

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

SINGLE AUDIT

FOR THE YEAR ENDED JUNE 30, 2004



**Auditor of State
Betty Montgomery**

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

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Auditor of State Betty Montgomery

INDEPENDENT ACCOUNTANTS' REPORT

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

To the Board of Education:

We have audited the accompanying financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of Pioneer Career and Technology Center: A Vocational School District, Richland County, Ohio, (the District) as of and for the year ended June 30, 2004, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the major fund, and the aggregate remaining fund information of Pioneer Career and Technology Center: A Vocational School District, Richland County, Ohio, as of June 30, 2004, and the respective changes in financial position and cash flows, where applicable, and the respective budgetary comparison for the General Fund thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 15, 2005, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and 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.

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

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

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

Betty Montgomery
Auditor of State

February 15, 2005

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004
UNAUDITED

The discussion and analysis of the Pioneer Career and Technology Center's (the "District") financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2004. The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should also review the basic financial statements and the notes to the basic financial statements to enhance their understanding of the District's financial performance.

Financial Highlights

Key financial highlights for 2004 are as follows:

- In total, net assets of governmental activities increased \$1,437,823 which represents a 14.70 percent increase from 2003.
- General revenues accounted for \$13,588,863 in revenue or 86.96 percent of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$2,036,848 or 13.04 percent of total revenues of \$15,625,711.
- The District had \$14,187,888 in expenses related to governmental activities; only \$2,036,848 of these expenses were offset by program specific charges for services, grants or contributions. General revenues supporting governmental activities (primarily taxes and unrestricted grants and entitlements) of \$13,588,863 were adequate to provide for these programs.
- The District's only major governmental fund is the general fund. The general fund had \$13,565,041 in revenues and \$13,663,396 in expenditures and other financing uses. During fiscal 2004, the general fund's fund balance decreased \$99,356 from \$7,184,452 to \$7,085,096.

Using the Basic Financial Statements

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

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

Reporting the District as a Whole

Statement of Net Assets and the Statement of Activities

While this document contains the large number of funds used by the District to provide programs and activities, the view of the District as a whole looks at all financial transactions and asks the question, "How did we do financially during 2004?" The *Statement of Net Assets* and the *Statement of Activities* answer this question. These statements include *all assets, liabilities, revenues and expenses* using the *accrual basis of accounting* similar to the accounting used by most private-sector companies. This basis of accounting will take into account all of the current year's revenues and expenses regardless of when cash is received or paid.

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

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

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

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

Reporting the District's Most Significant Funds

Fund Financial Statements

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

Governmental Funds

Most of the District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in future periods. These funds are reported using an accounting method called *modified accrual* accounting, which measures cash and all other *financial assets* that can readily be converted to cash. The governmental fund financial statements provide a detailed *short-term* view of the District's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance educational programs. The relationship (or differences) between governmental *activities* (reported in the Statement of Net Assets and the Statement of Activities) and governmental *funds* is reconciled in the basic financial statements. The basic governmental fund financial statements can be found on pages 16-20 of this report.

Proprietary Fund

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

Reporting the District's Fiduciary Responsibilities

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

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004
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Notes to the Basic Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. These notes to the basic financial statements can be found on pages 27-51 of this report.

The District as a Whole

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

The table below provides a summary of the District's net assets for 2004 and 2003.

	Net Assets	
	Governmental Activities 2004	Governmental Activities 2003
<u>Assets</u>		
Current and other assets	\$ 16,429,793	\$ 15,398,526
Capital assets	<u>2,871,884</u>	<u>2,831,283</u>
Total assets	<u>19,301,677</u>	<u>18,229,809</u>
<u>Liabilities</u>		
Current liabilities	6,119,838	6,317,083
Long-term liabilities	<u>1,935,469</u>	<u>2,104,179</u>
Total liabilities	<u>8,055,307</u>	<u>8,421,262</u>
<u>Net Assets</u>		
Invested in capital assets, net of related debt	2,161,230	1,990,068
Restricted	2,556,406	1,342,227
Unrestricted	<u>6,528,734</u>	<u>6,476,252</u>
Total net assets	<u>\$ 11,246,370</u>	<u>\$ 9,808,547</u>

Over time, net assets can serve as a useful indicator of a government's financial position. At June 30, 2004, the District's assets exceeded liabilities by \$11,246,370. At year-end, unrestricted net assets were \$6,528,734.

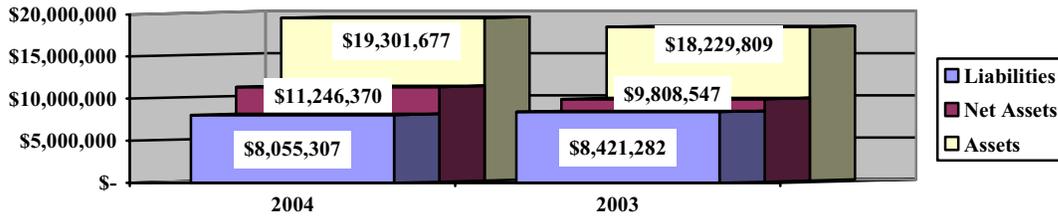
At year-end, capital assets represented 14.88 percent of total assets. Capital assets include land, buildings and improvements, furniture and equipment and vehicles. Capital assets, net of related debt to acquire the assets at June 30, 2004, were \$2,161,230. These capital assets are used to provide services to the students and are not available for future spending. Although the District's investment in capital assets is reported net of related debt, it should be noted that the resources to repay the debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities.

A portion of the District's net assets, \$2,556,406, represents resources that are subject to external restriction on how they may be used. The remaining balance of unrestricted net assets of \$6,528,734 may be used to meet the District's ongoing obligations to the students and creditors.

**PIONEER CAREER AND TECHNOLOGY CENTER
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MANAGEMENT'S DISCUSSION AND ANALYSIS
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Governmental Activities



The table below shows the change in net assets for fiscal years 2004 and 2003.

Change in Net Assets

	Governmental Activities 2004	Governmental Activities 2003
<u>Revenues</u>		
Program revenues:		
Charges for services and sales	\$ 641,641	\$ 731,167
Operating grants and contributions	1,347,644	1,252,855
Capital grants and contributions	47,563	48,026
General revenues:		
Property taxes	5,700,108	5,987,111
Grants and entitlements	7,452,376	6,974,786
Investment earnings	203,093	232,536
Other	233,286	235,842
Total revenues	<u>\$ 15,625,711</u>	<u>\$ 15,462,323</u>

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RICHLAND COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
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	Activities 2004	Activities 2003
<u>Expenses</u>		
Program expenses:		
Instruction:		
Regular	\$ 558,137	\$ 710,713
Special	350,601	331,757
Vocational	6,730,142	6,825,728
Other	901,335	629,458
Support services:		
Pupil	1,114,769	1,119,237
Instructional staff	926,381	1,114,300
Board of education	41,311	61,588
Administration	1,044,780	1,010,537
Fiscal	488,869	433,711
Business	126,733	115,537
Operations and maintenance	1,342,915	1,466,776
Pupil transportation	27,835	30,175
Central	108,944	143,855
Food service operations	342,343	320,771
Extracurricular activities	39,365	42,772
Interest and fiscal charges	43,428	50,441
Total expenses	14,187,888	14,407,356
Change in net assets	\$ 1,437,823	\$ 1,054,967

Governmental Activities

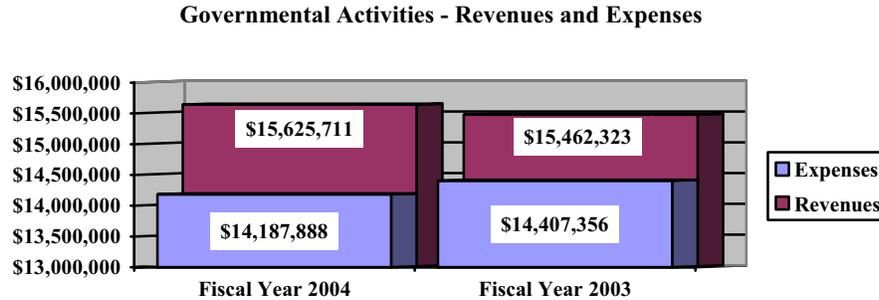
Net assets of the District's governmental activities increased \$1,437,823. Total governmental expenses of \$14,187,888 were offset by program revenues of \$2,036,848 and general revenues of \$13,588,863. Program revenues supported 14.36 percent of the total governmental expenses.

The primary sources of revenue for governmental activities are derived from property taxes, and grants and entitlements. These revenue sources represent 84.17 percent of total governmental revenue. Real estate property is reappraised every six years.

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RICHLAND COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
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The graph below presents the District's governmental activities revenue and expenses for fiscal years 2004 and 2003.



The Statement of Activities shows the cost of program services and the charges for services and grants offsetting those services. The following table shows, for governmental activities, the total cost of services and the net cost of services. That is, it identifies the cost of these services supported by tax revenue and unrestricted State grants and entitlements.

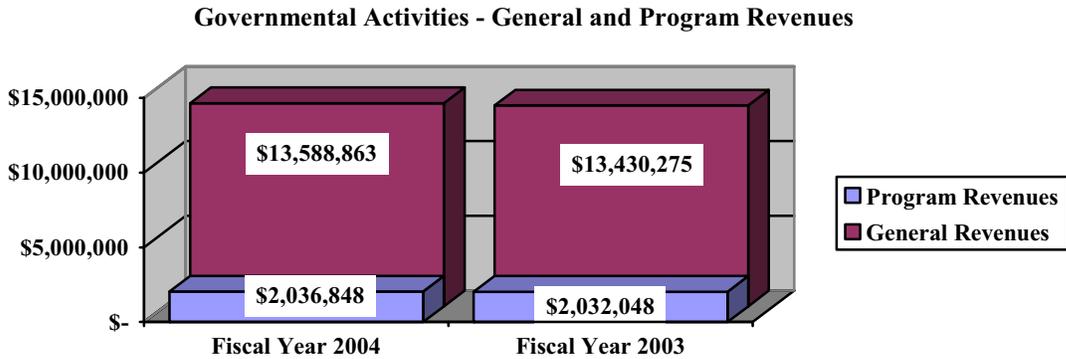
	Governmental Activities			
	Total Cost of Services	Net Cost of Services	Total Cost of Services	Net Cost of Services
	2004	2004	2003	2003
Program expenses				
Instruction:				
Regular	\$ 558,137	\$ 558,137	\$ 710,713	\$ 677,628
Special	350,601	350,601	331,757	331,757
Vocational	6,730,142	6,445,682	6,825,728	6,551,530
Other	901,335	86,587	629,458	39,155
Support services:				
Pupil	1,114,769	765,468	1,119,237	757,961
Instructional staff	926,381	712,739	1,114,300	753,723
Board of education	41,311	41,311	61,588	61,588
Administration	1,044,780	999,328	1,010,537	979,771
Fiscal	488,869	478,576	433,711	433,711
Business	126,733	126,733	115,537	115,537
Operations and maintenance	1,342,915	1,341,926	1,466,776	1,466,776
Pupil transportation	27,835	27,835	30,175	30,175
Central	108,944	87,523	143,855	55,458
Food service operations	342,343	45,801	320,771	27,325
Extracurricular activities	39,365	39,365	42,772	42,772
Interest and fiscal charges	43,428	43,428	50,441	50,441
Total	<u>\$ 14,187,888</u>	<u>\$ 12,151,040</u>	<u>\$ 14,407,356</u>	<u>\$12,375,308</u>

The dependence upon tax and other general revenues for governmental activities is apparent, 87.13 percent of instruction activities are supported through taxes and other general revenues. For all governmental activities, general revenue support is 85.64 percent. The District's taxpayers, as a whole, are by far the primary support for District's students.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004
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The graph below presents the District's governmental activities revenue for fiscal years 2004 and 2003.



The District's Funds

The District's governmental funds (as presented on the balance sheet on page 16) reported a combined fund balance of \$9,582,427, which is higher than last year's total of \$8,381,569. The schedule below indicates the fund balance and the total change in fund balance as of June 30, 2004 and 2003.

	Fund Balance June 30, 2004	Fund Balance June 30, 2003	Increase (Decrease)
General	\$ 7,085,096	\$ 7,184,452	\$ (99,356)
Other Governmental	<u>2,497,331</u>	<u>1,197,117</u>	<u>1,300,214</u>
Total	<u>\$ 9,582,427</u>	<u>\$ 8,381,569</u>	<u>\$ 1,200,858</u>

General Fund

The District's general fund balance decreased \$99,356. The decrease in fund balance can be attributed to expenditures increasing faster than revenues. The table that follows assists in illustrating the financial activities and fund balance of the general fund.

	2004 Amount	2003 Amount	Percentage Change
Revenues			
Taxes	\$ 5,683,622	\$ 5,637,213	0.82 %
Tuition	-	570	(100.00) %
Earnings on investments	200,298	243,535	(17.75) %
Intergovernmental	7,452,376	6,974,786	6.85 %
Other revenues	<u>228,745</u>	<u>231,590</u>	(1.23) %
Total	<u>\$ 13,565,041</u>	<u>\$ 13,087,694</u>	3.65 %

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
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	2004 <u>Amount</u>	2003 <u>Amount</u>	Percentage <u>Change</u>
<u>Expenditures</u>			
Instruction	\$ 7,140,477	\$ 6,837,755	4.43 %
Support services	4,226,398	3,993,858	5.82 %
Extracurricular activities	34,197	37,664	(9.21) %
Capital outlay	-	14,899	(100.00) %
Debt service	<u>174,454</u>	<u>25,906</u>	573.41 %
Total	<u>\$ 11,575,526</u>	<u>\$ 10,910,082</u>	6.10 %

General Fund Budgeting Highlights

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

During the course of fiscal year 2004, the District amended its general fund budget one time. For the general fund, final budgeted revenues and other financing sources were \$13,413,725, which is more than the original budgeted revenues estimate of \$13,394,725. Actual revenues and other financing sources for fiscal 2004 was \$13,883,494. This represents a \$469,769 increase over final budgeted revenues.

General fund original appropriations (appropriated expenditures plus other financing uses) of \$14,403,567 were increased to \$14,422,567 in the final budget. The actual budget basis expenditures and other financing uses for fiscal year 2004 totaled \$14,231,158, which was \$191,409 less than the final budget appropriations.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2004, the District had \$2,871,884 invested in land, buildings and improvements, furniture and equipment, and vehicles. This entire amount is reported in governmental activities. The following table shows fiscal year 2004 balances compared to 2003:

	Capital Assets at June 30 (Net of Depreciation)	
	<u>Governmental Activities</u>	
	<u>2004</u>	<u>2003</u>
Land	\$ 25,000	\$ 25,000
Building and improvements	1,181,591	1,240,497
Furniture and equipment	1,580,791	1,495,295
Vehicles	<u>84,502</u>	<u>70,491</u>
Total	<u>\$ 2,871,884</u>	<u>\$ 2,831,283</u>

The overall increase in capital assets of \$40,601 is primarily due to capital outlays of \$499,635 exceeding total disposals of \$2,029 (net of accumulated depreciation) and depreciation expense of \$457,005 for fiscal year 2004.

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

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Debt Administration

At June 30, 2004, the District had \$710,654 in general obligation bonds, energy conservation notes and capital lease obligations outstanding. Of this total, \$135,934 is due within one year and \$574,720 is due within more than one year. The following table summarizes the bonds, notes and leases outstanding.

Outstanding Debt at June 30

	Governmental Activities <u>2004</u>	Governmental Activities <u>2003</u>
General obligation bonds	\$ 80,000	\$ 155,000
Energy conservation notes	595,000	630,000
Capital lease obligations	<u>35,654</u>	<u>56,215</u>
Total	<u>\$ 710,654</u>	<u>\$ 841,215</u>

At June 30, 2004, the District's overall legal debt margin was \$197,702,874 with an unvoted debt margin of \$2,116,699.

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

Current Financial Related Activities

The District has carefully managed its general fund budgets in order to optimize the dollars available for educating the students it serves, and to minimize the levy millage amounts needed periodically from the community's citizens. As the preceding information shows, the general fund cash balance was \$6,884,949 at June 30, 2004. The general fund cash balance includes the cash balance of rotary funds. On a GAAP basis, these amounts are consolidated with the general fund. Fiscal year-end general fund cash balance was \$7,075,478 at June 30 in fiscal year 2003. This small decrease of \$190,529 indicates that the district is maintaining a healthy cash balance. Sound fiscal management by the Board of Education and Administration has enabled the District to maintain a healthy cash balance, replace the 1 mill five year operating levy in 1999, and renew it again in November 2003 and continue a quality, comprehensive educational program.

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

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

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

The District has committed itself to educational and financial excellence for many years. Each challenge identified in this section is viewed simultaneously as an opportunity for the District to foray down paths not previously traveled to continue its commitment to excellence. The District is committed to living within its financial means, and working with the community it serves in order to garner adequate resources to support the educational program.

Contacting the District's Financial Management

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

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

STATEMENT OF NET ASSETS
JUNE 30, 2004

	Governmental Activities
Assets:	
Equity in pooled cash and cash equivalents.	\$ 9,692,753
Cash with fiscal agent.	459,507
Receivables:	
Taxes	5,818,585
Accounts	24,276
Intergovernmental	122,958
Accrued interest	151,810
Prepayments	71,623
Materials and supplies inventory	88,281
Capital assets:	
Land	25,000
Depreciable capital assets, net	2,846,884
Capital assets, net.	2,871,884
 Total assets.	 19,301,677
Liabilities:	
Accounts payable.	92,333
Accrued wages and benefits	967,151
Pension obligation payable.	159,176
Intergovernmental payable	44,973
Deferred revenue	4,472,383
Accrued interest payable	2,938
Claims payable	380,884
Long-term liabilities:	
Due within one year.	436,333
Due within more than one year	1,499,136
 Total liabilities	 8,055,307
Net Assets:	
Invested in capital assets, net of related debt.	2,161,230
Restricted for:	
Capital projects	2,535,404
Other purposes	21,002
Unrestricted.	6,528,734
 Total net assets	 \$ 11,246,370

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets
		Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
Governmental activities:					
Instruction:					
Regular	\$ 558,137	\$ -	\$ -	\$ -	\$ (558,137)
Special	350,601	-	-	-	(350,601)
Vocational	6,730,142	108,185	176,275	-	(6,445,682)
Other	901,335	307,906	506,842	-	(86,587)
Support services:					
Pupil	1,114,769	493	348,808	-	(765,468)
Instructional staff	926,381	2,284	163,795	47,563	(712,739)
Board of education	41,311	-	-	-	(41,311)
Administration	1,044,780	14,930	30,522	-	(999,328)
Fiscal	488,869	-	10,293	-	(478,576)
Business	126,733	-	-	-	(126,733)
Operations and maintenance	1,342,915	-	989	-	(1,341,926)
Pupil transportation	27,835	-	-	-	(27,835)
Central	108,944	-	21,421	-	(87,523)
Operation of non-instructional services:					
Food service operations	342,343	207,843	88,699	-	(45,801)
Extracurricular activities	39,365	-	-	-	(39,365)
Interest and fiscal charges	43,428	-	-	-	(43,428)
Total governmental activities	<u>\$ 14,187,888</u>	<u>\$ 641,641</u>	<u>\$ 1,347,644</u>	<u>\$ 47,563</u>	<u>(12,151,040)</u>
General Revenues:					
Property taxes levied for:					
General purposes					5,700,108
Grants and entitlements not restricted to specific programs					7,452,376
Investment earnings					203,093
Miscellaneous					<u>233,286</u>
Total general revenues					<u>13,588,863</u>
Change in net assets					1,437,823
Net assets at beginning of year					<u>9,808,547</u>
Net assets at end of year					<u>\$ 11,246,370</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2004

	General	Other Governmental Funds	Total Governmental Funds
Assets:			
Equity in pooled cash and cash equivalents	\$ 6,803,174	\$ 2,824,316	\$ 9,627,490
Receivables:			
Taxes	5,818,585	-	5,818,585
Accounts	10,776	13,500	24,276
Intergovernmental	-	122,958	122,958
Accrued interest	151,810	-	151,810
Interfund loans	217,510	-	217,510
Prepayments	71,623	-	71,623
Materials and supplies inventory	41,424	46,857	88,281
Restricted assets:			
Equity in pooled cash and cash equivalents	65,263	-	65,263
 Total assets	 \$ 13,180,165	 \$ 3,007,631	 \$ 16,187,796
Liabilities:			
Accounts payable	\$ 37,201	\$ 55,132	\$ 92,333
Accrued wages and benefits	808,815	158,336	967,151
Compensated absences payable	132,764	-	132,764
Pension obligation payable	96,195	20,835	117,030
Intergovernmental payable	33,723	11,250	44,973
Interfund loans payable	-	217,510	217,510
Deferred revenue	4,986,371	47,237	5,033,608
 Total liabilities	 6,095,069	 510,300	 6,605,369
Fund Balances:			
Reserved for encumbrances	119,122	367,110	486,232
Reserved for materials and supplies inventory	41,424	46,857	88,281
Reserved for prepayments	71,623	-	71,623
Reserved for property tax unavailable for appropriation	887,668	-	887,668
Reserved for budget stabilization	65,263	-	65,263
Designated	174,374	-	174,374
Unreserved, undesignated (deficit), reported in:			
General fund	5,725,622	-	5,725,622
Special revenue funds	-	(157,835)	(157,835)
Capital projects funds	-	2,241,199	2,241,199
 Total fund balances	 7,085,096	 2,497,331	 9,582,427
 Total liabilities and fund balances	 \$ 13,180,165	 \$ 3,007,631	 \$ 16,187,796

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

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO
NET ASSETS OF GOVERNMENTAL ACTIVITIES
JUNE 30, 2004

Total governmental fund balances		\$	9,582,427
<i>Amounts reported for governmental activities in the statement of net assets are different because:</i>			
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.			2,871,884
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.			
Taxes	\$	382,721	
Intergovernmental revenue		47,237	
Accrued interest		131,267	
Total			561,225
An internal service fund is used by management to charge the costs of insurance to individual funds. The assets and liabilities of the internal service fund are included in governmental activities in the statement of net assets.			78,623
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.			
Compensated absences		1,092,051	
Pension obligation payable		42,146	
General obligation bonds payable		80,000	
Energy conservation notes payable		595,000	
Capital lease obligation		35,654	
Accrued interest payable		2,938	
Total			(1,847,789)
Net assets of governmental activities		\$	11,246,370

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

	<u>General</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues:			
From local sources:			
Taxes	\$ 5,683,622	\$ -	\$ 5,683,622
Tuition.	-	291,757	291,757
Charges for services.	-	207,843	207,843
Earnings on investments.	200,298	1,221	201,519
Extracurricular.	-	14,797	14,797
Classroom materials and fees	-	107,741	107,741
Other local revenues.	228,745	24,044	252,789
Other revenue	-	51,335	51,335
Intergovernmental - State.	7,452,376	588,871	8,041,247
Intergovernmental - Federal	-	901,554	901,554
Total revenue	<u>13,565,041</u>	<u>2,189,163</u>	<u>15,754,204</u>
Expenditures:			
Current:			
Instruction:			
Regular	582,155	145	582,300
Special.	341,946	-	341,946
Vocational.	6,216,376	346,067	6,562,443
Other.	-	891,227	891,227
Support services:			
Pupil.	744,687	365,161	1,109,848
Instructional staff	693,339	229,529	922,868
Board of education	41,443	-	41,443
Administration.	950,240	46,282	996,522
Fiscal	477,935	10,172	488,107
Business	122,321	5,604	127,925
Operations and maintenance.	1,085,510	977	1,086,487
Pupil transportation	23,450	-	23,450
Central.	87,473	21,471	108,944
Operation of non-instructional services:			
Food service operations	-	322,435	322,435
Extracurricular activities.	34,197	-	34,197
Facilities acquisition and construction	-	736,471	736,471
Debt service:			
Principal retirement	130,561	-	130,561
Interest and fiscal charges	43,893	-	43,893
Total expenditures	<u>11,575,526</u>	<u>2,975,541</u>	<u>14,551,067</u>
Excess of revenues over (under) expenditures.	<u>1,989,515</u>	<u>(786,378)</u>	<u>1,203,137</u>
Other financing sources (uses):			
Transfers in	-	2,095,430	2,095,430
Transfers (out).	<u>(2,087,870)</u>	<u>(7,560)</u>	<u>(2,095,430)</u>
Total other financing sources (uses)	<u>(2,087,870)</u>	<u>2,087,870</u>	<u>-</u>
Net change in fund balances	(98,355)	1,301,492	1,203,137
Fund balances at beginning of year	7,184,452	1,197,117	8,381,569
Decrease in reserve for inventory	(1,001)	(1,278)	(2,279)
Fund balances at end of year.	<u>\$ 7,085,096</u>	<u>\$ 2,497,331</u>	<u>\$ 9,582,427</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

Net change in fund balances - total governmental funds	\$	1,203,137
<i>Amounts reported for governmental activities in the statement of activities are different because:</i>		
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays (\$499,635) exceed depreciation expense (\$457,005) in the current period.		42,630
The net effect of various miscellaneous transactions involving capital assets (i.e., sales, disposals, trade-ins, and donations) is to decrease net assets.		(2,029)
Governmental funds report expenditures for inventory when purchased. However, in the statement of activities, they are reported as an expense when consumed.		(2,279)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		(131,201)
Repayment of bond and note principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities on the statement of net assets.		110,000
Principal payments on capital lease obligations is an expenditure in the governmental funds, but the repayment reduces long-term liabilities on the statement of net assets.		20,561
Governmental funds report expenditures for interest when it is due. In the statement of activities, interest expense is recognized as the interest accrues, regardless of when it is due.		465
Some expenses reported in the statement of activities, such as compensated absences and pension obligations, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.		4,786
The internal service fund used by management to charge the costs of insurance to individual funds is not reported in the district-wide statement of activities. Governmental fund expenditures and the related internal service fund revenues are eliminated. The net expense of the internal service fund is allocated among the governmental activities.		191,753
Change in net assets of governmental activities	\$	1,437,823

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues:				
From local sources:				
Taxes	\$ 5,448,972	\$ 5,448,972	\$ 5,643,776	\$ 194,804
Earnings on investments.	214,497	214,497	222,384	7,887
Other local revenues	181,372	200,372	188,041	(12,331)
Intergovernmental - State	7,188,058	7,188,058	7,452,376	264,318
Total revenue	<u>13,032,899</u>	<u>13,051,899</u>	<u>13,506,577</u>	<u>454,678</u>
Expenditures:				
Current:				
Instruction:				
Regular	807,713	807,713	797,934	9,779
Special.	354,435	354,435	350,144	4,291
Vocational.	6,205,581	6,224,581	6,130,449	94,132
Support services:				
Pupil.	796,382	796,382	786,740	9,642
Instructional staff	714,266	714,266	705,618	8,648
Board of education	41,987	41,987	41,479	508
Administration.	996,384	996,384	984,321	12,063
Fiscal	482,165	482,165	476,327	5,838
Business	162,141	162,141	160,178	1,963
Operations and maintenance.	1,164,293	1,164,293	1,150,197	14,096
Pupil transportation	24,112	24,112	23,820	292
Central.	91,782	91,782	90,671	1,111
Extracurricular activities.	37,527	37,527	37,073	454
Facilities acquisition and construction.				
Debt service:				
Principal retirement	110,000	110,000	110,000	-
Interest and fiscal charges	39,726	39,726	39,726	-
Total expenditures	<u>12,028,494</u>	<u>12,047,494</u>	<u>11,884,677</u>	<u>162,817</u>
Excess of revenues over expenditures.	<u>1,004,405</u>	<u>1,004,405</u>	<u>1,621,900</u>	<u>617,495</u>
Other financing sources (uses):				
Refund of prior year expenditure.	28,098	28,098	30,917	2,819
Refund of prior year receipt	(1,961)	(1,961)	(2,101)	(140)
Transfers in.	37,617	37,617	39,000	1,383
Transfers (out)	(2,152,936)	(2,152,936)	(2,126,870)	26,066
Advances in.	296,111	296,111	307,000	10,889
Advances (out)	(220,176)	(220,176)	(217,510)	2,666
Total other financing sources (uses)	<u>(2,013,247)</u>	<u>(2,013,247)</u>	<u>(1,969,564)</u>	<u>43,683</u>
Net change in fund balance	(1,008,842)	(1,008,842)	(347,664)	661,178
Fund balance at beginning of year.	6,850,556	6,850,556	6,850,556	-
Prior year encumbrances appropriated	224,922	224,922	224,922	-
Fund balance at end of year	<u>\$ 6,066,636</u>	<u>\$ 6,066,636</u>	<u>\$ 6,727,814</u>	<u>\$ 661,178</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF NET ASSETS
PROPRIETARY FUND
JUNE 30, 2004

	<u>Governmental Activities - Internal Service Fund</u>
Assets:	
Current assets:	
Cash with fiscal agent.	\$ 459,507
Total assets.	<u>459,507</u>
 Liabilities:	
Claims payable	<u>380,884</u>
Total liabilities.	<u>380,884</u>
 Net assets:	
Unrestricted.	<u>78,623</u>
Total net assets.	<u><u>\$ 78,623</u></u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET ASSETS
PROPRIETARY FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

	Governmental Activities - Internal Service Fund
Operating revenues:	
Sales/charges for services	\$ 2,019,655
Operating expenses:	
Purchased services	322,542
Claims expense.	1,508,068
	1,830,610
Total operating expenses.	
Operating income.	189,045
Nonoperating revenues:	
Interest revenue	2,708
	191,753
Change in net assets	
Net assets (deficit) at beginning of year . .	(113,130)
Net assets at end of year	\$ 78,623

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF CASH FLOWS
PROPRIETARY FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

	Governmental Activities - Internal Service Fund
Cash flows from operating activities:	
Cash received from sales/charges for services	\$ 2,019,655
Cash payments for purchased services	(322,542)
Cash payments for claims expenses	(1,496,995)
	200,118
Net cash provided by operating activities	200,118
Cash flows from investing activities:	
Interest received	2,708
	2,708
Net increase in cash and cash equivalents.	202,826
Cash and cash equivalents at beginning of year . . .	256,681
Cash and cash equivalents at end of year.	\$ 459,507
 Reconciliation of operating income to net cash provided by operating activities:	
Operating income.	\$ 189,045
Increase in claims payable.	11,073
	11,073
Net cash provided by operating activities	\$ 200,118

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
JUNE 30, 2004

	<u>Private-Purpose Trust</u>	
	<u>Scholarship</u>	<u>Agency</u>
Assets:		
Equity in pooled cash and cash equivalents	\$ 143,293	\$ 244,093
Receivables:		
Accrued interest.	-	9
Total assets.	<u>143,293</u>	<u>\$ 244,102</u>
Liabilities:		
Accounts payable.	-	\$ 37,874
Intergovernmental payable.	-	169,301
Due to students	-	36,927
Total liabilities	<u>-</u>	<u>\$ 244,102</u>
Net Assets:		
Held in trust for scholarships	<u>143,293</u>	
Total net assets	<u>\$ 143,293</u>	

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

		<u>Private-Purpose Trust</u>
		<u>Scholarship</u>
Additions:		
Interest	\$	1,497
Gifts and contributions.		1,700
		<hr/>
Total additions.		3,197
		<hr/>
Deductions:		
Scholarships awarded		4,364
		<hr/>
Change in net assets		(1,167)
Net assets at beginning of year		<hr/> 144,460
Net assets at end of year.	\$	<hr/> <hr/> 143,293

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

NOTE 1 - DESCRIPTION OF THE CENTER

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

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

The District also provides support services for the pupils, instructional staff, operation and maintenance of plant, food services, extracurricular activities, and nonprogrammed services. It is staffed by 56 non-certificated employees and 121 certificated full-time teaching personnel, who provide services to 986 students and other community members.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements of the District have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The District also applies Financial Accounting Standards Board (FASB) Statements and Interpretations issued on or before November 30, 1989, to its governmental activities and to its proprietary fund provided they do not conflict with or contradict GASB pronouncements. The District's significant accounting policies are described below.

A. Reporting Entity

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

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004
(Continued)

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

A. Reporting Entity - (Continued)

JOINT VENTURE WITHOUT EQUITY INTEREST

Heartland Council of Governments (the "COG")

The COG is a joint venture among 15 school districts, 1 educational service center and 1 career and technology center. The joint venture was formed for the purpose of applying modern technology with the aid of computers and other electronic technology to administrative and instructional functions. Each member district supports the COG based on a per pupil charge dependent upon the software package utilized. In the event of dissolution of the COG, all current members will share in net obligations or asset liquidations in a ratio proportionate to their last twelve months' financial contribution. The COG is governed by a Board of Directors consisting of superintendents of the member school districts. The degree of control exercised by any school district is limited to its representation on the Board. In accordance with GASB Statement No. 14, the District does not have any equity interest in the COG as a residual interest in the net resources of a joint venture upon dissolution is not equivalent to an equity interest. The District serves as fiscal agent for the COG and financial activity for fiscal year 2004 is reported in the financial statements as an agency fund.

PUBLIC ENTITY RISK POOLS

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

The District participates in a group rating plan for workers' compensation as established under Section 4123.29 of the Ohio Revised Code. The Ohio Association of School Business Officials Workers' Compensation Group Rating Plan (the "Plan") was established through the Ohio Association of School Business Officials (OASBA) as a group purchasing pool.

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

B. Fund Accounting

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

GOVERNMENTAL FUNDS

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

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004
(Continued)

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

B. Fund Accounting - (Continued)

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

PROPRIETARY FUND

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

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

FIDUCIARY FUNDS

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

C. Basis of Presentation and Measurement Focus

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

The government-wide statement of activities presents a comparison between direct expenses and program revenues for each function or program of the governmental activities of the District. Direct expenses are those that are specifically associated with a service, program or department and therefore clearly identifiable to a particular function. Program revenues include amounts paid by the recipient of goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues not classified as program revenues are presented as general revenues of the District.

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

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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004
(Continued)

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

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

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

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

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

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

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

D. Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Proprietary and fiduciary funds also use the accrual basis of accounting.

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

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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004
(Continued)

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

D. Basis of Accounting - (Continued)

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

Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. On a modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

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

Deferred Revenue - Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied. Property taxes for which there is an enforceable legal claim as of June 30, 2004, but which were levied to finance fiscal year 2005 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

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

Expenses/Expenditures - On the accrual basis of accounting, expenses are recognized at the time they are incurred. The fair value of donated commodities received during the year is reported in the statement of revenues, expenditures and changes in fund balances as an expenditure with a like amount reported as intergovernmental revenue.

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

E. Budgets

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

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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004
(Continued)

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

E. Budgets - (Continued)

1. Prior to January 15 of the preceding year, the Superintendent and Treasurer submit to the Board of Education a proposed operating budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing for all funds. Public hearings are publicized and conducted to obtain taxpayers' comments. The expressed purpose of this budget document is to reflect the need for existing (or increased) tax rates.
2. By no later than January 20, the Board-adopted budget is filed with the Richland County Budget Commission for tax rate determination.
3. Prior to April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the Budget Commission and receives the Commission's Certificate of Estimated Resources which states the projected revenue of each fund. Prior to June 30, the District must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the Certificate of Estimated Resources. The revised budget then serves as a basis for the appropriation measure. On or about July 1, the Certificate is amended to include any unencumbered balances from the preceding year as reported by the District Treasurer. The Certificate may be further amended during the year if projected increases or decreases in revenue are identified by the District Treasurer. The amounts reported in the budgetary statement reflect the amounts set forth in the original and final Amended Certificates issued for fiscal year 2004.
4. By July 1, the annual appropriation resolution is legally enacted by the Board of Education at the fund level of expenditures for all funds except the General fund, which is enacted at the fund and function level of expenditures. Thus, the District maintains two different legal levels of budgetary control. (State statute permits a temporary appropriation to be effective until no later than October 1 of each year.) Resolution appropriations by fund must be within the estimated resources as certified by the County Budget Commission and the total of expenditures and encumbrances may not exceed the appropriation totals.
5. All funds, other than agency funds, are legally required to be budgeted and appropriated. Short-term interfund loans are not required to be budgeted since they represent a temporary cash flow resource, and are intended to be repaid.
6. Any revisions that alter the total of any fund appropriation (all funds other than the general fund) or alter fund appropriations or total function appropriations within the general fund must be approved by the Board of Education.
7. Formal budgetary integration is employed as a management control device during the year for all funds consistent with the general obligation bond indenture and other statutory provisions. All departments/functions and funds completed the year within the amount of their legally authorized cash basis appropriation.
8. Appropriation amounts are as originally adopted, or as amended by the Board of Education through the year by supplemental appropriations which either reallocated or increased the original appropriated amounts.

All supplemental appropriations were legally enacted by the Board during fiscal year 2004.

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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004
(Continued)

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

E. Budgets - (Continued)

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

F. Cash and Investments

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

During fiscal year 2004, investments were limited to the State Treasury Asset Reserve of Ohio (STAR Ohio) and federal agency securities. All investments of the District had a maturity date of five years or less from the date of purchase.

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

The District has invested funds in STAR Ohio during fiscal year 2004. 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, 2004.

Under existing Ohio statutes all investment earning are assigned to the general fund unless statutorily required to be credited to a specific fund. The Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the general fund during fiscal year 2004 amounted to \$197,177, which includes \$56,014 assigned from other District funds.

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

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

G. Inventory

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

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

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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004
(Continued)

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

G. Inventory - (Continued)

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

H. Capital Assets

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

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and deductions during the year. Donated capital assets are recorded at their fair market values as of the date received. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not.

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

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

I. Interfund Balances

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

J. Compensated Absences

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

In accordance with the provisions of GASB Statement No. 16, "Accounting for Compensated Absences", a liability for vacation leave is accrued if a) the employees' rights to payment are attributable to services already rendered; and b) it is probable that the employer will compensate the employees for the benefits through paid time off or other means, such as cash payment at termination or retirement. A liability for severance is accrued using the vesting method; i.e., the liability is based on the sick leave accumulated at June 30, 2004, by those employees who are currently eligible to receive termination (severance) payments, as well as those employees expected to become eligible in the future. For purposes of establishing a liability for severance on employees expected to become eligible to retire in the future, all employees age 50 with at least 5 years of service and all employees with at least 20 years of service were considered expected to become eligible to retire in accordance with GASB Statement No. 16.

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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004
(Continued)

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

J. Compensated Absences - (Continued)

The total liability for vacation and severance payments has been calculated using pay rates in effect at June 30, 2004, and reduced to the maximum payment allowed by labor contract and/or statute, plus any applicable additional salary related payments.

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

For governmental fund financial statements, compensated absences are recognized as liabilities and expenditures as payments come due each period upon the occurrence of employee resignations and retirements.

K. Accrued Liabilities and Long-Term Obligations

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

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

L. Fund Balance Reserves

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

M. Operating Revenues and Expenses

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

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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004
(Continued)

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

N. Net Assets

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

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

O. Prepayments

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

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

P. Estimates

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

Q. Restricted Assets

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

R. Interfund Activity

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

S. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Board of Education and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during fiscal year 2004.

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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004
(Continued)

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

A. Deficit Fund Balances

Fund balances at June 30, 2004 included the following individual fund deficits:

	<u>Deficit</u>
<u>Nonmajor Funds</u>	
Adult Education	\$ 164,923
Eisenhower Grant	44
Vocational Education	6,446
Tech Prep Expansion	11,502
Miscellaneous Federal Grants	35,007
Miscellaneous State Grants	25,220
Improving Teacher Quality	584

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

B. Compliance

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

NOTE 4 - EQUITY IN POOLED CASH AND CASH EQUIVALENTS

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

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

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

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

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

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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004
(Continued)

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

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

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least 2% and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasury Asset Reserve of Ohio (STAR Ohio);
7. Certain bankers' acceptances and commercial paper notes for a period not to exceed 180 days in an amount not to exceed 25% of the interim monies available for investment at any one time; and
8. Under limited circumstances, corporate debt instruments rated in either of the two highest rating classifications by at least two nationally recognized rating agencies.

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

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

Cash with Fiscal Agent: The District is self-insured through a fiscal agent. The money held by the fiscal agent cannot be identified as an investment or deposit, since it is held in a pool made up of numerous participants. The amount held by the fiscal agent at June 30, 2004, was \$459,507.

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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004
(Continued)

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

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

Deposits: At year-end, the carrying amount of the District's deposits was \$5,987,221 and the bank balance was \$6,233,965. These balances included \$5,986,492 in nonnegotiable certificates of deposit. Of the bank balance:

1. \$1,783,903 was covered by federal depository insurance;
2. \$4,150,062 was covered by collateral held in the pledging bank's trust department in the District's name; and
3. \$300,000 was uncollateralized.

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

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

	Category 2	Fair Value
Investments:		
Federal agency securities	\$ 1,661,234	\$ 1,661,234
Not subject to categorization:		
Investment in STAR Ohio	-	2,431,259
Total investments	\$ 1,661,234	\$ 4,092,493

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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004
(Continued)

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

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

	<u>Cash and Cash Equivalents/Deposits</u>	<u>Investments</u>
GASB Statement No. 9	\$ 10,539,646	\$ -
Investments of the cash management pool:		
Investment in STAR Ohio	(2,431,259)	2,431,259
Federal agency securities	(1,661,234)	1,661,234
Cash with fiscal agent	(459,507)	-
Cash on hand	(425)	-
GASB Statement No. 3	<u>\$ 5,987,221</u>	<u>\$ 4,092,493</u>

NOTE 5 - INTERFUND TRANSACTIONS

- A.** Interfund balances at June 30, 2004 as reported on the fund statements, consist of the following individual interfund loans receivable and payable:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Nonmajor governmental funds	\$ 217,510

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

Interfund balances between governmental funds are eliminated on the government-wide financial statements; therefore, no internal balances at June 30, 2004 are reported on the statement of net assets.

- B.** Interfund transfers for the year ended June 30, 2004, consisted of the following, as reported on the fund financial statements:

Transfers to Nonmajor Governmental funds from:	
General Fund	\$2,087,870
Nonmajor governmental funds	7,560

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

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

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NOTES TO THE BASIC FINANCIAL STATEMENTS
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(Continued)

NOTE 6 - PROPERTY TAXES

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

Property taxes include amounts levied against all real, public utility and tangible personal property (used in business) located in the District. Real property tax revenue received in calendar year 2004 represents collections of calendar year 2003 taxes. Real property taxes received in calendar year 2004 were levied after April 1, 2003, on the assessed value listed as of January 1, 2003, the lien date. Assessed values for real property taxes are established by state law at thirty-five percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, state statute permits alternate payment dates to be established.

Public utility property tax revenue received in calendar year 2004 represents collections of calendar year 2003 taxes. Public utility real and tangible personal property taxes received in calendar year 2004 became a lien December 31, 2002, were levied after April 1, 2003 and are collected in 2004 with real property taxes. Public utility real property is assessed at thirty-five percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

Tangible personal property tax revenue received during calendar year 2004 (other than public utility property) represents the collection of 2004 taxes. Tangible personal property taxes received in calendar year 2004 were levied after April 1, 2003, on the value as of December 31, 2002. Tangible personal property is currently assessed at twenty-five percent of true value for capital assets and twenty-four percent of true value for inventory. Payments by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the District prior to June 30.

The District receives property taxes from Richland, Ashland, Crawford, Huron, Morrow, Marion, Wyandot and Seneca Counties. The County Auditors periodically advance to the District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2004, are available to finance fiscal year 2004 operations. The amount available to be advanced can vary based on the date tax bills are sent.

Accrued property taxes receivable includes real property, public utility property and tangible personal property taxes which are measurable as of June 30, 2004 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reported as revenue at fiscal year-end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred revenue.

The amount available as an advance at June 30, 2004 was \$887,668 in the general fund. This amount has been recorded as revenue. The amount available as an advance at June 30, 2003 was \$824,579 in the general fund.

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004
(Continued)

NOTE 6 - PROPERTY TAXES - (Continued)

The assessed values upon which the fiscal year 2004 taxes were collected are:

	2003 Second Half Collections		2004 First Half Collections	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/residential and other real estate	\$ 1,666,230,810	80.00	\$ 1,786,607,440	81.33
Public utility personal	106,528,890	5.11	106,086,460	4.83
Tangible personal property	<u>310,158,817</u>	<u>14.89</u>	<u>304,004,702</u>	<u>13.84</u>
Total	<u>\$ 2,082,918,517</u>	<u>100.00</u>	<u>\$ 2,196,698,602</u>	<u>100.00</u>
Tax rate per \$1,000 of assessed valuation	\$ 4.70		\$ 4.70	

NOTE 7 - RECEIVABLES

Receivables at June 30, 2004 consisted of taxes, accounts (billings for user charged services and student fees), accrued interest, intergovernmental grants and entitlements. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of state programs and the current year guarantee of federal funds. A summary of the principal items of receivables reported on the Statement of Net Assets follows:

Governmental Activities:

Taxes	\$ 5,818,585
Accounts	24,276
Intergovernmental	122,958
Accrued interest	<u>151,810</u>
Total	<u>\$ 6,117,629</u>

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004
(Continued)

NOTE 8 - CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2004, was as follows:

	Balance July 1, 2003	Additions	Deductions	Balance June 30, 2004
Governmental Activities:				
<i>Capital assets, not being depreciated:</i>				
Land	\$ 25,000	\$ -	\$ -	\$ 25,000
Total capital assets, not being depreciated	<u>25,000</u>	<u>-</u>	<u>-</u>	<u>25,000</u>
<i>Capital assets, being depreciated:</i>				
Buildings and improvements	4,071,043	23,964	-	4,095,007
Furniture and equipment	4,460,601	437,502	(46,045)	4,852,058
Vehicles	208,193	38,169	-	246,362
Total capital assets, being depreciated	<u>8,739,837</u>	<u>499,635</u>	<u>(46,045)</u>	<u>9,193,427</u>
<i>Less: accumulated depreciation:</i>				
Buildings and improvements	(2,830,546)	(82,870)	-	(2,913,416)
Furniture and equipment	(2,965,306)	(349,977)	44,016	(3,271,267)
Vehicles	(137,702)	(24,158)	-	(161,860)
Total accumulated depreciation	<u>(5,933,554)</u>	<u>(457,005)</u>	<u>44,016</u>	<u>(6,346,543)</u>
Governmental activities capital assets, net	<u>\$ 2,831,283</u>	<u>\$ 42,630</u>	<u>\$ (2,029)</u>	<u>\$ 2,871,884</u>

Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$ 33,576
Special	6,288
Vocational	277,314
Other	8,002
Support Services:	
Pupil	6,949
Instructional staff	14,899
Administration	49,518
Fiscal	1,651
Business	968
Operations and maintenance	30,063
Pupil transportation	4,385
Noninstructional	18,224
Extracurricular activities	<u>5,168</u>
Total depreciation expense	<u>\$ 457,005</u>

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004
(Continued)

NOTE 9 - CAPITALIZED LEASES - LESSEE DISCLOSURE

In prior years, the District entered into capitalized leases for copier equipment and a mail machine. These lease agreements meet the criteria of a capital lease as defined by FASB Statement No. 13, "Accounting for Leases", which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee. Capital lease payments have been reclassified and are reflected as debt service expenditures in the financial statements for the governmental funds. These expenditures are reported as function expenditures on the budgetary statement.

Capital assets consisting of copiers and a mail machine have been capitalized in the amount of \$118,893. This amount represents the present value of the minimum lease payments at the time of acquisition. A corresponding liability is recorded in the government-wide financial statements. Principal payments in fiscal year 2004 totaled \$20,561 paid by the general fund.

The following is a schedule of the future long-term minimum lease payments required under the capital lease and the present value of the future minimum lease payments as of June 30, 2004:

<u>Fiscal Year Ending June 30,</u>	<u>Amount</u>
2005	\$ 23,214
2006	11,479
2007	3,228
2008	<u>1,077</u>
Total minimum lease payments	38,998
Less amount representing interest	<u>(3,344)</u>
Total	<u>\$ 35,654</u>

NOTE 10 - LONG-TERM OBLIGATIONS

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

The following is a description of the District's energy conservation notes outstanding as of June 30, 2004:

<u>Purpose</u>	<u>Interest Rate</u>	<u>Issue Date</u>	<u>Maturity Date</u>	<u>Balance July 1, 2003</u>	<u>Retired in 2004</u>	<u>Balance June 30, 2004</u>
Energy conservation notes	5.51%	08/01/00	12/01/15	<u>\$ 630,000</u>	<u>\$ (35,000)</u>	<u>\$ 595,000</u>

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

The source of payment is current operating revenues.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004
(Continued)

NOTE 10 - LONG-TERM OBLIGATIONS - (Continued)

The following is a description of the District's bonds outstanding as of June 30, 2004:

<u>Purpose</u>	<u>Interest Rate</u>	<u>Issue Date</u>	<u>Maturity Date</u>	<u>Balance July 1, 2003</u>	<u>Retired in 2004</u>	<u>Balance June 30, 2004</u>
Building renovations	5.24%	06/01/95	12/01/04	\$ 155,000	\$ (75,000)	\$ 80,000

C. Principal and interest requirements to retire general obligation bonds and energy conservation notes at June 30, 2004, are as follows:

<u>Year Ending June 30</u>	<u>Principal on Bonds and Notes</u>	<u>Interest on Bonds and Notes</u>	<u>Total</u>
2005	\$ 115,000	\$ 33,769	\$ 148,769
2006	40,000	29,684	69,684
2007	40,000	27,654	67,654
2008	45,000	25,464	70,464
2009	45,000	23,113	68,113
2010 - 2014	265,000	75,481	340,481
2015 - 2016	125,000	7,468	132,468
Total	<u>\$ 675,000</u>	<u>\$ 222,633</u>	<u>\$ 897,633</u>

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

	<u>Balance Outstanding July 1, 2003</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance Outstanding June 30, 2004</u>	<u>Amounts Due in One Year</u>
Governmental Activities:					
Energy conservation bonds	\$ 630,000	\$ -	\$ (35,000)	\$ 595,000	\$ 35,000
General obligation bonds	155,000	-	(75,000)	80,000	80,000
Capital lease obligation	56,215	-	(20,561)	35,654	20,934
Compensated absences	1,262,964	337,888	(376,037)	1,224,815	300,399
Total long-term obligations, governmental activities	<u>\$ 2,104,179</u>	<u>\$ 337,888</u>	<u>\$ (506,598)</u>	<u>\$ 1,935,469</u>	<u>\$ 436,333</u>

E. Legal Debt Margin

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

The effects of these debt limitations at June 30, 2004 are a voted debt margin of \$197,702,874, an unvoted debt margin of \$2,116,699, and an unvoted energy conservation debt margin of \$19,175,287.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004
(Continued)

NOTE 11 - RISK MANAGEMENT

The District is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets, error and omissions, injuries to employees and natural disasters. The District contracted with Selective Insurance Company of South Carolina through Marsh USA Inc. for building and personal property insurance. Boiler and machinery coverage is included in the blanket building and personal property insurance, which has a blanket amount of \$36,242,751 with a deductible of \$1,000. Commercial general liability is provided by Selective Insurance Company of South Carolina with a \$2,000,000 per occurrence, \$4,000,000 aggregate limit and umbrella coverage of \$3,000,000 per occurrence, \$3,000,000 aggregate limit. Crime coverage is also provided with a limit of \$17,500, with a \$500 deductible.

Vehicles are covered by Selective Insurance Company of South Carolina and carry a \$1,000 deductible for comprehensive and collision for buses, and a \$500 deductible for comprehensive and collision for other vehicles. Automobile liability has a \$1,000,000 combined single limit of liability.

Public officials bond insurance is provided by Travelers Casualty and Surety Company of America for a total of \$260,000. The Treasurer's bond is provided by Ohio Casualty Insurance Company in the amount of \$20,000. School leaders errors and omissions policy is provided by National Union Fire Insurance Company of Pittsburgh, PA in the aggregate amount of \$1,000,000, with a \$5,000 deductible for each wrongful act.

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

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

A. Employee Health

The District has elected to provide employee medical/surgical benefits through a self-insured program. The District maintains a self-insurance Internal Service fund to account for and finance its uninsured risk of loss in this program. This plan provides a medical/surgical plan, with a \$150 single and \$300 family deductible per year. The plan also provides dental and vision care. A third-party administrator, Gallagher Benefits Administrators, Inc., located in Lisle, Illinois, reviews and pays all claims. The administrator purchases stop-loss coverage of \$35,000 per employee. The District pays into the self-insurance Internal Service fund \$744.31 for family coverage and \$353.03 for individual coverage per employee per month, which represents the entire premium required. This premium is paid by the fund that pays the salary for the employee and is based on historical cost information.

The claims liability of \$380,884 reported in the fund at June 30, 2004 is based on the requirements of GASB Statement No. 10 which requires that a liability for unpaid claims cost, including estimated of cost relating to incurred but not reported claims, be reported. Changes in the fund's claims liability for fiscal year 2004 and the prior fiscal year follows:

<u>Year</u>	<u>Balance at Beginning of Year</u>	<u>Current Year Claims</u>	<u>Claim Payments</u>	<u>Balance at End of Year</u>
2004	\$ 369,811	\$ 1,508,068	\$ (1,496,995)	\$ 380,884
2003	313,189	1,771,823	(1,715,201)	369,811

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004
(Continued)

NOTE 11 - RISK MANAGEMENT - (Continued)

A. Employee Health - (Continued)

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

B. Workers' Compensation

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

NOTE 12 - DEFINED BENEFIT PENSION PLANS

A. School Employees Retirement System

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

Plan members are required to contribute 10% of their annual covered salary and the District is required to contribute at an actuarially determined rate. The current District rate is 14 percent of annual covered payroll. A portion of the District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits. For fiscal year 2004, 9.09 percent of annual covered salary was the portion used to fund pension obligations. For fiscal year 2003, 8.17 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to a statutory maximum amount, by the SERS' Retirement Board. The adequacy of the contribution rates is determined annually. The District's required contributions to SERS for the fiscal years ended June 30, 2004, 2003, and 2002 were \$294,324, \$275,864, and \$253,376, respectively; 100 percent has been contributed for fiscal years 2004, 2003, and 2002.

B. State Teachers Retirement System

The District participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple-employer public employee retirement system. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. The report may be obtained by writing to the State Teachers Retirement System of Ohio, 275 East Broad Street, Columbus, Ohio 43215-3771, or by calling (614) 227-4090.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004
(Continued)

NOTE 12 - DEFINED BENEFIT PENSION PLANS - (Continued)

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

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

Plan members were required to contribute 10% of their annual covered salaries. The current District rate is 14 percent of annual covered payroll. A portion of the District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits. For fiscal year 2004, 13 percent of annual covered salary was the portion used to fund pension obligations. For fiscal year 2003, 13 percent of annual covered salary was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employee contributions. The District's required contributions to STRS Ohio for the fiscal years ended June 30, 2004, 2003, and 2002 were \$969,845, \$919,655, and \$891,583, respectively; 100 percent has been contributed for fiscal years 2004, 2003, and 2002.

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, 2004, five members of the Board of Education have elected Social Security. The District's liability is 6.2 percent of wages paid.

NOTE 13 - POSTEMPLOYMENT BENEFITS

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004
(Continued)

NOTE 13 - 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 pay a portion of the health care cost in the form of a monthly premium. By Ohio law, the cost of coverage paid from STRS funds shall be included in the employer contribution rate, currently 14 percent of covered payroll. For this fiscal year, the State Teachers Retirement Board allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. For the District, this amount equaled \$69,275 during fiscal year 2004.

STRS pays health care benefits from the Health Care Stabilization Fund. The balance in the Health Care Stabilization Fund was \$3.1 billion at June 30, 2004. For the fiscal year ended June 30, 2004 net health care costs paid by STRS were \$268.739 million and STRS had 111,853 eligible benefit recipients.

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

Effective January 1, 2004, all retirees and beneficiaries are required to pay a portion of their health care premium. The portion is based on years of service, Medicare eligibility and retirement status. A safety net is in place for retirees whose household income falls below federal poverty levels. Premiums are reduced by 50% for those who apply.

For this fiscal year, employer contributions to fund health care benefits were 4.91 percent of covered payroll. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2004, the minimum pay has been established at \$25,400. 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. Gross expenses for health care at June 30, 2004 were \$223.444 million and the target level was \$335.2 million. At June 30, 2004 SERS had net assets available for payment of health care benefits of \$300.8 million and SERS had approximately 62,000 participants receiving health care benefits. For the District, the amount to fund health care benefits, including surcharge, equaled \$131,372 during the 2004 fiscal year.

NOTE 14 - BUDGETARY BASIS OF ACCOUNTING

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

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

- (a) Revenues and other financing sources are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis);
- (b) Expenditures and other financing uses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis);

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004
(Continued)

NOTE 14 - BUDGETARY BASIS OF ACCOUNTING – (Continued)

(c) In order to determine compliance with Ohio law, and to reserve that portion of the applicable appropriation, total outstanding encumbrances (budget basis) are recorded as the equivalent of an expenditure, as opposed to a reservation of fund balance for that portion of outstanding encumbrances not already recognized as an account payable (GAAP basis).

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

Net Change in Fund Balance

	<u>General Fund</u>
Budget basis	\$ (347,664)
Net adjustment for revenue accruals	58,464
Net adjustment for expenditure accruals	152,016
Net adjustment for other sources/uses	(118,306)
Adjustment for encumbrances	<u>157,135</u>
GAAP basis	<u>\$ (98,355)</u>

NOTE 15 - CONTINGENCIES

A. Grants

The District receives significant financial assistance from numerous federal, state and local agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the District. However in the opinion of management, any such disallowed claims will not have a material effect on the financial position of the District.

B. Litigation

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

C. State School Funding Decision

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

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004
(Continued)

NOTE 16 - STATUTORY RESERVES

The District is required by state law to set-aside certain general fund revenue amounts, as defined by statute, into various reserves. These reserves are calculated and presented on a cash basis. During the fiscal year ended June 30, 2004, the reserve activity was as follows:

	<u>Textbooks</u>	<u>Capital Acquisition</u>	<u>Budget Stabilization</u>
Set-aside cash balance as of June 30, 2003	\$ (1,038,984)	\$ -	\$ 65,263
Current year set-aside requirement	153,880	153,880	-
Qualifying disbursements	<u>(447,650)</u>	<u>(497,474)</u>	<u>-</u>
Total	<u>\$ (1,332,754)</u>	<u>\$ (343,594)</u>	<u>\$ 65,263</u>
Balance carried forward to FY 2005	<u>\$ (1,332,754)</u>	<u>\$ -</u>	<u>\$ 65,263</u>

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

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

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

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

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

A schedule of restricted assets at June 30, 2004 follows:

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

**SCHEDULE OF RECEIPTS AND EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2004**

Federal Grantor/ Pass Through Grantor/ Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Non-Cash Receipts	Disbursements	Non-Cash Disbursements
<u>U.S. DEPARTMENT OF AGRICULTURE</u>						
<i>Passed through the Ohio Department of Education:</i>						
<i>Child Nutrition Cluster:</i>						
Food Donation Program	N/A	10.550		\$17,625		\$17,625
School Breakfast Program	051417-05-PU 04	10.553	\$5,134		\$5,134	
	051417-05-PU 03		558		558	
Total School Breakfast Program			5,692		5,692	
National School Lunch Program	051417-LL-P4 04	10.555	46,166		46,166	
	051417-LL-P4 03		7,605		7,605	
Total National School Lunch Program			53,771		53,771	
Total U.S. Department of Agriculture - Child Nutrition Cluster			59,463	17,625	59,463	17,625
<u>U.S. DEPARTMENT OF LABOR</u>						
<i>Passed through the Ohio Department of Education:</i>						
Employment Services and Job Training Pilot and Demonstration Programs	051417-20-HS 02	17.249			529	
<u>U.S. DEPARTMENT OF EDUCATION</u>						
<i>Direct Program:</i>						
Federal Pell Grant Program	N/A	84.063	30,335		30,335	
<i>Passed through the Ohio Department of Education:</i>						
Adult Education - State Grant Program	051417-AB-S1 04	84.002	69,670		69,670	
Vocational Education - Basic Grants to States	051417-20-C2 04	84.048	108,865		162,300	
	051417-20-C2 03		124,833		74,639	
	051417-20-C1 04		299,971		277,638	
	051417-20-A5 03		2,250			
Total Vocational Education - Basic Grants to States			535,919		514,577	
Safe and Drug-Free Schools and Communities - State Grants	051417-DR-S1 04	84.186	1,999		2,023	
	051417-DR-S1 03		1,823			
Total Safe and Drug-Free Schools and Communities - State Grants			3,822		2,023	
Goals 2000 - State and Local Education System	051417-G2-S2 01	84.276	(1,000)			
Eisenhower Professional Development State Grant	051417-MS-S1-02	84.281	202		274	
	051417-MS-S1-01		(228)			
	051417-MS-S1-00		(709)			
Total Eisenhower Professional Development State Grant			(735)		274	
State Grants for Innovative Programs	051417-C2-S1 04	84.298	2,820		5,240	
	051417-C2-S1 03		994		1,727	
	051417-C2-S1 02		3,331		3,044	
Total State Grants for Innovative Programs			7,145		10,011	
Vocational Education - Occupational and Employment Information State Grants	051417-OE-00 04	84.346	8,084		9,972	
	051417-OE-00 03		1,650		3,319	
Total Vocational Education - Occupational and Employment Information State Grants			9,734		13,291	
Improving Teacher Quality State Grants	051417-TR-S1 04	84.367	3,502		3,032	
	051417-TR-S1 03		844			
Total Improving Teacher Quality State Grants			4,346		3,032	
Total U.S. Department of Education			659,236		643,213	
Totals			\$718,699	\$17,625	\$703,205	\$17,625

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

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

**NOTES TO SCHEDULE OF RECEIPTS AND EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2004**

NOTE A – SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B – CHILD NUTRITION CLUSTER

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

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



Auditor of State Betty Montgomery

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

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

To the Board of Education:

We have audited the financial statements of the governmental activities, the major fund, and the aggregate remaining fund information 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, 2004, which collectively comprise the District's basic financial statements and have issued our report thereon dated February 15, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *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 directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance that we must report under *Government Auditing Standards* which is described in the accompanying Schedule of Findings as item 2004-001.

We also noted certain immaterial instances of noncompliance that we have reported to the District's management in a separate letter dated February 15, 2005.

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

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

However, we noted a certain matter involving the internal control over financial reporting that does not require inclusion in this report, that we have reported to the District's management in a separate letter dated February 15, 2005.

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



Betty Montgomery
Auditor of State

February 15, 2005



Auditor of State Betty Montgomery

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

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

To the Board of Education:

Compliance

We have audited the compliance of Pioneer Career and Technology Center: A Vocational School District, Richland County, Ohio, (the District) with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement* that are applicable to each major federal program for the year ended June 30, 2004. The District's major federal program is identified in the summary of auditor's results section of the accompanying Schedule of Findings. Compliance with the requirements of laws, regulations, contracts and grants applicable to each major federal program is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

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

In our opinion, the District complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended June 30, 2004.

Internal Control Over Compliance

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

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



Betty Montgomery
Auditor of State

February 15, 2005

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

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 2004**

1. SUMMARY OF AUDITOR'S RESULTS

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

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

FINDING NUMBER 2004-001

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

There are several exceptions to the standard requirement stated above that a fiscal officer's certificate must be obtained prior to a subdivision or taxing authority entering into a contract or order involving the expenditure of money. The main exceptions are: "then and now" certificates, blanket certificates, and super blanket certificates, which are provided for in sections 5705.41(D)(1) and 5705.41(D)(3), respectively, of the Ohio Revised Code.

1. "Then and Now" Certificate – If the fiscal officer can certify that both at the time that the contract or order was made ("then"), and at the time that the fiscal officer is completing the certification ("now"), that sufficient funds were available or in the process of collection, to the credit of a proper fund, properly appropriated and free from any previous encumbrance, the District can authorize the drawing of a warrant for the payment of the amount due. The District has thirty days from the receipt of the "then and now" certificate to approve payment by ordinance or resolution.

Amounts of less than \$3,000 may be paid by the fiscal officer without a resolution or ordinance upon completion of the "then and now" certificate, provided that the expenditure is otherwise lawful. This does not eliminate any otherwise applicable requirement for approval of expenditures by the District.

2. Blanket Certificate – Fiscal officers may prepare "blanket" certificates for a certain sum of money not in excess of an amount established by resolution or ordinance adopted by a majority of the members of the legislative authority against any specific line item account over a period not running beyond the end of the current fiscal year. (Prior to September 26, 2003, blanket certificates were limited to \$5,000 and three months.) The blanket certificates may, but need not, be limited to a specific vendor. Only one blanket certificate may be outstanding at one particular time for any one particular line item appropriation.

3. Super Blanket Certificate – The District may also make expenditures and contracts for any amount from a specific line-item appropriation account in a specified fund upon certification of the fiscal officer for most professional services, fuel, oil, food items, and any other specific recurring and reasonably predictable operating expense. This certification is not to extend beyond the current year. More than one super blanket certificate may be outstanding at a particular time for any line item appropriation.

During the audit period, 50% of the expenditures tested were not certified by the Treasurer prior to incurring the obligation. It was also found that none of the exceptions above were utilized for the items found to be in noncompliance. The District should certify the availability of funds for expenditure and also implement the use of "then and now" certificates, blanket certificates, and super blanket certificates as further means to certify funds pursuant to Ohio Rev. Code Section 5705.41(D). The District has subsequently taken steps to correct these issues.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None.

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

**SCHEDULE OF PRIOR AUDIT FINDINGS
JUNE 30, 2004**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain:</i>
2003-001	Certification of funds.	No	Not Corrected. See Finding Number 2004-001.



**Auditor of State
Betty Montgomery**

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**PIONEER CAREER AND TECHNOLOGY CENTER
RICHLAND COUNTY**

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
MARCH 3, 2005**