

Mary Taylor, CPA
Auditor of State

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

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INDEPENDENT ACCOUNTANTS' REPORT

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

To the Board of Education:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Pioneer Career and Technology Center: A Vocational School District, Richland County, Ohio, (the District) as of and for the year ended June 30, 2010, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Pioneer Career and Technology Center: A Vocational School District, Richland County, Ohio, as of June 30, 2010, and the respective changes in financial position and where applicable, cash flows, thereof and the budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 3, 2010, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require this presentation to include *Management's discussion and analysis*, as listed in the table of contents, to supplement the basic financial statements. Although this information is not part of the basic financial statements, the Governmental Accounting Standards Board considers it essential for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any other assurance.

We conducted our audit to opine on the financial statements that collectively comprise the District's basic financial statements taken as a whole. The federal awards receipts and expenditures schedule provides additional information required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. The federal awards receipts and expenditure schedule is management's responsibility, and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. This schedule was subject to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling this information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, in accordance with auditing standards generally accepted in the United States of America. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



Mary Taylor, CPA
Auditor of State

December 3, 2010

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(UNAUDITED)

The management's discussion and analysis of the Pioneer Career and Technology Center's (the "District") financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2010. The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should also review the basic financial statements and the notes to the basic financial statements to enhance their understanding of the District's financial performance.

Financial Highlights

Key financial highlights for fiscal year 2010 are as follows:

- In total, net assets of governmental activities increased \$2,559,457 which represents a 6.57% increase from 2009.
- General revenues accounted for \$17,732,254 in revenue or 85.15% of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$3,093,260 or 14.85% of total revenues of \$20,825,514.
- The District had \$18,266,057 in expenses related to governmental activities; only \$3,093,260 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 \$17,732,254 were adequate to provide for these programs.
- The District's major governmental funds consist of the general fund, building fund and classroom facilities fund. The general fund had \$15,959,248 in revenues and other financing sources and \$16,004,945 in expenditures and other financing uses. During fiscal year 2010, the general fund's fund balance decreased \$48,661 from \$10,659,725 to \$10,611,064.
- The building fund had \$2,757,746 in expenditures. During fiscal year 2010, the building fund's fund balance decreased \$2,757,746 from \$4,861,254 to \$2,103,508.
- The classroom facilities fund had \$7,384,879 in revenues and \$4,024,678 in expenditures. During fiscal year 2010, the classroom facilities fund's fund balance increased \$3,360,201 from \$10,563,178 to \$13,923,379.

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

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(UNAUDITED)

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 fiscal year 2010?" The statement of net assets and the statement of activities answer this question. These statements include *all (non-fiduciary) assets, liabilities, revenues and expenses* using the *accrual basis of accounting* similar to the accounting used by most private-sector companies. This basis of accounting will take into account all of the current year's revenues and expenses regardless of when cash is received or paid.

These two statements report the District's *net assets* and changes in those net 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, pupil transportation, extracurricular activities, and food service operations.

The District's statement of net assets and statement of activities can be found on pages 13-14 of this report.

Reporting the District's Most Significant Funds

Fund Financial Statements

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

Governmental Funds

Most of the District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in future periods. These funds are reported using an accounting method called *modified accrual* accounting, which measures cash and all other *financial assets* that can readily be converted to cash. The governmental fund financial statements provide a detailed *short-term* view of the District's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance educational programs. The relationship (or differences) between governmental *activities* (reported in the statement of net 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 15-19 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 20-22 of this report.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(UNAUDITED)

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 23 and 24. These activities are excluded from the District's other financial statements because the assets cannot be utilized by the District to finance its operations.

Notes to the Basic Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. These notes to the basic financial statements can be found on pages 25-54 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 at June 30, 2010 and June 30, 2009.

| | Net Assets | |
|----------------------------------------------------|----------------------------------------------------|----------------------------------------------------|
| | Governmental Activities <u>June 30, 2010</u> | Governmental Activities <u>June 30, 2009</u> |
| <u>Assets</u> | | |
| Current and other assets | \$ 51,531,075 | \$ 54,945,890 |
| Capital assets, net | <u>10,458,410</u> | <u>3,488,340</u> |
| Total assets | <u>61,989,485</u> | <u>58,434,230</u> |
| <u>Liabilities</u> | | |
| Current liabilities | 6,956,379 | 5,471,155 |
| Long-term liabilities | <u>13,540,677</u> | <u>14,030,103</u> |
| Total liabilities | <u>20,497,056</u> | <u>19,501,258</u> |
| <u>Net Assets</u> | | |
| Invested in capital assets, net of related debt | 3,866,661 | 2,247,674 |
| Restricted | 27,212,016 | 25,402,015 |
| Unrestricted | <u>10,413,752</u> | <u>11,283,283</u> |
| Total net assets | <u>\$ 41,492,429</u> | <u>\$ 38,932,972</u> |

Over time, net assets can serve as a useful indicator of a government's financial position. At June 30, 2010, the District's assets exceeded liabilities by \$41,492,429. At year-end, unrestricted net assets were \$10,413,752.

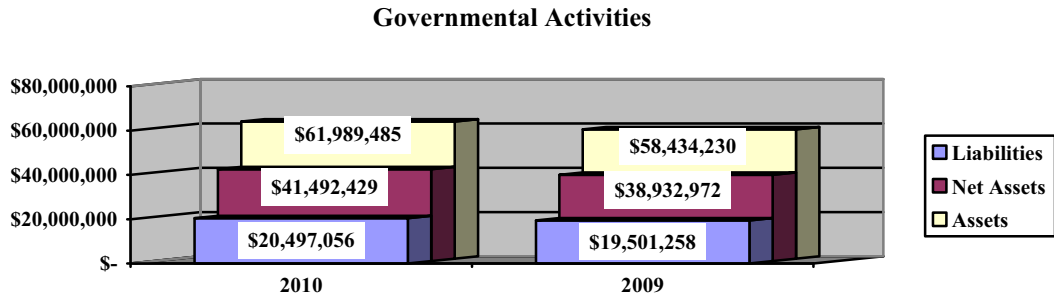
**PIONEER CAREER AND TECHNOLOGY CENTER
RICHLAND COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(UNAUDITED)

At year-end, capital assets represented 16.87% of total assets. The increase in capital assets during fiscal year 2010 is due to the recording of additional construction in progress related to the District's Ohio School Facilities Commission (OSFC) building project. Capital assets include land, construction in progress, buildings and improvements, furniture and equipment, and vehicles. Capital assets, net of related debt to acquire the assets at June 30, 2010, were \$3,866,661. 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, \$27,212,016, represents resources that are subject to external restriction on how they may be used. Of this amount, \$25,119,394 is restricted for capital projects and \$784,686 is restricted for debt service. The remaining balance of unrestricted net assets of \$10,413,752 may be used to meet the District's ongoing obligations to the students and creditors.

The graph below presents the District's governmental assets at June 30, 2010 and June 30, 2009.



The table below shows the change in net assets for fiscal years 2010 and 2009.

Change in Net Assets

| | Governmental Activities 2010 | Governmental Activities 2009 |
|----------------------------------------|------------------------------------|------------------------------------|
| Revenues | | |
| Program revenues: | | |
| Charges for services and sales | \$ 1,060,754 | \$ 980,207 |
| Operating grants and contributions | 2,032,506 | 2,465,292 |
| General revenues: | | |
| Property taxes | 4,193,681 | 4,572,231 |
| Grants and entitlements not restricted | 10,465,026 | 10,044,016 |
| Grants and entitlements restricted | 2,514,841 | 19,240,852 |
| Investment earnings | 451,804 | 823,718 |
| Miscellaneous | 106,902 | 71,347 |
| Total revenues | 20,825,514 | 38,197,663 |

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(UNAUDITED)

Change in Net Assets

| | Governmental Activities <u>2010</u> | Governmental Activities <u>2009</u> |
|------------------------------------------|-------------------------------------------|-------------------------------------------|
| <u>Expenses</u> | | |
| Program expenses: | | |
| Instruction: | | |
| Regular | \$ 812,927 | \$ 746,361 |
| Special | 526,508 | 433,739 |
| Vocational | 9,622,720 | 9,708,058 |
| Adult | 436,003 | 384,216 |
| Other | - | 41,146 |
| Support services: | | |
| Pupil | 1,259,823 | 1,211,245 |
| Instructional staff | 1,164,839 | 1,587,544 |
| Board of education | 91,509 | 81,772 |
| Administration | 1,176,818 | 1,286,180 |
| Fiscal | 478,488 | 503,072 |
| Business | 183,932 | 164,142 |
| Operations and maintenance | 1,250,052 | 1,104,894 |
| Pupil transportation | 1,888 | 12,297 |
| Central | 158,508 | 136,630 |
| Operation of non-instructional services: | | |
| Other non-instructional services | 140 | - |
| Food service operations | 423,815 | 374,546 |
| Extracurricular activities | 74,017 | 87,635 |
| Interest and fiscal charges | <u>604,070</u> | <u>529,892</u> |
| Total expenses | <u>18,266,057</u> | <u>18,393,369</u> |
| Change in net assets | 2,559,457 | 19,804,294 |
| Net assets at beginning of year | <u>38,932,972</u> | <u>19,128,678</u> |
| Net assets at end of year | <u>\$ 41,492,429</u> | <u>\$ 38,932,972</u> |

Governmental Activities

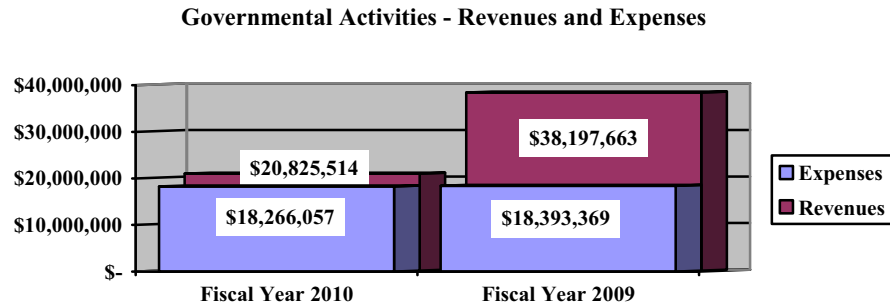
Net assets of the District's governmental activities increased \$2,559,457. Total governmental expenses of \$18,266,057 were offset by program revenues of \$3,093,260 and general revenues of \$17,732,254. Program revenues supported 16.93% of the total governmental expenses.

The primary sources of revenue for governmental activities are derived from property taxes, and grants and entitlements. These revenue sources represent 82.46% of total governmental revenue. General revenue related to grants and entitlements decreased in fiscal year 2010 due to the recording of the entire OSFC State share in fiscal year 2009. Real estate property is reappraised every six years.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(UNAUDITED)

The graph below presents the District's governmental activities revenue and expenses for fiscal years 2010 and 2009.



The statement of activities shows the cost of program services and the charges for services and grants offsetting those services. The following table shows, for governmental activities, the total cost of services and the net cost of services for fiscal years 2010 and 2009. That is, it identifies the cost of these services supported by tax revenue and State grants and entitlements.

Governmental Activities

| | Total Cost of Services <u>2010</u> | Net Cost of Services <u>2010</u> | Total Cost of Services <u>2009</u> | Net Cost of Services <u>2009</u> |
|------------------------------------------|------------------------------------------|----------------------------------------|------------------------------------------|----------------------------------------|
| Program expenses | | | | |
| Instruction: | | | | |
| Regular | \$ 812,927 | \$ 812,927 | \$ 746,361 | \$ 745,251 |
| Special | 526,508 | 526,508 | 433,739 | 433,739 |
| Vocational | 9,622,720 | 8,230,137 | 9,708,058 | 8,226,654 |
| Adult | 436,003 | (35,782) | 384,216 | (61,936) |
| Other | - | - | 41,146 | 41,146 |
| Support services: | | | | |
| Pupil | 1,259,823 | 945,568 | 1,211,245 | 883,606 |
| Instructional staff | 1,164,839 | 782,669 | 1,587,544 | 858,158 |
| Board of education | 91,509 | 91,509 | 81,772 | 81,772 |
| Administration | 1,176,818 | 1,135,006 | 1,286,180 | 1,229,867 |
| Fiscal | 478,488 | 466,174 | 503,072 | 492,368 |
| Business | 183,932 | 178,707 | 164,142 | 160,153 |
| Operations and maintenance | 1,250,052 | 1,250,052 | 1,104,894 | 1,104,395 |
| Pupil transportation | 1,888 | 1,682 | 12,297 | 12,103 |
| Central | 158,508 | 111,751 | 136,630 | 122,177 |
| Operation of non-instructional services: | | | | |
| Other non-instructional services | 140 | 140 | - | - |
| Food service operations | 423,815 | (2,338) | 374,546 | 890 |
| Extracurricular activities | 74,017 | 74,017 | 87,635 | 87,635 |
| Interest and fiscal charges | <u>604,070</u> | <u>604,070</u> | <u>529,892</u> | <u>529,892</u> |
| Total expenses | <u>\$ 18,266,057</u> | <u>\$ 15,172,797</u> | <u>\$ 18,393,369</u> | <u>\$ 14,947,870</u> |

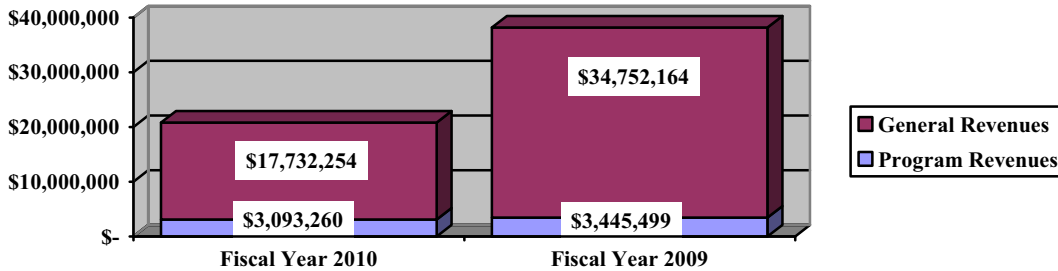
The dependence upon tax and other general revenues for governmental activities is apparent, as 83.64% of instruction activities are supported through taxes and other general revenues. For all governmental activities, general revenue support is 83.07% of all expenses. The District's taxpayers and grants and entitlements 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, 2010
(UNAUDITED)

The graph below presents the District's governmental activities revenue for fiscal years 2010 and 2009.

Governmental Activities - General and Program Revenues



The District's Funds

The District's governmental funds (as presented on the balance sheet on page 15) reported a combined fund balance of \$33,207,669, which is higher than last year's total of \$33,078,197. The schedule below indicates the fund balance and the total change in fund balance as of June 30, 2010 and June 30, 2009.

| | Fund Balance <u>June 30, 2010</u> | Fund Balance <u>June 30, 2009</u> | Increase/ <u>(Decrease)</u> |
|----------------------|--------------------------------------|--------------------------------------|--------------------------------|
| General | \$ 10,611,064 | \$ 10,659,725 | \$ (48,661) |
| Building | 2,103,508 | 4,861,254 | (2,757,746) |
| Classroom facilities | 13,923,379 | 10,563,178 | 3,360,201 |
| Other governmental | <u>6,569,718</u> | <u>6,994,040</u> | <u>(424,322)</u> |
| Total | <u>\$ 33,207,669</u> | <u>\$ 33,078,197</u> | <u>\$ 129,472</u> |

General Fund

The District's general fund balance decreased \$48,661.

The table that follows assists in illustrating the financial activities and fund balance of the general fund.

| | <u>2010</u> <u>Amount</u> | <u>2009</u> <u>Amount</u> | <u>Increase/</u> <u>(Decrease)</u> | <u>Percentage</u> <u>Change</u> |
|-------------------------|------------------------------|------------------------------|---------------------------------------|------------------------------------|
| Revenues | | | | |
| Taxes | \$ 4,121,373 | \$ 4,746,216 | \$ (624,843) | (13.17) % |
| Earnings on investments | 284,049 | 540,888 | (256,839) | (47.48) % |
| Intergovernmental | 11,290,769 | 10,863,612 | 427,157 | 3.93 % |
| Other revenues | <u>237,894</u> | <u>239,530</u> | <u>(1,636)</u> | (0.68) % |
| Total | <u>\$ 15,934,085</u> | <u>\$ 16,390,246</u> | <u>\$ (456,161)</u> | (2.78) % |

Overall revenues of the general fund decreased \$456,161 or 2.78%. Tax revenue decreased \$624,843 or 13.17% mainly due to the phase out of tangible personal property taxes during fiscal year 2010. Earnings on investments decreased \$256,839 or 47.48% mainly due to declining interest rates during fiscal year 2010.

Intergovernmental revenue increased \$427,157 or 3.93%. This increase is attributed to an increase in tangible personal property tax loss reimbursements from the State pursuant to Am. Sub. House Bill 66.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(UNAUDITED)

| | <u>2010</u> <u>Amount</u> | <u>2009</u> <u>Amount</u> | <u>Increase/</u> <u>(Decrease)</u> | <u>Percentage</u> <u>Change</u> |
|-----------------------------------------|------------------------------|------------------------------|---------------------------------------|------------------------------------|
| <u>Expenditures</u> | | | | |
| Instruction | \$ 9,930,309 | \$ 9,501,345 | \$ 428,964 | 4.51 % |
| Support services | 4,740,045 | 4,773,124 | (33,079) | (0.69) % |
| Operation of non-instructional services | 140 | - | 140 | 100.00 % |
| Extracurricular activities | 68,910 | 82,528 | (13,618) | (16.50) % |
| Capital outlay | 20,670 | 49,321 | (28,651) | (58.09) % |
| Debt service | <u>892,407</u> | <u>551,641</u> | <u>340,766</u> | 61.77 % |
| Total | <u>\$ 15,652,481</u> | <u>\$ 14,957,959</u> | <u>\$ 694,522</u> | 4.64 % |

Overall expenditures of the general fund increased \$694,522 or 4.64%. The most significant areas of increase include instruction and debt service expenditures. Instruction expenditures increased \$428,964 or 4.51% mainly due to scheduled wage increases for District employees. Debt service expenditures increased \$340,766 or 61.77%. This increase can be attributed to the payments of principal and interest on the District's certificates of participation, which were issued during fiscal year 2009 with the first principal payment being made in fiscal year 2010.

Building Fund

The building fund had \$2,757,746 in expenditures. During fiscal year 2010, the building fund's fund balance decreased \$2,757,746 from \$4,861,254 to \$2,103,508.

Classroom Facilities Fund

The classroom facilities fund had \$7,384,879 in revenues and \$4,024,678 in expenditures. During fiscal year 2010, the classroom facilities fund's fund balance increased \$3,360,201 from \$10,563,178 to \$13,923,379.

General Fund Budgeting Highlights

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

For the general fund, final budgeted revenues and other financing sources were \$15,976,487, which was only \$1,000 more than original budgeted revenues and other financing sources of \$15,975,487. Actual revenues and other financing sources for fiscal year 2010 were \$16,219,347. This represents a \$242,860 increase over final budgeted revenues and other financing sources.

General fund original appropriations and other financing uses of \$16,917,996 were decreased to \$16,871,420 in the final budget. The actual budget basis expenditures and other financing uses for fiscal year 2010 totaled \$16,470,729, which was \$400,691 less than the final budget appropriations.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2010, the District had \$10,458,410 invested in land, construction in progress, buildings and improvements, furniture and equipment, and vehicles. This entire amount is reported in governmental activities.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(UNAUDITED)

The following table shows June 30, 2010 balances compared to June 30, 2009.

| Capital Assets at June 30 (Net of Depreciation) | | |
|------------------------------------------------------------|-----------------------------|----------------------------|
| <u>Governmental Activities</u> | | |
| | <u>2010</u> | <u>2009</u> |
| Land | \$ 25,000 | \$ 25,000 |
| Construction in progress | 7,865,490 | 916,886 |
| Building and improvements | 671,437 | 753,326 |
| Furniture and equipment | 1,741,125 | 1,586,882 |
| Vehicles | <u>155,358</u> | <u>206,246</u> |
| Total | <u>\$ 10,458,410</u> | <u>\$ 3,488,340</u> |

The overall increase in capital assets of \$6,970,070 is due to capital outlays of \$7,363,424 exceeding current year depreciation of \$378,313. Total disposals to capital assets were \$15,041 (net of accumulated depreciation).

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

Debt Administration

At June 30, 2010, the District had \$12,242,647 in energy conservation bonds, certificates of participation, pollution remediation and capital lease obligations outstanding. Of this total, \$355,461 is due within one year and \$11,887,186 is due in more than one year. The following table summarizes the bonds and leases outstanding at June 30, 2010 compared to June 30, 2009.

| | <u>Governmental Activities 2010</u> | <u>Governmental Activities 2009</u> |
|-------------------------------|---------------------------------------------|---------------------------------------------|
| Energy conservation bonds | \$ 345,000 | \$ 390,000 |
| Certificates of participation | 11,750,000 | 11,970,000 |
| Pollution remediation | 46,906 | 131,222 |
| Capital lease obligations | <u>100,741</u> | <u>124,609</u> |
| Total | <u>\$ 12,242,647</u> | <u>\$ 12,615,831</u> |

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

Current Financial Related Activities

The District has carefully managed its general fund budgets in order to optimize the dollars available for educating the students it serves, and to minimize the levy millage amounts needed periodically from the community's citizens. As the preceding information shows, the general fund cash balance (including encumbrances) was \$10,720,771 at June 30, 2010. The general fund cash balance includes the cash balance of rotary funds. On a GAAP basis, these amounts are consolidated with the general fund. The general fund cash balance was \$10,727,283 at June 30, 2009. This minimal decrease of \$6,512 indicates that the District is maintaining a healthy cash balance.

Sound fiscal management by the Board of Education and Administration has enabled the District to maintain a healthy cash balance, replace the 1 mill five year operating levy in 1999, and renew it again in November 2003 and continue a quality, comprehensive educational program.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(UNAUDITED)

With Board guidance, the recent fiscal year budgets have been carefully managed in order to avoid additional tax millage above the current 3.7 voted mills that is being collected at 2.0 effective mills. In November 2003, the Board submitted, and the electors of the District approved (by a vote of 61.26% to 38.74%) a 1-mill renewal tax for the purpose of current expenses for a third five year period of time. By monitoring its five-year forecast, the Board was able to request voter approval early in the forecast cycle to maintain the same millage and not face possible reductions in educational programming. This millage is currently rolled back and collected at .67 mills for Residential and Agricultural Real Estate property. Since the total effective millage is at the 2 mill floor, it was not of any benefit to renew this levy in 2009. The Board is committed to utilizing the funds the District receives from the remaining levies to increase teacher salaries and purchase instructional materials, textbooks, and technology. Substantial funds have also been set aside for vocational equipment and building repair and maintenance.

Several significant legislative and judicial actions have occurred that will have a major impact on the 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." After 20 years of controversy over its school funding system, Ohio now has a new method for providing funding to its public schools. Enacted as part of the 2009-2011 State budget, the Ohio Evidence-Based Model is designed to fund strategies that have the best chance to help students learn. While economic realities require that the new approach be phased in over 10 years, the principles underlying the evidence-based model are now in place. What's more, the new funding model is tied to education reforms designed to build a 21st-century system of education for Ohio. This new funding model was not applicable to Joint Vocational School's (JVS's) and a State funding committee is currently working on a method to fund JVS's. For the current biennium, JVS's were given an increase of 0.75% over the prior fiscal year due to the recession's impact on the State budget. This resulted in an increase of \$80,000 per year for fiscal year 2010 and fiscal year 2011. Had the District remained on the per pupil funding as in prior years, the increase would have been \$1,300,000 for each fiscal year. This resulted in a loss of funding of \$1,200,000 for each of the two years of the biennium. This has resulted in the need for a new levy sooner than anticipated to replace the 1 mill that expired at December 2009.

Another challenge facing the District is the need to renovate its facilities to meet current safety codes, correct building defects, and streamline operations and to enhance learning space design for students. The Board has been approved for building assistance funding through the OSFC. OSFC funding will comprise approximately 75% 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 forty years old, there are many updates, repairs and upgrades needed to continue quality vocational programming and protect the taxpayer's investment for future students. The total project is \$34.5 million and requires an annual maintenance fund of about \$425,000 for 23 years. To fund the local share and the annual maintenance requirement, a 1-mill continuing Permanent Improvement Levy was submitted to the voters in November 2007 and was defeated by a 52.3 % margin. This ballot issue was resubmitted to the voters in March 2008 and was defeated a second time. Using the current 5 year forecast, the District decided to issue Certificates of Participation in the amount of \$11.5 million in August of 2008 to secure the \$19 million OSFC State match. Projections indicate that the District will need additional funding by fiscal year 2012 to continue operations and service the debt. A financial task force has been formed to review the options concerning the 1 mill operating levy that expired in 2009.

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

Contacting the District's Financial Management

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

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

STATEMENT OF NET ASSETS
JUNE 30, 2010

| | Governmental Activities |
|----------------------------------------------------------------------|------------------------------------|
| Assets: | |
| Equity in pooled cash and investments | \$ 34,923,196 |
| Cash with fiscal agent | 775,906 |
| Cash with escrow agent | 782,445 |
| Receivables: | |
| Taxes | 4,332,832 |
| Accounts. | 138,577 |
| Intergovernmental | 9,901,881 |
| Accrued interest | 230,805 |
| Prepayments | 90,876 |
| Materials and supplies inventory. | 100,495 |
| Unamortized certificate of participation issuance costs | 254,062 |
| Capital assets: | |
| Land and construction in progress. | 7,890,490 |
| Depreciable capital assets, net. | 2,567,920 |
| Capital assets, net | 10,458,410 |
| Total assets. | 61,989,485 |
| Liabilities: | |
| Accounts payable. | 229,573 |
| Contracts payable. | 2,004,279 |
| Retainage payable | 32,515 |
| Accrued wages and benefits | 1,167,061 |
| Pension obligation payable. | 197,358 |
| Intergovernmental payable | 63,895 |
| Unearned revenue | 2,952,525 |
| Accrued interest payable | 46,022 |
| Claims payable. | 263,151 |
| Long-term liabilities: | |
| Due within one year. | 728,657 |
| Due in more than one year | 12,812,020 |
| Total liabilities | 20,497,056 |
| Net Assets: | |
| Invested in capital assets, net of related debt. | 3,866,661 |
| Restricted for: | |
| Capital projects | 25,119,394 |
| Debt service. | 784,686 |
| Classroom facilities maintenance | 425,360 |
| State funded programs. | 24,172 |
| Federally funded programs | 645 |
| Public school support | 17,067 |
| Other purposes | 840,692 |
| Unrestricted. | 10,413,752 |
| Total net assets | \$ 41,492,429 |

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, 2010

| | Expenses | Program Revenues | | Net (Expense) Revenue and Changes in Net Assets |
|---------------------------------------------|----------------------|--------------------------------------|------------------------------------------|----------------------------------------------------------|
| | | Charges for Services and Sales | Operating Grants and Contributions | Governmental Activities |
| Governmental activities: | | | | |
| Instruction: | | | | |
| Regular | \$ 812,927 | \$ - | \$ - | \$ (812,927) |
| Special | 526,508 | - | - | (526,508) |
| Vocational | 9,622,720 | 329,260 | 1,063,323 | (8,230,137) |
| Adult | 436,003 | 199,463 | 272,322 | 35,782 |
| Support services: | | | | |
| Pupil. | 1,259,823 | 44,627 | 269,628 | (945,568) |
| Instructional staff | 1,164,839 | 222,114 | 160,056 | (782,669) |
| Board of education | 91,509 | - | - | (91,509) |
| Administration. | 1,176,818 | 18,438 | 23,374 | (1,135,006) |
| Fiscal. | 478,488 | - | 12,314 | (466,174) |
| Business. | 183,932 | - | 5,225 | (178,707) |
| Operations and maintenance | 1,250,052 | - | - | (1,250,052) |
| Pupil transportation. | 1,888 | - | 206 | (1,682) |
| Central | 158,508 | - | 46,757 | (111,751) |
| Operation of non-instructional services: | | | | |
| Other non-instructional services | 140 | - | - | (140) |
| Food service operations | 423,815 | 246,852 | 179,301 | 2,338 |
| Extracurricular activities. | 74,017 | - | - | (74,017) |
| Interest and fiscal charges | 604,070 | - | - | (604,070) |
| Total | \$ 18,266,057 | \$ 1,060,754 | \$ 2,032,506 | (15,172,797) |

| General Revenues: | |
|--------------------------------------------------------------------------------------|----------------------|
| Property taxes levied for: | |
| General purposes | 4,193,681 |
| Grants and entitlements not restricted to specific programs | 10,465,026 |
| Grants and entitlements restricted for Ohio School Facilities Commission. | 2,514,841 |
| Investment earnings | 451,804 |
| Miscellaneous | 106,902 |
| Total general revenues | 17,732,254 |
| Change in net assets | 2,559,457 |
| Net assets at beginning of year. | 38,932,972 |
| Net assets at end of year | \$ 41,492,429 |

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2010

| | <u>General</u> | <u>Building</u> | <u>Classroom Facilities</u> | <u>Other Governmental Funds</u> | <u>Total Governmental Funds</u> |
|--------------------------------------------------------------------|----------------------|---------------------|---------------------------------|-----------------------------------------|-----------------------------------------|
| Assets: | | | | | |
| Equity in pooled cash and investments | \$ 10,720,771 | \$ 2,315,935 | \$ 15,692,711 | \$ 6,193,779 | \$ 34,923,196 |
| Cash with escrow agent. | - | - | - | 782,445 | 782,445 |
| Receivables: | | | | | |
| Taxes | 4,332,832 | - | - | - | 4,332,832 |
| Accounts. | 7,013 | - | - | 131,564 | 138,577 |
| Intergovernmental | 991 | - | 9,864,616 | 36,274 | 9,901,881 |
| Accrued interest | 229,184 | - | 1,621 | - | 230,805 |
| Interfund loans. | 275,000 | - | - | - | 275,000 |
| Prepayments. | 36,497 | 4,999 | 48,071 | 1,309 | 90,876 |
| Materials and supplies inventory. | 67,783 | - | - | 32,712 | 100,495 |
| Total assets | <u>\$ 15,670,071</u> | <u>\$ 2,320,934</u> | <u>\$ 25,607,019</u> | <u>\$ 7,178,083</u> | <u>\$ 50,776,107</u> |
| Liabilities: | | | | | |
| Accounts payable | \$ 32,308 | \$ 50 | \$ 423 | \$ 196,792 | \$ 229,573 |
| Contracts payable. | - | 217,376 | 1,786,903 | - | 2,004,279 |
| Retainage payable. | - | - | 32,515 | - | 32,515 |
| Accrued wages and benefits. | 1,085,409 | - | - | 81,652 | 1,167,061 |
| Compensated absences payable | 164,413 | - | - | - | 164,413 |
| Pension obligation payable | 157,141 | - | - | 40,217 | 197,358 |
| Intergovernmental payable | 59,760 | - | - | 4,135 | 63,895 |
| Interfund loans payable. | - | - | - | 275,000 | 275,000 |
| Pollution remediation obligation payable. | - | - | 46,906 | - | 46,906 |
| Deferred revenue | 607,451 | - | 9,816,893 | 10,569 | 10,434,913 |
| Unearned revenue. | 2,952,525 | - | - | - | 2,952,525 |
| Total liabilities. | <u>5,059,007</u> | <u>217,426</u> | <u>11,683,640</u> | <u>608,365</u> | <u>17,568,438</u> |
| Fund Balances: | | | | | |
| Reserved for encumbrances. | 161,152 | 46,022 | 530,189 | 185,519 | 922,882 |
| Reserved for materials and supplies inventory | 67,783 | - | - | 32,712 | 100,495 |
| Reserved for prepayments. | 36,497 | 4,999 | 48,071 | 1,309 | 90,876 |
| Reserved for debt service. | - | - | - | 784,686 | 784,686 |
| Reserved for tax revenue unavailable for appropriation. | 957,825 | - | - | - | 957,825 |
| Unreserved, undesignated, reported in: | | | | | |
| General fund. | 9,387,807 | - | - | - | 9,387,807 |
| Special revenue funds | - | - | - | 993,015 | 993,015 |
| Capital projects funds | - | 2,052,487 | 13,345,119 | 4,572,477 | 19,970,083 |
| Total fund balances | <u>10,611,064</u> | <u>2,103,508</u> | <u>13,923,379</u> | <u>6,569,718</u> | <u>33,207,669</u> |
| Total liabilities and fund balances | <u>\$ 15,670,071</u> | <u>\$ 2,320,934</u> | <u>\$ 25,607,019</u> | <u>\$ 7,178,083</u> | <u>\$ 50,776,107</u> |

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO
NET ASSETS OF GOVERNMENTAL ACTIVITIES
JUNE 30, 2010

| | | |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------|----------------------|
| Total governmental fund balances | | \$ 33,207,669 |
| <i>Amounts reported for governmental activities on 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. | | 10,458,410 |
| Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds. | | |
| Taxes receivable | \$ 421,524 | |
| Intergovernmental receivable | 9,828,453 | |
| Accrued interest receivable | 184,936 | |
| Total | | 10,434,913 |
| An internal service fund is used by management to charge the costs of insurance to individual funds. The assets and liabilities of the internal service fund are included in governmental activities on the statement of net assets. | | 512,755 |
| Unamortized certificates of participation issuance costs are not recognized in the funds. | | 254,062 |
| Unamortized discounts on certificates of participation are not recognized in the funds. | | 185,437 |
| Accrued interest payable is not due and payable in the current period and therefore is not reported in the funds. | | (46,022) |
| Long-term liabilities, including certificates of participation, are not due and payable in the current period and therefore are not reported in the funds. | | |
| Compensated absences payable | (1,319,054) | |
| Energy conservation bonds payable | (345,000) | |
| Certificates of participation | (11,750,000) | |
| Capital lease obligations | (100,741) | |
| Total | | (13,514,795) |
| Net assets of governmental activities | | \$ 41,492,429 |

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, 2010

| | <u>General</u> | <u>Building</u> | <u>Classroom Facilities</u> | <u>Other Governmental Funds</u> | <u>Total Governmental Funds</u> |
|------------------------------------------------------------------------|----------------------|---------------------|---------------------------------|-----------------------------------------|-----------------------------------------|
| Revenues: | | | | | |
| From local sources: | | | | | |
| Taxes | \$ 4,121,373 | \$ - | \$ - | \$ - | \$ 4,121,373 |
| Tuition | - | - | - | 411,776 | 411,776 |
| Charges for services | - | - | - | 246,852 | 246,852 |
| Earnings on investments | 284,049 | - | 49,716 | 378 | 334,143 |
| Extracurricular | - | - | - | 20,142 | 20,142 |
| Classroom materials and fees | - | - | - | 189,476 | 189,476 |
| Contributions and donations | - | - | - | 7,219 | 7,219 |
| Contract services | 131,742 | - | - | 59,449 | 191,191 |
| Other local revenues | 106,152 | - | 750 | 1,317 | 108,219 |
| Intergovernmental - intermediate | - | - | - | 160,286 | 160,286 |
| Intergovernmental - state | 11,290,769 | - | 7,334,413 | 321,236 | 18,946,418 |
| Intergovernmental - federal | - | - | - | 713,089 | 713,089 |
| Total revenues | <u>15,934,085</u> | <u>-</u> | <u>7,384,879</u> | <u>2,131,220</u> | <u>25,450,184</u> |
| Expenditures: | | | | | |
| Current: | | | | | |
| Instruction: | | | | | |
| Regular | 767,654 | - | - | - | 767,654 |
| Special | 498,153 | - | - | - | 498,153 |
| Vocational | 8,664,502 | - | - | 739,671 | 9,404,173 |
| Adult | - | - | - | 442,279 | 442,279 |
| Support services: | | | | | |
| Pupil | 817,583 | - | - | 420,388 | 1,237,971 |
| Instructional staff | 795,075 | - | - | 435,569 | 1,230,644 |
| Board of education | 77,430 | - | - | 14,079 | 91,509 |
| Administration | 1,179,464 | - | - | 39,939 | 1,219,403 |
| Fiscal | 424,768 | 3,444 | 40,595 | 10,612 | 479,419 |
| Business | 173,891 | - | - | 5,380 | 179,271 |
| Operations and maintenance | 1,111,757 | - | - | - | 1,111,757 |
| Pupil transportation | 1,710 | - | - | 178 | 1,888 |
| Central | 158,367 | - | - | 65,896 | 224,263 |
| Operation of non-instructional services: | | | | | |
| Other non-instructional services | 140 | - | - | - | 140 |
| Food service operations | - | - | - | 409,348 | 409,348 |
| Extracurricular activities | 68,910 | - | - | - | 68,910 |
| Facilities acquisition and construction | - | 2,754,302 | 3,984,083 | 321,452 | 7,059,837 |
| Capital outlay | 20,670 | - | - | - | 20,670 |
| Debt service: | | | | | |
| Principal retirement | 304,235 | - | - | - | 304,235 |
| Interest and fiscal charges | 588,172 | - | - | - | 588,172 |
| Total expenditures | <u>15,652,481</u> | <u>2,757,746</u> | <u>4,024,678</u> | <u>2,904,791</u> | <u>25,339,696</u> |
| Excess (deficiency) of revenues over (under) expenditures | 281,604 | (2,757,746) | 3,360,201 | (773,571) | 110,488 |
| Other financing sources (uses): | | | | | |
| Transfers in | - | - | - | 777,824 | 777,824 |
| Transfers (out) | (352,464) | - | - | (425,360) | (777,824) |
| Sale of capital assets | 4,493 | - | - | - | 4,493 |
| Capital lease transaction | 20,670 | - | - | - | 20,670 |
| Total other financing sources (uses) | <u>(327,301)</u> | <u>-</u> | <u>-</u> | <u>352,464</u> | <u>25,163</u> |
| Net change in fund balances | (45,697) | (2,757,746) | 3,360,201 | (421,107) | 135,651 |
| Fund balances at beginning of year | 10,659,725 | 4,861,254 | 10,563,178 | 6,994,040 | 33,078,197 |
| Decrease in reserve for inventory | (2,964) | - | - | (3,215) | (6,179) |
| Fund balances at end of year | \$ 10,611,064 | \$ 2,103,508 | \$ 13,923,379 | \$ 6,569,718 | \$ 33,207,669 |

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, 2010

| | | |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------|------------------|
| Net change in fund balances - total governmental funds | \$ | 135,651 |
| <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 costs of those assets are allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceed depreciation expense in the current period. | | |
| Capital asset additions | \$ 7,363,424 | |
| Current year depreciation | (378,313) | |
| Total | | 6,985,111 |
| The net effect of various miscellaneous transactions involving capital assets (i.e., sales, disposals, trade-ins, and donations) is to decrease net assets. | | |
| | | (15,041) |
| Governmental funds report expenditures for inventory when purchased. However, in the statement of activities, they are reported as an expense when consumed. | | |
| | | (6,179) |
| Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. | | |
| Taxes | 72,308 | |
| Intergovernmental | (4,814,065) | |
| Earnings on investments | 97,301 | |
| Total | | (4,644,456) |
| Repayment of principal and capital lease obligations is an expenditure in the governmental funds, but the repayment reduces long-term liabilities on the statement of net assets. | | |
| | | 304,235 |
| Capital lease obligation payable balance forgiven as part of the lease trade-in agreement. This reduces the long-term obligations on the statement of net assets. | | |
| | | 5,303 |
| Proceeds of capital lease transactions are recorded as other financing sources in the funds; however, in the statement of activities, they are not reported as revenues as they increase the liabilities on the statement of net assets. | | |
| | | (20,670) |
| In the statement of activities, interest is accrued on outstanding bonds and certificates of participation whereas in governmental funds, an interest expenditure is reported when due. The following items resulted in additional interest being reported in the statement of activities: | | |
| Decrease in accrued interest payable | 738 | |
| Amortization of discounts | (7,019) | |
| Amortization of issuance costs | (9,617) | |
| Total | | (15,898) |
| Some expenses reported in the statement of activities, such as compensated absences, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. | | |
| | | 218,204 |
| 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 | | |
| | | (386,803) |
| Change in net assets of governmental activities | \$ | 2,559,457 |

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, 2010

| | <u>Budgeted Amounts</u> | | | Variance with Final Budget Positive (Negative) |
|--------------------------------------------------------------------|----------------------------|----------------------------|-----------------------------|-------------------------------------------------------------------|
| | <u>Original</u> | <u>Final</u> | <u>Actual</u> | |
| Revenues: | | | | |
| From local sources: | | | | |
| Taxes | \$ 4,257,621 | \$ 4,257,621 | \$ 4,257,096 | \$ (525) |
| Earnings on investments | 350,000 | 350,000 | 282,991 | (67,009) |
| Contract services. | 151,500 | 152,500 | 131,742 | (20,758) |
| Other local revenues | 73,000 | 73,000 | 100,966 | 27,966 |
| Intergovernmental - state | 11,007,866 | 11,007,866 | 11,289,056 | 281,190 |
| Total revenues. | <u>15,839,987</u> | <u>15,840,987</u> | <u>16,061,851</u> | <u>220,864</u> |
| Expenditures: | | | | |
| Current: | | | | |
| Instruction: | | | | |
| Regular | 530,148 | 530,148 | 762,367 | (232,219) |
| Special. | 503,552 | 503,552 | 486,981 | 16,571 |
| Vocational. | 9,199,602 | 9,153,026 | 8,765,565 | 387,461 |
| Support services: | | | | |
| Pupil. | 827,198 | 827,198 | 807,099 | 20,099 |
| Instructional staff | 923,856 | 923,856 | 825,777 | 98,079 |
| Board of education | 72,922 | 72,922 | 100,368 | (27,446) |
| Administration. | 1,105,416 | 1,105,416 | 1,238,048 | (132,632) |
| Fiscal | 511,412 | 511,412 | 428,010 | 83,402 |
| Business | 126,798 | 126,798 | 175,046 | (48,248) |
| Operations and maintenance. | 1,235,867 | 1,235,867 | 1,156,106 | 79,761 |
| Pupil transportation | 2,252 | 2,252 | 1,924 | 328 |
| Central. | 149,523 | 149,523 | 172,205 | (22,682) |
| Operation of non-instructional services | 10,000 | 10,000 | 139 | 9,861 |
| Extracurricular activities. | 97,284 | 97,284 | 81,434 | 15,850 |
| Debt service: | | | | |
| Principal retirement | 842,166 | 842,166 | 265,000 | 577,166 |
| Interest and fiscal charges. | 580,000 | 580,000 | 577,165 | 2,835 |
| Total expenditures | <u>16,717,996</u> | <u>16,671,420</u> | <u>15,843,234</u> | <u>828,186</u> |
| Excess (deficiency) of revenues over (under) expenditures. | <u>(878,009)</u> | <u>(830,433)</u> | <u>218,617</u> | <u>1,049,050</u> |
| Other financing sources (uses): | | | | |
| Refund of prior year expenditures | 20,000 | 20,000 | 62,503 | 42,503 |
| Refund of prior year receipts. | - | - | (31) | (31) |
| Transfers in | 25,000 | 25,000 | - | (25,000) |
| Transfers (out). | (50,000) | (50,000) | (352,464) | (302,464) |
| Advances in. | 90,500 | 90,500 | 90,500 | - |
| Advances (out) | (100,000) | (100,000) | (275,000) | (175,000) |
| Contingencies | (50,000) | (50,000) | - | 50,000 |
| Sale of capital assets. | - | - | 4,493 | 4,493 |
| Total other financing sources (uses) | <u>(64,500)</u> | <u>(64,500)</u> | <u>(469,999)</u> | <u>(405,499)</u> |
| Net change in fund balance | (942,509) | (894,933) | (251,382) | 643,551 |
| Fund balance at beginning of year | 10,434,624 | 10,434,624 | 10,434,624 | - |
| Prior year encumbrances appropriated | 293,232 | 293,232 | 293,232 | - |
| Fund balance at end of year | <u>\$ 9,785,347</u> | <u>\$ 9,832,923</u> | <u>\$ 10,476,474</u> | <u>\$ 643,551</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, 2010

| | <u>Governmental Activities - Internal Service Fund</u> |
|----------------------------------|---------------------------------------------------------------------------|
| Assets: | |
| Current assets: | |
| Cash with fiscal agent | \$ 775,906 |
| Total assets. | <u>775,906</u> |
| Liabilities: | |
| Claims payable | <u>263,151</u> |
| Total liabilities | <u>263,151</u> |
| Net assets: | |
| Unrestricted. | <u>512,755</u> |
| Total net assets | <u>\$ 512,755</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, 2010

| | Governmental Activities - Internal Service Fund |
|--------------------------------------------------|--------------------------------------------------------------------|
| Operating revenues: | |
| Charges for services | \$ 2,164,432 |
| Total operating revenues | <u>2,164,432</u> |
| Operating expenses: | |
| Claims expense | <u>2,572,012</u> |
| Total operating expenses | <u>2,572,012</u> |
| Operating loss | <u>(407,580)</u> |
| Nonoperating revenues: | |
| Interest revenue | <u>20,777</u> |
| Total nonoperating revenues | <u>20,777</u> |
| Change in net assets. | (386,803) |
| Net assets at beginning of year | <u>899,558</u> |
| Net assets at end of year. | <u>\$ 512,755</u> |

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF CASH FLOWS
PROPRIETARY FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

| | Governmental Activities - Internal Service Fund |
|-----------------------------------------------------------------------------------|--------------------------------------------------------------------|
| Cash flows from operating activities: | |
| Cash received from charges for services | \$ 2,164,432 |
| Cash payments for claims expenses. | <u>(2,494,905)</u> |
| Net cash used in operating activities | <u>(330,473)</u> |
| Cash flows from investing activities: | |
| Interest received | <u>20,777</u> |
| Net cash provided by investing activities | <u>20,777</u> |
| Net decrease in cash and investments | (309,696) |
| Cash and investments at beginning of year | <u>1,085,602</u> |
| Cash and investments at end of year. | <u><u>\$ 775,906</u></u> |
| Reconciliation of operating loss to net cash used in operating activities: | |
| Operating loss. | \$ (407,580) |
| Increase in claims payable | <u>77,107</u> |
| Net cash used in operating activities. | <u><u>\$ (330,473)</u></u> |

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, 2010

| | Private-Purpose Trust | |
|----------------------------------------------------|----------------------------------|---------------|
| | Scholarship | Agency |
| Assets: | | |
| Equity in pooled cash and investments | \$ 163,625 | \$ 810,912 |
| Receivables: | | |
| Accounts | - | 11,692 |
| Prepayments | - | 18,073 |
| | 163,625 | \$ 840,677 |
| Total assets. | 163,625 | \$ 840,677 |
| Liabilities: | | |
| Accounts payable. | - | \$ 26,977 |
| Intergovernmental payable | 146 | 774,591 |
| Due to students. | - | 39,109 |
| | 146 | \$ 840,677 |
| Total liabilities. | 146 | \$ 840,677 |
| Net assets: | | |
| Held in trust for scholarships | 163,479 | |
| Total net assets. | \$ 163,479 | |

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

| | | <u>Private-Purpose Trust</u> |
|------------------------------------------------------|-----------|----------------------------------|
| | | <u>Scholarship</u> |
| Additions: | | |
| Interest. | \$ | 1,068 |
| Gifts and contributions. | | 2,603 |
| Total additions. | | <u>3,671</u> |
| Deductions: | | |
| Scholarships awarded | | <u>6,852</u> |
| Change in net assets. | | (3,181) |
| Net assets at beginning of year | | <u>166,660</u> |
| Net assets at end of year. | \$ | <u>163,479</u> |

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

NOTE 1 - DESCRIPTION OF THE DISTRICT

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

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

The District also provides support services for the pupils, instructional staff, operation and maintenance, food services, extracurricular activities, and nonprogrammed services. It is staffed by 30 non-certified employees and 134 certificated full-time teaching personnel, who provide services to 1,305 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) guidance issued on or before November 30, 1989, to its governmental activities and to its proprietary fund provided it does not conflict with or contradict GASB pronouncements. The District's significant accounting policies are described below.

A. Reporting Entity

The reporting entity has been defined in accordance with GASB Statement No. 14, "The Financial Reporting Entity" as amended by GASB Statement No. 39, "Determining Whether Certain Organizations Are Component Units". The reporting entity is composed of the primary government and component units. The primary government consists of all funds, departments, boards and agencies that are not legally separate from the District. For the District, this includes general operations, food service, 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 organization's Governing Board and (1) the District is able to significantly influence the programs or services performed or provided by the organization; or (2) the District is legally entitled to or can otherwise have access to the organization's resources; or (3) the District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or (4) the District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the District in that the District approves the budget, the issuance of debt or the levying of taxes. Certain organizations are also included as component units if the nature and significance of the relationship between the primary government and the organization is such that exclusion by the primary government would render the primary government's financial statements incomplete or misleading. Based upon the application of these criteria, the District has no component units. The basic financial statements of the reporting entity include only those of the District (the primary government).

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

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

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

JOINT VENTURE WITHOUT EQUITY INTEREST

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

The COG is a jointly governed organization among 16 school districts, 1 educational service center and a career center. The COG is an association of public school districts within the boundaries of Ashland, Crawford, Huron, Marion, Morrow, Richland, Seneca, and Wyandot counties. The COG was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member school districts. Each member school district supports the COG based on a per pupil charge dependent upon the software package utilized. The COG is governed by a Cooperative Assembly consisting of superintendents of the member school districts. The degree of control exercised by any school district is limited to its representation on the Cooperative Assembly. During fiscal year 2010, the District paid \$191,045 to the COG for various services. The District serves as fiscal agent for the COG and financial activity for fiscal year 2010 is reported in the financial statements as an agency fund.

PUBLIC ENTITY RISK POOLS

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

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

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

School of Ohio Risk Sharing Authority

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

B. Fund Accounting

The District uses funds to 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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

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

GOVERNMENTAL FUNDS

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

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.

Building fund - The building fund is used to account for receipts and expenditures related to all special bond funds in the District and to account for receipts and expenditures involved in the replacement or updating of equipment essential for the instruction of students. Expenditures recorded here represent the costs of acquiring and improving capital facilities, including real property.

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

Other governmental funds of the District are used to account for (a) 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; (c) grants and other resources whose use is restricted to a particular purpose; and (d) food service operations.

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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

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

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.

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 services. Operating expenses for internal service funds include the claims and administrative expenses. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

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

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

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

Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the 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.

Unearned Revenue and Deferred Revenue - Unearned revenue and deferred revenue arise 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, 2010, but which were levied to finance fiscal year 2011 operations, and other revenues received in advance of the fiscal year for which they are intended to finance, have been recorded as unearned revenue. Grants and entitlements received before the eligibility requirements are met and delinquent property taxes due at June 30, 2010 are recorded as deferred revenue on the fund financial statements.

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

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

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

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

E. Budgets

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

1. Prior to January 15, the Superintendent and Treasurer submit to the Board of Education a proposed operating budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing for all funds. The purpose of this budget document is to reflect the need for existing (or increased) tax rates.
2. By no later than January 20, the Board-adopted budget is filed with the Richland County Budget Commission for tax rate determination.
3. Prior to April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the Budget Commission and receives the Commission's certificate of estimated resources which states the projected revenue of each fund. Prior to July 1, the District must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the certificate of estimated resources. The revised budget then serves as a basis for the appropriation measure. On or about July 1, the certificate is amended to include any unencumbered balances from the preceding year as reported by the District Treasurer. The certificate may be further amended during the year if projected increases or decreases in revenue are identified by the District Treasurer. The amounts reported in the budgetary statement reflect the amounts set forth in the original and final certificates of estimated resources issued for fiscal year 2010.
4. By July 1, the annual appropriation resolution is legally enacted by the Board of Education at the fund level of expenditures for all funds. (State statute permits a temporary appropriation to be effective until no later than October 1 of each year.) Resolution appropriations by fund must be within the estimated resources as certified by the County Budget Commission and the total of expenditures and encumbrances may not exceed the appropriation totals.
5. All funds, other than agency funds, are legally required to be budgeted and appropriated. Short-term interfund loans are not required to be budgeted since they represent a temporary cash flow resource, and are intended to be repaid.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

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

6. Any revisions that alter the total of any fund appropriation must be approved by the Board of Education.
7. Formal budgetary integration is employed as a management control device during the year for all funds consistent with the general obligation bond indenture and other statutory provisions. All funds completed the year within the amount of their legally authorized cash basis appropriation.
8. Appropriation amounts are as originally adopted, or as amended by the Board of Education through the year by supplemental appropriations which either reallocated or increased the original appropriated amounts. Although the legal level of budgetary control is at the fund level, the District has elected to show the budgetary statement at the fund and function level of expenditures.

All supplemental appropriations were legally enacted by the Board during fiscal year 2010.

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

F. Cash and Investments

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

During fiscal year 2010, investments were limited to the State Treasury Asset Reserve of Ohio (STAR Ohio), federal agency securities, negotiable certificates of deposit, U.S. Government money market and nonnegotiable certificates of deposit. All investments of the District had a maturity date of five years or less from the date of purchase. Except for nonparticipating investment contracts, investments are reported at fair value, which is based on quoted market prices. Nonparticipating investment contracts, such as nonnegotiable certificates of deposit, are reported at cost.

The District has invested funds in STAR Ohio during fiscal year 2010. STAR Ohio is an investment pool managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's shares price, which is the price the investment could be sold for on June 30, 2010.

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 2010 amounted to \$284,049, which includes \$116,444 assigned from other District funds.

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

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

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

G. Inventory

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

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

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

H. Capital Assets

General capital assets result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net assets, but are not reported in the fund financial statements. For fiscal year 2010, the District maintained a capitalization threshold of \$5,000.

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

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

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

I. Interfund Balances

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

J. Compensated Absences

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

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

In accordance with the provisions of GASB Statement No. 16, “Accounting for Compensated Absences”, a liability for vacation leave is accrued if a) the employees’ rights to payment are attributable to services already rendered; and b) it is probable that the employer will compensate the employees for the benefits through paid time off or other means, such as cash payment at termination or retirement. An accrual for earned sick leave is made to the extent that it is probable that the benefits will result in termination (severance) payments. A liability for sick leave is accrued using the vesting method; i.e., the liability is based on the sick leave accumulated at June 30, 2010, by those employees who are currently eligible to receive termination (severance) payments, as well as those employees expected to become eligible in the future. For purposes of establishing a liability for sick leave on employees expected to become eligible to retire in the future, all employees age 50 with at least 5 years of service and all employees with at least 20 years of service were considered expected to become eligible to retire in accordance with GASB Statement No. 16.

The total liability for vacation and sick leave payments has been calculated using pay rates in effect at June 30, 2010 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 and compensated absences that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment during the current year. Bonds, certificates of participation and capital lease obligations are recognized as a liability on the fund financial statements when due.

L. Fund Balance 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, debt service and tax revenue unavailable for appropriation. The reserve for taxes unavailable for appropriation represents taxes recognized as revenue under GAAP, but not available for appropriation under State statute.

**PIONEER CAREER AND TECHNOLOGY CENTER
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

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

M. Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consist of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. The amount restricted for other purposes includes amounts restricted for the following nonmajor governmental funds: food service, special trust, uniform school supplies and adult education.

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

N. Prepayments

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

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

O. Unamortized Issuance Costs/Discount

On government-wide financial statements, issuance costs are defined and amortized over the term of the certificates of participation using the straight-line method, which approximates the effective interest method. Unamortized issuance costs of certificates of participation are recorded as a separate line item on the statement of net assets.

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

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

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.

**PIONEER CAREER AND TECHNOLOGY CENTER
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

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

Q. Interfund Activity

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

R. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Board of Education and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during fiscal year 2010.

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

A. Change in Accounting Principles

For fiscal year 2010, the District has implemented GASB Statement No. 51, "Accounting and Financial Reporting for Intangible Assets", GASB Statement No. 53, "Accounting and Financial Reporting for Derivative Instruments", and GASB Statement No. 58, "Accounting and Financial Reporting for Chapter 9 Bankruptcies".

GASB Statement No. 51 addresses accounting and financial reporting standards for intangible assets, which are assets that lack physical substance, are nonfinancial in nature, and have an initial useful life extending beyond a single reporting period. Examples of intangible assets include easements, water rights, computer software, patents, and trademarks. GASB Statement No. 51 improves the quality of financial reporting by creating consistency in the recognition, initial measurement, and amortization of intangible assets. The implementation of GASB Statement No. 51 did not have an effect on the financial statements of the District.

GASB Statement No. 53 addresses the recognition, measurement, and disclosure of information regarding derivative instruments entered into by state and local governments. Derivative instruments are financial arrangements used by governments to manage specific risks or to make investments. Common types of derivative instruments include interest rate and commodity swaps, interest rate locks, options, swaptions, forward contracts, and futures contracts. The implementation of GASB Statement No. 53 did not have an effect on the financial statements of the District.

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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE - (Continued)

GASB Statement No. 58 establishes accounting and financial reporting guidance for governments that have petitioned for protection from creditors by filing for bankruptcy under Chapter 9 of the United States Bankruptcy Code. GASB Statement No. 58 requires governments to remeasure liabilities that are adjusted in bankruptcy when the bankruptcy court confirms a new payment plan. The implementation of GASB Statement No. 58 did not have an effect on the financial statements of the District.

B. Deficit Fund Balances

Fund balances at June 30, 2010 included the following individual fund deficits:

| <u>Nonmajor funds</u> | <u>Deficit</u> |
|-----------------------------------|----------------|
| Other grants | \$ 4,545 |
| Public school preschool | 182 |
| Vocational education enhancements | 92 |
| School to work | 2,132 |
| Vocational education | 178,835 |
| Improving teacher quality | 775 |
| Miscellaneous federal grants | 67,496 |

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 balance in the vocational education enhancements fund resulted from adjustments for accrued liabilities.

The deficit fund balance in all other funds resulted from both the reporting of short-term interfund loans as a fund liability rather than as an other financing source and adjustments for accrued liabilities.

C. Legal Compliance

Contrary to Section 5705.41 (D), Ohio Revised Code, the District did not certify all commitments as required by Ohio law.

NOTE 4 - DEPOSITS AND INVESTMENTS

State statutes classify monies held by the District into three categories.

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

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

Interim deposits are deposits of interim monies. Interim monies are those monies which are not needed for immediate use, but which will be needed before the end of the current period of designation of depositories.

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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

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

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

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

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

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

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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

A. Cash on Hand

At fiscal year end, the District had \$425 in undeposited cash on hand which is included on the financial statements of the District as part of "equity in pooled cash and investments".

B. Cash with Fiscal Agent

The District is self-insured through a fiscal agent. The money held by the fiscal agent cannot be identified as an investment or deposit, since it is held in a pool made up of numerous participants. The amount held by the fiscal agent at June 30, 2010 was \$775,906 and is not included in "Deposits with Financial Institutions".

C. Cash with Escrow Agent

At June 30, 2010, the District had \$782,445 in cash with an escrow agent relating to the certificates of participation that were issued during fiscal year 2010. This amount is recorded in the debt service fund (a nonmajor governmental fund) and is included in "Deposits with Financial Institutions".

D. Deposits with Financial Institutions

At June 30, 2010, the carrying amount of all District deposits was \$24,392,147. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of June 30, 2010, \$16,719,910 of the District's bank balance of \$24,611,451 was exposed to custodial risk as discussed below, while \$7,891,541 was covered by the FDIC.

Custodial credit risk is the risk that, in the event of bank failure, the District's deposits may not be returned. All deposits are collateralized with eligible securities in amounts equal to at least 105% of the carrying value of the deposits. Such collateral, as permitted by the Ohio Revised Code, is held in single financial institution collateral pools at Federal Reserve Banks, or at member banks of the federal reserve system, in the name of the respective depository bank and pledged as a pool of collateral against all of the public deposits it holds or as specific collateral held at the Federal Reserve Bank in the name of the District. The District has no deposit policy for custodial credit risk beyond the requirements of State statute. Although the securities were held by the pledging institutions' trust department and all statutory requirements for the deposit of money had been followed, noncompliance with federal requirements could potentially subject the District to a successful claim by the FDIC.

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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

E. Investments

As of June 30, 2010, the District had the following investments and maturities:

| Investment type | Fair Value | Investment Maturities | | | | |
|------------------------------|----------------------|-----------------------|---------------------|-------------------|-------------------|---------------------|
| | | 6 months or less | 7 to 12 months | 13 to 18 months | 19 to 24 months | 25 to 60 months |
| Negotiable CDs | \$ 1,604,796 | \$ 297,778 | \$ 451,584 | \$ 555,659 | \$ 200,570 | \$ 99,205 |
| FHLB | 3,845,919 | 1,000,000 | 2,241,980 | - | - | 603,939 |
| FHLB discount notes | 2,127,359 | 204,958 | 1,922,401 | - | - | - |
| FHLMC | 1,000,830 | - | - | - | - | 1,000,830 |
| FNMA | 706,002 | - | - | - | - | 706,002 |
| FNMA discount notes | 2,799,100 | 2,300,000 | 499,100 | - | - | - |
| STAR Ohio | 191,465 | 191,465 | - | - | - | - |
| U.S. Government money market | 12,135 | 12,135 | - | - | - | - |
| Total | <u>\$ 12,287,606</u> | <u>\$ 4,006,336</u> | <u>\$ 5,115,065</u> | <u>\$ 555,659</u> | <u>\$ 200,570</u> | <u>\$ 2,409,976</u> |

The weighted average maturity of investments is 1.14 years.

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

Credit Risk: The District's investments in federal agency securities were rated AAA and Aaa by Standard & Poor's and Moody's Investor Services, respectively. Standard & Poor's has assigned STAR Ohio and the U.S. Government money market an AAAM money market ratings. The District has no investment policy dealing with investment credit risk beyond the requirements in State statutes.

Custodial Credit Risk: For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The federal agency securities are exposed to custodial credit risk in that they are uninsured, unregistered and held by the counterparty's trust department or agent but not in the District's name. The District has no investment policy dealing with investment custodial risk beyond the requirement in State statute that prohibits payment for investments prior to the delivery of the securities representing such investments to the Treasurer or qualified trustee.

Concentration of Credit Risk: The District places no limit on the amount that may be invested in any one issuer. The following table includes the percentage of each investment type held by the District at June 30, 2010:

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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

| <u>Investment type</u> | <u>Fair Value</u> | <u>% of Total</u> |
|------------------------------|----------------------|-------------------|
| Negotiable CDs | \$ 1,604,796 | 13.06 |
| FHLB | 3,845,919 | 31.30 |
| FHLB discount notes | 2,127,359 | 17.31 |
| FHLMC | 1,000,830 | 8.15 |
| FNMA | 706,002 | 5.75 |
| FNMA discount notes | 2,799,100 | 22.78 |
| STAR Ohio | 191,465 | 1.56 |
| U.S. Government money market | <u>12,135</u> | <u>0.09</u> |
| Total | <u>\$ 12,287,606</u> | <u>100.00</u> |

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

The following is a reconciliation of cash and investments as reported in the note above to cash and investments as reported on the statement of net assets as of June 30, 2010:

| | |
|-------------------------------------------------------------|----------------------|
| <u>Cash and investments per note</u> | |
| Carrying amount of deposits | \$ 24,392,147 |
| Investments | 12,287,606 |
| Cash with fiscal agent | 775,906 |
| Cash on hand | <u>425</u> |
| Total | <u>\$ 37,456,084</u> |
| <u>Cash and investments per statement of net assets</u> | |
| Governmental activities | \$ 36,481,547 |
| Private-purpose trust fund | 163,625 |
| Agency funds | <u>810,912</u> |
| Total | <u>\$ 37,456,084</u> |

NOTE 5 - INTERFUND TRANSACTIONS

- A. Interfund balances at June 30, 2010 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 | <u>\$ 275,000</u> |

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

Interfund balances between governmental funds are eliminated on the government-wide financial statements; therefore, no internal balances at June 30, 2010 are reported on the statement of net assets.

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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

NOTE 5 - INTERFUND TRANSACTIONS - (Continued)

- B.** Interfund transfers for the year ended June 30, 2010, consisted of the following, as reported on the fund financial statements:

Transfers to nonmajor governmental funds from:

| | |
|----------------------------|-------------------|
| General fund | \$ 352,464 |
| Nonmajor governmental fund | <u>425,360</u> |
| Total | <u>\$ 777,824</u> |

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.

During fiscal year 2010, the capital projects fund (a nonmajor governmental fund) transferred \$425,360 to the classroom facilities maintenance fund (a nonmajor special revenue fund) to fund the mandatory annual maintenance set-aside in the classroom facilities maintenance fund.

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

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

NOTE 6 - PROPERTY TAXES

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

Property taxes include amounts levied against all real property, public utility property, and certain tangible personal (used in business) property located in the District. Real property tax revenues received in calendar year 2010 represent the collection of calendar year 2009 taxes. Real property taxes received in calendar year 2010 were levied after April 1, 2009, on the assessed values as of January 1, 2009, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established. Public utility property tax revenues received in calendar year 2010 represent the collection of calendar year 2009 taxes. Public utility real and tangible personal property taxes received in calendar year 2010 became a lien on December 31, 2008, were levied after April 1, 2009, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

NOTE 6 - PROPERTY TAXES - (Continued)

Tangible personal property tax revenues received in calendar year 2010 (other than public utility property) represent the collection of calendar year 2010 taxes levied against local and inter-exchange telephone companies. Tangible personal property taxes received from telephone companies in calendar year 2010 were levied after October 1, 2009, on the value as of December 31, 2009. Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, payment is due April 30; if paid semiannually, 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, Crawford, Huron, Morrow, Ashland, Wyandot, Seneca and Marion 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, 2010, are available to finance fiscal year 2010 operations. The amount available as an advance at June 30, 2010 was \$957,825 in the general fund. This amount is recorded as revenue. The amount available for advance at June 30, 2009 was \$1,093,653 in the general fund. The amount of second-half real property taxes available for advance at fiscal year-end can vary based on the date the tax bills are sent.

Accrued property taxes receivable includes real property, public utility property and tangible personal property taxes which are measurable as of June 30, 2010 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 unearned revenue.

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

The assessed values upon which the fiscal year 2010 taxes were collected are:

| | 2009 Second Half Collections | | 2010 First Half Collections | |
|---------------------------------------------------|---------------------------------|----------------|--------------------------------|----------------|
| | <u>Amount</u> | <u>Percent</u> | <u>Amount</u> | <u>Percent</u> |
| Agricultural/residential and other real estate | \$ 2,132,803,100 | 93.81 | \$ 2,142,480,180 | 96.21 |
| Public utility personal | 84,571,930 | 3.72 | 84,487,990 | 3.79 |
| Tangible personal property | <u>56,227,706</u> | <u>2.47</u> | <u>-</u> | <u>-</u> |
| Total | <u>\$ 2,273,602,736</u> | <u>100.00</u> | <u>\$ 2,226,968,170</u> | <u>100.00</u> |
| Tax rate per \$1,000 of assessed valuation | \$4.70 | | \$3.70 | |

**PIONEER CAREER AND TECHNOLOGY CENTER
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

NOTE 7 - RECEIVABLES

Receivables at June 30, 2010 consisted of taxes, accounts (billings for user charged services and student fees), intergovernmental grants and entitlements and accrued interest. 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 | \$ 4,332,832 |
| Accounts | 138,577 |
| Intergovernmental | 9,901,881 |
| Accrued interest | <u>230,805</u> |
| Total | <u>\$ 14,604,095</u> |

Receivables have been disaggregated on the face of the basic financial statements. All receivables are expected to be collected in the subsequent year with the exception of the \$9,864,616 OSFC receivable which is expected to be collected over the remainder of the project.

NOTE 8 - CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2010, was as follows:

| | Balance <u>July 1, 2009</u> | <u>Additions</u> | <u>Deductions</u> | Balance <u>June 30, 2010</u> |
|-----------------------------------------------|--------------------------------|---------------------|--------------------|---------------------------------|
| Governmental activities: | | | | |
| <i>Capital assets, not being depreciated:</i> | | | | |
| Land | \$ 25,000 | \$ - | \$ - | \$ 25,000 |
| Construction in progress | <u>916,886</u> | <u>6,948,604</u> | <u>-</u> | <u>7,865,490</u> |
| Total capital assets, not being depreciated | <u>941,886</u> | <u>6,948,604</u> | <u>-</u> | <u>7,890,490</u> |
| <i>Capital assets, being depreciated:</i> | | | | |
| Buildings and improvements | 4,070,475 | - | - | 4,070,475 |
| Furniture and equipment | 3,591,598 | 414,820 | (54,916) | 3,951,502 |
| Vehicles | <u>449,521</u> | <u>-</u> | <u>-</u> | <u>449,521</u> |
| Total capital assets, being depreciated | <u>8,111,594</u> | <u>414,820</u> | <u>(54,916)</u> | <u>8,471,498</u> |
| <i>Less: accumulated depreciation:</i> | | | | |
| Buildings and improvements | (3,317,149) | (81,889) | - | (3,399,038) |
| Furniture and equipment | (2,004,716) | (245,536) | 39,875 | (2,210,377) |
| Vehicles | <u>(243,275)</u> | <u>(50,888)</u> | <u>-</u> | <u>(294,163)</u> |
| Total accumulated depreciation | <u>(5,565,140)</u> | <u>(378,313)</u> | <u>39,875</u> | <u>(5,903,578)</u> |
| Governmental activities capital assets, net | <u>\$ 3,488,340</u> | <u>\$ 6,985,111</u> | <u>\$ (15,041)</u> | <u>\$ 10,458,410</u> |

Depreciation expense was charged to governmental functions as follows:

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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

NOTE 8 - CAPITAL ASSETS - (Continued)

| | |
|--------------------------------|------------------------------|
| <u>Instruction:</u> | |
| Regular | \$ 9,643 |
| Special | 2,038 |
| Vocational | 193,945 |
| <u>Support services:</u> | |
| Pupil | 1,798 |
| Instructional staff | 3,166 |
| Administration | 22,629 |
| Fiscal | 224 |
| Business | 433 |
| Operations and maintenance | 55,239 |
| Central | 71,456 |
| Food service operations | 12,635 |
| Extracurricular activities | <u>5,107</u> |
| Total depreciation expense | <u><u>\$ 378,313</u></u> |

NOTE 9 - CAPITALIZED LEASES - LESSEE DISCLOSURE

In the current fiscal year and in previous fiscal years the District entered into capitalized leases for copiers and a postage 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 postage mail machine have been capitalized in the amount of \$206,236. This amount represents the present value of the minimum lease payments at the time of acquisition. As of June 30, 2010 accumulated depreciation was \$88,481, resulting in a net carrying value of \$117,755. Copiers in the amount of \$2,983 have not been capitalized since the assets individually do not meet the District's capitalization threshold. A liability is recorded in the government-wide financial statements equal to the present value of the future minimum lease payments. Principal payments in fiscal year 2010 totaled \$39,235 paid by the general fund.

In addition to the amount of principal retired, the District also traded in a lease with a principal balance of \$5,303, which is included in general expenditures.

The following is a schedule of the future long-term minimum lease payments required under the capital leases and the present value of the future minimum lease payments as of June 30, 2010:

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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

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

| <u>Fiscal Year Ending June 30,</u> | <u>Amount</u> |
|------------------------------------|-------------------|
| 2011 | \$ 41,463 |
| 2012 | 37,810 |
| 2013 | 31,020 |
| 2014 | 5,358 |
| 2015 | <u>446</u> |
| Total minimum lease payments | 116,097 |
| Less: amount representing interest | <u>(15,356)</u> |
| Total | <u>\$ 100,741</u> |

NOTE 10 - LONG-TERM OBLIGATIONS

- A. In prior fiscal years, the District issued energy conservation bonds to provide for energy improvements to various District buildings. The primary source of repayment of these bonds is through energy savings as a result of the improvements. Principal payments are made from the general fund.

The following is a description of the District's energy conservation bonds outstanding as of June 30, 2010:

| <u>Purpose</u> | <u>Interest Rate</u> | <u>Issue Date</u> | <u>Maturity Date</u> | <u>Balance July 1, 2009</u> | <u>Retired in 2010</u> | <u>Balance June 30, 2010</u> |
|---------------------------|--------------------------|-----------------------|--------------------------|---------------------------------|----------------------------|----------------------------------|
| Energy conservation bonds | 5.51% | 08/01/00 | 12/01/15 | \$ 390,000 | \$(45,000) | \$ 345,000 |

Principal and interest requirements to retire energy conservation bonds at June 30, 2010, are as follows:

| <u>Fiscal Year Ending June 30,</u> | <u>Principal on Bonds</u> | <u>Interest on Bonds</u> | <u>Total</u> |
|--------------------------------------------|-------------------------------|------------------------------|-------------------|
| 2011 | \$ 50,000 | \$ 18,174 | \$ 68,174 |
| 2012 | 55,000 | 15,311 | 70,311 |
| 2013 | 55,000 | 12,259 | 67,259 |
| 2014 | 60,000 | 9,009 | 69,009 |
| 2015 | 60,000 | 5,559 | 65,559 |
| 2016 | <u>65,000</u> | <u>1,909</u> | <u>66,909</u> |
| Total | <u>\$ 345,000</u> | <u>\$ 62,221</u> | <u>\$ 407,221</u> |

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

NOTE 10 - LONG-TERM OBLIGATIONS - (Continued)

- B.** On August 21, 2008, the District issued \$11,970,000 in certificates of participation (“COPs”) to finance the acquisition, construction, installation and improvement of District facilities. The certificates bear interest rates ranging from 3.00% to 5.125%. Interest payments on the certificates are due on June 1 and December 1 of each year. The final maturity stated in the issue is December 31, 2036. The District had \$5,418,555 in unspent proceeds at June 30, 2010.

Principal and interest requirements to retire the COPs at June 30, 2010, are as follows:

| Fiscal Year Ending June 30, | Principal on COPs | Interest on COPs | Total |
|-----------------------------------|----------------------|---------------------|----------------------|
| 2011 | \$ 225,000 | \$ 549,762 | \$ 774,762 |
| 2012 | 235,000 | 542,569 | 777,569 |
| 2013 | 240,000 | 534,850 | 774,850 |
| 2014 | 250,000 | 526,575 | 776,575 |
| 2015 | 260,000 | 517,000 | 777,000 |
| 2016 - 2020 | 1,455,000 | 2,417,506 | 3,872,506 |
| 2021 - 2025 | 1,785,000 | 2,072,016 | 3,857,016 |
| 2026 - 2030 | 2,260,000 | 1,587,533 | 3,847,533 |
| 2031 - 2035 | 2,885,000 | 936,466 | 3,821,466 |
| 2036 - 2037 | <u>2,155,000</u> | <u>131,328</u> | <u>2,286,328</u> |
| Total | <u>\$ 11,750,000</u> | <u>\$ 9,815,605</u> | <u>\$ 21,565,605</u> |

- C.** The District’s long-term obligations during the year consist of the following:

| | Balance Outstanding July 1, 2009 | Additions | Reductions | Balance Outstanding June 30, 2010 | Amounts Due in One Year |
|---------------------------------------------------------|----------------------------------------|-------------------|---------------------|-----------------------------------------|-------------------------------|
| Governmental activities: | | | | | |
| Energy conservation bonds | \$ 390,000 | \$ - | \$ (45,000) | \$ 345,000 | \$ 50,000 |
| Certificates of participation | 11,970,000 | - | (220,000) | 11,750,000 | 225,000 |
| Capital lease obligations | 124,609 | 20,670 | (44,538) | 100,741 | 33,555 |
| Pollution remediation | 131,222 | 46,906 | (131,222) | 46,906 | 46,906 |
| Compensated absences | <u>1,606,728</u> | <u>114,277</u> | <u>(237,538)</u> | <u>1,483,467</u> | <u>373,196</u> |
| Total long-term obligations, governmental activities | <u>\$ 14,222,559</u> | <u>\$ 181,853</u> | <u>\$ (678,298)</u> | 13,726,114 | <u>\$ 728,657</u> |
| Less: Unamortized discount | | | | <u>(185,437)</u> | |
| Total per statement of net assets | | | | <u>\$ 13,540,677</u> | |

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

NOTE 10 - LONG-TERM OBLIGATIONS - (Continued)

The pollution remediation obligation consists of a liability for asbestos removal in the District's building, which is being undertaken as part of an Ohio School Facilities Commission renovation project. The entire liability of \$46,906 is reported as a current liability in the classroom facilities fund.

D. Legal Debt Margin

The Ohio Revised Code provides that voted net general obligation debt of the District shall never exceed 9% of the total assessed valuation of the District. The code further provides that unvoted indebtedness shall not exceed 1/10 of 1% of the property valuation of the District. The code additionally states that unvoted indebtedness related to energy conservation debt shall not exceed 9/10 of 1% of the property valuation of the District. The assessed valuation used in determining the District's legal debt margin has been modified by House Bill 530 which became effective March 30, 2006. In accordance with House Bill 530, the assessed valuation used in the District's legal debt margin calculation excluded tangible personal property used in business, telephone or telegraph property, interexchange telecommunications company property, and personal property owned or leased by a railroad company and used in railroad operations. The effects of these debt limitations at June 30, 2010, are a voted debt margin of \$189,431,539 (including available funds of \$784,686), an unvoted debt margin of \$2,226,632 and an unvoted energy conservation debt margin of \$19,694,685.

NOTE 11 - RISK MANAGEMENT

A. Property and Liability

The District is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets, error and omissions, injuries to employees and natural disasters. The District contracted with the Schools of Ohio Risk Sharing Authority (SORSA) general liability, school board legal liability, employee benefits liability, auto liability, property, and crime coverages. Commercial general liability has a \$6,000,000 per occurrence, \$8,000,000 aggregate limit. Boiler and machinery coverage was provided by (SORSA) in the amount of \$50,000,000. Crime coverage is also provided with a limit of \$100,000 for public employee dishonesty, forgery, computer fraud and money and securities.

Vehicles are covered by (SORSA) and carry an Actual Cash Value (ACV) physical damage. Automobile liability has a \$550,153 combined single limit of liability. The aforementioned umbrella policy is above the auto as well.

School leader's errors and omissions policy is provided by (SORSA) in the amount of \$6,000,000 per occurrence, \$6,000,000 aggregate limit, with a \$2,500 deductible for each wrongful act.

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

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

NOTE 11 - RISK MANAGEMENT - (Continued)

B. Employee Health

The District has elected to provide employee medical/surgical benefits through a self-insured program. The District maintains a self-insurance Internal Service fund to account for and finance its uninsured risk of loss in this program. This plan provides a medical/surgical plan, with a \$150 single and \$300 family deductible per year. The plan also provides dental care. A third-party administrator, Employee Benefits Management Corporation, 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 \$1,249 for family coverage and \$636 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 \$263,151 reported in the fund at June 30, 2010 is based on the requirements of Governmental Accounting Standards Board Statement No. 10, "Accounting and Financial Reporting for Risk Financing and Related Insurance Issues", as amended by GASB Statement No. 30, "Risk Financing Omnibus", which requires that a liability for unpaid claims cost, including estimates of cost relating to incurred but not reported claims, be reported. Changes in the fund's claims liability for fiscal year 2010 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> |
|-------------|-----------------------------------------|--------------------------------|---------------------------|-----------------------------------|
| 2010 | \$ 186,044 | \$ 2,572,012 | \$ (2,494,905) | \$ 263,151 |
| 2009 | 284,738 | 2,009,181 | (2,107,875) | 186,044 |

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

C. Workers' Compensation

The District participates in the Ohio Association of School Business Officials Workers' Compensation Group Rating Plan (the "Plan"), an insurance purchasing pool. The intent of the Plan is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the Plan. Participants of the Plan 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 Plan tier rather than its individual rate. Participation in the Plan is limited to school districts that can meet the Plan's selection criteria. Sheakley Uniservice, Inc. provides administrative cost control and actuarial services to the Plan.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

NOTE 12 - PENSION PLANS

A. School Employees Retirement System

Plan Description - The District contributes to the School Employees Retirement System (SERS), a cost-sharing, multiple-employer defined benefit pension plan. SERS provides retirement, disability, survivor benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746. It is also posted on the SERS' Ohio website, www.ohsers.org, under *Employers/Audit Resources*.

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary and the District is required to contribute at an actuarially determined rate. The current District rate is 14 percent of annual covered payroll. A portion of the District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits. For fiscal year 2010, 12.78 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 by the SERS' Retirement Board up to a statutory maximum amount of 10 percent for plan members and 14 percent for employers. Chapter 3309 of the Ohio Revised Code provides statutory authority for member and employer contributions. The District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2010, 2009 and 2008 were \$328,961, \$230,450 and \$217,199, respectively; 100 percent has been contributed for fiscal years 2010, 2009 and 2008.

B. State Teachers Retirement System of Ohio

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

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on a member's lifetime contributions and earned interest matched by STRS Ohio funds divided by an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5 percent of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal. The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The DB portion of the Combined Plan payment is payable to a member on or after age 60; the DC portion of the account may be taken as a lump sum or converted to a lifetime monthly annuity at age 50. Benefits are established by Chapter 3307 of the Ohio Revised Code.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

NOTE 12 - PENSION PLANS - (Continued)

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

Funding Policy - For fiscal year 2010, plan members were required to contribute 10 percent of their annual covered salaries. The District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The District's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2010, 2009 and 2008 were \$1,109,374, \$1,122,335 and \$1,026,341, respectively; 100 percent has been contributed for fiscal years 2010, 2009 and 2008. Contributions to the DC and Combined Plans for fiscal year 2010 were \$50,951 made by the District and \$36,394 made by the plan members.

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the SERS/STRS Ohio have an option to choose Social Security or the SERS/STRS Ohio. As of June 30, 2010, certain members of the Board of Education have elected Social Security. The District's liability is 6.2 percent of wages paid.

NOTE 13 - POSTEMPLOYMENT BENEFITS

A. School Employees Retirement System

Plan Description - The District participates in two cost-sharing, multiple employer postemployment benefit plans administered by the School Employees Retirement System (SERS) for non-certificated retirees and their beneficiaries, a Health Care Plan and a Medicare Part B Plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's, Medicare Advantage, and traditional indemnity plans. A prescription drug program is also available to those who elect health coverage. SERS employs two third-party administrators and a pharmacy benefit manager to manage the self-insurance and prescription drug plans, respectively. The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries as set forth in Chapter 3309.69 of the Ohio Revised Code. Qualified benefit recipients who pay Medicare Part B premiums may apply for and receive a monthly reimbursement from SERS. The reimbursement amount is limited by statute to the lesser of the January 1, 1999 Medicare Part B premium or the current premium. The Medicare Part B premium for calendar year 2009 was \$96.40 and SERS' reimbursement to retirees was \$45.50. Benefit provisions and the obligations to contribute are established by the System based on authority granted by State statute. The financial reports of both Plans are included in the SERS Comprehensive Annual Financial Report which is available by contacting SERS at 300 East Broad St., Suite 100, Columbus, Ohio 43215-3746. It is also posted on the SERS' Ohio website, www.ohsers.org, under *Employers/Audit Resources*.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

NOTE 13 - POSTEMPLOYMENT BENEFITS - (Continued)

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). For 2010, 0.46 percent of covered payroll was allocated to health care. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. Statutes provide that no employer shall pay a health care surcharge greater than 2.0 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the statewide SERS-covered payroll for the health care surcharge. For fiscal year 2010, the actuarially determined amount was \$35,800.

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

The District's contributions for health care (including surcharge) for the fiscal years ended June 30, 2010, 2009, and 2008 were \$62,633, \$153,368 and \$144,620, respectively; 100 percent has been contributed for fiscal years 2010, 2009 and 2008.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For fiscal year 2010, this actuarially required allocation was 0.76 percent of covered payroll. The District's contributions for Medicare Part B for the fiscal years ended June 30, 2010, 2009, and 2008 were \$19,563, \$19,014 and \$15,650, respectively; 100 percent has been contributed for fiscal years 2010, 2009 and 2008.

B. State Teachers Retirement System of Ohio

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

Funding Policy - Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2010, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The District's contributions for health care for the fiscal years ended June 30, 2010, 2009, and 2008 were \$85,336, \$86,333 and \$78,949, respectively; 100 percent has been contributed for fiscal years 2010, 2009 and 2008.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

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, cash disbursements and encumbrances.

The statement of revenues, expenditures and changes in fund balance - budget and actual (non-GAAP budgetary basis) presented for the general fund is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and the GAAP basis are that:

- (a) Revenues and other financing sources are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis);
- (b) Expenditures and other financing uses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis);
- (c) In order to determine compliance with Ohio law, and to reserve that portion of the applicable appropriation, total outstanding encumbrances (budget basis) are recorded as the equivalent of an expenditure, as opposed to a reservation of fund balance for that portion of outstanding encumbrances not already recognized as an account payable (GAAP basis);
- (d) Investments are reported at fair value (GAAP basis) rather than cost (budget basis); and,
- (e) Advances-in and advances-out are operating transactions (budget basis) as opposed to balance sheet transactions (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 | \$ (251,382) |
| Net adjustment for revenue accruals | (127,766) |
| Net adjustment for expenditure accruals | (20,950) |
| Net adjustment for other sources/uses | 142,698 |
| Adjustment for encumbrances | <u>211,703</u> |
| GAAP basis | <u>\$ (45,697)</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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

NOTE 15 - CONTINGENCIES - (Continued)

B. Litigation

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

NOTE 16 - STATUTORY RESERVES

The District is required by State statute to annually set-aside in the general fund an amount based on a statutory formula for the purchase of textbooks and other instructional materials and an equal amount for the acquisition and construction of capital improvements. Amounts not spent by the end of the fiscal year or offset by similarly restricted resources received during the year must be held in cash at year-end. These amounts must be carried forward to be used for the same purposes in future years.

During the fiscal year ended June 30, 2010, the reserve activity was as follows:

| | Textbooks/ Instructional Materials | Capital Acquisition |
|---------------------------------------------|------------------------------------------|------------------------|
| Set-aside balance as of June 30, 2009 | \$ (2,546,554) | \$ (11,970,000) |
| Current year set-aside requirement | 203,630 | 203,630 |
| Qualifying disbursements | <u>(530,659)</u> | <u>(581,296)</u> |
| Total | <u>\$ (2,873,583)</u> | <u>\$ (12,347,666)</u> |
| Balance carried forward to fiscal year 2011 | <u>\$ (2,873,583)</u> | <u>\$ (11,970,000)</u> |

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

The District issued certificates of participation during a prior fiscal year to finance renovations made to the District's building and this amount may be used to reduce the capital acquisition set-aside requirement. The excess qualifying disbursements may not be carried forward to future years.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

NOTE 17 - CONTRACTUAL COMMITMENTS

As a result of the OSFC Project that was in progress at June 30, 2010, the District had the following outstanding contractual commitments at fiscal year end:

| <u>Vendor</u> | <u>Contract Amount</u> | <u>Amount Expended</u> | <u>Amount Outstanding</u> |
|----------------------------------|----------------------------|----------------------------|-------------------------------|
| Kleingers & Associates | \$ 5,260 | \$ (2,104) | \$ 3,156 |
| Lawhon & Associates, Inc. | 25,303 | (3,757) | 21,546 |
| Gandee & Associates, Inc. | 85,469 | (49,934) | 35,535 |
| Central Ohio Associates | 8,000 | (3,000) | 5,000 |
| Carter Lumber | 23,000 | (12,456) | 10,544 |
| Continental Office | 12,123 | - | 12,123 |
| Four Seasons Environmental, Inc. | 161,700 | (22,719) | 138,981 |
| Key Blue Prints | 63,820 | (49,775) | 14,045 |
| BCU Electric | 885,870 | (846,692) | 39,178 |
| Gutridge Plumbing, Inc. | 290,969 | (278,011) | 12,958 |
| Jeffrey Carr Construction, Inc. | 1,145,712 | (1,082,107) | 63,605 |
| JF Bernard, Inc. | 561,495 | (290,821) | 270,674 |
| S.A. Communale | <u>58,778</u> | <u>(34,413)</u> | <u>24,365</u> |
| Total Contractual Commitments | <u>\$ 3,327,499</u> | <u>\$ (2,675,789)</u> | <u>\$ 651,710</u> |

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

**FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2010**

| <u>Federal Grantor/ Pass Through Grantor/ Program Title</u> | Pass Through Entity Number | Federal CFDA Number | Receipts | Non-Cash Receipts | Expenditures | Non-Cash Expenditures |
|---------------------------------------------------------------------|----------------------------------|---------------------------|-------------------------|------------------------|-------------------------|--------------------------|
| <u>U.S. DEPARTMENT OF AGRICULTURE</u> | | | | | | |
| <i>Passed through the Ohio Department of Education:</i> | | | | | | |
| <i>Child Nutrition Cluster:</i> | | | | | | |
| School Breakfast Program | 2009 | 10.553 | \$30,764 | | \$30,764 | |
| National School Lunch Program | 2009 | 10.555 | 134,859 | \$12,453 | 134,859 | \$12,453 |
| Total Child Nutrition Cluster | | | <u>165,623</u> | <u>12,453</u> | <u>165,623</u> | <u>12,453</u> |
| Total U.S. Department of Agriculture | | | <u>165,623</u> | <u>12,453</u> | <u>165,623</u> | <u>12,453</u> |
| <u>INSTITUTE OF MUSEUM AND LIBRARY SERVICES</u> | | | | | | |
| <i>Direct Program:</i> | | | | | | |
| Grants to States | 2009 | 45.310 | 4,633 | | 23,434 | |
| | 2010 | | 0 | | 93,083 | |
| Total Grants to States | | | <u>4,633</u> | | <u>116,517</u> | |
| <u>U.S. DEPARTMENT OF EDUCATION</u> | | | | | | |
| <i>Direct Program:</i> | | | | | | |
| Federal Pell Grant Program | N/A | 84.063 | 73,235 | | 73,235 | |
| <i>Passed through the Ohio Department of Education:</i> | | | | | | |
| Adult Education_State Grant Program | 2009 | 84.002 | 6,053 | | 6,053 | |
| Vocational Education_Basic Grants to States | 2009 | 84.048 | 1,813 | | 437 | |
| | 2010 | | 4,674 | | 4,715 | |
| | 2009 | | 18,920 | | 5,056 | |
| | 2010 | | 312,102 | | 312,102 | |
| <i>Passed through the Madison Local School District:</i> | | | | | | |
| Vocational Education_Basic Grants to States | 2010 | 84.048 | 26,537 | | 26,537 | |
| Total Vocational Education_Basic Grants to States | | | <u>364,046</u> | | <u>348,847</u> | |
| <i>Passed through the Ohio Department of Education:</i> | | | | | | |
| Safe and Drug-Free Schools and Communities_State Grants | 2010 | 84.186 | 4,399 | | 4,399 | |
| Improving Teacher Quality State Grants | 2009 | 84.367 | 2,846 | | 758 | |
| | 2010 | | 2,658 | | 5,561 | |
| Total Improving Teacher Quality State Grants | | | <u>5,504</u> | | <u>6,319</u> | |
| Total U.S. Department of Education | | | <u>453,237</u> | | <u>438,853</u> | |
| Totals | | | <u>\$623,493</u> | <u>\$12,453</u> | <u>\$720,993</u> | <u>\$12,453</u> |

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

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

**NOTES TO THE FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE
FISCAL YEAR ENDED JUNE 30, 2010**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

The accompanying Federal Awards Receipts and Expenditures Schedule (the Schedule) reports Pioneer Career and Technology Center's (the District's) federal award programs' receipts and disbursements. The schedule has been prepared on the cash basis of accounting.

NOTE B - CHILD NUTRITION CLUSTER

The District commingles cash receipts from the U.S. Department of Agriculture with similar State grants. When reporting expenditures on this Schedule, the District assumes it expends federal monies first.

NOTE C – FOOD DONATION PROGRAM

The District reports commodities consumed on the Schedule at the entitlement value. The District allocated donated food commodities to the respective program that benefitted from the use of those donated food commodities.



Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

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

To the Board of Education:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Pioneer Career and Technology Center: A Vocational School District, Richland County, Ohio, (the District) as of and for the year ended June 30, 2010, which collectively comprise the District's basic financial statements and have issued our report thereon dated December 3, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting as a basis for designing our audit procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of opining on the effectiveness of the District's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the District's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. Therefore, we cannot assure that we have identified all deficiencies, significant deficiencies or material weaknesses. However, as described in the accompanying schedule of findings we identified a certain deficiency in internal control over financial reporting, that we consider a material weakness.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the District's financial statements will not be prevented, or detected and timely corrected. We consider finding 2010-002 described in the accompanying schedule of findings to be a material weakness.

Compliance and Other Matters

As part of reasonably assuring whether the District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed an instance of noncompliance or other matters we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2010-001.

We also noted certain matter not requiring inclusion in this report that we reported to the District's management in a separate letter dated December 3, 2010.

The District's responses to the findings identified in our audit are described in the accompanying schedule of findings. We did not audit the District's responses and, accordingly, we express no opinion on them.

We intend this report solely for the information and use of management, the audit committee, the Board of Education, federal awarding agencies and pass-through entities, and others within the District. We intend it for no one other than these specified parties.



Mary Taylor, CPA
Auditor of State

December 3, 2010



Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY 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 could directly and materially affect the District's major federal program for the year ended June 30, 2010. The summary of auditor's results section of the accompanying schedule of findings identifies the District's major federal program. The District's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. Our responsibility is to express an opinion on the District's compliance based on our audit.

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

In our opinion, Pioneer Career and Technology Center complied, in all material respects, with the requirements referred to above that could directly and materially affect its major federal program for the year ended June 30, 2010.

Internal Control Over Compliance

The District's management is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the District's internal control over compliance with requirements that could directly and materially affect a major federal program to determine our auditing procedures for the purpose of opining on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of opining on the effectiveness of internal control over compliance. Accordingly, we have not opined on the effectiveness of the District's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, when performing their assigned functions, to prevent, or to timely detect and correct, noncompliance with a federal program compliance requirement. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a federal program compliance requirement will not be prevented, or timely detected and corrected.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

We intend this report solely for the information and use of the audit committee, management, the Board of Education, others within the District, federal awarding agencies, and pass-through entities. It is not intended for anyone other than these specified parties.



Mary Taylor, CPA
Auditor of State

December 3, 2010

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

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 2010**

1. SUMMARY OF AUDITOR'S RESULTS

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

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

1. Ohio Rev. Code 5705.41(D)

| | |
|-----------------------|----------|
| <i>Finding Number</i> | 2010-001 |
|-----------------------|----------|

NONCOMPLIANCE

Ohio Rev. Code Section 5705.41(D) requires 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 both at the time the contract or order was made (“then”), and at the time the fiscal officer is completing the certification (“now”), 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 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. 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.

1. Ohio Rev. Code 5705.41(D) (continued)

| | |
|-----------------------|----------|
| <i>Finding Number</i> | 2010-001 |
|-----------------------|----------|

Ten of the thirty-nine expenditures tested (25.6%) were not certified by the Treasurer prior to the purchase commitment being made. It was also found none of the three exceptions above were utilized for the items found to be in non-compliance. Failure to properly certify the availability of funds can result in overspending funds and negative cash fund balances.

Unless the exceptions noted above are used, prior certification is not only required by statute, but is a key control in the disbursement process to assure purchase commitments receive prior approval. To improve control over disbursements and to help reduce the possibility of the Center's funds exceeding budgetary spending limitations, the Treasurer should certify the funds are or will be available prior to obligation by the Center. When prior certification is not possible, "then and now" certification should be used.

Official's Response: Seven of the certification citations were related to the OSFC renovation project which is outside of the normal approval process for processing payments to vendors. This project was new in 2009 and we were still in the process of establishing procedures for purchase orders and payments. We are continuing to monitor the process for payment of invoices for the project due to the complex nature of the contracts and agreements. The invoices for payments for substitutes at our Satellite schools are not received until after the service has been performed. Once again this is outside of our normal substitute payment through payroll and was an oversight. We will set up estimated purchase orders for these schools to eliminate this.

2. Financial Statement Errors

| | |
|-----------------------|----------|
| <i>Finding Number</i> | 2010-002 |
|-----------------------|----------|

MATERIAL WEAKNESS

The following items were noted during the testing of the Financial Statements:

- The Classroom Facilities and Building Funds' contracts payable were understated \$1,027,416 and \$122,076, respectively, due to the exclusion of certain contract payments made after year-end for fiscal year 2010 services. These amounts were adjusted on the financial statements.
- Capital Assets construction in progress was understated \$1,149,492 due to the exclusion of the contracts payable amounts noted in the first bullet point. This amount was adjusted on the financial statements.

Management should review the draft GAAP journal entries and financial statements to help ensure they are supported by sufficient and accurate documentation, free of obvious errors and omissions, and consistent with their financial expectations. These procedures should help avoid financial statement errors and help ensure more accurate financial reporting.

Official's Response: Regarding the understatement of contracts payable, in the future management will review payments made from construction project funds after fiscal year end to ensure any payments made relating to prior fiscal year services are being picked up on reports utilized from the District's system to determine accounts/contracts payable. Possible payables will be reviewed by construction managers to ensure the payments or portions of payments specifically related to prior fiscal year services.

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
OMB CIRCULAR A -133 § .315 (b)
JUNE 30, 2010**

| Finding Number | Finding Summary | Fully Corrected? | Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i> |
|----------------|-------------------------------------------------------------------------------------------------------|------------------|----------------------------------------------------------------------------------------------------------------------------------------|
| 2009-001 | Financial Statement Errors – Several GAAP basis financial statement account errors were noted. | No | Not Corrected – A similar comment was repeated as Finding Number 2010-002. |

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Mary Taylor, CPA
Auditor of State

PIONEER CAREER AND TECHNOLOGY CENTER

RICHLAND COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
JANUARY 4, 2011**