AUDITOR C

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

SINGLE AUDIT

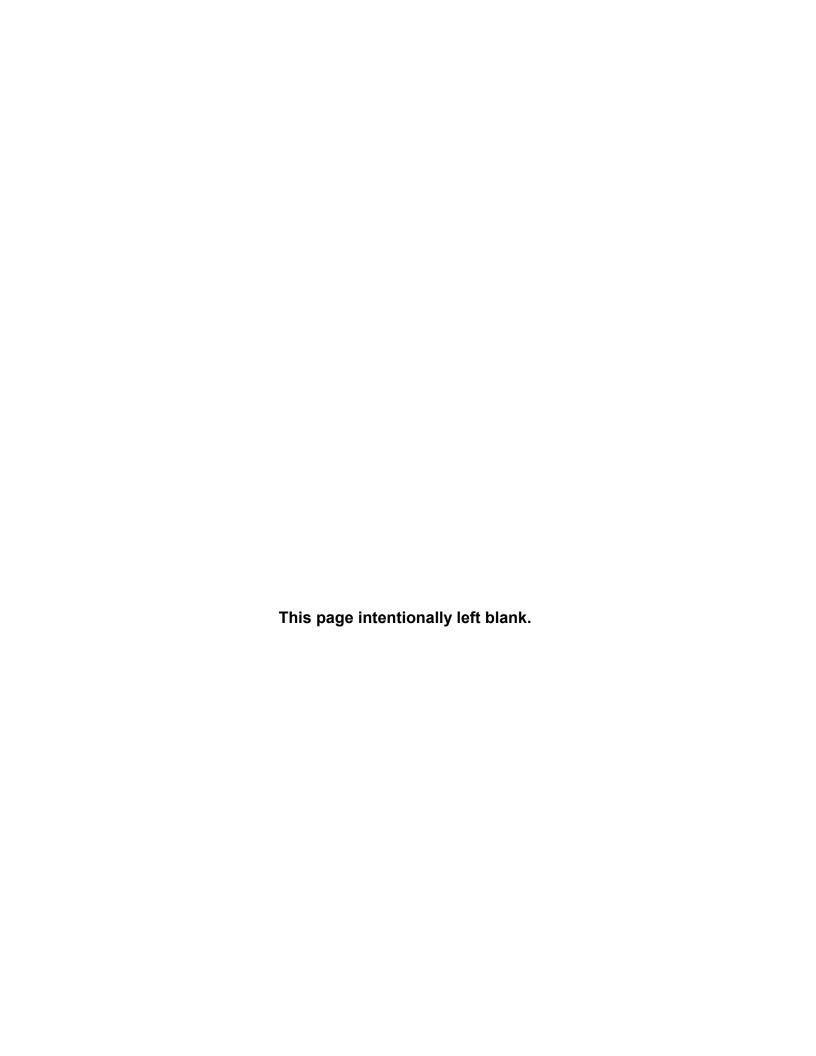
FOR THE YEAR ENDED JUNE 30, 2000



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

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REPORT OF INDEPENDENT ACCOUNTANTS

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

To the Board of Education:

We have audited the accompanying general purpose financial statements of the Pioneer Career and Technology Center: A Vocational School District, Richland County, Ohio, (the District) as of and for the year ended June 30, 2000, as listed in the Table of Contents. These general purpose financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

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

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the District as of June 30, 2000, and the results of its operations and the cash flows of its proprietary fund types and nonexpendable trust fund for the year then ended in conformity with generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 29, 2000 on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Pioneer Career and Technology Center: A Vocational School District Richland County Report of Independent Accountants Page 2

The accompanying Schedule of Receipts and Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the general purpose financial statements. Such information has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the general purpose financial statements taken as a whole.

Jim Petro Auditor of State

December 29, 2000

--Continued

PIONEER CAREER AND TECHNOLOGY CENTER RICHLAND COUNTY, OHIO

RICHLAND COUNTY, OHIO
COMBINED BALANCE SHEET
ALL FUND TYPES AND ACCOUNT GROUPS
JUNE 30, 2000

	Total (Memorandum	Only)	\$4,727,523	20,183 282,019	6,291,904 88,428	46,838 250,000	40,858 85,901	76,397 77,142	239,637	9,832,720	1,861,692	\$23,921,242
Groups	General Long-Term	Obligations									\$1,861,692	\$1,861,692
Account Groups	General Fixed	Assets								\$9,762,120		\$9,762,120
Fiduciary Fund Types	Trust and	Agency	\$414,537	20,183								\$434,720
Proprietary Fund Types	Internal	Service		\$282,019			81,285					\$363,304
Proprietary		Enterprise	\$241,480		72,101		4,616	1,598 38,497		70,600		\$428,892
bes	Capital	Projects	\$593,200									\$593,200
Governmental Fund Types	Special	Revenue	\$226,670				40,838	46,211				\$313,739
Gov		General	\$3,251,636		6,291,904	46,838 250,000		28,588 38,645	239,637			\$10,163,575
		ASSETS AND OTHER DEBITS	ASSETS: Equity in pooled cash and cash equivalents. Equity in pooled cash and cash equivalents - nonexpendable	trust fund	Property taxes - current & delinquent	Accrued interest	Due from other governments	Prepayments	Equity in pooled cash and cash equivalents.	rioperty, plant and equipment (net of accumulated depreciation where applicable).	OTHER DEBITS: Amount to be provided for retirement of General Long-Term Obligations.	Total assets and other debits

PIONEER CAREER AND TECHNOLOGY CENTER RICHLAND COUNTY, OHIO COMBINED BALANCE SHEET ALL FUND TYPES AND ACCOUNT GROUPS JUNE 30, 2000

	Total (Memorandum Only)	\$293,549 1,040,498 1,521,251 15,242	250,000 85,21,345 354,606 44,408 61,761 365,000 44,871	9,598,432	9,762,120 177,861 (58,282) 301,543	297,996 38,645 74,799	820,625 18,038 239,637 2,649,828	14,322,810	\$23,921,242
roups	General Long-Term (N Obligations	\$1,451,821	365,000 44.871	1,861,692					\$1,861,692
Account Groups	General Fixed Assets				\$9,762,120			9,762,120	\$9,762,120
Fiduciary Fund Types	Trust and Agency	es 50	354,606	399,064		223	18,038	35,656	\$434,720
Fund Types	Internal Service		\$61,761	61,761	301,543			301,543	\$363,304
Proprietary Fund Types	Enterprise	\$2,736 64,674 19,405 9,108	3,390	309,313	177,861 (58,282)			119,579	\$428,892
es	Capital Projects	\$229,139		229,139		106,104	257,957	364,061	\$593,200
Governmental Fund Types	Special Revenue	\$15,293 80,046 1,836	40,000	137,175		82,245	48,108	176,564	\$313,739
Govern	General	\$46,331 895,778 50,025 4,298	85,901 8,517,955	6,600,288		109,424 38,645 28,588	820,625 239,637 2,326,368	3,563,287	\$10,163,575
	LIABILITIES, EQUITY	AND OTHER CREDITS LIABILITIES: Accounts payable	Interfund loan payable	Total liabilities	EQUITY AND OTHER CREDITS: Investment in general fixed assets Contributed capital	Reserved for encumbrances	Keserved for tax revenue unavailable for appropriation	Total equity and other credits	Total liabilities, equity and other credits

COMBINED STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
ALL GOVERNMENTAL FUND TYPES AND EXPENDABLE TRUST FUND
FOR THE YEAR ENDED JUNE 30, 2000

		Governmental	Fund Types		Fiduciary Fund Type	
	General	Special Revenue	Debt Service	Capital Projects	Expendable Trust	Total (Memorandum Only)
Revenues:						- 17
From local sources:						
Taxes	\$4,839,879		\$86,005			\$4,925,884
Tuition		\$7,471				7,471
Earnings on investments	179,121				\$693	179,814
Other local revenues	313,143	61,824			6,463	381,430
Other revenue.		750				750
Intergovernmental - State	5,203,125	295,530		\$65,399		5,564,054
Intergovernmental - Federal	19,198	1,027,727				1,046,925
Total revenue	10,554,466	1,393,302	86,005	65,399	7,156	12,106,328
Expenditures:						
Current:						
Instruction:						
Regular	639,371					639,371
Special	178,323	17,605				195,928
Vocational	4,873,021	130,715			1,100	5,004,836
Other	187,013	93,949				280,962
Support services:						
Pupil	562,822	307,693				870,515
Instructional staff	604,738	465,360				1,070,098
Board of Education	39,276					39,276
Administration	674,646	64,195				738,841
Fiscal	349,401	27,221				376,622
Business	83,942				4,891	88,833
Operations and maintenance	984,994					984,994
Pupil transportation	13,869	30,349				44,218
Central	49,551	100,781				150,332
Extracurricular activities	19,348			(27.110		19,348
Facilities services		122 (50		627,119		627,119
Intergovernmental pass-through		132,650				132,650
Debt service:	21.074		(5,000			96.074
Principal retirement	21,074 3,196		65,000 21,005			86,074
Interest and fiscal charges	3,190		21,003			24,201
Total expenditures	9,284,585	1,370,518	86,005	627,119	5,991	11,374,218
Excess (deficiency) of revenues						
over (under) expenditures	1,269,881	22,784		(561,720)	1,165	732,110
Other financing sources (uses):						
Operating transfers in		27,852		521,720		549,572
Operating transfers out	(617,572)	ŕ		•		(617,572)
Proceeds from sale of assets	23,050					23,050
Total other financing sources (uses)	(594,522)	27,852		521,720	0	(44,950)
Excess (deficiency) of revenues and						
other financing sources over (under)						
expenditures and other financing (uses).	675,359	50,636		(40,000)	1,165	687,160
Fund balance, July 1	2,890,737	125,928	0	404,061	14,308	3,435,034
Decrease in reserve for inventory	(2,809)					(2,809)
Fund balance, June 30	\$3,563,287	\$176,564	\$0	\$364,061	\$15,473	\$4,119,385

PIONEER CAREER & TECHNOLOGY CENTER RICHLAND COUNTY, OHIO COMBINED STATEMENTO REVENUES, EXPRIDITURES AND CHANGES IN FUND BALANCES BUDGET AND ACTUAL CONVERISON (ONC) GAPA BUDGETARY BASIS) ALL GOVERNAMENA, FUND TYPES FOR THE YEAR ENDED JUNE 30, 2000

		General	į	S	Special Revenue			Debt Service			Capital Projects		Tota	Total (Memorandum only)	0
	Revised Budget	Actual	Variance: Favorable (Unfavorable)	Revised Budget	Actual	Variance: Favorable (Unfavorable)	Budget Revised	Actual	Variance: Favorable (Unfavorable)	Budget Revised	Actual	Variance: Favorable (Unfavorable)	Budget Revised	Actual	Variance: Favorable (Unfavorable)
Kevenues: From local sources: Taxes	\$4,999,182 191,672	\$5,416,613 207,133	\$417,431 15,461	\$10,196	\$7,471	(\$2,725)	\$86,005	\$86,005	80	0\$	0\$	08	\$5,095,383	\$5,510,089	\$414,706
Other local revenues	100,549	109,302	8,753	31,543 956 423,760	22,957 750 308,979	(8,586) (206) (114,781)	0	0		65,503	65,399	(104)	132,092 956 5,291,536	132,259 750 5,577,503	167 (206) 285,967
Intergovernmental - FederalTotal revenues	17,806	10,955,371	1,392	999,023 1,465,478	728,379	(270,644)	86,005	86,005	0	65,503	65,399	(104)	1,016,829	747,577	(269,252) 446,843
Expenditures: Current: Instruction: Regular Special Vocational Other	615,206 178,527 5,048,419	606,707 176,323 4,946,096	8,499 2,204 102,323	0 19,468 378,67 51,217	0 17,986 196,399	0 1,482 182,468 (50.812)	О	0	О	0	0	О	615,206 197,995 5,427,286 51,715	606,707 194,309 5,142,495 102,029	8,499 3,686 284,791 (50.812)
Support services: Pupil	580,647 598,057	562,751 591,402	17,896	362,263	343,405 256,744	18,858				0	0	0	942,910	906,156 848,146	36,754
Board of Education. Administration Fiscal. Business	49,239 765,587 361,125 119,635	39,559 734,809 352,710 108,659	9,680 30,778 8,415 10,976	72,964 34,458	66,089 26,425	6,875 8,033	0	0	0	0 0	0 0	0 0	49,239 838,551 395,583 119,635	39,559 800,898 379,135 108,659	9,680 37,653 16,448 10,976
Operations and maintenance Pupil transportation Central Community services	1,049,759 17,429 85,833	1,006,356 16,029 51,261	43,403 1,400 34,572 89	28,100 91,235 0	30,348 119,060 0	(2,248) (27,825) 0	0	0	0	0 0	0 0	0 0	1,049,759 45,529 177,068	1,006,356 46,377 170,321	43,403 (848) 6,747 89
Extracurricular activities. Facilities services. Pass-through intergovernmental	27,935	21,400	6,535 172,355	192,320	0	192,320				793,413	758,700	34,713 0	27,935 793,413 364,675	21,400 758,700	6,535 34,713 364,675
Leos ser vice. Principal retirement. Interest and fiscal charges	9,669,842	9,214,062	455,780	1,594,749	1,158,485	436,264	65,000 21,005 86,005	65,000 21,005 86,005	0 0 0	793,413	758,700	34,713	65,000 21,005 12,144,009	65,000 21,005 11,217,252	0 0 926,757
Excess (deficiency) of revenues over (under) expenditures	441,640	1,741,309	1,299,669	(129,271)	(89,949)	39,322	0	0	0	(727,910)	(693,301)	34,609	(415,541)	958,059	1,373,600
Other financing sources (uses): Refund of prior year's (recepts) Pertund of prior year's (recepts) Operating transfers in. Operating transfers (out). Advances in. Advances (out).	36,659 (29,651) 78,554 (729,253) 226,236 (250,000)	40,056 (29,651) 84,680 (729,252) 244,695 (250,000)	3,397 0 6,126 1 1 18,459	159 72,485 0 54,962 (37,108)	68 52,894 (25,041) 40,000 (40,103)	(91) (19,591) (25,041) (14,962) (2,995)	О	0	0	522,496	521,720	(776)	36,818 (29,651) 673,535 (729,253) 281,198 (287,108)	40,124 (29,651) (59,294 (754,293) 284,695 (290,103)	3,306 0 (14,241) (25,040) 3,497 (2,995)
Total other financing sources (uses) Excess (deficiency) of revenues and other financing sources over (under)	(646,508)	(616,423)	30,085	90,498	27,818	(62,680)	0 0		0	522,496	521,720	(776)	(33,514)	(66,885)	(33,371)
experiorities and other infareing (uses) Fund balances, July 1	(204,006) 2,029,614 174,905	2,029,614 174,905	0 0	123,057 57,356	(62,131) 123,057 57,356	0 0	0 0	0	0	273,766 152,914	273,766 152,914	0 0	(449,033) 2,426,437 385,175	2,426,437 385,175	0
Fund balances, June 30	\$1,999,651	\$3,329,405	\$1,329,754	\$141,640	\$118,282	(\$23,358)	80	80	80	\$221,266	\$255,099	\$33,833	\$2,362,557	\$3,702,786	\$1,340,229

COMBINED STATEMENT OF REVENUES, EXPENSES,
AND CHANGES IN (ACCUMULATED DEFICIT) RETAINED EARNINGS/FUND BALANCE
ALL PROPRIETARY FUND TYPES AND NONEXPENDABLE TRUST FUND
FOR THE YEAR ENDED JUNE 30, 2000

	Proprietary Fu	nd Types	Fiduciary Fund Type	
	Enterprise	Internal Service	Nonexpendable Trust	Total (Memorandum Only)
Operating revenues:	£401.605			6401.605
Tuition and fees	\$481,605 224,368	\$1,018,397		\$481,605 1,242,765
Investment earnings.	224,300	\$1,010,397	\$1,073	1,242,703
Other operating revenues		388	1,720	2,108
outer operating revenues			1,720	
Total operating revenues	705,973	1,018,785	2,793	1,727,551
Operating expenses:				
Personal services	771,975			771,975
Contract services	48,719	15,009		63,728
Materials and supplies	267,242			267,242
Depreciation	33,788			33,788
Other	11,100		300	11,400
Claims expense		817,178		817,178
Total operating expenses	1,132,824	832,187	300	1,965,311
Operating income (loss)	(426,851)	186,598	2,493	(237,760)
Nonoperating revenues:				
Operating grants	300,372			300,372
Federal commodities	12,198			12,198
Interest revenue	8,317	17,161		25,478
Gain on disposal of assets	132,350			132,350
Total nonoperating revenues	453,237	17,161	0	470,398
Net income before operating transfers	26,386	203,759	2,493	232,638
Operating transfers in	68,000			68,000
Net income	94,386	203,759	2,493	300,638
(Accumulated deficit)Retained earnings/ fund balance July 1	(152,668)	97,784	17,690	(37,194)
(Accumulated deficit)Retained earnings/ fund balance June 30	(\$58,282)	\$301,543	\$20,183	\$263,444

PIONEER CAREER AND TECHNOLOGY CENTER

RICHLAND COUNTY, OHIO
COMBINED STATEMENT OF CASH FLOWS
ALL PROPRIETARY FUND TYPES AND NONEXPENDABLE TRUST FUND
FOR THE YEAR ENDED JUNE 30, 2000

<u>-</u>	Proprietary F	und Types	Fiduciary Fund Type	m . I
_	Enterprise	Internal Service	Nonexpendable Trust	Total (Memorandum Only)
Cash flows from operating activities: Cash received from tuition and fees	\$469,531			\$469,531
Cash received from sales/service charges	224,368	\$1,018,397		1,242,765
Cash received from other operations		388	\$1,720	2,108
Cash payments for personal services	(756,951) (49,920)	(15,009)		(756,951) (64,929)
Cash payments supplies and materials	(235,459)	(13,009)		(235,459)
Cash payments for claims expenses	. , ,	(943,075)		(943,075)
Cash payments for other expenses	(11,100)		(300)	(11,400)
Net cash provided by (used in)				
operating activities	(359,531)	60,701	1,420	(297,410)
Cash flows from noncapital financing activities:				
Cash received from operating grants	303,372			303,372
Cash received from operating transfers	68,000			68,000
Cash received from interfund loans	34,427			34,427
Cash used for repayment of interfund loans	(5,023)			(5,023)
Net cash provided by noncapital				
financing activities	400,776	0	0	400,776
Cash flows from capital and related financing activities:				
Acquisition of capital assets	(22,393)	0	0	(22,393)
Net cash used in capital and related				
financing activities	(22,393)	0	0	(22,393)
Cash flows from investing activities:				
Interest received	8,317	17,161	1,073	26,551
Net cash provided by investing activities	8,317	17,161	1,073	26,551
Net increase in				
cash and cash equivalents	27,169	77,862	2,493	107,524
Cash and cash equivalents at beginning of year	214,311	204,157	17,690	436,158
Cash and cash equivalents at end of year	\$241,480	\$282,019	\$20,183	\$543,682
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:				
Operating income (loss). Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:	(\$426,851)	\$186,598	\$2,493	(\$237,760)
Depreciation	33,788			33,788
Federal donated commodities	12,198			12,198
Interest reported as operating income			(1,073)	(1,073)
Changes in assets and liabilities: Decrease in supplies inventory	15,502			15,502
Increase in accounts receivable	(12,074)			(12,074)
Increase in prepayments	(1,598)			(1,598)
Increase in accounts payable	1,090			1,090
Increase in accrued wages & benefits Increase in compensated absences payable	18,397 7,602			18,397
Decrease in due to other governments	(20,083)			7,602 (20,083)
Increase in pension obligation payable	9,108			9,108
Decrease in claims payable		(125,897)		(125,897)
Increase in deferred revenue.	3,390			3,390
Net cash provided by (used in)				
operating activities	(\$359,531)	\$60,701	\$1,420	(\$297,410)
Noncash Investing, Capital and Financing Activities:				

Noncash Investing, Capital and Financing Activities: Decrease in contributed capital (transferred to General Fixed

(\$149,530) Asset Account Group)

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2000

NOTE 1 - DESCRIPTION OF THE SCHOOL

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 eleven 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 fourteen member school districts throughout Richland, Crawford, Huron, Morrow, Wyandot, Seneca, Marion, and Ashland counties.

The District also provides support services for the pupils, instructional staff, operation and maintenance of plant, food services, extracurricular activities, and nonprogrammed services. It is staffed by 37 non-certificated employees and 128 certificated full-time teaching personnel, who provide services to 931 students and other community members.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the District have been prepared in conformity with generally accepted accounting principles (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 District's reporting entity has been defined in accordance with GASB Statement No. 14, <u>The Financial Reporting Entity</u>. A reporting entity is comprised of the primary government, component units, and other organizations that are included to insure that the financial statements of the District are not misleading. The primary government consists of all funds, departments, boards, and agencies that are not legally separate from the District. For the District, this includes general operations, food service, and student related activities.

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2000 (Continued)

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

A. Reporting Entity - (Continued)

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; the District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization or the District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the District in that the District approves the budget, the issuance of debt, or the levying of taxes for the organization. The financial statements of the reporting entity include only those of the District (the primary government). The District has no component units. The following organizations are described due to their relationship to the District.

Joint Venture Without Equity Interest:

The Heartland Council of Governments (Heartland), formerly the North Central Ohio Computer Cooperative (NCOCC), is a joint venture among 16 school districts and 1 educational service center. The joint venture was formed for the purpose of applying modern technology (with the aid of computers and other electronic technology) to the administrative and instructional functions of member districts. Each member district supports Heartland based upon a per pupil charge, depending upon the software package utilized. In the event of dissolution of the organization, all current members will share in net obligations or asset liquidations in a ratio proportionate to their last twelve months' financial contribution. Heartland is governed by a Board of Directors, which consists of superintendents of the member school districts. The degree of control exercised by any school district is limited to its representation on the Board. In accordance with Government Accounting Standards Board Statement No. 14, the District does not have any equity interest in Heartland, because a residual interest in the net resources of a joint venture upon dissolution is not equivalent to an equity interest. The District serves as fiscal agent for Heartland. Financial activity for fiscal 2000 is reported in these financial statements as an Agency fund.

The District also participates in a public entity risk sharing pool, discussed in Note 12.

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2000 (Continued)

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

B. Fund Accounting

The District uses funds and account groups 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. An account group, on the other hand, is a financial reporting device designed to provide accountability for certain assets and liabilities that are not recorded in the funds because they do not directly affect net expendable available financial resources. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain school district activities or functions. Funds are classified into three categories: Governmental, Proprietary and Fiduciary. Each category is divided into separate fund types.

GOVERNMENTAL FUNDS

Governmental Funds are those through which most governmental functions of the District are financed. The acquisition, use, and balances of the District's expendable financial resources and the related current liabilities (except those accounted for in Proprietary Funds and Trust Funds) are accounted for through Governmental Funds. The following are the District's Governmental Fund Types:

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

<u>Special Revenue Funds</u> - Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than Expendable Trusts or major capital projects) that are legally restricted to expenditure for specified purposes.

<u>Debt Service Fund</u> - The Debt Service Fund is used to account for the accumulation of resources for, and the payment of, general long-term obligation principal, interest, and related costs.

<u>Capital Projects Fund</u> - The Capital Projects Fund is used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by Proprietary Funds or Trust Funds).

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2000 (Continued)

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

B. Fund Accounting - (Continued)

PROPRIETARY FUNDS

Proprietary Funds are used to account for the District's ongoing activities which are similar to those found in the private sector. The following are the District's Proprietary Fund Types:

<u>Enterprise Funds</u> - Enterprise Funds are used to account for operations that are (a) financed and operated in a manner similar to private business enterprises--where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

<u>Internal Service Fund</u> - This fund accounts for the financing of services provided by one department or agency to another department or agency of the District on a cost-reimbursement basis.

FIDUCIARY FUNDS

<u>Trust and Agency Funds</u> - These funds are used to account for assets held by the District in a trustee capacity or as an agent for individuals, private organizations, other governments, and/or other funds. These include Expendable Trust, Nonexpendable Trust and Agency Funds. Expendable Trust Funds are accounted for in essentially the same manner as Governmental Funds. Nonexpendable Trust Funds are accounted for in essentially the same manner as Proprietary Funds. Agency Funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations, or have a measurement focus. Agency Funds are reported on a cash basis, with note disclosure regarding items which, in other fund types, would be subject to accrual.

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2000 (Continued)

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

B. Fund Accounting - (Continued)

ACCOUNT GROUPS

To make a clear distinction between fixed assets related to specific funds and those of general government, and between long-term liabilities related to specific funds and those of a general nature, the following account groups are used:

<u>General Fixed Assets Account Group</u> - This account group is established to account for all fixed assets of the District, other than those accounted for in the Proprietary and Nonexpendable Trust Funds.

<u>General Long-Term Obligations Account Group</u> - This account group is established to account for all long-term obligations of the District except those accounted for in the Proprietary or Nonexpendable Trust Funds.

C. Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All Governmental Fund Types and the Expendable Trust Fund are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets.

All Proprietary Funds and the Nonexpendable Trust Fund are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the balance sheet. Fund equity (net total assets) is segregated into contributed capital and retained earnings components. Proprietary and Nonexpendable Trust Fund operating statements present increases (revenues) and decreases (expenses) in net total assets.

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2000 (Continued)

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

C. Measurement Focus and Basis of Accounting - (Continued)

The modified accrual basis of accounting is followed for Governmental and Expendable Trust funds. Under the modified accrual basis of accounting, revenues are recognized when they become both measurable and available to finance expenditures of the current period, which for the District is sixty days after the June 30 year-end. Revenues accrued at the end of the year include interest, tuition, grants and entitlements (to the extent they are intended to finance the current fiscal year), student fees, and rent. Current property taxes measurable as of June 30, 2000, and which are intended to finance fiscal 2001 operations, have been recorded as deferred revenues. Delinquent property taxes measurable and available (received within 60 days) and amounts available as an advance on future tax settlements are recognized as revenue at year-end. Taxes available for advance and recognized as revenue but not received by the District prior to June 30, 2000, are reflected as a reservation of fund balance for future appropriations. The District is prohibited by law from appropriating this revenue in accordance with ORC Section 5705.35, since an advance of revenue was not requested or received prior to the fiscal year-end.

The District reports deferred revenue on its combined balance sheet. Deferred revenues arise when a potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period. Deferred revenues also arise when resources are received by the District before it has a legal claim to them, as when grant monies are received prior to the recognition of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the government has a legal claim to the resources, the liability for deferred revenue is removed from the combined balance sheet and revenue is recognized.

Expenditures (decreases in net financial resources) are recognized in the period in which the fund liability is incurred with the following exceptions: general long-term obligation principal and interest are reported only when due; and the costs of accumulated unpaid vacation and sick leave are reported as expenditures in the period in which they will be liquidated with available financial resources rather than in the period earned by employees. Allocations of cost, such as depreciation and amortization, are not recognized in governmental funds.

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2000 (Continued)

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

C. Measurement Focus and Basis of Accounting (Continued)

The Proprietary Funds and Nonexpendable Trust Funds are accounted for on the accrual basis of accounting. Under the accrual basis of accounting, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred. The fair value of donated commodities used during the year is reported on the operating statement as an expense, with a like amount reported as donated commodities revenue. Unused donated commodities are reported as deferred revenues.

D. Budgets

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

- 1. Prior to January 15 of the preceding year, the Superintendent and Treasurer submit to the Board of Education a proposed operating budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing for all funds. Public hearings are publicized and conducted to obtain taxpayers' comments. The express 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.

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2000 (Continued)

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

D. Budgets - (Continued)

- 3. Prior to April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the Budget Commission and receives the Commission's Certificate of Estimated Resources which states the projected revenue of each fund. Prior to June 30, the District must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the Certificate of Estimated Resources. The revised budget then serves as a basis for the appropriation measure. On or about July 1, the Certificate is amended to include any unencumbered balances from the preceding year as reported by the District Treasurer. The Certificate may be further amended during the year if projected increases or decreases in revenue are identified by the District Treasurer. The amounts reported in the budgetary statement reflect the amounts set forth in the final Amended Certificate issued for fiscal year 2000.
- 4. By July 1, the Annual Appropriation Resolution is legally enacted by the Board of Education at the fund level of expenditures for all funds except the General Fund, which is enacted at the fund and function level of expenditures which are the legal level of budgetary control. Although the legal level of budgetary control was established at the fund level of expenditures, the budgetary statements present comparisons at the fund and function level of expenditures as elected by the District Treasurer. (State statute permits a temporary appropriation to be effective until no later than October 1 of each year.) Resolution appropriations by fund must be within the estimated resources as certified by the County Budget Commission and the total of expenditures and encumbrances may not exceed the appropriation totals.
- 5. All funds, other than Agency Funds, are legally required to be budgeted and appropriated. Short-term interfund loans are not required to be budgeted since they represent a temporary cash flow resource, and are intended to be repaid.
- 6. Any revisions that alter the total of any fund appropriation or alter total function appropriations within a fund, or alter object appropriations within functions must be approved by the Board of Education.

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2000 (Continued)

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

D. Budgets - (Continued)

- 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.

All supplemental appropriations were legally enacted by the Board during fiscal year 2000 in the following amounts:

	<u>Increase/(Decrease)</u>
General Fund	\$360,000
Special Revenue Funds	124,500
Capital Projects Fund	(63,000)
Enterprise Funds	243,000
Internal Service Fund	4,000
Special Trust Fund	2,000
Endowment Fund	500
Total Net Increase	<u>\$671,000</u>

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, which is the legal level of control.

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2000 (Continued)

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

D. Budgets - (Continued)

Encumbrance accounting is utilized by District funds in the normal course of operations, for purchase orders and contract-related expenditures. An encumbrance is a reserve on the available spending authority due to a commitment for a future expenditure and does not represent a liability. For Governmental Fund Types, encumbrances outstanding at year-end appear as a reservation of fund balance on a GAAP basis and as the equivalent of expenditures on a non-GAAP budgetary basis in order to demonstrate legal compliance. Note 16 provides a reconciliation of the budgetary basis and GAAP basis of accounting. Encumbrances for Enterprise Funds are disclosed in Note 13 to the financial statements

E. Cash and Investments

To improve cash management, cash received by the District is pooled. Monies for all funds, including Proprietary Funds, are maintained in this pool. Individual fund integrity is maintained through the District's records. Each fund's interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents" (both unrestricted and restricted) on the combined balance sheet.

During fiscal year 2000, investments were limited to the State Treasury Asset Reserve of Ohio (STAR Ohio), Federal Agency securities, and certificates of deposit. All investments of the District have a maturity date of three 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 non-negotiable certificates of deposit are reported at cost.

STAR Ohio is an investment pool managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price, which is the price the investment could be sold for on June 30, 2000.

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2000 (Continued)

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

E. Cash and Investments - (Continued)

The following is the calculation of the Net Decrease in the Fair Value of Investments - Aggregate Method

	General <u>Fund</u>
Fair value at June 30, 2000	\$ 1,687,380
Add: Proceeds of investments sold	
and matured fiscal 2000	0
Less: Purchase of investments	
in fiscal 2000	(1,407,631)
Less: Fair value at June 30, 1999	(300,512)
Decrease in fair value of investments	<u>\$ (20,763)</u>

By policy of the Board of Education, investment earnings are assigned to the General Fund, the Permanent Improvement Fund, the Building Fund, the Food Service Fund, the Nonexpendable Trust Fund, and the Expendable Trust Fund. The following funds were credited more interest than would have been received based upon their share of the District's investments during fiscal 2000:

	Interest Actually Received	Interest Based upon Share of Investments	Interest Assigned from Other Funds
General Fund	\$179,121	\$129,698	\$49,423
Enterprise Fund Type Food Service Fund	8,317	6,728	1,589
Internal Service Fund	17,161	10,897	6,264
Fiduciary Fund Types			
Expendable Trust Fund	693	684	9
Nonexpendable Trust Fund	1,073	862	211

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

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2000 (Continued)

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

F. Inventory

Inventories for all Governmental Funds are valued at cost (first-in/first-out method). The purchase method is used to account for inventories. Under the purchase method, inventories are recorded as expenditures when purchased; however, material amounts of inventories at period-end are reported as assets of the respective fund, which are equally offset by a fund balance reserve which indicates they are unavailable for appropriation even though they are a component of reported assets.

Inventories of Proprietary Funds are valued at the lower of cost (first-in/first-out method) or market and expensed when used rather than when purchased.

G. Prepaids

Prepayments for governmental funds represent cash disbursements which have occurred and are therefore not current expendable resources. These items are reported as fund assets on the balance sheet using the allocation method, which amortizes their cost over the periods benefitting from the advance payment. At period-end, because prepayments and deferrals are not available to finance future governmental fund expenditures, the fund balance is reserved by an amount equal to the carrying value of the asset.

H. Fixed Assets and Depreciation

General fixed assets are capitalized at cost (or estimated historical cost) and updated for the cost of additions and retirements during the year in the General Fixed Assets Account Group.

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2000 (Continued)

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

H. Fixed Assets and Depreciation - (Continued)

1. General Fixed Assets Account Group

General fixed assets are capitalized at cost (or estimated historical cost) and updated for the cost of additions and retirements during the year in the General Fixed Assets Account Group. Donated fixed assets are recorded at their fair market values as of the date donated. The District follows the policy of not capitalizing assets with a cost of less than \$50 and a useful life of less than five years. 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 capitalized, nor is interest on debt issued to construct or acquire general fixed assets. No depreciation is recognized for assets in the General Fixed Assets Account Group. The District has not included infrastructure in the General Fixed Asset Account Group. Books, records, movies and other learning aids kept at the District library are also included for reporting purposes.

2. Proprietary Funds

Equipment reflected in these funds is stated at historical cost (or estimated historical cost) and updated for the cost of additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date donated. Improvements are capitalized and depreciated over the remaining useful lives of the related fixed assets.

Depreciation has been provided, where appropriate, on a straight-line basis over the following estimated useful lives.

Asset	<u>Life (years)</u>
F '	5.10
Furniture and Equipment	5-10

I. Compensated Absences

Compensated absences of the District consist of vacation leave and sick leave to the extent that payment 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.

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2000 (Continued)

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

I. Compensated Absences - (Continued)

In accordance with the provisions of GASB Statement No. 16, <u>Accounting for Compensated Absences</u>, 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 <u>or</u> other means, such as cash payment at termination or retirement. A liability for sick pay is accrued using the vesting method; i.e., the liability is based on the sick leave accumulated at the balance sheet date 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 pay on employees expected to become eligible to retire in the future, all employees age fifty (50) or greater with at least five (5) years of service; or twenty (20) years' service at any age 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 the balance sheet date, and reduced to the maximum payment allowed by labor contract and/or statute, plus any applicable additional salary related payments.

Accumulated vacation and sick leave of Governmental Fund Type employees meeting the eligibility requirements have been recorded in the appropriate Governmental Fund as a current liability to the extent that the amounts are expected to be payable within the current period. The balance of the liability is recorded in the General Long-Term Obligations Account Group. Vacation and sick leave for employees paid from the Proprietary Funds is recorded as an expense and fund liability when earned.

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2000 (Continued)

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

J. Intergovernmental Revenues

In Governmental Funds, entitlements and non-reimbursable grants (to the extent such grants and entitlements relate to the current fiscal year) are recorded as receivables and revenue when measurable and available. Reimbursement type grants are recorded as receivables and revenues when the related expenditures are incurred. Grants for Proprietary Fund operations (excluding commodities) are recognized as revenue when measurable and earned. The District currently participates in various state and federal programs categorized as follows:

Entitlements

General Fund

State Foundation Program State Property Tax Relief

Non-Reimbursable Grants

Special Revenue Funds

Education Management Information Systems Teacher Development Adult Education Drug Free Schools Career Development Public Preschool

Non-Reimbursable Grants - (continued)

Special Revenue Fund - (continued)

Goals 2000

Regional Infrastructure Development

Network Connectivity

School Net Professional Development

Success Unlimited Eisenhower Grant

Title VI

Consumer Education Projects

Proprietary Funds

Adult Education

Reimbursable Grants

General Fund

Vocational Education Travel/Subsistence

Special Revenue Funds

Vocational Education - Matching Funds Vocational Education - Carl D. Perkins

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2000 (Continued)

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

J. Intergovernmental Revenues - (Continued)

Proprietary Funds
National School Lunch Program
Donated Federal Commodities

Grants and entitlements amounted to over 48% of the District's operating revenue during the 2000 fiscal year.

K. Long-Term Obligations

In general, Governmental Fund payables and accrued liabilities are reported as obligations of the funds regardless of whether they will be liquidated with current resources. However, compensated absences that will be paid from Governmental Funds are reported as a liability in the General Long-Term Obligations Account Group to the extent that they will not be paid with current available expendable financial resources. Payments made more than sixty days after year-end are generally considered not to have been paid with current available financial resources. Bonds and capital leases are reported as a liability of the General Long-Term Obligations Account Group until due.

Long-term debt and other obligations financed by Proprietary Funds are reported as liabilities in the appropriate Proprietary Funds.

L. Fund Equity

Contributed capital is recorded in Proprietary Funds which received capital grants or contributions from other funds. Reserved fund balances indicate that portion of fund equity which is not available for current appropriation or is legally segregated for a specific use. Fund balances are reserved for encumbrances, materials and supplies inventory, prepaid assets, budget stabilization, and tax revenue unavailable for appropriation. In addition, although the Nonexpendable Trust Fund uses the total economic resources measurement focus, fund equity is reserved for the amount of the principal endowment. The reserve for property taxes represents taxes recognized as revenue under GAAP, but not available for appropriation under State statute. The unreserved portions of fund equity reflected for the Governmental Funds are available for use within the specific purposes of those funds.

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2000 (Continued)

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

M. Contributed Capital

Contributed capital reported in the Enterprise Funds represents resources provided from other funds, other governments, or private sources that is not subject to repayment. These assets are recorded at their fair market value on the date contributed. Depreciation on those assets acquired or constructed with contributed resources is expensed and closed to unreserved retained earnings at year end. See Note 9 for changes in contributed capital during fiscal 2000.

N. Statutory Reserves

The District is required by State law to set-aside certain (cash-basis) General Fund revenue amounts, as defined by statute, into various reserves. During the fiscal year ended June 30, 2000, the reserve activity was as follows:

	<u>Textbooks</u>	Capital Acquisition	Budget Stabilization
Set-aside cash balance as of July 1, 1999			\$149,943
Current year set-aside requirement	\$ 269,083	\$ 269,083	89,694
Current year offsets		(246,535)	
Qualifying disbursements	(360,313)	(225,770)	
Set-aside balance carried forward to future			
fiscal years	(91,230)	(203,222)	239,637
Set-aside reserve balances as of June 30, 2000	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$239,637</u>

The District had offsets and qualifying disbursements during the year that reduced the textbooks and capital acquisition set-aside amounts below zero. These extra amounts may be used to reduce the set-aside requirements of future years.

A schedule of the restricted assets at June 30, 2000 follows:

Cash restricted for budget stabilization

\$239,637

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2000 (Continued)

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

O. Interfund Transactions

During the course of normal operations, the District has numerous transactions between funds. The most significant include:

- 1. Transfers of resources from one fund to another fund. The resources transferred are to be expended for operations by the receiving fund and are recorded as operating transfers, with the exception of Agency Funds, which do not report transfers of resources as operating transfers.
- 2. Reimbursements from one fund to another are treated as expenditures/expenses in the reimbursing fund and a reduction in expenditures/expenses in the reimbursed fund.
- 3. Short-term interfund loans made pursuant to Board of Education Resolution are reflected as "interfund loans receivable or payable." Such interfund loans are repaid in the following fiscal year.
- 4. Quasi-external transactions are similar to the purchase of goods or services from a vendor; i.e., the fund which provides a service records revenue, and the fund which receives that service records an expenditure/expense.
- 5. Residual equity transfers are non-recurring or non-routine permanent transfers of equity, generally made when a fund is closed.
- 6. Long-term interfund loans that will not be repaid within the next year are termed "advances" and are shown as reservations of fund balances on the combined balance sheet for those funds that report advances to other funds as assets because they are not spendable, available resources.

An analysis of the District's interfund transactions for fiscal year 2000 is presented in Note 5.

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2000 (Continued)

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

P. Restricted Assets

Restricted assets in the General Fund represent cash and cash equivalents set aside to establish a budget stabilization reserve. This reserve is required by State statute and can be used only after receiving approval from the State Superintendent of Public Instruction and/or for statutorily-specified purposes. A fund balance reserve has also been established. See Note 2. N. for statutory reserves.

Q. Estimates

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

R. Statement of Cash Flows

The District's financial statements have been prepared in accordance with GASB Statement No. 9, Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting. The District has presented a statement of cash flows for its Proprietary Funds and Nonexpendable Trust Fund. For purposes of the statement of cash flows, the District considers cash equivalents to include all short term investments (maturity of 90 days or less from date of purchase).

S. Financial Reporting for Proprietary and Similar Fund Types

The District's financial statements have been prepared in accordance with GASB Statement No. 20, <u>Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting</u>. The District accounts for its Proprietary activities and Nonexpendable Trust Fund in accordance with all applicable GASB pronouncements, as well as pronouncements of the Financial Accounting Standards Board (FASB) and its predecessors issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements.

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2000 (Continued)

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

T. Memorandum Only - Total Columns

Total columns on the general purpose financial statements are captioned "Total - (Memorandum Only)" to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position, results of operations, or cash flows in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

NOTE 3 - ACCOUNTABILITY

A. Deficit Fund Balances/Retained Earnings

Fund balances/retained earnings at June 30, 2000 included the following individual deficits:

	<u>Deficit Balance</u>
Special Revenue Funds	
Vocational Education	\$ (2,429)
Consumer Education Projects	(2,400)
Adult Basic Education	(17,577)
Career Development	(12,303)
Enterprise Funds	
Food Service	(25,301)
Adult Education	(72,111)

These deficits, caused by the application of generally accepted accounting principles, will be funded by anticipated future intergovernmental revenues or other subsidies not recognized and recorded at June 30. The General Fund provides transfers for deficit balances; however, transfers are made when cash is needed rather than when accruals occur.

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2000 (Continued)

NOTE 3 - ACCOUNTABILITY - (Continued)

B. Change in Basis of Accounting

In prior years, the District has reported Agency Funds using the modified accrual basis of accounting. For fiscal year 2000, Agency Funds are reported using the budget (cash) basis of accounting. No restatement is required because Agency Funds do not report results of operations. There were no material receivables in the Agency Funds at June 30, 2000.

C. Prior Period Adjustment

The District has presented a restatement of the General Long-Term Obligations Account Group and the General Fixed Assets Account Group to properly reflect the respective present values of capitalized leases in each account group at July 1, 1999. The effect of each restatement is as follows:

	Balance as Previously Reported June 30, 1999	Adjustment	Restated Balance July 1, 1999
General Long-Term Obligations Account Group	\$1,803,219	\$36,496	\$1,839,715
General Fixed Assets Account Group	9,568,218	74,467	9,642,685

NOTE 4 - EQUITY IN POOLED CASH 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 the Board of Education has identified as not required for use within the current two year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2000 (Continued)

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

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

Protection of the District's deposits is provided by the Federal Deposit Insurance Corporation, 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 moneys deposited with the institution.

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

- 1. United States Treasury Notes, Bills, Bonds, or any other obligations or securities 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 division (1) or (2) and repurchase agreements secured by such obligations, provided that Investments in securities described in this division are made only through eligible institutions;

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2000 (Continued)

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

- 6. The State Treasurer's investment pool (STAR Ohio);
- 7. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred and eighty days from the date of purchase in an amount not to exceed twenty-five percent of the interim moneys available for investment at any one time; and,
- 8. Under limited circumstances, corporate debt instruments rated in either of the two highest rating classifications by at least two nationally recognized rating agencies.

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

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

Cash with Fiscal Agent: At year end, \$282,019 was on deposit with the District's fiscal agent for insurance claims.

The following information classifies deposits and investments by categories of risk as defined in GASB Statement No. 3, <u>Deposits With Financial Institutions</u>, <u>Investments</u> (including Repurchase Agreements), and Reverse Repurchase Agreements.

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2000 (Continued)

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

Deposits: At year-end the carrying amount of the District's deposits was \$1,188,134 and the bank balance was \$1,577,103 (both amounts include \$1,183,000 in non-negotiable certificates of deposit). Of the bank balance:

- 1. \$683,656 was covered by federal deposit insurance.
- 2. \$893,447 was covered by collateral held in the pledging bank's trust department in the District's name.

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

	Category 3	Fair <u>Value</u>
Federal Agency Securities	\$1,687,380	\$1,687,380
Not Subject to Categorization: Investment in State Treasurer's Investment Pool		_2,111,404
Total Investments	<u>\$1,687,380</u>	\$3,798,784

The federal agency securities have maturity dates ranging from September, 2000 to September, 2002.

The classification of cash and cash equivalents, and investments on the combined balance sheet is based on criteria set forth in GASB Statement No. 9 entitled, Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting.

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2000 (Continued)

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

A reconciliation between the classifications of equity in pooled cash and cash equivalents on the combined balance sheet per GASB Statement No. 9 and the classifications of deposits and investments presented above per GASB Statement No. 3 is as follows:

	Equity in Pooled Cash and Cash Equivalents	Investments
GASB Statement No. 9	\$ 4,987,343	
Investments of the Cash		
Management Pool:		
Federal Agency Securities	(1,687,380)	\$1,687,380
Star Ohio	(2,111,404)	2,111,404
Cash on Hand	(425)	
GASB Statement No. 3	<u>\$ 1,188,134</u>	<u>\$3,798,784</u>

NOTE 5 - INTERFUND TRANSACTIONS

A. Interfund balances at June 30, 2000, consist of the following individual interfund loans receivable and payable:

	Interfund Loans	Interfund Loans
	Receivable	(Payable)
General Fund	\$250,000	
Special Revenue Fund Adult Basic Education		\$ (40,000)
Enterprise Fund Adult Education		(210,000)
Total Interfund Loans	<u>\$250,000</u>	<u>\$(250,000)</u>

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2000 (Continued)

NOTE 5 - INTERFUND TRANSACTIONS - (Continued)

B. The following is a reconciliation of the District's long-term advances to and from other funds at June 30, 2000:

General Fund	Advances to Other Funds	Advances (from) Other Funds \$(85,901)
Enterprise Fund Food Service	\$ 4,616	
Internal Service Fund	81,285	
Total	<u>\$85,901</u>	<u>\$(85,901</u>)

C. The following is a reconciliation of the District's operating transfers for fiscal year 2000:

	<u>Transfers In</u>	Transfers (Out)
General Fund		\$(617,572)
Special Revenue Funds		
Other Grant Fund	\$ 1,825	
Consumer Education	30	
Career Development	14,039	
Public School PreSchool	2,041	
Business Advisory Mini-Grant	8	
Perkins Vocational	9,898	
Learn & Serve America	11	
Capital Projects Fund		
Permanent Improvement	521,720	
Enterprise Funds		
Uniform School Supplies	18,000	
Adult Education	50,000	
Total	<u>\$617,572</u>	<u>\$(617,572</u>)

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2000 (Continued)

NOTE 6 - PROPERTY TAXES

Property taxes are levied and assessed on a calendar year basis while the School District fiscal year runs from July through June. Real property tax collections by the County are remitted to the School District a year after they are assessed by the County. Property taxes include amounts levied against all real, public utility and tangible (used in business) property located in the District.

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

Public utility property taxes are assessed on tangible personal property, as well as land and improvements. Real property is assessed at 88% of market value and personal property is assessed at 25% of market value, except for the personal property of rural electric companies (50% of market value), and railroads, which are assessed at 29%.

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

The assessed values upon which the fiscal year 2000 taxes were collected are as follows:

	Final Hal Collection		Second Ha Collection	
	Amount	Percent	Amount	Percent
Agricultural/Residential and Other Real Estate Public Utility Personal Tangible Personal Property	\$1,253,011,660 131,499,710 312,267,275	73.85 7.75 18.40	\$1,431,599,690 131,635,340 301,924,248	76.75 7.06 16.19
	<u>\$1,696,778,645</u>	<u>100.00</u>	<u>\$1,865,159,278</u>	<u>100.00</u>
Tax rate per \$1,000 of assessed valuation: Operations	\$4.70		\$4.70	

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2000 (Continued)

NOTE 6 - PROPERTY TAXES - (Continued)

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

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

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

Accrued property taxes receivable represents delinquent taxes outstanding and real property, tangible personal property, and public utility taxes which became measurable as of June 30, 2000. Although total property tax collections for the next fiscal year are measurable, they are not (exclusive of advances) intended to finance current fiscal year operations. The net receivable (total receivable less available advance intended to finance the current year) is therefore offset by a credit to deferred revenue for that portion not intended to finance current year operations.

Taxes available for advance and recognized as revenue but not received by the District prior to June 30, 2000, are reflected as a reservation of fund balance for future appropriations. The District is prohibited by law from appropriating this revenue in accordance with ORC Section 5705.35, since an advance of revenue was not requested or received prior to the fiscal year-end. Available tax advances at June 30, 2000 totaled \$820,625 in the General fund.

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2000 (Continued)

NOTE 7 - RECEIVABLES

Receivables at June 30, 2000 consisted of taxes, accounts (tuition and student fees), accrued interest, interfund loans and intergovernmental grants and entitlements (to the extent such grants and entitlements relate to the current fiscal year). 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 is as follows:

	Amounts
General Fund	
Taxes - Current and Delinquent	\$6,921,904
Interfund Loan	250,000
Accrued Interest	46,838
Special Revenue Funds Due From Other Governments Enterprise Funds Accounts	40,858 72,101
Internal Service Fund Advanced to Other Funds	81,285

NOTE 8 - FIXED ASSETS

A summary of the changes in the General Fixed Assets Account Group during the fiscal year follows:

]	Restated Balance				Balance
	July 1, 1999	Increases	<u>Decreases</u>	<u>Transfers</u>	June 30, 2000
T 1/T	Φ 25.000				Φ25.000
Land/Improvement	\$ 25,000				\$25,000
Buildings	4,046,511				4,046,511
Furniture/Equipment	5,210,465	\$331,580	\$ (406,236)	\$147,923	5,283,732
Vehicles	135,287	65,497	(36,647)	(3,715)	160,422
Textbooks and					
Library Books	225,422	21,168	(135)		246,455
Т-4-1	Φ O C 12 C 9 5	¢410 2 45	¢(442 010)	¢144 2 00	¢0.762.120
Total	<u>\$ 9,642,685</u>	<u>\$418,245</u>	<u>\$(443,018</u>)	<u>\$144,208</u>	<u>\$9,762,120</u>

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2000 (Continued)

NOTE 8 - FIXED ASSETS - (Continued)

Assets totaling \$200,823 were transferred in from the Proprietary fixed assets and assets totaling \$56,615 were transferred to the Proprietary fixed assets.

A summary of the Proprietary fixed assets at June 30, 2000 follows:

Furniture and Equipment	\$ 368,839
Less: Accumulated Depreciation	 <u>(298,239</u>)
Net Fixed Assets	\$ 70,600

NOTE 9 - CONTRIBUTED CAPITAL

Changes in the Enterprise funds' contributed capital for the year ended June 30, 2000 are summarized by fund as follows:

	Food Service	Adult Education	Total
Contributed Capital, July 1, 1999	\$231,028	\$ 96,363	\$ 327,391
Decrease: Transfer of fixed assets to other funds	(53,167)	(96,363)	(144,473)
Contributed Capital, June 30, 2000	<u>\$177,861</u>	\$ 3,520	<u>\$ 177,861</u>

NOTE 10 - CAPITALIZED LEASES - LESSEE DISCLOSURE

The District has entered into capitalized leases for the acquisition of copiers and a mail machine. The terms of each agreement provide options to purchase the equipment. Each lease meets the criteria of a capital lease as defined by FASB Statement No. 13, <u>Accounting for Leases</u>, which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee at the conclusion of the lease term.

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2000 (Continued)

NOTE 10 - CAPITALIZED LEASES - LESSEE DISCLOSURE - (Continued)

Capital lease payments are reflected as debt service expenditures in the Combined Statement of Revenues, Expenditures and Changes in Fund Balances-All Governmental Fund Types and Expendable Trust Fund. These expenditures are reflected as program/function expenditures on a budgetary basis. General fixed assets acquired by lease have been capitalized in the General Fixed Asset Account Group in the amount of \$107,915, which is equal to the present value of the future minimum lease payments as of the date of their inception. A corresponding liability was recorded in the General Long-Term Obligations Account Group. Principal payments in the 2000 fiscal year totaled \$21,074. This amount is reflected as debt service principal retirement in the General fund.

The following is a schedule of the future minimum lease payments required under the capital leases and the present value of the future minimum lease payments as of June 30, 2000.

General Long-Term Obligations

Year Ending	Mail Machine &
	<u>Copiers</u>
2001	\$28,375
2002	10,523
2003	5,689
2004	3,217
2005	2,863
2006	150
Total future minimum lease payments	50,817
Less: Amount Representing Interest	(5,946)
Present Value of Future Minimum Lease Payments	<u>\$44,871</u>

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2000 (Continued)

NOTE 11 - LONG-TERM OBLIGATIONS

The current general obligation bonds outstanding, which were issued to provide funds for the acquisition and construction and/or renovation of equipment and facilities, are general obligations of the District, for which the full faith and credit of the District are pledged for repayment. Accordingly, such unmatured obligations of the District are accounted for in the General Long-Term Obligations Account Group. Payments of principal and interest relating to these bonds are recorded as expenditures in the Debt Service fund. The source of payment is current operating revenues.

A. The following is a description of the District's bonds outstanding as of June 30, 2000:

<u>Purpose</u>	Interest Rate	Issue Date	Maturity <u>Date</u>	Balance 07/01/99	Retired in Fiscal 2000	Balance <u>06/30/00</u>
Building Renovations	5.24%	06/01/95	12/01/04	<u>\$430,000</u>	<u>\$(65,000</u>)	\$365,000

B. Principal and interest requirements to retire general obligation bonded debt at June 30, 2000 are as follows:

Year Ending June 30	<u>Principal</u>	<u>Interest</u>	Total
2001	\$ 65,000	\$17,722	\$ 82,722
2002	70,000	14,245	84,245
2003	75,000	10,440	85,440
2004	75,000	6,423	81,423
2005	80,000	2,200	82,200
Total	<u>\$365,000</u>	<u>\$51,030</u>	<u>\$416,030</u>

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2000 (Continued)

NOTE 11 - LONG-TERM OBLIGATIONS - (Continued)

C. During the year ended June 30, 2000, the following changes occurred in liabilities reported in the General Long-Term Obligations Account Group. Compensated absences will be paid from the fund from which the employee is paid.

	Restated Balance July 1, 1999	Additions	Deletions	Outstanding June 30, 2000
General Obligation Bonds Capital Lease Obligation Compensated Absences	\$ 430,000 51,401 1,358,314	\$14,951 448,130	\$ (65,000) (21,481) (354,623)	
Total	<u>\$1,839,715</u>	<u>\$463,081</u>	<u>\$(441,104</u>)	<u>\$1,861,692</u>

D. Legal Debt Margin

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

The effects of these debt limitations for the District at June 30, 2000 are a voted debt margin of \$167,864,335 and an unvoted debt margin of \$1,500,159.

NOTE 12 - RISK MANAGEMENT

The District is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets, error and omissions, injuries to employees and natural disasters. The District contracted with Nationwide Insurance for general liability insurance and Republic Franklin Insurance Company for property, data processing equipment, and boiler and machinery insurance.

Professional liability is provided by Nationwide Insurance Company with a \$2,000,000 per occurrence, \$5,000,000 aggregate limit. The fire damage limit is \$100,000 (for any one fire) and the medical expense limit is \$5,000 for any one person.

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2000 (Continued)

NOTE 12 - RISK MANAGEMENT - (Continued)

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

Public officials bond insurance is provided by Nationwide Mutual Insurance Company for a total of \$260,000. The Treasurer's \$20,000 bond is provided by the Ohio Casualty Insurance Company. Honesty Blanket Position Coverage of \$25,000 is provided by Republic Franklin Insurance Company.

The District provides \$40,000 in life insurance and accidental death and dismemberment insurance to its employees through Community Life.

Settled claims have not exceeded this commercial coverage in any of the past three years. The District uses a Small Claims Adjustment Board which analyzes all claims under \$1,500. There has been no significant reduction in amounts of insurance coverage from fiscal year 1999.

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, Self-Funded Plans, Inc., located in Cleveland, Ohio, reviews and pays all claims. The administrator purchases stop-loss coverage of \$35,000 per employee. The District pays into the self-insurance Internal Service fund \$498 for family coverage and \$236 for individual coverage and \$51 for dental coverage per employee per month, which represents the entire premium required. This premium is paid by the fund that pays the salary for the employee and is based on historical cost information.

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2000 (Continued)

NOTE 12 - RISK MANAGEMENT - (Continued)

The claims liability of \$61,761 reported in the fund at June 30, 2000 is based on the requirements of GASB Statement No. 10 which requires that a liability for unpaid claims cost, including an estimate of cost relating to incurred but not reported claims, be reported. Changes in the fund's claims liability for fiscal 2000 and the two prior fiscal years are as follows:

	Balance at Beginning of Year	Current Year <u>Claims</u>	Claim Payments	Balance at End of Year
2000	\$187,658	\$817,178	\$ 943,075	\$61,761
1999	246,642	949,640	1,008,624	187,658
1998	208,846	873,425	835,629	246,642

Post employment health care is provided to plan participants or their beneficiaries through the respective retirement systems discussed in Note 15. As such, no funding provisions are required by the District.

OSBA WORKER'S COMPENSATION GROUP RATING

For fiscal year 2000, the District participated in the Ohio School Boards Association Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool. The intent of the GRP is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings of the GRP. A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund". This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of Gates McDonald & Co. provides administrative, cost control and actuarial services to the GRP.

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2000 (Continued)

NOTE 13 - SEGMENT INFORMATION FOR ENTERPRISE FUNDS

The District maintains three Enterprise Funds to account for the operations of Food Service, Uniform School Supplies, and Adult Education. The table below reflects, in a summarized format, the more significant financial data relating to the Enterprise Funds of the District as of and for the year ended June 30, 2000.

	Food Service	Uniform School Supplies	Adult <u>Education</u>	Total
Operating Revenue	\$224,198	\$100,083	\$ 381,692	\$ 705,973
Depreciation Expense	4,474		29,314	33,788
Operating Income (Loss)	(49,556)	(26,823)	(350,472)	(426,851)
Non-operating Revenue Operating Grants Donated Commodities	46,191 12,198		254,181	300,372 12,198
Operating Transfers In		18,000	50,000	68,000
Net Income (Loss)	66,846	(8,823)	36,363	94,386
Net Working Capital	144,036	39,130	(117,299)	65,867
Fixed Assets: Additions			22,393	22,393
Total Assets	177,314	39,130	212,448	428,892
Long-Term Liabilities Payable From Fund Revenues	90		16,798	16,888
Total Fund Equity	152,560	39,130	(72,111)	119,579
Encumbrances Outstanding as of 6/30/00	15,796	5,230	13,770	34,796

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2000 (Continued)

NOTE 14 - DEFINED BENEFIT PENSION PLANS

A. School Employees Retirement System

The District contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing multiple employer defined benefit pension plan. SERS provides basic retirement and disability benefits, cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is established by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand alone financial report that includes financial statements and required supplementary information. The report may be obtained by writing to the School Employees Retirement System, 45 North Fourth Street, Columbus, Ohio 43215-3634.

Plan members are required to contribute 9 percent of their annual covered salary and the District is required to contribute at an actuarially determined rate, which was 14 percent for 2000; 5.55 percent was the portion to fund pension obligations. The contribution rates of plan members and employers are established and may be amended by the School Employees Retirement Board, up to maximum amounts allowed by State statute. The adequacy of the contribution rates is determined annually. The District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2000, 1999 and 1998 were \$256,204, \$222,343, and \$200,348, respectively; 98 percent has been contributed for fiscal year 2000 and 100 percent for the fiscal years 1999 and 1998. \$6,266, which represents the unpaid contribution for fiscal year 2000, is recorded as a fund liability within the respective funds.

B. State Teachers Retirement System

The District contributes to the STRS, a cost-sharing multiple employer public employee retirement system administered by the State Teachers Retirement Board. STRS provides basic retirement benefits, disability, survivor, and health care benefits based on eligible service credit to members and beneficiaries. Benefits are established by Chapter 3307 of the Ohio Revised Code. STRS issues a publicly available financial report that includes financial statements and required supplementary information for STRS. The report may be obtained by writing to the State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3771.

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2000 (Continued)

NOTE 14 - DEFINED BENEFIT PENSION PLANS - (Continued)

B. State Teachers Retirement System - (Continued)

Plan members are required to contribute 9.3 percent of their annual covered salary and the District is required to contribute 14 percent; 6 percent was the portion used to fund pension obligations. Contribution rates are established by STRS, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. The District's required contributions for pension obligations to STRS for the fiscal years ended June 30, 2000, 1999 and 1998 were \$909,500, \$806,166, and \$779,445 respectively; 99 percent has been contributed for fiscal year 2000 and 100 percent for fiscal years 1999 and 1998. \$100, which represents the unpaid contribution for fiscal year 2000, is recorded as a fund liability within the respective funds.

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the SERS or the STRS have an option to choose Social Security or the SERS/STRS. As of June 30, 2000, some members of the Board of Education have elected Social Security. The Board's liability is 6.2% of wages paid.

NOTE 15 - POSTEMPLOYMENT BENEFITS

The District provides comprehensive health care benefits to retired teachers and their dependents through the State Teachers Retirement System, and to retired non-certified employees and their dependents through the School Employees Retirement System. Benefits include hospitalization, physicians' fees, prescription drugs, and reimbursement of monthly Medicare premiums. Benefit provisions and the obligations to contribute are established by the Systems based on authority granted by State statute. Both systems are funded on a pay-as-you-go basis.

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2000 (Continued)

NOTE 15 - POSTEMPLOYMENT BENEFITS - (Continued)

The State Teachers Retirement Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefit recipients are required to pay a portion of health care cost in the form of a monthly premium. By Ohio law, the cost of coverage paid from STRS funds shall be included in the employer contribution rate, currently 14 percent of covered payroll. Through June 30, 2000, the Board allocated employer contributions equal to 8 percent of covered payroll to the Health Care Reserve Fund. For the District, this amount equaled \$519,714 during the 2000 fiscal year.

State Teachers Retirement System pays health care benefits from the Health Care Reserve Fund. The balance in the Fund was \$2.783 billion at June 30, 1999 (the latest information available). As of July 1, 1999, eligible benefit recipients totaled 95,796. For the fiscal year ended June 30, 1999, (the latest information available) net health care costs paid by STRS were \$249,929,000.

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

For this fiscal year, employer contributions to fund health care benefits were 8.5 percent of covered payroll, an increase from 6.30 percent for fiscal year 1999. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2000, the minimum pay was established at \$12,400. The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund.

The target level for the health care reserve is 150 percent of annual health care expenses. Expenses for health care at June 30, 1999 (the latest information available), were \$126,380,984 and the target level was \$189.6 million. At June 30, 1999 (the latest information available) SERS had net assets available for payment of health care benefits of \$188 million. SERS has approximately 51,000 participants currently receiving health care benefits. For the District, the amount to fund health care benefits including surcharge, equaled \$131,154 during the 2000 fiscal year.

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2000 (Continued)

NOTE 16 - BUDGETARY BASIS OF ACCOUNTING

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

The Combined Statement of Revenue, Expenditures, and Changes in Fund Balances - Budget and Actual Comparison (NON-GAAP Budgetary Basis) - All Governmental Fund Types 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 are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis);
- (b) Expenditures 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, encumbrances are recorded as the equivalent of an expenditure (budget basis) as opposed to a reservation of fund balance for Governmental Funds (GAAP basis).

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2000 (Continued)

NOTE 16 - BUDGETARY BASIS OF ACCOUNTING - (Continued)

The adjustments necessary to convert the results of operations for the year on the budget basis to the GAAP basis for the Governmental Funds are as follows:

Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses

	Governmental Fund Types		
		Special	Capital
	General	Revenue	Projects
	Fund	Funds	Fund
Budget Basis	\$1,124,886	\$ (62,131)	\$(171,581)
Net Adjustment for Revenue Accruals	(564,187)	(20,829)	0
Net Adjustment for Expenditure Accruals	(36,329)	52,611	(206,520)
Net Adjustment for Other Financing Sources/(Uses)	21,901	34	0
Net Adjustment for Fund Reclassification	(24,755)	(16,003)	
Adjustment for Encumbrances	153,843	96,954	338,101
GAAP Basis	\$ 675,359	\$ 50,636	\$ (40,000)

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2000 (Continued)

NOTE 17 - CONTINGENCIES

A. Grants

The District receives financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the District at June 30, 2000.

B. Litigation

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

C. State School Funding Decision

On March 24, 1997, the Ohio Supreme Court rendered a decision declaring certain portions of the Ohio school funding plan unconstitutional. The Court stayed the effect of its ruling for one year to allow the Ohio General Assembly to design a plan to remedy the perceived defects in that system. Declared unconstitutional was the State's "school foundation program", which provides significant amounts of monetary support to this District. During the fiscal year ended June 30, 2000, the District received \$4,751,845 of school foundation support for its General fund.

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2000 (Continued)

NOTE 17 - CONTINGENCIES - (Continued)

Since the Supreme Court ruling, numerous pieces of legislation have been passed by the State General Assembly in an attempt to address the issues identified by the Court. The Court of Common Pleas in Perry County reviewed the new laws and, in a decision issued on February 26, 1999, determined they are not sufficiently responsive to the constitutional issues raised under the "thorough and efficient" clause of the Ohio Constitution. The State appealed the decision made by the Court of Common Pleas to the Ohio Supreme Court. On May 11, 2000, the Ohio Supreme Court rendered an opinion on this issue. The Court concluded, "...the mandate of the (Ohio) Constitution has not been fulfilled." The Court's majority recognized efforts by the Ohio General Assembly taken in response to the Court's March 24, 1997, decision, however, it found seven "...major areas warrant further attention, study, and development by the General Assembly...," including the State's reliance on local property tax funding, the state's basic aid formula, the school foundation program, as discussed above, the mechanism for, and adequacy of, funding for school facilities, and the existence of the State's School Solvency Assistance Fund, which the Court found took the place of the unconstitutional emergency school loan assistance program.

The Court decided to maintain jurisdiction over these issues and continued the case at least until June 15, 2001.

As of the date of these financial statements, the District is unable to determine what effect, if any, this ongoing litigation will have on its future State funding under this program and on its financial operations.

NOTE 18 - SIGNIFICANT SUBSEQUENT EVENTS

In August, 2000, the District issued \$695,000 in energy conservation notes. The notes have a final maturity date of December 1, 2015, and bear interest from 4.70% to 5.875%. In accordance with Ohio statute, these notes will be repaid from operating revenues.

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SCHEDULE OF RECEIPTS AND EXPENDITURES OF FEDERAL AWARDS FOR THE YEAR ENDED JUNE 30, 2000

Federal Grantor/ Pass Through Grantor Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Non-Cash Receipts	Expenditures	Non-Cash Expenditures
U.S. DEPARTMENT OF AGRICULTURE Passed through the Ohio Department of Education:						
Nutrition Cluster:						
Food Distribution Program	Not Available	10.550	\$0	\$10,517	\$0	\$12,198
School Breakfast Program	051417 05-PU 00	10.553	4,222		4,222	
National School Lunch Program	051417 04-PU 00	10.555	39,092		39,092	
Total U.S. Department of Agriculture - Nutrition Cluste	er		43,314	10,517	43,314	12,198
U.S. DEPARTMENT OF LABOR Passed through the Ohio Department of Education:						
Employment Services and Job Training Pilot and Demonstration Programs	051417 WK-BE 00 98	17.249	4,149		6,652	
Total Employment Services and Job Training	051417 WK-BE 00 99		35,463 39,612		33,314 39,966	
Passed through STW Region 6:						
School to Work Program	Not Available		23,000		23,000	
Total U.S. Department of Labor			62,612		62,966	
U.S. DEPARTMENT OF EDUCATION Direct Program:						
Federal Pell Grant Program	N/A	84.063	46,681		46,681	
Passed through the Ohio Department of Education:						
Adult Education - State Grant Programs	051417 AB-S1 99 Not Available	84.002	29,279 46,431 75,710		32,970 39,334 72,304	
Vocational Education - Basic Grants to State	051417 20-A4 00 99 051417 20-A5 00 99 051417 20-C1 00 99 051417 20-C1 00 00 051417 20-C2 00 99 051417 20-C2 00 00	84.048	19,980 25,000 39,434 247,587 6,673 40,306		26,216 28,666 33,323 248,786 11,821 48,861	
Total Vocational Education Program	031417 20-02 00 00		378,980		397,673	
Goals 2000 - State and Local Education System	051417 G2-S6 99	84.276	25,000		9,698	
Eisenhower Prof Dev. State Grant	051417 MS-S1 00	84.281	683			
Innovative Educaton Program Strategies	051417 C2 S1 99C 051417 C2 S1 00	84.298	628 1,399		3,564 270	
Total Innovative Education Program Strategies	301111 32 31 33		2,027		3,834	
Comprehensive School Reform Demo	051417 RF-A1 99	84.332	62,500			
Learn and Serve America, School & Community	051417 SV-S2 00	94.004	2,985		2,985	
Passed through the District's Member Schools:						
Safe and Drug Free Schools and Communities	Not Available	84.186	4,361		4,043	
Total U.S. Department of Education			598,927		537,218	
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES Passed through the Ohio Department of Human Se Passed through the Richland County Department of						
Temporary Assistance to Needy Families	051417 JB-S1 96	93.558	104,633		67,808	
Total U.S. Department of Health and Human Services	3		104,633		67,808	
Total Federal Assistance			\$809,486	\$10,517	\$711,306	\$12,198

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

NOTES TO THE SCHEDULE OF RECEIPTS AND EXPENDITURES OF FEDERAL AWARDS FOR THE YEAR ENDED JUNE 30, 2000

NOTE A--SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B-FOOD DISTRIBUTION

Nonmonetary assistance is reported in the Schedule at the fair market value of the commodities received and disbursed. Monies are commingled with state grants. It is assumed federal monies are expended first. At June 30, 2000, the District had no significant food commodities in inventory.



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

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

To the Board of Education:

We have audited the financial statements of the Pioneer Career and Technology Center: A Vocational School District, Richland County, Ohio, (the District) as of and for the year ended June 30, 2000, and have issued our report thereon dated December 29, 2000. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

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

However, we noted certain immaterial instances of noncompliance that we have reported to management of the District in a separate letter dated December 29, 2000.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the District's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying Schedule of Findings as items 2000-10570-001 and 2000-10570-002.

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

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe none of the reportable conditions described above are material weaknesses.

We also noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the District in a separate letter dated December 29, 2000.

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

Jim Petro Auditor of State

December 29, 2000



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

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

To the Board of Education:

Compliance

We have audited the compliance of the Pioneer Career and Technology Center: A Vocational School District, Richland County, Ohio, (the District) with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement* that are applicable to its major federal program for the year ended June 30, 2000. The District's major federal program is identified in the summary of auditor's results section of the accompanying Schedule of Findings. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

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

In our opinion, the District complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended June 30, 2000.

Internal Control Over Compliance

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

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

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

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

Jim Petro Auditor of State

December 29, 2000

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

SCHEDULE OF FINDINGS OMB CIRCULAR A -133 § .505 JUNE 30, 2000

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	Type of Financial Statement Opinion	Unqualified
(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 reportable control weakness conditions reported at the financial statement level (GAGAS)?	Yes
(d)(1)(iii)	Was there any material reported non-compliance at the financial statement level (GAGAS)?	No
(d)(1)(iv)	Were there any material internal control weakness conditions reported for major federal programs?	No
(d)(1)(iv)	Were there any other reportable internal control weakness conditions reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs Compliance Opinion	Unqualified
(d)(1)(vi)	Are there any reportable findings under § .510?	No
(d)(1)(vii)	Major Programs (list):	Vocational Education 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?	Yes

Pioneer Career and Technology Center: A Vocational School District Richland County Schedule of Findings Page 2

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

REPORTABLE CONDITIONS

Finding Number	2000 10570 001
Finding Number	2000-10570-001

Electronic Imaging of Checks

The District does not receive cancelled checks from its bank. The bank sends the District an electronic image of the front of the cancelled checks. This does not allow the District to determine whether checks were properly endorsed by the appropriate party.

We recommend the District follow the guidance in Auditor of State Bulletin 96-006 issued on February 26, 1996 which states in part, in order for the electronic image to be sufficient evidential matter, an adequate audit record must be preserved. For example, the imaging of the reverse side of the check must occur, and it must be clear which back side of a check matches its front side. In addition, the imaging must be large enough to determine that no alteration to the original documents has occurred. The District must also ensure that the bank retains the original as well as the duplicate checks in accordance with the records retention schedule to which the District is subject under Ohio Rev. Code Chapter 149. The original paper checks are public records, subject to the records retention schedule applicable to the District regardless of whether the documents are in the District's possession or in the possession of the financial institution.

Finding Number	2000-10570-002
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Student Activities - Fund Raisers

Part B of the Student Activity Sales Potential Forms, which reconciles items purchased, sold, amounts deposited, and any items unaccounted for, was not properly completed by the activity directors of the Colonel Crawford's Future Farmers of America Club and Pioneer's ECE H.E.R.O. Club. No reconciliation of items purchased and sold was prepared showing the revenue received or profit.

Without properly completed sales potential forms, it cannot be determined what was done with the money collected and the inventory purchased for sale.

Sales potential forms should be properly completed for all fund raising activities. At the end of each sale, the student activity advisor should complete a fund raiser reconciliation documenting total project receipts and disbursements, as well as any unusual circumstances occurring during the sale such as lost merchandise or the disposition of unsold merchandise. A complete fund raiser reconciliation will help ensure receipts are properly recorded and errors are detected in a timely manner.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None



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PIONEER CAREER AND TECHNOLOGY CENTER RICHLAND COUNTY

CLERK'S CERTIFICATION

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

CLERK OF THE BUREAU

Susan Babbitt

CERTIFIED FEBRUARY 13, 2001