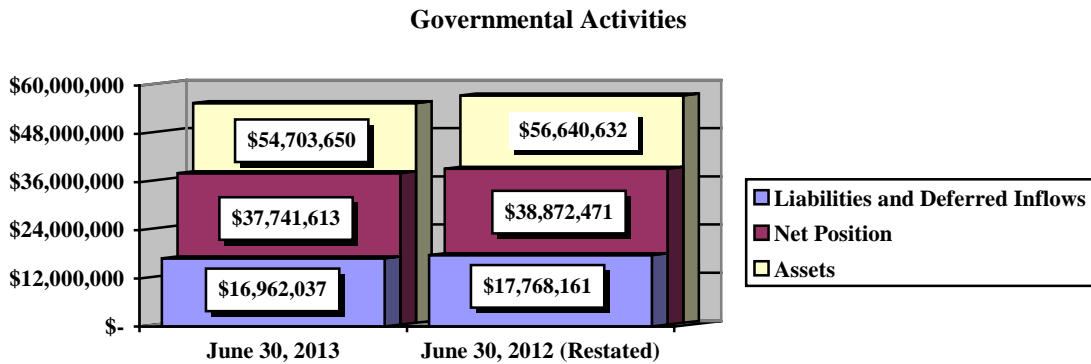
**PIONEER CAREER AND TECHNOLOGY CENTER
RICHLAND COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

At year end, capital assets represented 58.84% of total assets. Capital assets include land, buildings and improvements, furniture and equipment, and vehicles. The District's net investment in capital assets at June 30, 2013 was \$20,812,777. 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 position, \$4,423,642, represents resources that are subject to external restriction on how they may be used. Of this amount, \$3,095,476 is restricted for capital projects. The remaining balance of unrestricted net position of \$12,505,194 may be used to meet the District's ongoing obligations to the students and creditors.

The net position of the District was restated at June 30, 2012 as described in Note 3.A to the basic financial statements. The graph below illustrates the District's assets, liabilities, deferred inflows, and net position at June 30, 2013 and June 30, 2012.



The net position of the District was restated at June 30, 2012 as described in Note 3.A to the basic financial statements. The table below shows the changes in net position for governmental activities for fiscal years 2013 and 2012.

	Change in Net Position	
	Governmental Activities 2013	(Restated) Governmental Activities 2012
Revenues		
Program revenues:		
Charges for services and sales	\$ 835,771	\$ 847,851
Operating grants and contributions	1,956,179	2,068,062
General revenues:		
Property taxes	4,208,880	4,138,498
Grants and entitlements not restricted	9,574,081	9,852,133
Grants and entitlements restricted	-	268,445
Investment earnings	69,493	118,025
Miscellaneous	201,892	194,787
Total revenues	16,846,296	17,487,801

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

	Change in Net Position	
	Governmental	(Restated) Governmental
	Activities	Activities
	<u>2013</u>	<u>2012</u>
<u>Expenses</u>		
Program expenses:		
Instruction:		
Regular	\$ 869,085	\$ 909,329
Special	440,829	514,192
Vocational	9,589,788	9,738,495
Adult/continuing	372,334	364,338
Support services:		
Pupil	1,206,688	1,181,163
Instructional staff	1,171,850	1,309,846
Board of education	76,472	86,592
Administration	1,060,322	1,097,400
Fiscal	394,408	482,924
Business	184,021	188,764
Operations and maintenance	1,236,756	1,143,534
Pupil transportation	1,771	2,189
Central	167,351	255,917
Operation of non-instructional services:		
Other non-instructional services	1,699	69
Food service operations	513,770	481,442
Extracurricular activities	129,867	99,979
Interest and fiscal charges	560,143	573,315
Total expenses	<u>17,977,154</u>	<u>18,429,488</u>
Change in net position	(1,130,858)	(941,687)
Net position at beginning of year (restated)	<u>38,872,471</u>	<u>39,814,158</u>
Net position at end of year	<u>\$ 37,741,613</u>	<u>\$ 38,872,471</u>

Governmental Activities

Net position of the District's governmental activities decreased \$1,130,858. Total governmental expenses of \$17,977,154 were offset by program revenues of \$2,791,950 and general revenues of \$14,054,346. Program revenues supported 15.53% 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 81.82% of total governmental revenue.

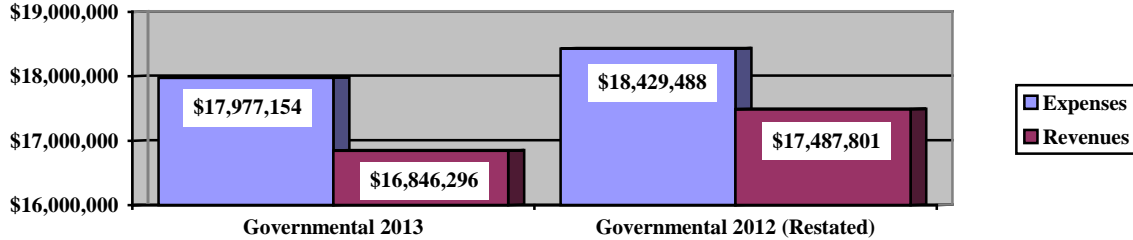
The largest expense of the District is for instructional programs. Instruction expenses totaled \$11,272,036 or 62.70% of total governmental expenses for fiscal year 2013.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

The net position of the District was restated at June 30, 2012 as described in Note 3.A to the basic financial statements. The graph below presents the District's governmental activities revenues and expenses for fiscal years 2013 and 2012.

Governmental Activities - Revenues and Expenses



The net position of the District was restated at June 30, 2012 as described in Note 3.A to the basic financial statements. 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 for fiscal years 2013 and 2012. That is, it identifies the cost of these services supported by tax revenue and unrestricted State grants and entitlements.

Governmental Activities

	Total Cost of Services 2013	Net Cost of Services 2013	(Restated) Total Cost of Services 2012	(Restated) Net Cost of Services 2012
Program expenses				
Instruction:				
Regular	\$ 869,085	\$ 869,085	\$ 909,329	\$ 909,329
Special	440,829	440,829	514,192	514,192
Vocational	9,589,788	8,263,690	9,738,495	8,338,500
Adult/continuing	372,334	4,073	364,338	(18,615)
Support services:				
Pupil	1,206,688	836,055	1,181,163	841,379
Instructional staff	1,171,850	920,030	1,309,846	977,696
Board of education	76,472	76,472	86,592	86,592
Administration	1,060,322	1,033,811	1,097,400	1,071,168
Fiscal	394,408	382,567	482,924	472,991
Business	184,021	184,021	188,764	188,764
Operations and maintenance	1,236,756	1,233,541	1,143,534	1,142,316
Pupil transportation	1,771	1,721	2,189	1,991
Central	167,351	166,649	255,917	255,169
Operation of non-instructional services:				
Other non-instructional services	1,699	(209)	69	(756)
Food service operations	513,770	82,859	481,442	59,565
Extracurricular activities	129,867	129,867	99,979	99,979
Interest and fiscal charges	560,143	560,143	573,315	573,315
Total expenses	<u>\$ 17,977,154</u>	<u>\$ 15,185,204</u>	<u>\$ 18,429,488</u>	<u>\$ 15,513,575</u>

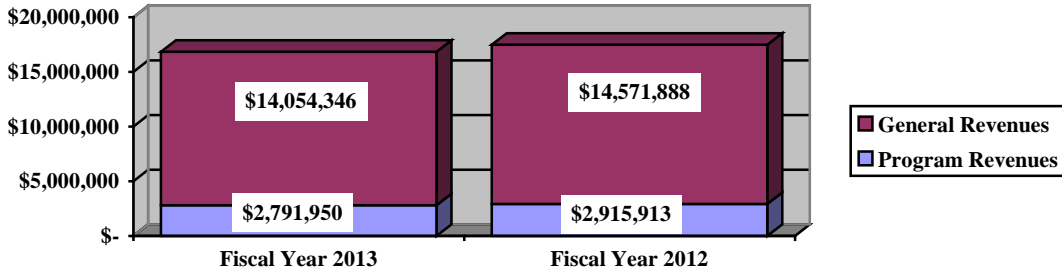
**PIONEER CAREER AND TECHNOLOGY CENTER
RICHLAND COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

The dependence upon tax and other general revenues for governmental activities is apparent, as 84.97% of instruction activities are supported through taxes and other general revenues. For all governmental activities, general revenue support is 84.47%. The District's taxpayers and grants and entitlements not restricted to specific programs are by far the primary support for the District's students.

The graph below presents the District's governmental activities revenue for fiscal years 2013 and 2012.

Governmental Activities - General and Program Revenues



The District's Funds

The District's governmental funds reported a combined fund balance of \$16,362,059, which is less than last year's total balance of \$18,033,192. The schedule below indicates the fund balance and the total change in fund balance as of June 30, 2013 and June 30, 2012.

	Fund Balance <u>June 30, 2013</u>	Fund Balance <u>June 30, 2012</u>	<u>Decrease</u>
General	\$ 8,475,483	\$ 9,389,160	\$ (913,677)
Classroom facilities	3,952,139	4,201,753	(249,614)
Nonmajor governmental	<u>3,934,437</u>	<u>4,442,279</u>	<u>(507,842)</u>
Total	<u>\$ 16,362,059</u>	<u>\$ 18,033,192</u>	<u>\$ (1,671,133)</u>

General Fund

The District's general fund balance decreased \$913,677.

The tables that follow assist in illustrating the financial activities and fund balance of the general fund.

	2013 <u>Amount</u>	2012 <u>Amount</u>	Increase/ <u>(Decrease)</u>	Percentage <u>Change</u>
<u>Revenues</u>				
Taxes	\$ 4,208,001	\$ 4,167,987	\$ 40,014	0.96 %
Earnings on investments	59,138	140,194	(81,056)	(57.82) %
Intergovernmental	10,406,017	10,684,069	(278,052)	(2.60) %
Other revenues	<u>562,522</u>	<u>562,402</u>	<u>120</u>	0.02 %
Total	<u>\$ 15,235,678</u>	<u>\$ 15,554,652</u>	<u>\$ (318,974)</u>	(2.05) %

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

Overall revenues of the general fund decreased \$318,974 or 2.05%. Earnings on investments decreased \$81,056 or 57.82% primarily due to declining interest rates and cash balances. All other revenue classifications remained comparable to the prior year.

	<u>2013</u> <u>Amount</u>	<u>2012</u> <u>Amount</u>	<u>Increase/</u> <u>(Decrease)</u>	<u>Percentage</u> <u>Change</u>
<u>Expenditures</u>				
Instruction	\$ 10,242,591	\$ 10,338,976	\$ (96,385)	(0.93) %
Support services	4,424,908	4,686,086	(261,178)	(5.57) %
Operation of non-instructional services	1,699	69	1,630	2,362.32 %
Extracurricular activities	88,030	81,240	6,790	8.36 %
Capital outlay	-	79,493	(79,493)	(100.00) %
Debt service	<u>893,251</u>	<u>897,471</u>	<u>(4,220)</u>	(0.47) %
Total	<u>\$ 15,650,479</u>	<u>\$ 16,083,335</u>	<u>\$ (432,856)</u>	(2.69) %

Overall expenditures of the general fund decreased \$432,856 or 2.69%. Capital outlay expenditures decreased \$79,493 or 100.00% due to the District's capital lease transaction occurring in fiscal year 2012. All other expenditure classifications remained comparable to the prior year.

Classroom Facilities Fund

The classroom facilities fund had \$3,704 in revenues and \$253,318 in expenditures. During fiscal year 2013, the classroom facilities fund's fund balance decreased \$249,614 from \$4,201,753 to \$3,952,139.

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.

For the general fund, final budgeted revenues and other financing sources were \$15,500,000, which matched exactly to the original budgeted revenues and other financing sources. Actual revenues and other financing sources for fiscal year 2013 were \$14,857,861. This represents a \$642,139 decrease from final budgeted amounts, primarily due to budgeted intergovernmental revenues exceeding actual amounts.

General fund original appropriations and other financing uses of \$16,920,373 matched exactly to the final budgeted expenditures and other financing uses. The actual budget basis expenditures and other financing uses for fiscal year 2013 totaled \$16,285,957, which was \$634,416 less than the final budget amounts. This positive variance was mainly due to conservative budgeting by the District.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2013, the District had \$32,188,365 invested in land, buildings and improvements, furniture and equipment, and vehicles. This entire amount is reported in governmental activities.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

The following table shows June 30, 2013 balances compared to June 30, 2012.

Capital Assets at June 30 (Net of Depreciation)		
<u>Governmental Activities</u>		
	<u>2013</u>	<u>2012</u>
Land	\$ 25,000	\$ 25,000
Buildings and improvements	29,040,674	29,451,133
Furniture and equipment	3,057,185	3,192,322
Vehicles	<u>65,506</u>	<u>91,953</u>
Total	<u>\$ 32,188,365</u>	<u>\$ 32,760,408</u>

The overall decrease in capital assets of \$572,043 is due to current year depreciation expense of \$993,254 exceeding capital outlays of \$433,093 and total disposals of capital assets of \$11,882 (net of accumulated depreciation).

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

Debt Administration

At June 30, 2013, the District had \$11,334,821 in energy conservation bonds, certificates of participation and capital lease obligations outstanding. Of this total, \$346,103 is due within one year and \$10,988,718 is due in more than one year. The following table summarizes the long-term debt outstanding at June 30, 2013 compared to June 30, 2012.

	<u>Governmental Activities 2013</u>	<u>Governmental Activities 2012</u>
Energy conservation bonds	\$ 185,000	\$ 240,000
Certificates of participation	11,050,000	11,290,000
Capital lease obligations	<u>99,821</u>	<u>144,058</u>
Total	<u>\$ 11,334,821</u>	<u>\$ 11,674,058</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 reported by the District was \$8,451,047 at June 30, 2013. The general fund cash balance includes the cash balance of various funds that are considered part of the general fund on a GAAP-basis. The general fund cash balance was \$9,665,238 at June 30, 2012. The District continues to maintain a healthy cash balance in the general fund in the midst of major funding reductions.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

With Board guidance, the recent fiscal year budgets have been carefully managed in order to avoid additional tax millage above the current 3.7 voted mills that is being collected at 2.0 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. 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. Since the total effective millage is at the 2-mill floor, it was not of any benefit to renew this levy in 2009. The Board is committed to utilizing the funds the District receives from the remaining levies to increase teacher salaries and purchase instructional materials, textbooks, and technology. Substantial funds have also been set aside for vocational equipment and building repair and maintenance.

Several significant legislative and judicial actions have occurred that have had and will have in the future a major impact on the District. After 20 years of controversy over its school funding system, Ohio was given a new method for providing funding to its public schools. Enacted as part of the 2009-2011 State budget, the Ohio Evidence-Based Model was designed to fund strategies that had the best chance to help students learn. This new funding model was not applicable to Joint Vocational Schools (JVS's). With the election of a new Governor in November 2010, the Ohio Evidence-Based Model was discarded and a new funding model was signed into law on June 29, 2013. For the prior biennium, fiscal year 2010 and fiscal year 2011 JVS's were given an increase of 0.75% over the prior fiscal year due to the recession's impact on the State budget. This resulted in an increase of \$80,000 per year for fiscal year 2010 and fiscal year 2011. Had the District remained on the per pupil funding as in prior years, the increase would have been \$1.3 million for each fiscal year. This resulted in a loss of funding of \$1.2 million for each of the two years of the biennium. For the biennium of fiscal year 2012 and fiscal year 2013, there was no increase in State funding due to the continuing recession. In regards to the new funding model just passed in the legislature and signed by the Governor in June of 2013, the District was unable to accurately predict the State funding the District would receive during the current biennium. The District will not lose any funding, but until the components of the new funding formula are released, the District will not know the precise amount of funding it will receive in fiscal year 2014 and fiscal year 2015. In addition, the current Governor and the legislature accelerated the reimbursement for the phase out of the tangible property tax resulting in the loss of an additional \$4.5 million through fiscal year 2015. This has resulted in the need for a new levy sooner than anticipated to replace the 1-mill that expired at December 2009.

Another challenge facing the District was the need to renovate its facilities to meet current safety codes, correct building defects, and streamline operations and to enhance learning space design for students. The Board was approved for building assistance funding through the Ohio School Facilities Commission (OSFC). OSFC funding comprised approximately 75% of the approved project costs; thus, it was important to capture this revenue source to relieve some of the financial burden from local taxpayers. The total projected cost of the renovation was \$34.5 million and requires an annual maintenance fund of approximately \$425,000 for 23 years. The building was totally functional for fiscal year 2012 and with only a few minor items to be finalized, the total cost of the project should approximate the original budget projections. To fund the local share and the annual maintenance requirement, a 1-mill continuing Permanent Improvement Levy was submitted to the voters in November 2007 and was defeated by a 52.3 % margin. This ballot issue was resubmitted to the voters in March 2008 and was defeated a second time. The District decided to issue Certificates of Participation in the amount of \$11.9 million in August of 2008 to secure the \$19 million OSFC State match. Projections indicate that the District will need additional funding by fiscal year 2014 to continue operations and service the debt.

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 and 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 citizens, 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 Ms. Linda Schumacher, Treasurer, Pioneer Career & Technology Center, 27 Ryan Road, Shelby, Ohio 44875-0309.

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

STATEMENT OF NET POSITION
JUNE 30, 2013

	Governmental Activities
Assets:	
Equity in pooled cash and investments	\$ 16,061,269
Cash with fiscal agent	1,167,249
Cash with escrow agent	782,445
Receivables:	
Property taxes	4,109,703
Accounts.	142,455
Intergovernmental	135,209
Prepayments	26,923
Materials and supplies inventory.	90,032
Capital assets:	
Nondepreciable capital assets	25,000
Depreciable capital assets, net.	32,163,365
Capital assets, net.	32,188,365
Total assets.	54,703,650
Liabilities:	
Accounts payable.	205,809
Contracts payable.	87,035
Retainage payable	205,145
Accrued wages and benefits payable.	1,007,432
Pension obligation payable.	160,681
Intergovernmental payable	59,004
Accrued interest payable	43,497
Claims payable.	177,087
Long-term liabilities:	
Due within one year.	672,452
Due in more than one year.	11,599,314
Total liabilities	14,217,456
Deferred inflows of resources:	
Property taxes levied for the next fiscal year.	2,744,581
Total deferred inflows of resources	2,744,581
Net position:	
Net investment in capital assets	20,812,777
Restricted for:	
Capital projects	3,095,476
Classroom facilities maintenance	684,688
Locally funded programs	9,038
State funded programs.	22,092
Federally funded programs	27,856
Other purposes	584,492
Unrestricted	12,505,194
Total net position.	\$ 37,741,613

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, 2013

	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position Governmental Activities
		Charges for Services and Sales	Operating Grants and Contributions	
Governmental activities:				
Instruction:				
Regular	\$ 869,085	\$ -	\$ -	\$ (869,085)
Special	440,829	-	-	(440,829)
Vocational	9,589,788	343,450	982,648	(8,263,690)
Adult/continuing.	372,334	93,881	274,380	(4,073)
Support services:				
Pupil.	1,206,688	43,782	326,851	(836,055)
Instructional staff	1,171,850	130,700	121,120	(920,030)
Board of education	76,472	-	-	(76,472)
Administration.	1,060,322	15,272	11,239	(1,033,811)
Fiscal.	394,408	-	11,841	(382,567)
Business.	184,021	-	-	(184,021)
Operations and maintenance	1,236,756	-	3,215	(1,233,541)
Pupil transportation.	1,771	-	50	(1,721)
Central	167,351	-	702	(166,649)
Operation of non-instructional services:				
Other non-instructional services	1,699	1,908	-	209
Food service operations	513,770	206,778	224,133	(82,859)
Extracurricular activities.	129,867	-	-	(129,867)
Interest and fiscal charges	560,143	-	-	(560,143)
Total governmental activities	\$ 17,977,154	\$ 835,771	\$ 1,956,179	(15,185,204)
General revenues:				
Property taxes levied for:				
General purposes				4,208,880
Grants and entitlements not restricted to specific programs				9,574,081
Investment earnings				69,493
Miscellaneous				201,892
Total general revenues				14,054,346
Change in net position				(1,130,858)
Net position at beginning of year (restated).				38,872,471
Net position at end of year				\$ 37,741,613

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2013

	General	Classroom Facilities	Nonmajor Governmental Funds	Total Governmental Funds
Assets:				
Equity in pooled cash and investments.	\$ 8,451,047	\$ 4,233,592	\$ 3,376,630	\$ 16,061,269
Cash with escrow agent.	-	-	782,445	782,445
Receivables:				
Property taxes.	4,109,703	-	-	4,109,703
Accounts	119,892	-	22,563	142,455
Interfund loans	40,050	-	-	40,050
Intergovernmental.	23,916	-	111,293	135,209
Prepayments.	25,548	-	1,375	26,923
Materials and supplies inventory.	83,418	-	6,614	90,032
Total assets	<u>\$ 12,853,574</u>	<u>\$ 4,233,592</u>	<u>\$ 4,300,920</u>	<u>\$ 21,388,086</u>
Liabilities:				
Accounts payable	\$ 62,168	\$ -	\$ 143,641	\$ 205,809
Contracts payable.	-	76,308	10,727	87,035
Retainage payable.	-	205,145	-	205,145
Accrued wages and benefits payable	952,341	-	55,091	1,007,432
Compensated absences payable	109,951	-	25,999	135,950
Interfund loans payable.	-	-	40,050	40,050
Intergovernmental payable	55,087	-	3,917	59,004
Pension obligation payable	134,497	-	26,184	160,681
Total liabilities.	<u>1,314,044</u>	<u>281,453</u>	<u>305,609</u>	<u>1,901,106</u>
Deferred inflows of resources:				
Property taxes levied for the next fiscal year. . .	2,744,581	-	-	2,744,581
Delinquent property tax revenue not available. . .	319,466	-	-	319,466
Other nonexchange transactions not available. . .	-	-	60,874	60,874
Total deferred inflows of resources	<u>3,064,047</u>	<u>-</u>	<u>60,874</u>	<u>3,124,921</u>
Fund balances:				
Nonspendable:				
Materials and supplies inventory.	83,418	-	6,614	90,032
Prepays.	25,548	-	1,375	26,923
Restricted:				
Capital improvements	-	3,095,476	-	3,095,476
Adult education	-	-	612,136	612,136
Classroom facilities maintenance	-	-	719,524	719,524
Food service operations	-	-	18,388	18,388
Public school preschool	-	-	5,975	5,975
Vocational education.	-	-	14,078	14,078
Other purposes.	-	-	25,155	25,155
Committed:				
Capital improvements	-	856,663	1,779,932	2,636,595
Debt service	-	-	784,818	784,818
Assigned:				
Student instruction	55,916	-	-	55,916
Student and staff support.	112,770	-	-	112,770
Extracurricular activities	583	-	-	583
Subsequent year's appropriations	1,739,195	-	-	1,739,195
School supplies	94,095	-	-	94,095
Other purposes.	115,607	-	-	115,607
Unassigned (deficit)	6,248,351	-	(33,558)	6,214,793
Total fund balances	<u>8,475,483</u>	<u>3,952,139</u>	<u>3,934,437</u>	<u>16,362,059</u>
Total liabilities, deferred inflows and fund balances	<u>\$ 12,853,574</u>	<u>\$ 4,233,592</u>	<u>\$ 4,300,920</u>	<u>\$ 21,388,086</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO
NET POSITION OF GOVERNMENTAL ACTIVITIES
JUNE 30, 2013

Total governmental fund balances		\$	16,362,059
<i>Amounts reported for governmental activities on the statement of net position are different because:</i>			
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.			32,188,365
Other long-term assets are not available to pay for current period expenditures and therefore are deferred inflows in the funds.			
Property taxes receivable	\$	319,466	
Intergovernmental receivable		<u>60,874</u>	
Total			380,340
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 on the statement of net position.			990,162
Unamortized discounts on certificates of participation are not recognized in the funds.			164,378
Accrued interest payable is not due and payable in the current period and therefore is not reported in the funds.			(43,497)
Long-term liabilities, including certificates of participation, are not due and payable in the current period and therefore are not reported in the funds.			
Compensated absences payable		(965,373)	
Energy conservation bonds payable		(185,000)	
Certificates of participation		(11,050,000)	
Capital lease obligations		<u>(99,821)</u>	
Total			<u>(12,300,194)</u>
Net position of governmental activities		\$	<u>37,741,613</u>

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, 2013

	<u>General</u>	<u>Classroom Facilities</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues:				
From local sources:				
Property taxes	\$ 4,208,001	\$ -	\$ -	\$ 4,208,001
Tuition	-	-	265,396	265,396
Earnings on investments	59,138	3,704	226	63,068
Charges for services	-	-	206,778	206,778
Extracurricular	16,132	-	-	16,132
Classroom materials and fees	184,774	-	-	184,774
Contributions and donations	6,348	-	-	6,348
Contract services	159,724	-	-	159,724
Other local revenues	195,544	-	2,967	198,511
Intergovernmental - intermediate	-	-	49,354	49,354
Intergovernmental - state	10,406,017	-	285,338	10,691,355
Intergovernmental - federal	-	-	735,454	735,454
Total revenues	<u>15,235,678</u>	<u>3,704</u>	<u>1,545,513</u>	<u>16,784,895</u>
Expenditures:				
Current:				
Instruction:				
Regular	864,429	-	-	864,429
Special	437,372	-	-	437,372
Vocational	8,940,790	-	466,339	9,407,129
Adult/continuing	-	-	398,453	398,453
Support services:				
Pupil	913,992	-	363,642	1,277,634
Instructional staff	886,226	-	297,413	1,183,639
Board of education	69,120	-	7,352	76,472
Administration	1,026,077	-	10,721	1,036,798
Fiscal	383,083	-	10,884	393,967
Business	191,535	-	-	191,535
Operations and maintenance	823,517	-	384,500	1,208,017
Pupil transportation	1,725	-	46	1,771
Central	129,633	-	2,220	131,853
Operation of non-instructional services:				
Other non-instructional services	1,699	-	-	1,699
Food service operations	-	-	443,965	443,965
Extracurricular activities	88,030	-	-	88,030
Facilities acquisition and construction	-	253,318	174,369	427,687
Debt service:				
Principal retirement	339,237	-	-	339,237
Interest and fiscal charges	554,014	-	-	554,014
Total expenditures	<u>15,650,479</u>	<u>253,318</u>	<u>2,559,904</u>	<u>18,463,701</u>
Excess of expenditures over revenues	(414,801)	(249,614)	(1,014,391)	(1,678,806)
Other financing sources (uses):				
Transfers in	-	-	926,662	926,662
Transfers (out)	(501,302)	-	(425,360)	(926,662)
Total other financing sources (uses)	<u>(501,302)</u>	<u>-</u>	<u>501,302</u>	<u>-</u>
Net change in fund balances	(916,103)	(249,614)	(513,089)	(1,678,806)
Fund balances at beginning of year	9,389,160	4,201,753	4,442,279	18,033,192
Increase in reserve for inventory	2,426	-	5,247	7,673
Fund balances at end of year	<u>\$ 8,475,483</u>	<u>\$ 3,952,139</u>	<u>\$ 3,934,437</u>	<u>\$ 16,362,059</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, 2013

Net change in fund balances - total governmental funds \$ (1,678,806)

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

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

Capital asset additions	\$ 433,093	
Current year depreciation	(993,254)	
Total		(560,161)

The net effect of various miscellaneous transactions involving capital assets (i.e., sales, disposals, trade-ins, and donations) is to decrease net position. (11,882)

Governmental funds report expenditures for inventory when purchased. However, in the statement of activities, they are reported as an expense when consumed. 7,673

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

Property taxes	879	
Intergovernmental	54,003	
Total		54,882

Repayment of principal and capital lease obligations is an expenditure in the governmental funds, but the repayment reduces long-term liabilities on the statement of net position. 339,237

In the statement of activities, interest is accrued on outstanding bonds and certificates of participation whereas in governmental funds, an interest expenditure is reported when due. The following items resulted in additional interest being reported in the statement of activities:

Decrease in accrued interest payable	890	
Amortization of discounts	(7,019)	
Total		(6,129)

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. 220,370

The internal service fund used by management to charge the costs of insurance to individual funds is not reported in the district-wide statement of activities. Governmental fund expenditures and the related internal service fund revenues are eliminated. The net revenue (expense) of the internal service fund is allocated among the governmental activities. 503,958

Change in net position of governmental activities \$ (1,130,858)

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, 2013

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues:				
From local sources:				
Property taxes	\$ 4,087,290	\$ 4,087,290	\$ 4,177,080	\$ 89,790
Earnings on investments	121,314	121,314	59,138	(62,176)
Other local revenues	206,314	206,314	162,593	(43,721)
Intergovernmental - state	11,036,082	11,036,082	10,406,017	(630,065)
Total revenues	15,451,000	15,451,000	14,804,828	(646,172)
Expenditures:				
Current:				
Instruction:				
Regular	917,023	917,023	890,125	26,898
Special	451,251	451,251	438,015	13,236
Vocational	9,185,816	9,185,816	8,916,381	269,435
Support services:				
Pupil	932,485	932,485	905,134	27,351
Instructional staff	939,257	939,257	911,707	27,550
Board of education	71,910	71,910	69,801	2,109
Administration	1,055,044	1,055,044	1,024,098	30,946
Fiscal	447,963	447,963	434,824	13,139
Business	194,238	194,238	188,541	5,697
Operations and maintenance	915,298	915,298	888,451	26,847
Pupil transportation	1,919	1,919	1,863	56
Central	143,559	143,559	139,348	4,211
Extracurricular activities	97,040	97,040	94,194	2,846
Debt service:				
Principal retirement	303,914	303,914	295,000	8,914
Interest and fiscal charges	563,656	563,656	547,123	16,533
Total expenditures	16,220,373	16,220,373	15,744,605	475,768
Excess of expenditures over revenues	(769,373)	(769,373)	(939,777)	(170,404)
Other financing sources (uses):				
Refund of prior year's expenditures	25,000	25,000	25,055	55
Transfers (out)	(600,000)	(600,000)	(501,302)	98,698
Advances in	24,000	24,000	24,000	-
Advances (out)	(100,000)	(100,000)	(40,050)	59,950
Sale of capital assets	-	-	3,978	3,978
Total other financing sources (uses)	(651,000)	(651,000)	(488,319)	162,681
Net change in fund balance	(1,420,373)	(1,420,373)	(1,428,096)	(7,723)
Fund balance at beginning of year	9,236,422	9,236,422	9,236,422	-
Prior year encumbrances appropriated	294,915	294,915	294,915	-
Fund balance at end of year	\$ 8,110,964	\$ 8,110,964	\$ 8,103,241	\$ (7,723)

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF NET POSITION
PROPRIETARY FUND
JUNE 30, 2013

	<u>Governmental Activities - Internal Service Fund</u>
Assets:	
Current assets:	
Cash with fiscal agent	\$ 1,167,249
Total assets.	<u>1,167,249</u>
Liabilities:	
Claims payable	<u>177,087</u>
Total liabilities	<u>177,087</u>
Net position:	
Unrestricted.	<u>990,162</u>
Total net position.	<u><u>\$ 990,162</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 POSITION
PROPRIETARY FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

	Governmental Activities - Internal Service Fund
Operating revenues:	
Charges for services	\$ 2,893,245
Total operating revenues	<u>2,893,245</u>
Operating expenses:	
Claims expense.	2,298,308
Administrative costs	97,498
Total operating expenses.	<u>2,395,806</u>
Operating income	<u>497,439</u>
Nonoperating revenues:	
Interest revenue	<u>6,519</u>
Total nonoperating revenues.	<u>6,519</u>
Change in net position	503,958
Net position at beginning of year.	<u>486,204</u>
Net position at end of year	<u>\$ 990,162</u>

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, 2013

	Governmental Activities - Internal Service Fund
Cash flows from operating activities:	
Cash received from charges for services	\$ 2,893,245
Cash payments for claims expenses.	(2,386,781)
Cash payments for administrative costs.	(97,498)
	408,966
 Net cash provided by operating activities	
	408,966
 Cash flows from investing activities:	
Interest received	6,519
	6,519
 Net cash provided by investing activities	
	6,519
 Net increase in cash with fiscal agent	
	415,485
 Cash with fiscal agent at beginning of year	
	751,764
Cash with fiscal agent at end of year.	
	\$ 1,167,249
 Reconciliation of operating income to net cash provided by operating activities:	
Operating income.	\$ 497,439
(Decrease) in claims payable	(88,473)
	408,966
 Net cash provided by operating activities.	
	\$ 408,966

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2013

	Private-Purpose Trust	
	Scholarship	Agency
Assets:		
Equity in pooled cash and investments	\$ 156,227	\$ 617,929
Receivables:		
Accounts	-	27,120
Intergovernmental	-	2,652
Prepayments	-	22,497
	156,227	\$ 670,198
Total assets.	156,227	\$ 670,198
Liabilities:		
Accounts payable	-	\$ 11,277
Intergovernmental payable	-	887
Undistributed monies	-	550,237
Due to students	-	107,797
	-	\$ 670,198
Total liabilities.	-	\$ 670,198
Net position:		
Held in trust for scholarships	156,227	
Total net position.	\$ 156,227	

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

	Private-Purpose Trust
	Scholarship
Additions:	
Interest	\$ 374
Gifts and contributions	3,753
Total additions	4,127
Deductions:	
Scholarships awarded	8,970
Change in net position	(4,843)
Net position at beginning of year	161,070
Net position at end of year	\$ 156,227

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

NOTE 1 - DESCRIPTION OF THE DISTRICT

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, food services, extracurricular activities, and nonprogrammed services. It is staffed by 68 non-certified employees and 112 certified full-time teaching personnel, who provide services to 2,312 students and other community members.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements (BFS) 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'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" and GASB Statement No. 61, "The Financial Reporting Entity: Omnibus an amendment of GASB Statements No. 14 and No. 34". The reporting entity is composed of the primary government and component units. 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, 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 organization's Governing 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 access 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. Certain organizations are also included as component units if the nature and significance of the relationship between the primary government and the organization is such that exclusion by the primary government would render the primary government's financial statements incomplete or misleading. 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).

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

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

The following organizations are described due to their relationship to the District:

JOINT VENTURE WITHOUT EQUITY INTEREST

Heartland Council of Governments/North Central Ohio Computer Cooperative (the "COG")

The COG is a jointly governed organization among 15 school districts, 8 community schools, 1 educational service center and 1 career center. The COG is an association of public school districts within the boundaries of Ashland, Crawford, Huron, Marion, Morrow, Richland, Seneca, and Wyandot Counties. The COG was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member school districts. Each member school district supports the COG based on a per pupil charge dependent upon the software package utilized. The COG is governed by a Cooperative Assembly consisting of Superintendents of the member school districts. The degree of control exercised by any school district is limited to its representation on the Cooperative Assembly. During fiscal year 2013, the District paid \$206,280 to the COG for various services. The District serves as fiscal agent for the COG and financial activity for fiscal year 2013 is reported in the financial statements as an agency fund.

PUBLIC ENTITY RISK POOLS

Workers' Compensation Group Rating Program

The District participates in a Workers' Compensation Group Retrospective Rating Program (GRRP). The GRRP is offered by the Ohio Bureau of Workers' Compensation and is administered by Sheakley Uniservice, Inc. The intent of the GRRP is to reward participants that are able to keep their individual claim costs below a predetermined amount with refunds at the end of predetermined evaluation periods. See Note 11 for more information on the GRRP.

Schools of Ohio Risk Sharing Authority

The District also participates in the Schools of Ohio Risk Sharing Authority Board (SORSA), an insurance purchasing pool. SORSA's business affairs are conducted by a nine member Board of Directors consisting of a President, Vice President, Secretary, Treasurer and five delegates. SORSA was created to provide joint self-insurance coverage and to assist members to prevent and reduce losses and injuries to the District's property and person. It is intended to provide liability and property insurance at reduced premiums for the participants. SORSA is organized as a nonprofit corporation under provisions of Ohio Revised Code 2744.

B. Fund Accounting

The District uses funds to report its financial position and the results of its operations. A fund is a separate accounting entity with a self-balancing set of accounts. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain District activities or functions. Funds are classified into three categories: governmental, proprietary and fiduciary. Each category is divided into separate fund types.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

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

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 plus deferred outflows and liabilities plus deferred inflows is reported as fund balance. The following are the District's major governmental funds:

General fund -The general fund is used to account for and report all financial resources not accounted for and reported 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.

Classroom facilities fund - The classroom facilities fund is used to account for financial resources and expenditures related to the school facilities construction project.

Other governmental funds of the District are used to account for (a) financial resources that are restricted, committed, or assigned to expenditures for capital outlays including the acquisition or construction of capital facilities and other capital assets, (b) specific revenue sources that are restricted or committed to an expenditure for specified purposes other than debt service or capital projects and (c) financial resources that are restricted, committed, or assigned to expenditures related to debt service activities.

PROPRIETARY FUNDS

Proprietary funds are used to account for the District's ongoing activities which are similar to those often found in the private sector. Proprietary funds are classified as either enterprise or internal service; 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 position and changes in net position. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds and agency funds. 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 funds are private-purpose trust funds, which account 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 COG.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

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

C. Basis of Presentation and Measurement Focus

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

The government-wide statement of activities presents a comparison between direct expenses and program revenues for each function or program of the governmental activities of the District. Direct expenses are those that are specifically associated with a service, program or department and are 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 comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the District.

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

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 deferred outflows and current liabilities and deferred inflows 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, deferred outflows, liabilities, and deferred inflows associated with the operation of this fund are included on the statement of fund net position. The statement of revenues, expenses and changes in net position presents increases (i.e., revenues) and decreases (i.e., expenses) in net position. 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 revenue of the District's internal service fund is charges for services. Operating expenses for internal service fund activity include the District's claims expenses and administrative costs. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

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

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

D. Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting on the fund financial statements. Proprietary and fiduciary funds also use the accrual basis of accounting. Differences in the accrual and modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred inflows and deferred outflows, and in the presentation of expenses versus expenditures.

Revenues - Exchange and Nonexchange 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 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 Inflows of Resources and Deferred Outflows of Resources - A deferred inflow of resources is an acquisition of net position by the District that is applicable to a future reporting period. A deferred outflow of resources is a consumption of net position by the District that is applicable to a future reporting period.

Property taxes for which there is an enforceable legal claim as of June 30, 2013, but which were levied to finance fiscal year 2014 operations, and other revenues received in advance of the fiscal year for which they were intended to finance, have been recorded as deferred inflows. Income taxes, payment in lieu of taxes and grants not received within the available period, grants and entitlements received before the eligibility requirements are met, and delinquent property taxes due at June 30, 2013, are recorded as deferred inflows on the governmental fund financial statements.

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

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

Expenses/Expenditures - On the accrual basis of accounting, expenses are recognized at the time they are incurred. The entitlement 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. Allocations of cost, such as depreciation and amortization, are not recognized in governmental funds.

E. Budgets

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

1. Prior to January 15, 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 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 July 1, 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 certificates of estimated resources issued for fiscal year 2013.
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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

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

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.
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. Although the legal level of budgetary control is at the fund level, the District has elected to show the budgetary statement at the fund and function level of expenditures.

All supplemental appropriations were legally enacted by the Board during fiscal year 2013.

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 investments" on the basic financial statements.

During fiscal year 2013, investments were limited to the State Treasury Asset Reserve of Ohio (STAR Ohio) 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 2013. 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 shares price which is the price the investment could be sold for on June 30, 2013.

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 2013 amounted to \$59,138, which includes \$19,750 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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

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

An analysis of the District’s investments at fiscal year end is provided in Note 4.

G. Inventory

On government-wide and fund financial statements, inventories are presented at the lower of cost or market on a first-in, first-out basis and are expensed when used. Donated commodities are presented at their entitlement value. Inventories are accounted for using the purchase method on the fund financial statements and using the consumption method on the government-wide statements.

On the fund financial statements, reported materials and supplies inventory is equally offset by nonspendable fund balance 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 position, but are not reported in the fund financial statements. For fiscal year 2013, the District maintained a capitalization threshold of \$5,000.

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

I. Interfund Balances

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

J. Compensated Absences

Compensated absences of the District consist of vacation leave and sick leave 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, 2013

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (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. An accrual for earned sick leave is made to the extent that it is probable that the benefits will result in termination (severance) payments. A liability for sick leave is accrued using the vesting method; i.e., the liability is based on the sick leave accumulated at June 30, 2013, 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 sick leave 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 sick leave payments has been calculated using pay rates in effect at June 30, 2013 and reduced to the maximum payment allowed by labor contract and/or statute, plus any applicable additional salary related payments.

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

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

K. Accrued Liabilities and Long-Term Obligations

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

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources, are reported as obligations of the funds. However, claims and judgments and compensated absences 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, certificates of participation and capital lease obligations are recognized as a liability on the fund financial statements when due.

L. Fund Balance

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

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

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

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

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

Assigned - Amounts in the assigned fund balance classification are intended to be used by the District for specific purposes, but do not meet the criteria to be classified as restricted nor committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the general fund, assigned amounts represent intended uses established by policies of the District Board of Education, which includes giving the Treasurer the authority to constrain monies for intended purposes.

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

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

M. Net Position

Net position represents the difference between assets plus deferred outflows and liabilities plus deferred inflows. The net position component “net investment in capital assets,” consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing or liabilities used for the acquisition, construction or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction or improvement of those assets or related debt also should be included in this component of net position. Net position is reported as restricted when there are limitations imposed on its use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. The District had no net position restricted for enabling legislation. The amount restricted for other purposes represents amounts restricted for food service operations and adult education.

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

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

N. 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 considered nonspendable in an amount equal to the carrying value of the asset on the fund financial statements.

O. Certificates of Participation Issuance Costs/Discount

On the government-wide financial statements, certificates of participation issuance costs are expensed during the fiscal year in which they are incurred. The District did not incur any certificates of participation issuance costs during fiscal year 2013, but the District did restate net position at June 30, 2012 due to the elimination of unamortized certificates of participation issuance costs as described in Note 3.A.

Discounts on certificates of participation are deferred and amortized over the term of the certificates of participation using the straight-line method, which approximates the effective interest method. Discounts are presented as a reduction to the face amount of the certificates of participation.

On the governmental fund financial statements, discounts are recognized in the current period. A reconciliation between the certificates of participation face value and the amount reported on the statement of net position is presented in Note 10.

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. 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.

R. 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 2013.

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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

A. Change in Accounting Principles

For fiscal year 2013, the District has implemented GASB Statement No. 60, "Accounting and Financial Reporting for Service Concession Arrangements", GASB Statement No. 61, "The Financial Reporting Entity: Omnibus an amendment of GASB Statements No. 14 and No. 34", GASB Statement No. 62, "Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA pronouncements", GASB Statement No. 63, "Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position", GASB Statement No. 65, "Items Previously Reported as Assets and Liabilities", and GASB Statement No. 66, "Technical Corrections-2012".

GASB Statement No. 60 addresses issues related to service concession arrangements (SCAs), which are a type of public-private or public-public partnership. An SCA is an arrangement between a transferor (a government) and an operator (governmental or nongovernmental entity) in which (1) the transferor conveys to an operator the right and related obligation to provide services through the use of infrastructure or another public asset (a "facility") in exchange for significant consideration and (2) the operator collects and is compensated by fees from third parties. The implementation of GASB Statement No. 60 did not have an effect on the financial statements of the District.

GASB Statement No. 61 modifies certain requirements for inclusion of component units in the financial reporting entity. The Statement amends the criteria for reporting component units as if they were part of the primary government in certain circumstances. Finally, the Statement also clarifies the reporting of equity interests in legally separate organizations. The implementation of GASB Statement No. 61 did not have an effect on the financial statements of the District.

GASB Statement No. 62 codifies accounting and financial reporting guidance contained in pre-November 30, 1989 FASB and AICPA pronouncements in an effort to codify all sources of GAAP for State and local governments so that they derive from a single source. The implementation of GASB Statement No. 62 did not have an effect on the financial statements of the District.

GASB Statement No. 63 provides financial and reporting guidance for *deferred outflows of resources* and *deferred inflows of resources* which are financial statement elements that are distinct from assets and liabilities. GASB Statement No. 63 standardizes the presentation of deferred outflows of resources and deferred inflows of resources and their effects on a government's *net position*. The implementation of GASB Statement No. 63 has changed the presentation of the District's financial statements to incorporate the concepts of net position, deferred outflows of resources and deferred inflows of resources.

GASB Statement No. 65 establishes accounting and financial reporting standards that reclassify, as *deferred outflows of resources* or *deferred inflows of resources*, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. GASB Statement No. 65 also provides other financial reporting guidance related to the impact of the financial statement elements *deferred outflows of resources* and *deferred inflows of resources*, such as changes in the determination of the major fund calculations and limiting the use of the term *deferred* in financial statement presentations.

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NOTES TO THE BASIC FINANCIAL STATEMENTS
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NOTE 3 - ACCOUNTABILITY AND COMPLIANCE - (Continued)

The implementation of GASB Statement No. 65 had the following effect on the financial statements of the District:

	Governmental Activities
Net assets as previously reported	\$ 39,107,298
Removal of unamortized certificates of participation issuance costs	(234,827)
Net position at July 1, 2012	\$ 38,872,471

GASB Statement No. 66 enhances the usefulness of financial reports by resolving conflicting accounting and financial reporting guidance that could diminish the consistency of financial reporting. The implementation of GASB Statement No. 66 did not have an effect on the financial statements of the District.

B. Deficit Fund Balances

Fund balances at June 30, 2013 included the following individual fund deficits:

<u>Nonmajor governmental funds</u>	<u>Deficit</u>
School to work	\$ 31,164
Race to the top	1,056
Improving teacher quality	1,338

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 are a result of adjustments for accrued liabilities and the reporting of short-term interfund loans as a fund liability rather than as an other financing source.

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.

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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

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.

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

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in items (1) and (2) above 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 interests rated in either of the two highest classifications by at least two nationally recognized rating agencies.

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

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.

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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

A. Cash on Hand

At fiscal 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 investments”.

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, 2013 was \$1,167,249 and is not included in “Deposits with Financial Institutions”. This amount is reported as “cash with fiscal agent” on the basic financial statements.

C. Cash with Escrow Agent

At June 30, 2013, the District had \$782,445 in cash with an escrow agent relating to the certificates of participation that were issued during fiscal year 2009. This amount is recorded in the debt service fund (a nonmajor governmental fund) and is included in “Deposits with Financial Institutions”. This amount is reported as “cash with escrow agent” on the basic financial statements.

D. Deposits with Financial Institutions

At June 30, 2013, the carrying amount of all District deposits was \$17,615,905. Based on the criteria described in GASB Statement No. 40, “Deposits and Investment Risk Disclosures”, as of June 30, 2013, \$9,922,463 of the District’s bank balance of \$19,093,360 was exposed to custodial risk as discussed below, while \$9,170,897 was covered by the FDIC.

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. The District has no deposit policy for custodial credit risk beyond the requirements of State statute. Although the securities were held by the pledging institutions’ trust department and all statutory requirements for the deposit of money had been followed, noncompliance with federal requirements could potentially subject the District to a successful claim by the FDIC.

E. Investments

As of June 30, 2013, the District had the following investment and maturity:

<u>Investment type</u>	<u>Fair Value</u>	<u>Investment Maturity</u> 6 months or less
STAR Ohio	\$ 1,540	\$ 1,540

The weighted average of maturity of the portfolio held by STAR Ohio as of June 30, 2013, is 58 days.

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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

Interest Rate Risk: Interest rate risk arises as potential purchasers of debt securities will not agree to pay face value for those securities if interest rates subsequently increase. 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: Standard & Poor's has assigned STAR Ohio an AAAM money market rating. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service. The District has no investment policy dealing with investment credit risk beyond the requirements in State statutes.

Custodial Credit Risk: For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The District's investment policy does not specifically address custodial credit risk beyond the adherence to all relevant sections of the Ohio Revised Code.

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, 2013:

<u>Investment type</u>	<u>Fair Value</u>	<u>% of Total</u>
STAR Ohio	\$ 1,540	100.00

F. Reconciliation of Cash and Investments to the Statement of Net Position

The following is a reconciliation of cash and investments as reported in the note above to cash and investments as reported on the statement of net position as of June 30, 2013:

<u>Cash and investments per note</u>	
Carrying amount of deposits	\$ 17,615,905
Investments	1,540
Cash with fiscal agent	1,167,249
Cash on hand	<u>425</u>
Total	<u>\$ 18,785,119</u>
 <u>Cash and investments per statement of net position</u>	
Governmental activities	\$ 18,010,963
Private-purpose trust funds	156,227
Agency funds	<u>617,929</u>
Total	<u>\$ 18,785,119</u>

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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

NOTE 5 - INTERFUND TRANSACTIONS

- A. Interfund balances at June 30, 2013 as reported on the fund financial statements, consisted of the following individual interfund loans receivable and payable:

<u>Receivable fund</u>	<u>Payable funds</u>	<u>Amount</u>
General fund	Nonmajor governmental funds	<u>\$ 40,050</u>

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, 2013 are reported on the statement of net position.

- B. Interfund transfers for the year ended June 30, 2013, consisted of the following, as reported on the fund financial statements:

<u>Transfers to nonmajor governmental funds from:</u>		
General fund	\$	501,302
<u>Transfer to nonmajor governmental fund from:</u>		
Nonmajor governmental fund		<u>425,360</u>
Total	\$	<u>926,662</u>

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, and (2) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

During fiscal year 2013, the capital projects fund (a nonmajor governmental fund) transferred \$425,360 to the classroom facilities maintenance fund (a nonmajor governmental fund) to satisfy the annual requirement as dictated by the District's Ohio School Facilities Commission (OSFC) construction project agreement.

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

All transfers were made in compliance with Ohio Revised Code Sections 5705.14, 5705.15 and 5705.16.

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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

NOTE 6 - PROPERTY TAXES

Property taxes are levied and assessed on a calendar year basis while the District 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 property and public utility property. Real property tax revenues received in calendar year 2013 represent the collection of calendar year 2012 taxes. Real property taxes received in calendar year 2013 were levied after April 1, 2012, on the assessed values as of January 1, 2012, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established. Public utility property tax revenues received in calendar year 2013 represent the collection of calendar year 2012 taxes. Public utility real and personal property taxes received in calendar year 2013 became a lien on December 31, 2011, were levied after April 1, 2012, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

The District receives property taxes from Huron, Crawford, Ashland, Wyandot, Morrow, Richland, Marion 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 Counties by June 30, 2013, are available to finance fiscal year 2013 operations. The amount available as an advance at June 30, 2013 was \$1,045,656 in the general fund. This amount is recorded as revenue. The amount available for advance at June 30, 2012 was \$1,014,735 in the general fund. The amount of second-half real property taxes available for advance at fiscal year end can vary based on the date the tax bills are sent.

Accrued property taxes receivable includes real property, public utility property and delinquent tangible personal property taxes which are measurable as of June 30, 2013 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 inflows.

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

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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

NOTE 6 - PROPERTY TAXES - (Continued)

The assessed values upon which the fiscal year 2013 taxes were collected are:

	2012 Second Half Collections		2013 First Half Collections	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/residential and other real estate	\$ 2,110,245,740	95.80	\$ 2,058,715,140	95.52
Public utility personal	<u>92,441,590</u>	<u>4.20</u>	<u>96,609,640</u>	<u>4.48</u>
Total	<u>\$ 2,202,687,330</u>	<u>100.00</u>	<u>\$ 2,155,324,780</u>	<u>100.00</u>
Tax rate per \$1,000 of assessed valuation	\$ 2.85		\$ 2.85	

NOTE 7 - RECEIVABLES

Receivables at June 30, 2013 consisted of property taxes, accounts (billings for user charged services and student fees), and intergovernmental grants and entitlements. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs and the current year guarantee of federal funds. A summary of the principal items of receivables reported on the statement of net position follows:

Governmental activities:	
Property taxes	\$ 4,109,703
Accounts	142,455
Intergovernmental	<u>135,209</u>
Total	<u>\$ 4,387,367</u>

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

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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

NOTE 8 - CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2013, was as follows:

	Balance <u>June 30, 2012</u>	<u>Additions</u>	<u>Deductions</u>	Balance <u>June 30, 2013</u>
Governmental activities:				
<i>Capital assets, not being depreciated:</i>				
Land	\$ 25,000	\$ -	\$ -	\$ 25,000
Total capital assets, not being depreciated	<u>25,000</u>	<u>-</u>	<u>-</u>	<u>25,000</u>
<i>Capital assets, being depreciated:</i>				
Buildings and improvements	33,232,727	260,428	-	33,493,155
Furniture and equipment	4,779,118	211,361	(101,626)	4,888,853
Vehicles	<u>440,821</u>	<u>7,000</u>	<u>-</u>	<u>447,821</u>
Total capital assets, being depreciated	<u>38,452,666</u>	<u>478,789</u>	<u>(101,626)</u>	<u>38,829,829</u>
<i>Less: accumulated depreciation:</i>				
Buildings and improvements	(3,781,594)	(670,887)	-	(4,452,481)
Furniture and equipment	(1,586,796)	(288,920)	44,048	(1,831,668)
Vehicles	<u>(348,868)</u>	<u>(33,447)</u>	<u>-</u>	<u>(382,315)</u>
Total accumulated depreciation	<u>(5,717,258)</u>	<u>(993,254)</u>	<u>44,048</u>	<u>(6,666,464)</u>
Governmental activities capital assets, net	<u>\$ 32,760,408</u>	<u>\$ (514,465)</u>	<u>\$ (57,578)</u>	<u>\$ 32,188,365</u>

During fiscal year 2013, the District reclassified \$45,696 in capital assets from furniture and equipment to buildings and improvements. There was no accumulated depreciation as of June 30, 2012 associated with these reclassified capital assets.

Depreciation expense was charged to governmental activities as follows:

<u>Instruction:</u>	
Regular	\$ 52,620
Special	12,467
Vocational	603,897
<u>Support services:</u>	
Pupil	1,798
Administration	58,976
Fiscal	1,834
Business	433
Operations and maintenance	97,265
Central	35,498
Food service operations	86,629
Extracurricular activities	<u>41,837</u>
Total depreciation expense	<u>\$ 993,254</u>

**PIONEER CAREER AND TECHNOLOGY CENTER
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

NOTE 9 - CAPITALIZED LEASES - LESSEE DISCLOSURE

In prior fiscal years, the District entered into capitalized leases for copiers and a mailing machine. These lease agreements meet the criteria of a capital lease as defined by generally accepted accounting principles, 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 fund financial statements for the governmental funds. These expenditures are reported as function expenditures on the budgetary statements.

Capital assets consisting of copiers and a mailing machine have been capitalized in the amount of \$218,570. This amount represents the present value of the minimum lease payments at the time of acquisition. As of June 30, 2013, accumulated depreciation was \$119,077, resulting in a net carrying value of \$99,493. A liability is recorded in the government-wide financial statements equal to the present value of the future minimum lease payments. Principal payments in fiscal year 2013 totaled \$44,237 paid by the general fund.

The following is a schedule of the future long-term minimum lease payments required under the capital leases and the present value of the future minimum lease payments as of June 30, 2013:

<u>Fiscal Year Ending June 30,</u>	<u>Amount</u>
2014	\$ 40,476
2015	35,564
2016	29,886
2017	<u>1,493</u>
Total minimum lease payments	107,419
Less: amount representing interest	<u>(7,598)</u>
Total	<u>\$ 99,821</u>

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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

NOTE 10 - LONG-TERM OBLIGATIONS

- A. In a prior fiscal year, 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. Principal and interest payments are made from the general fund.

The following is a summary of the District's energy conservation bonds outstanding as of June 30, 2013:

<u>Purpose</u>	<u>Interest Rate</u>	<u>Issue Date</u>	<u>Maturity Date</u>	<u>Balance June 30, 2012</u>	<u>Retired in Fiscal Year 2013</u>	<u>Balance June 30, 2013</u>
Energy conservation bonds	5.51%	08/01/00	12/01/15	\$ 240,000	\$ (55,000)	\$ 185,000

Principal and interest requirements to retire the energy conservation bonds at June 30, 2013, are as follows:

<u>Fiscal Year Ending June 30,</u>	<u>Principal on Bonds</u>	<u>Interest on Bonds</u>	<u>Total</u>
2014	\$ 60,000	\$ 9,009	\$ 69,009
2015	60,000	5,559	65,559
2016	<u>65,000</u>	<u>1,909</u>	<u>66,909</u>
Total	<u>\$ 185,000</u>	<u>\$ 16,477</u>	<u>\$ 201,477</u>

- B. On August 21, 2008, the District issued \$11,970,000 in certificates of participation ("COPs") to finance the acquisition, construction, installation and improvement of District facilities. The COPs bear interest rates ranging from 3.00% to 5.125%. Interest payments on the COPs are due on June 1 and December 1 of each year. The final maturity stated in the issue is December 31, 2036. Principal and interest payments are made from the general fund.

The following is a summary of the District's COPs outstanding as of June 30, 2013:

<u>Purpose</u>	<u>Interest Rate</u>	<u>Issue Date</u>	<u>Maturity Date</u>	<u>Balance June 30, 2012</u>	<u>Retired in Fiscal Year 2013</u>	<u>Balance June 30, 2013</u>
COPs	3%-5.125%	8/21/08	12/31/36	\$ 11,290,000	\$ (240,000)	\$ 11,050,000

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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

NOTE 10 - LONG-TERM OBLIGATIONS - (Continued)

Principal and interest requirements to retire the COPs at June 30, 2013, are as follows:

Fiscal Year Ending June 30,	Principal on COPs	Interest on COPs	Total
2014	\$ 250,000	\$ 526,575	\$ 776,575
2015	260,000	517,000	777,000
2016	270,000	506,400	776,400
2017	280,000	495,400	775,400
2018	290,000	484,000	774,000
2019 - 2023	1,635,000	2,223,661	3,858,661
2024 - 2028	2,055,000	1,801,067	3,856,067
2029 - 2033	2,615,000	1,217,786	3,832,786
2034 - 2037	<u>3,395,000</u>	<u>416,535</u>	<u>3,811,535</u>
Total	<u>\$ 11,050,000</u>	<u>\$ 8,188,424</u>	<u>\$ 19,238,424</u>

- C. During fiscal year 2013, the following changes occurred in governmental activities long-term obligations:

	Balance Outstanding June 30, 2012	Additions	Reductions	Balance Outstanding June 30, 2013	Amounts Due in One Year
Governmental activities:					
Energy conservation bonds	\$ 240,000	\$ -	\$ (55,000)	\$ 185,000	\$ 60,000
Certificates of participation	11,290,000	-	(240,000)	11,050,000	250,000
Capital lease obligations	144,058	-	(44,237)	99,821	36,103
Compensated absences	<u>1,298,645</u>	<u>279,411</u>	<u>(476,733)</u>	<u>1,101,323</u>	<u>326,349</u>
Total long-term obligations, governmental activities	<u>\$ 12,972,703</u>	<u>\$ 279,411</u>	<u>\$ (815,970)</u>	12,436,144	<u>\$ 672,452</u>
Less: unamortized discount				<u>(164,378)</u>	
Total per statement of net position				<u>\$ 12,271,766</u>	

Capital lease obligations will be paid from the general fund (See Note 9).

Compensated absences will be paid from the fund from which the employee is paid, which for the District is primarily the general fund.

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NOTES TO THE BASIC FINANCIAL STATEMENTS
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NOTE 10 - LONG-TERM OBLIGATIONS - (Continued)

D. 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 code additionally states that unvoted indebtedness related to energy conservation debt shall not exceed 9/10 of 1% of the property valuation of the District. The assessed valuation used in determining the District's legal debt margin has been modified by House Bill 530 which became effective March 30, 2006. In accordance with House Bill 530, the assessed valuation used in the District's legal debt margin calculation excluded tangible personal property used in business, telephone or telegraph property, interexchange telecommunications company property, and personal property owned or leased by a railroad company and used in railroad operations. The effects of these debt limitations at June 30, 2013, are a voted debt margin of \$183,714,048 (including available funds of \$784,818) and an unvoted debt margin of \$1,970,325.

NOTE 11 - RISK MANAGEMENT

A. Property and Liability

The District is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets, errors and omissions, injuries to employees and natural disasters. The District contracted with Schools of Ohio Risk Sharing Authority (SORSA) for general liability, school board legal liability, employee benefits liability, auto liability, property, and crime coverages. Commercial general liability has a \$12,000,000 per occurrence (no deductible), \$12,000,000 aggregate limit. Crime coverage is also provided with a limit of \$100,000 for public employee dishonesty, forgery, computer fraud and money and securities, and a \$1,000 deductible. The \$100,000 crime limit applies separately to each line of crime coverage.

Automobile physical damage is covered with a policy providing Actual Cash Value (ACV) for physical damage or cost of repair, whichever is less. Automobile liability has a \$12,000,000 limit of liability per accident or loss.

School leader's errors and omissions policy is provided by SORSA in the amount of \$12,000,000 per occurrence, \$12,000,000 aggregate limit, with a \$4,000 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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

NOTE 11 - RISK MANAGEMENT - (Continued)

B. 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 reviews and pays all claims. The administrator purchases stop-loss coverage of \$35,000 per claim. The District pays into the self-insurance internal service fund \$1,598 for family coverage and \$761 for individual coverage per employee per month. Of this total amount, the employee contributes \$160 for family coverage and \$76 for individual coverage per month and the Board of Education pays the remainder. This premium is charged to the fund that pays the salary for the employee.

The claims liability of \$177,087 reported in the fund at June 30, 2013 is based on the requirements of Governmental Accounting Standards Board Statement No. 10, "Accounting and Financial Reporting for Risk Financing and Related Insurance Issues", as amended by GASB Statement No. 30, "Risk Financing Omnibus", which requires that a liability for unpaid claims cost, including estimates of cost relating to incurred but not reported claims, be reported. Changes in the fund's claims liability for fiscal year 2013 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>
2013	\$ 265,560	\$ 2,298,308	\$ (2,386,781)	\$ 177,087
2012	309,887	2,418,752	(2,463,079)	265,560

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.

C. Workers' Compensation

The District participates in a Workers' Compensation Group Retrospective Rating Program (GRRP) (See Note 2.A.). The intent of the GRRP is to reward participants that are able to keep their individual claim costs below a predetermined amount. The District continues to pay their individual premium; however, the District will have the opportunity to receive retrospective premium adjustments (refunds or assessments) at the end of the three evaluation periods. The group's retrospective premium will be calculated at 12, 24, and 36 months after the end of the policy year. At the end of each period, the Bureau of Workers Compensation (BWC) will take a snap-shot of the incurred claims losses for the entire group and calculate the group's retrospective premium. If the retrospective premium that is calculated is less than the group's total standard premium, all the participants will receive a refund. However, if the retrospective premium is greater than the group's total standard premium, an assessment will be levied by the BWC. Sheakley Uniservice, Inc. provides administrative, cost control and actuarial services to the GRRP.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

NOTE 12 - PENSION PLANS

A. School Employees Retirement System

Plan Description - The District contributes to the School Employees Retirement System (SERS), a cost-sharing, multiple-employer defined benefit pension plan. SERS provides retirement, disability, survivor 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. That report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746. It is also posted on the SERS' Ohio website, www.ohsers.org, under "*Employers/Audit Resources*".

Funding Policy - 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 2013, 13.05 percent and 0.05 percent of annual covered salary was the portion used to fund pension obligations and death benefits, respectively. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to a statutory maximum amount of 10 percent for plan members and 14 percent for employers. Chapter 3309 of the Ohio Revised Code provides statutory authority for member and employer contributions. The District's required contributions for pension obligations and death benefits to SERS for the fiscal years ended June 30, 2013, 2012 and 2011 were \$359,658, \$349,325 and \$312,289, respectively; 100 percent has been contributed for fiscal years 2013, 2012 and 2011.

B. State Teachers Retirement System of Ohio

Plan Description - The District participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple-employer public employee retirement plan. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a stand-alone financial report that may be obtained by writing to STRS Ohio, 275 E. Broad St., Columbus, OH 43215-3771, by calling (888) 227-7877, or by visiting the STRS Ohio website at www.strsoh.org, under "*Publications*".

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 a member's lifetime contributions and earned interest matched by STRS Ohio funds divided by 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 member may elect to receive a lifetime monthly annuity or a lump sum withdrawal. 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. The DB portion of the Combined Plan payment is payable to a member on or after age 60; the DC portion of the account may be taken as a lump sum or converted to a lifetime monthly annuity at age 50. Benefits are established by Chapter 3307 of the Ohio Revised Code.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

NOTE 12 - PENSION PLANS - (Continued)

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 of the DC Plan dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

Funding Policy - For fiscal year 2013, plan members were required to contribute 10 percent of their annual covered salaries. The District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendations 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 employer contributions.

The District's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2013, 2012 and 2011 were \$1,090,235, \$1,109,545 and \$1,128,261, respectively; 100 percent has been contributed for fiscal years 2013, 2012 and 2011. Contributions to the DC and Combined Plans for fiscal year 2013 were \$53,363 made by the District and \$38,117 made by the plan members.

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the SERS/STRS Ohio have an option to choose Social Security or the SERS/STRS Ohio. As of June 30, 2013, certain 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

A. School Employees Retirement System

Plan Description - The District participates in two cost-sharing, multiple employer postemployment benefit plans administered by the School Employees Retirement System (SERS) for non-certificated retirees and their beneficiaries, a Health Care Plan and a Medicare Part B Plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's, Medicare Advantage, and traditional indemnity plans. A prescription drug program is also available to those who elect health coverage. SERS employs two third-party administrators and a pharmacy benefit manager to manage the self-insurance and prescription drug plans, respectively. The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries as set forth in Section 3309.69 of the Ohio Revised Code. Qualified benefit recipients who pay Medicare Part B premiums may apply for and receive a monthly reimbursement from SERS. The reimbursement amount is limited by statute to the lesser of the January 1, 1999 Medicare Part B premium or the current premium. The Medicare Part B monthly premium for calendar year 2013 was \$104.90 for most participants, but could be as high as \$335.70 per month depending on their income and the SERS' reimbursement to retirees was \$45.50. Benefit provisions and the obligations to contribute are established by the System based on authority granted by State statute. The financial reports of both Plans are included in the SERS Comprehensive Annual Financial Report which is available by contacting SERS at 300 East Broad St., Suite 100, Columbus, Ohio 43215-3746. It is also posted on the SERS' Ohio website, www.ohsers.org, under "Employers/Audit Resources".

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

NOTE 13 - POSTEMPLOYMENT BENEFITS - (Continued)

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). For 2013, 0.16 percent of covered payroll was allocated to health care. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. Statutes provide that no employer shall pay a health care surcharge greater than 2.0 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the statewide SERS-covered payroll for the health care surcharge. For fiscal year 2013, the actuarially determined amount was \$20,525.

Active members do not contribute to the postemployment benefit plans. The Retirement Board establishes the rules for the premiums paid by the retirees for health care coverage for themselves and their dependents or for their surviving beneficiaries. Premiums vary depending on the plan selected, qualified years of service, Medicare eligibility and retirement status.

The District's contributions for health care (including surcharge) for the fiscal years ended June 30, 2013, 2012 and 2011 were \$42,609, \$68,073 and \$90,466, respectively; 100 percent has been contributed for fiscal years 2013, 2012 and 2011.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For fiscal year 2013, this actuarially required allocation was 0.74 percent of covered payroll. The District's contributions for Medicare Part B for the fiscal years ended June 30, 2013, 2012 and 2011 were \$20,317, \$20,711 and \$20,096, respectively; 100 percent has been contributed for fiscal years 2013, 2012 and 2011.

B. State Teachers Retirement System of Ohio

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

Funding Policy - Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2013, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The District's contributions for health care for the fiscal years ended June 30, 2013, 2012 and 2011 were \$83,864, \$85,350 and \$86,789, respectively; 100 percent has been contributed for fiscal years 2013, 2012 and 2011.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

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, disbursements and encumbrances.

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 assigned or committed fund balance for that portion of outstanding encumbrances not already recognized as an account payable (GAAP basis);
- (d) Advances-in and advances-out are operating transactions (budget basis) as opposed to balance sheet transactions (GAAP basis);
- (e) Investments are reported at fair value (GAAP basis) rather than cost (budget basis); and,
- (f) Some funds are included in the general fund (GAAP basis), but have separate legally adopted budgets (budget basis).

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

Net Change in Fund Balance

	<u>General fund</u>
Budget basis	\$ (1,428,096)
Net adjustment for revenue accruals	60,525
Net adjustment for expenditure accruals	223,635
Net adjustment for other sources/uses	(12,983)
Funds budgeted elsewhere	33,004
Adjustment for encumbrances	<u>207,812</u>
GAAP basis	<u>\$ (916,103)</u>

Certain funds that are legally budgeted in separate fund classifications are considered part of the general fund on a GAAP basis. This includes the uniform school supplies fund, special rotary fund, rotary fund, public school support fund and portions of the special trust fund.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

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 not party to legal proceedings which, in the opinion of District management, will have a material effect, if any, on the financial condition of the District.

NOTE 16 - SET-ASIDES

The District is required by State law to annually set-aside certain general fund revenue amounts, as defined by statutory formula, for the acquisition and construction of capital improvements. Amounts not spent by the end of the fiscal year or offset by similarly restricted resources received during the year must be held in cash at fiscal year end. This amount must be carried forward to be used for the same purpose in future years. Expenditures and other applicable offsets exceeding the set-aside requirement may not be carried forward to the next fiscal year.

The following cash-basis information describes the change in the fiscal year end set-aside amount for capital improvements. Disclosure of this information is required by State statute.

	<u>Capital Improvements</u>
Set-aside balance June 30, 2012	\$ -
Current year set-aside requirement	204,944
Current year qualifying expenditures	(324,250)
Current year offsets	<u>(500,000)</u>
Total	<u>\$ (619,306)</u>
Balance carried forward to fiscal year 2014	<u>\$ -</u>
Set-aside balance June 30, 2013	<u><u>\$ -</u></u>

During fiscal year 2009, the District issued \$11,970,000 in capital related school improvement certificates of participation. These proceeds may be used to reduce the capital improvements set-aside amount to below zero for future years. The amount presented for prior year offset from debt proceeds is limited to an amount needed to reduce the capital improvements set-aside balance to \$0. The District is responsible for tracking the amount of proceeds that may be used as an offset in future periods, which was \$11,970,000 at June 30, 2013.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

NOTE 17 - COMMITMENTS

The District utilizes encumbrance accounting as part of its budgetary controls. Encumbrances outstanding at year end may be reported as part of restricted, committed, or assigned classifications of fund balance. At year end, the District's commitments for encumbrances in the governmental funds were as follows:

<u>Fund</u>	<u>Year End Encumbrances</u>
General fund	\$ 151,871
Classroom facilities fund	1,833
Nonmajor governmental funds	<u>303,496</u>
 Total	 <u>\$ 457,200</u>

October 31, 2013

To the Board of Education
Pioneer Career and Technology Center
Richland County, Ohio
27 Ryan Road
Shelby, OH 44875

**Independent Auditor's Report on Internal Control Over Financial Reporting and on
Compliance and Other Matters Based on an Audit of Financial Statements
Performed in Accordance with *Government Auditing Standards***

We have audited, in accordance with the auditing standards general accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Pioneer Career and Technology Center, Richland County, Ohio (the "District"), as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated October 31, 2013, wherein we noted the City implemented Governmental Accounting Standards Board (GASB) Statement No. 63, "*Financial Reporting or Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*", and GASB Statement No. 65, "*Items Previously Reported as Assets and Liabilities*" and restated their June 30, 2012 net position of governmental activities.

Internal Control over Financial Reporting

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

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

Pioneer Career and Technology Center
Report on Internal Control Over Financial Reporting and on
Compliance and Other Matters Based on an Audit of Financial Statements
Performed in Accordance with *Government Auditing Standards*
Page 2

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

Compliance and Other Matters

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

Purpose of this Report

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

Rea & Associates, Inc.

Medina, Ohio

October 31, 2013

To the Board of Education
Pioneer Career and Technology Center
Richland County, Ohio
27 Ryan Road
Shelby, OH 44875

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

Report on Compliance for the Major Federal Program

We have audited the Pioneer Career and Technology Center's, Richland County, Ohio (the "District") compliance with the types of compliance requirements described in the *OMB Circular A-133, Compliance Supplement* that could have a direct and material effect on the District's major federal program for the year ended June 30, 2013. The District's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for the District's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe our audit provides a reasonable basis for our opinion on compliance for the major federal program. However, our audit does not provide a legal determination of the District's compliance.

Opinion on the Major Federal Program

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2013.

Report on Internal Control over Compliance

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

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

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

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

Rea & Associates, Inc.

Medina, Ohio

**PIONEER CAREER AND TECHNOLOGY CENTER
 RICHLAND COUNTY, OHIO
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - CASH BASIS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

Federal Grantor/Pass Through Grantor/ Program Title	CFDA Number	Grant Year	Federal Receipts	Federal Disbursements	
U. S. Department of Agriculture					
<i>Passed Through Ohio Department of Education:</i>					
Child Nutrition Cluster:					
Non-Cash Assistance:					
National School Lunch Program	(B)	10.555	2013	\$ 16,561	\$ 16,561
Cash Assistance:					
School Breakfast Program	(A)	10.553	2013	40,797	40,797
National School Lunch Program	(A)	10.555	2013	162,309	162,309
<i>Cash Assistance Subtotal</i>				<u>203,106</u>	<u>203,106</u>
<i>Total Child Nutrition Cluster</i>				<u>219,667</u>	<u>219,667</u>
Total U.S. Department of Agriculture			219,667	219,667	
U. S. Department of Education					
<i>Direct Program:</i>					
Federal Pell Grant Program		84.063	2013	75,116	75,116
<i>Passed through the Ohio Department of Education:</i>					
Career and Technical Education - Basic Grants to States		84.048	2012	33,440	41,569
Career and Technical Education - Basic Grants to States		84.048	2013	282,439	243,272
<i>Total Passed through the Ohio Department of Education</i>				<u>315,879</u>	<u>284,841</u>
<i>Passed through the Madison Local School District:</i>					
Career and Technical Education - Basic Grants to States		84.048	2013	13,128	20,421
Total Career and Technical Education - Basic Grants to States				<u>329,007</u>	<u>305,262</u>
<i>Passed through the Ohio Department of Education:</i>					
Title II-A - Improving Teacher Quality		84.367	2012	350	350
Title II-A - Improving Teacher Quality		84.367	2013	5,720	4,638
Total Title II-A - Improving Teacher Quality				<u>6,069</u>	<u>4,988</u>
Race to the Top Incentive Grant - ARRA		84.395	2013	-	1,050
Total U.S. Department of Education			410,192	386,416	
Total Federal Assistance			\$ 629,859	\$ 606,083	

See accompanying notes to the schedule of expenditures of federal awards

PIONEER CAREER AND TECHNOLOGY CENTER
RICHLAND COUNTY, OHIO
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS – CASH BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

Note A - Child Nutrition Cluster

Federal money commingled with state subsidy reimbursements. It is assumed federal monies are expended first.

Note B – Food Donation Program

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 and related expenditures are reported in this schedule at the value of the commodities received as assessed by the U.S. Department of Agriculture (entitlement value).

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

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A-133, SECTION .505
JUNE 30, 2013

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

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

None were noted

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS
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None were noted

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

SCHEDULE OF PRIOR AUDIT FINDINGS
JUNE 30, 2013

Finding Number	Finding Summary	Fully Corrected?	Corrected, Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain:
2012-001	Internal Controls over Financial Reporting	Yes	Corrected
2012-002	Questioned Costs/Internal Control Over Compliance CFDA #84.048	Yes	Corrected

October 31, 2013

To the Board of Education
Pioneer Career and Technology Center
Richland County, Ohio
27 Ryan Road
Shelby, OH 44875

Independent Accountant's Report on Applying Agreed-Upon Procedure

Ohio Rev. Code Section 117.53 states "the auditor of state shall identify whether the school district or community school has adopted an anti-harassment policy in accordance with Section 3313.666 of the Revised Code. This determination shall be recorded in the audit report. The auditor of state shall not prescribe the content or operation of any anti-harassment policy adopted by a school district or community school."

Accordingly, we have performed the procedure enumerated below, which was agreed to by the Board, solely to assist the Board in evaluating whether Pioneer Career and Technology Center, Richland County, Ohio (the "District") has updated its anti-harassment policy in accordance with Ohio Rev. Code Section 3313.666. Management is responsible for complying with this requirement. This agreed-upon procedure engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of this procedure is solely the responsibility of the Board. Consequently; we make no representation regarding the sufficiency of the procedure described below either for the purpose for which this report has been requested or for any other purpose.

1. We noted the Board amended its anti-harassment policy at its meeting on November 21, 2011, to include prohibiting harassment, intimidation, or bullying of any student "on a school bus" or by an "electronic act."

We were not engaged to and did not conduct an examination, the objective of which would be the expression of an opinion on compliance with the anti-harassment policy. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the Board and is not intended to be and should not be used by anyone other than these specified parties.

Rea & Associates, Inc.

Medina, Ohio

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Dave Yost • Auditor of State

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
DECEMBER 19, 2013**