

**PLAIN LOCAL SCHOOL DISTRICT
STARK COUNTY, OHIO**

***BASIC FINANCIAL STATEMENTS
(AUDITED)***

**FOR THE FISCAL YEAR ENDED
JUNE 30, 2011**

KATHLEEN JORDAN, TREASURER



Dave Yost • Auditor of State

Board of Education
Plain Local School District
901 44th Street NW
Canton, Ohio 44709

We have reviewed the *Independent Accountants' Report* of the Plain Local School District, Stark County, prepared by Julian & Grube, Inc., for the audit period July 1, 2010 through June 30, 2011. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

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

Dave Yost
Auditor of State

January 12, 2012

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**PLAIN LOCAL SCHOOL DISTRICT
STARK COUNTY, OHIO**

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Julian & Grube, Inc. *Serving Ohio Local Governments*

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Independent Accountants' Report

Plain Local School District
Stark County
901 44th Street NW
Canton, Ohio 44709-1699

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 Plain Local School District, Stark County, Ohio, as of and for the fiscal year ended June 30, 2011, which collectively comprise the Plain Local School District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Plain Local School 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 the Plain Local School District, Stark County, Ohio, as of June 30, 2011, and the respective changes in financial position and the budgetary comparison for the general fund for the fiscal year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 3, during the year ended June 30, 2011, Plain Local School District adopted the provisions of Governmental Accounting Standards Board Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 28, 2011, on our consideration of the Plain Local School 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.

Plain Local School District
Independent Accountants' Report
Page Two

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 Plain Local School District's basic financial statements taken as a whole. The schedule of receipts and expenditures of federal awards 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 schedule of receipts and expenditures of federal awards 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.



Julian & Grube, Inc.
November 28, 2011

**PLAIN LOCAL SCHOOL DISTRICT
STARK COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(UNAUDITED)

The discussion and analysis of the Plain Local School District's (the "District") financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2011. 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 2011 are as follows:

- In total, net assets of governmental activities increased \$7,681,094 from \$14,806,841 at June 30, 2010 to \$22,487,935 at June 30, 2011.
- General revenues accounted for \$52,412,768 in revenue or 80.01% of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$13,095,518 or 19.99% of total revenues of \$65,508,286.
- The District had \$57,827,192 in expenses related to governmental activities; \$13,095,518 of these expenses was offset by program specific charges for services, grants or contributions. General revenues supporting governmental activities (primarily taxes and unrestricted grants and entitlements) were adequate to provide for these programs.
- The District's major governmental funds had \$56,813,579 in revenues and other financing sources and \$50,156,689 in expenditures and other financing uses. The fund balance of the major governmental funds increased from a restated balance of \$4,797,047 to \$11,461,748.

Using this Financial Report

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. The District has two major funds: the general fund and debt service fund.

Reporting the District as a Whole

Statement of Net Assets and the Statement of Activities

While this document contains the large number of funds used by the District to provide programs and activities, the view of the District as a whole looks at all financial transactions and asks the question, "How did we do financially during 2011?" 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.

**PLAIN LOCAL SCHOOL DISTRICT
STARK COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(UNAUDITED)

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

In the statement of net assets and the statement of activities, the governmental activities include the District's programs and services, including instruction, support services, operation and maintenance of plant, pupil transportation, extracurricular activities, and food service operations.

The District's statement of net assets and statement of activities can be found on pages 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 only major governmental funds are the general fund and debt service 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.

Reporting the District's Fiduciary Responsibilities

The District is the trustee, or fiduciary, for some of its scholarship and foundation programs. This activity is presented as a private-purpose trust fund. The District also acts in a trustee capacity as an agent for individuals, private organizations, other governmental units and/or other funds. These activities are reported in two agency funds. The District's fiduciary activities are reported in separate statements of fiduciary net assets and changes in fiduciary net assets on pages 20 and 21. 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 22-51 of this report.

**PLAIN LOCAL SCHOOL DISTRICT
STARK COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(UNAUDITED)

The District as a Whole

The table below provides a summary of the District's net assets for fiscal years 2011 and 2010.

	Net Assets	
	Governmental Activities <u>2011</u>	Governmental Activities <u>2010</u>
<u>Assets</u>		
Current and other assets	\$ 49,020,475	\$ 48,233,833
Capital assets, net	<u>64,258,493</u>	<u>66,109,349</u>
 Total assets	 <u>113,278,968</u>	 <u>114,343,182</u>
<u>Liabilities</u>		
Current liabilities	32,904,898	38,482,760
Long-term liabilities	<u>57,886,135</u>	<u>61,053,581</u>
 Total liabilities	 <u>90,791,033</u>	 <u>99,536,341</u>
<u>Net Assets</u>		
Invested in capital assets, net of related debt	11,495,376	11,632,075
Restricted	4,191,192	4,283,666
Unrestricted (deficit)	<u>6,801,367</u>	<u>(1,108,900)</u>
 Total net assets	 <u>\$ 22,487,935</u>	 <u>\$ 14,806,841</u>

Over time, net assets can serve as a useful indicator of a government's financial position. At June 30, 2011, the District's assets exceeded liabilities by \$22,487,935.

At year-end, capital assets represented 56.73% of total assets. Capital assets include land, land improvements, buildings and improvements, furniture and equipment and vehicles. Capital assets, net of related debt to acquire the assets at June 30, 2011, were \$11,495,376. 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 the resources to repay the debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities.

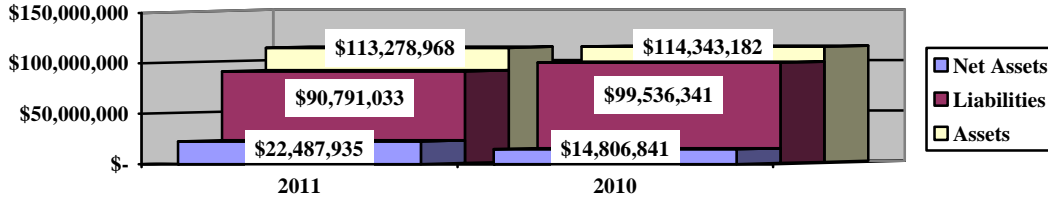
A portion of the District's net assets, \$4,191,192, represents resources that are subject to external restriction on how they may be used. The remaining portion of the District's net assets is an unrestricted balance of \$6,801,367.

**PLAIN LOCAL SCHOOL DISTRICT
STARK COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(UNAUDITED)

The table below illustrates the District's assets, liabilities and net assets at June 30, 2011 and 2010.

Governmental Activities



The table below shows the change in net assets for fiscal years 2011 and 2010. The 2010 balances of operating grants and contributions and general revenues - grants and entitlements have been restated to conform to 2011 presentation of Pathway to Student Success (PASS) funding from the State of Ohio which is reported as an operating grant rather than as general revenue.

Change in Net Assets

	Governmental Activities 2011	Restated Governmental Activities 2010
<u>Revenues</u>		
Program revenues:		
Charges for services and sales	\$ 3,137,703	\$ 2,914,633
Operating grants and contributions	9,803,963	8,176,501
Capital grants and contributions	153,852	153,852
General revenues:		
Property taxes	32,811,888	27,938,539
Grants and entitlements	19,511,849	19,778,550
Investment earnings	58,320	75,922
Other	30,711	147,703
Total revenues	<u>65,508,286</u>	<u>59,185,700</u>

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**PLAIN LOCAL SCHOOL DISTRICT
STARK COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(UNAUDITED)

Change in Net Assets - (Continued)

	Governmental Activities <u>2011</u>	Governmental Activities <u>2010</u>
<u>Expenses</u>		
Program expenses:		
Instruction:		
Regular	\$ 23,780,976	\$ 28,537,425
Special	6,754,568	5,975,291
Vocational	1,496,714	1,805,387
Adult/continuing	-	2,641
Other	183,114	278,749
Support services:		
Pupil	2,459,767	3,329,140
Instructional staff	3,530,242	3,898,748
Board of education	163,304	64,225
Administration	3,521,044	4,027,291
Fiscal	980,443	947,700
Business	158,765	179,816
Operations and maintenance	5,151,611	5,498,202
Pupil transportation	2,741,173	2,633,984
Central	253,679	208,828
Food service operations	2,126,217	2,723,073
Other non-instructional services	716,206	431,780
Extracurricular activities	1,291,752	1,207,203
Interest and fiscal charges	<u>2,517,617</u>	<u>2,565,104</u>
Total	57,827,192	64,314,587
Change in net assets	7,681,094	(5,128,887)
Net assets at beginning of year	<u>14,806,841</u>	<u>19,935,728</u>
Net assets at end of year	<u>\$ 22,487,935</u>	<u>\$ 14,806,841</u>

Governmental Activities

Net assets of the District's governmental activities increased \$7,681,094. Total governmental expenses of \$57,827,192 were offset by program revenues of \$13,095,518 and general revenues of \$52,412,768. Program revenues supported 22.65% of the total governmental expenses.

The primary sources of revenue for governmental activities are derived from property taxes and grants and entitlements. These two revenue sources represent 79.87% and 80.62% of total governmental revenue in 2011 and 2010, respectively. The increase in tax revenues is primarily attributable to receiving a full year of collections from the District's new tax levy, which went into effect in January 2010.

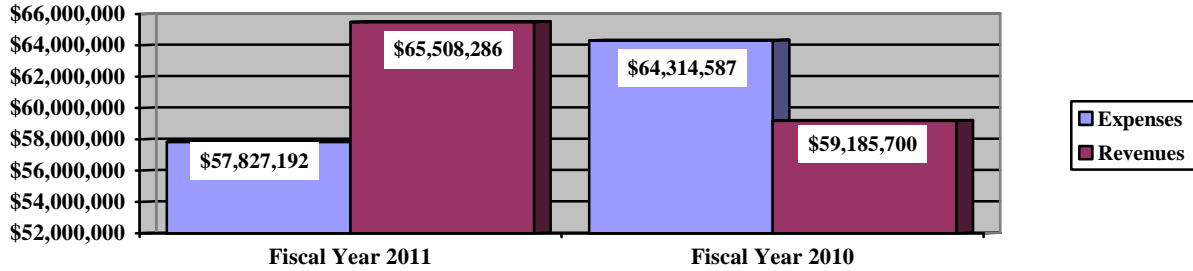
Expenses decreased significantly, especially for the District's instruction programs. The main reason for this was the District's contract negotiations and retirements in the prior year, which caused a one-time increase in expenditures in fiscal year 2010.

**PLAIN LOCAL SCHOOL DISTRICT
STARK COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(UNAUDITED)

The graph below presents the District's governmental revenues and expenses for fiscal years 2011 and 2010.

Governmental Activities - Revenues and Expenses



The statement of activities shows the cost of program services and the charges for services and grants offsetting those services. The following table shows, for governmental activities, the total cost of services and the net cost of services. That is, it identifies the cost of these services supported by tax revenue and unrestricted State grants and entitlements. The 2010 net cost of services for special instruction has been restated to conform to 2011 presentation of PASS funding from the State of Ohio which is reported as an operating grant offsetting special instruction.

	Governmental Activities			
	Total Cost of Services <u>2011</u>	Net Cost of Services <u>2011</u>	Total Cost of Services <u>2010</u>	Restated Net Cost of Services <u>2010</u>
Program expenses				
Instruction:				
Regular	\$ 23,780,976	\$ 22,724,447	\$ 28,537,425	\$ 27,327,665
Special	6,754,568	3,243,076	5,975,291	2,945,932
Vocational	1,496,714	1,041,835	1,805,387	1,405,768
Adult/continuing	-	-	2,641	2,641
Other	183,114	183,114	278,749	278,535
Support services:				
Pupil	2,459,767	868,491	3,329,140	2,311,014
Instructional staff	3,530,242	2,462,450	3,898,748	2,726,394
Board of education	163,304	163,304	64,225	64,225
Administration	3,521,044	2,426,300	4,027,291	3,699,908
Fiscal	980,443	948,198	947,700	916,577
Business	158,765	158,765	179,816	179,816
Operations and maintenance	5,151,611	4,830,197	5,498,202	5,185,703
Pupil transportation	2,741,173	2,569,673	2,633,984	2,539,262
Central	253,679	198,540	208,828	202,805
Food service operations	2,126,217	(323,178)	2,723,073	292,856
Other non-instructional services	716,206	140,009	431,780	(168,616)
Extracurricular activities	1,291,752	578,836	1,207,203	594,012
Interest and fiscal charges	2,517,617	2,517,617	2,565,104	2,565,104
Total	<u>\$ 57,827,192</u>	<u>\$ 44,731,674</u>	<u>\$ 64,314,587</u>	<u>\$ 53,069,601</u>

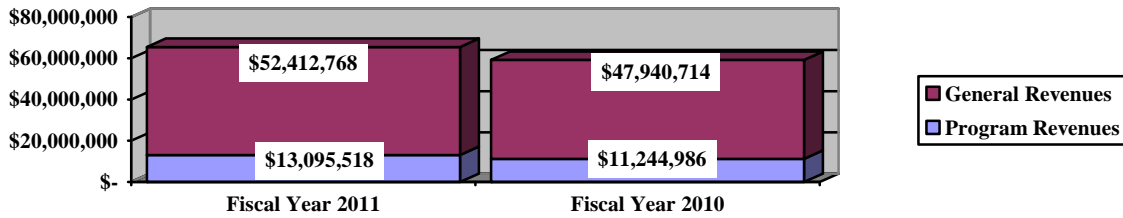
**PLAIN LOCAL SCHOOL DISTRICT
STARK COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(UNAUDITED)

The dependence upon tax and other general revenues for governmental activities is apparent, 84.41% of instruction activities are supported through taxes and other general revenues. For all governmental activities, general revenue support is 77.35%. The District's taxpayers and unrestricted grants and entitlements, as a whole, are by far the primary support for District students.

The graph below presents the District's governmental activities revenue for fiscal years 2011 and 2010. The 2010 program revenues and general revenues have been restated to conform to 2011 presentation of PASS funding from the State of Ohio which is reported as program revenue rather than as general revenue.

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 \$12,519,812, which is higher than last year's total of \$5,377,341. The schedule below indicates the fund balance and the total change in fund balance as of June 30, 2011 and 2010. Fund balances at June 30, 2010 have been restated as described in Note 3.B.

	Fund Balance June 30, 2011	(Restated) Fund Balance June 30, 2010	Increase
General	\$ 9,087,277	\$ 2,591,011	\$ 6,496,266
Debt Service	2,374,471	2,206,036	168,435
Other Governmental	1,058,064	580,294	477,770
Total	\$ 12,519,812	\$ 5,377,341	\$ 7,142,471

General Fund

During fiscal year 2011, the District's general fund balance increased by \$6,496,266. The table that follows assists in illustrating the financial activities of the general fund.

**PLAIN LOCAL SCHOOL DISTRICT
STARK COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(UNAUDITED)

	2011	(Restated) 2010	Increase (Decrease)
	<u>Amount</u>	<u>Amount</u>	
<u>Revenues</u>			
Taxes	\$ 29,855,766	\$ 23,820,229	\$ 6,035,537
Tuition	907,835	755,514	152,321
Earnings on investments	55,388	77,002	(21,614)
Intergovernmental	20,746,613	21,062,341	(315,728)
Other revenues	<u>884,793</u>	<u>896,746</u>	<u>(11,953)</u>
Total	<u>\$ 52,450,395</u>	<u>\$ 46,611,832</u>	<u>\$ 5,838,563</u>
<u>Expenditures</u>			
Instruction	\$ 29,923,555	\$ 31,120,890	\$ (1,197,335)
Support services	15,101,958	17,854,261	(2,752,303)
Extracurricular activities	<u>925,425</u>	<u>849,681</u>	<u>75,744</u>
Total	<u>\$ 45,950,938</u>	<u>\$ 49,824,832</u>	<u>\$ (3,873,894)</u>

The increase in revenues of 12.53% is due in part to a full year of tax collections from the District's new tax levy, which went into effect in January 2010. In addition, the amount of taxes available as an advance at the end of fiscal year 2011, which is recorded as taxes revenue, was approximately \$3 million higher than in fiscal year 2010. This amount can vary based on the date the tax bills are sent. The decrease in expenditures of 7.78% is primarily the result of wages and benefits costs; the District renegotiated contracts in fiscal year 2010 which caused a significant one-time increase in accrued wages and benefits.

Debt Service

During fiscal year 2011, the District's debt service fund balance increased \$168,435, as revenues of \$4,355,186 exceeded expenditures of 4,186,751 in 2011.

General Fund Budgeting Highlights

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

During the course of fiscal year 2011, the District amended its general fund budget several times. For the general fund, final budgeted revenues and other financing sources of \$49,436,361 were \$306,520 higher than the original budgeted revenues estimate of \$49,129,841. Actual revenues and other financing sources were the same as the final budget amount.

General fund original appropriations (appropriated expenditures plus other financing uses) of \$51,289,424 were decreased \$1,930,683 to \$49,358,741 in the final budget. Actual expenditures and other financing uses were the same as the final budget.

**PLAIN LOCAL SCHOOL DISTRICT
STARK COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(UNAUDITED)

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2011, the District had \$64,258,493 invested in land, land improvements, buildings and improvements, furniture and equipment and vehicles. This entire amount is reported in governmental activities.

The following table shows fiscal year 2011 balances compared to 2010:

	Capital Assets at June 30 (Net of Depreciation)	
	<u>Governmental Activities</u>	
	<u>2011</u>	<u>2010</u>
Land	\$ 2,370,360	\$ 2,370,360
Land improvements	3,236,198	3,506,955
Buildings and improvements	55,132,643	56,571,950
Furniture and equipment	3,199,569	3,337,334
Vehicles	<u>319,723</u>	<u>322,750</u>
Total	<u>\$ 64,258,493</u>	<u>\$ 66,109,349</u>

Total additions to capital assets for fiscal year 2011 were \$469,499 and depreciation expenses were \$2,305,372. Capital asset disposals, net of accumulated depreciation, totaled \$14,983.

See Note 8 to the basic financial statements for additional capital asset information.

Debt Administration

At June 30, 2011, the District had \$52,837,626 in general obligation bonds outstanding. Of this total, \$1,702,626 is due within one year and \$51,135,000 is due in greater than one year. The following table summarizes the bonds outstanding.

	Outstanding Debt, at Year End	
	<u>Governmental Activities 2011</u>	<u>Governmental Activities 2010</u>
General Obligation Bonds:		
School Improvement	<u>\$ 52,837,626</u>	<u>\$ 54,445,940</u>
Total	<u>\$ 52,837,626</u>	<u>\$ 54,445,940</u>

In 2003, the District passed a 5.1 mill tax levy, providing for various District building improvements. The general obligation bonds are scheduled to mature in fiscal year 2031 and bear an interest rate between 2.00% and 5.25%. Payment of principal and interest on the school improvement bonds will be made from the debt service fund.

**PLAIN LOCAL SCHOOL DISTRICT
STARK COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(UNAUDITED)

At June 30, 2011, the District's overall legal debt margin was \$38,186,165 and the unvoted debt margin was \$978,685. The District maintains an A+ bond rating.

See Note 9 to the basic financial statements for additional information on the District's debt administration.

Current Financial Related Activities

Plain Local's main source of funding is local real estate tax. The District passed a 6.9 mill continuing operating levy in May 2009. This levy generates an additional \$6.7 million per year. The District did see the recovery starting in the area of tax delinquencies in the spring 2011 real estate collection. For the fiscal year ended June 30, 2011, versus June 30, 2010, outstanding tax delinquencies had declined from \$2.518 million down to \$1.566 million.

The District also relies on State funding, as well as grants and entitlements to remain solvent. In July 2011, the State Legislature approved a new funding formula for school districts. Unfortunately, current economic conditions created an \$8 billion shortfall in the new State biennial budget. The Plain Local School District will receive nearly \$2.2 million less in fiscal year 2012 from the State due to reductions in funding. This loss is in addition to the loss of nearly \$4 million in Federal Stimulus Funding the District has received the past two years.

The District has been conservative in the use of its resources. The management has always planned well in advance for revenue shortfalls. The District expected the loss of the stimulus funding and an additional loss in State revenue and had made reductions to planned expenditures.

An example of such planned reductions is that a complete reorganization of the educational delivery system was designed during the 2010-2011 school year and implemented for the 2011-2012 school year. This redesign allowed for the closure of two District kindergarten buildings and the non-re-employment of 19 classified staff members and 1 administrator for the 2011-2012 school year. The building closures and staff reductions will save the District \$800,000 a year in costs.

Contacting the District's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information contact: Ms. Kathleen Jordan, CFO, Plain Local School District, 901 44th Street, NW, Canton, Ohio 44709-1699.

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**PLAIN LOCAL SCHOOL DISTRICT
STARK COUNTY, OHIO**

STATEMENT OF NET ASSETS
JUNE 30, 2011

	Governmental Activities
Assets:	
Equity in pooled cash and cash equivalents . . .	\$ 16,022,163
Receivables:	
Taxes	31,987,053
Accounts	2,980
Intergovernmental	363,377
Accrued interest	4,688
Prepayments	30,256
Materials and supplies inventory	114,037
Loans	4,818
Unamortized bond issue costs	491,103
Capital assets:	
Land	2,370,360
Depreciable capital assets, net.	61,888,133
Capital assets, net	64,258,493
 Total assets	 113,278,968
 Liabilities:	
Accounts payable	207,164
Accrued wages and benefits	4,347,756
Pension obligation payable	1,255,810
Intergovernmental payable	309,734
Unearned revenue	26,590,025
Accrued interest payable	194,409
Long-term liabilities:	
Due within one year.	3,605,528
Due in more than one year.	54,280,607
 Total liabilities	 90,791,033
 Net assets:	
Invested in capital assets, net of related debt.	11,495,376
Restricted for:	
Capital projects	935,498
Debt service.	2,348,707
School bus purchases	21,387
Food service.	759,726
State funded programs.	43,720
Federally funded programs	13,975
Student activities	68,179
Unrestricted.	6,801,367
 Total net assets	 \$ 22,487,935

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**PLAIN LOCAL SCHOOL DISTRICT
STARK COUNTY, OHIO**

STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	Expenses	Program Revenues			Net (Expense)
		Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	Revenue and Changes in Net Assets
					Governmental Activities
Governmental activities:					
Instruction:					
Regular	\$ 23,780,976	\$ 625,390	\$ 431,139	\$ -	\$ (22,724,447)
Special	6,754,568	553,367	2,958,125	-	(3,243,076)
Vocational	1,496,714	78,000	376,879	-	(1,041,835)
Other	183,114	-	-	-	(183,114)
Support services:					
Pupil	2,459,767	-	1,591,276	-	(868,491)
Instructional staff	3,530,242	-	1,067,792	-	(2,462,450)
Board of education	163,304	-	-	-	(163,304)
Administration.	3,521,044	-	1,094,744	-	(2,426,300)
Fiscal.	980,443	-	32,245	-	(948,198)
Business.	158,765	-	-	-	(158,765)
Operations and maintenance	5,151,611	142,537	25,025	153,852	(4,830,197)
Pupil transportation.	2,741,173	-	171,500	-	(2,569,673)
Central	253,679	-	55,139	-	(198,540)
Operation of non-instructional services:					
Food service operations	2,126,217	1,024,538	1,424,857	-	323,178
Other non-instructional services	716,206	955	575,242	-	(140,009)
Extracurricular activities.	1,291,752	712,916	-	-	(578,836)
Interest and fiscal charges	2,517,617	-	-	-	(2,517,617)
Total governmental activities	\$ 57,827,192	\$ 3,137,703	\$ 9,803,963	\$ 153,852	(44,731,674)
General revenues:					
Property taxes levied for:					
					29,121,637
					3,690,251
Grants and entitlements not restricted					
					19,511,849
					58,320
					30,711
					<u>52,412,768</u>
					7,681,094
					<u>14,806,841</u>
					<u>\$ 22,487,935</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**PLAIN LOCAL SCHOOL DISTRICT
STARK COUNTY, OHIO**

BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2011

	<u>General</u>	<u>Debt Service</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets:				
Equity in pooled cash and cash equivalents.	\$ 12,009,890	\$ 1,835,373	\$ 2,155,513	\$ 16,000,776
Receivables:				
Taxes	28,315,908	3,671,145	-	31,987,053
Accounts.	2,980	-	-	2,980
Intergovernmental	-	-	363,377	363,377
Accrued interest	4,688	-	-	4,688
Interfund loans.	49,058	-	-	49,058
Prepayments.	30,256	-	-	30,256
Materials and supplies inventory	67,714	-	46,323	114,037
Loans	4,818	-	-	4,818
Restricted assets:				
Equity in pooled cash and cash equivalents	21,387	-	-	21,387
Total assets	<u>\$ 40,506,699</u>	<u>\$ 5,506,518</u>	<u>\$ 2,565,213</u>	<u>\$ 48,578,430</u>
Liabilities:				
Accounts payable	\$ 185,761	\$ -	\$ 21,403	\$ 207,164
Accrued wages and benefits.	3,955,916	-	391,840	4,347,756
Compensated absences payable	296,835	-	13,615	310,450
Early retirement incentive payable	1,359,206	-	-	1,359,206
Pension obligation payable	1,087,042	-	168,768	1,255,810
Intergovernmental payable	274,500	-	35,234	309,734
Interfund loans payable	-	-	49,058	49,058
Deferred revenue	1,402,799	168,645	57,971	1,629,415
Unearned revenue	<u>22,857,363</u>	<u>2,963,402</u>	<u>769,260</u>	<u>26,590,025</u>
Total liabilities.	<u>31,419,422</u>	<u>3,132,047</u>	<u>1,507,149</u>	<u>36,058,618</u>
Fund balances:				
Nonspendable:				
Materials and supplies inventory	67,714	-	46,323	114,037
Prepays.	30,256	-	-	30,256
Long-term loans.	355	-	-	355
Restricted:				
Debt service	-	2,374,471	-	2,374,471
Capital improvements	-	-	935,498	935,498
Food service operations	-	-	788,708	788,708
Non-public schools	-	-	57,409	57,409
Extracurricular.	-	-	68,179	68,179
Vocational education.	-	-	4,417	4,417
Other purposes.	-	-	3,051	3,051
School bus purchases	21,387	-	-	21,387
Assigned:				
Student instruction	1,169,397	-	-	1,169,397
Student and staff support.	802,119	-	-	802,119
Unassigned (deficit)	<u>6,996,049</u>	<u>-</u>	<u>(845,521)</u>	<u>6,150,528</u>
Total fund balances	<u>9,087,277</u>	<u>2,374,471</u>	<u>1,058,064</u>	<u>12,519,812</u>
Total liabilities and fund balances	<u>\$ 40,506,699</u>	<u>\$ 5,506,518</u>	<u>\$ 2,565,213</u>	<u>\$ 48,578,430</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**PLAIN LOCAL SCHOOL DISTRICT
STARK COUNTY, OHIO**

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO
NET ASSETS OF GOVERNMENTAL ACTIVITIES
JUNE 30, 2011

Total governmental fund balances		\$	12,519,812
<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.			64,258,493
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.			
Taxes receivable	\$	1,566,756	
Intergovernmental receivable		57,971	
Accrued interest receivable		4,688	
Total		1,629,415	1,629,415
Accrued interest payable is not due and payable in the current period and therefore is not reported in the funds.			(194,409)
Unamortized premiums on bond issuance are not recognized in the funds.			(493,204)
Unamortized bond issue costs are not recognized in the funds.			491,103
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.			
Compensated absences payable		(2,885,649)	
General obligation bonds payable		(52,837,626)	
Total		(55,723,275)	(55,723,275)
Net assets of governmental activities		\$	22,487,935

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**PLAIN LOCAL SCHOOL DISTRICT
STARK COUNTY, OHIO**

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	General	Debt Service	Other Governmental Funds	Total Governmental Funds
Revenues:				
From local sources:				
Taxes	\$ 29,855,766	\$ 3,808,686	\$ -	\$ 33,664,452
Tuition.	907,835	-	-	907,835
Transportation fees.	126,017	-	-	126,017
Charges for services	-	-	1,024,538	1,024,538
Earnings on investments	55,388	-	2,246	57,634
Extracurricular.	370,621	-	343,250	713,871
Classroom materials and fees	194,119	-	-	194,119
Rental income	-	-	-	-
Gifts and contributions.	-	-	153,852	153,852
Other local revenues	194,036	-	-	194,036
Other revenue	-	-	16,401	16,401
Intergovernmental - state	20,661,796	546,500	538,825	21,747,121
Intergovernmental - federal	84,817	-	7,737,432	7,822,249
Total revenues	<u>52,450,395</u>	<u>4,355,186</u>	<u>9,816,544</u>	<u>66,622,125</u>
Expenditures:				
Current:				
Instruction:				
Regular.	23,386,895	-	454,883	23,841,778
Special	5,012,194	-	1,720,330	6,732,524
Vocational	1,339,291	-	86,955	1,426,246
Other	185,175	-	-	185,175
Support services:				
Pupil	949,239	-	1,537,699	2,486,938
Instructional staff	2,469,474	-	1,027,960	3,497,434
Board of education	163,304	-	-	163,304
Administration	2,454,253	-	1,087,711	3,541,964
Fiscal	879,795	56,361	33,421	969,577
Business.	153,975	-	-	153,975
Operations and maintenance	5,169,633	-	31,921	5,201,554
Pupil transportation	2,662,970	-	59,908	2,722,878
Central	199,315	-	53,674	252,989
Operation of non-instructional services:				
Food service operations.	-	-	2,084,470	2,084,470
Other non-instructional services.	-	-	738,901	738,901
Extracurricular activities	925,425	-	363,237	1,288,662
Facilities acquisition and construction.	-	-	86,908	86,908
Debt service:				
Principal retirement.	-	1,690,000	-	1,690,000
Interest and fiscal charges	-	2,440,390	-	2,440,390
Total expenditures	<u>45,950,938</u>	<u>4,186,751</u>	<u>9,367,978</u>	<u>59,505,667</u>
Excess of revenues over expenditures	<u>6,499,457</u>	<u>168,435</u>	<u>448,566</u>	<u>7,116,458</u>
Other financing sources (uses):				
Sale of capital assets	7,998	-	-	7,998
Transfers in	-	-	19,000	19,000
Transfers (out)	(19,000)	-	-	(19,000)
Total other financing sources (uses)	<u>(11,002)</u>	<u>-</u>	<u>19,000</u>	<u>7,998</u>
Net change in fund balances	6,488,455	168,435	467,566	7,124,456
Fund balances at beginning of year (restated).	2,591,011	2,206,036	580,294	5,377,341
Increase in reserve for inventory.	7,811	-	10,204	18,015
Fund balances at end of year.	<u>\$ 9,087,277</u>	<u>\$ 2,374,471</u>	<u>\$ 1,058,064</u>	<u>\$ 12,519,812</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**PLAIN LOCAL SCHOOL DISTRICT
STARK 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, 2011

Net change in fund balances - total governmental funds \$ 7,124,456

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

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

Capital asset additions	\$	469,499	
Current year depreciation		(2,305,372)	
Total			(1,835,873)

The net effect of various miscellaneous transactions involving capital assets (i.e., sales, disposals, trade-ins, and donations) is to decrease net assets. (14,983)

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

Taxes		(852,564)	
Intergovernmental revenue		(271,161)	
Earnings on investments		1,888	
Total			(1,121,837)

In the statement of activities, interest is accrued on outstanding bonds, 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		4,356	
Accreted interest on capital appreciation bonds		(81,686)	
Amortization of bond premiums		24,157	
Amortization of bond issuance costs		(24,054)	
Total			(77,227)

Governmental funds report expenditures for inventory when purchased. However, in the statement of activities, they are reported as an expense when consumed. 18,015

Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities on the statement of net assets. 1,690,000

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. 1,898,543

Change in net assets of governmental activities \$ 7,681,094

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**PLAIN LOCAL SCHOOL DISTRICT
STARK 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, 2011

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues:				
From local sources:				
Taxes	\$ 26,314,654	\$ 26,836,847	\$ 26,836,847	\$ -
Tuition	746,026	907,685	907,685	-
Transportation fees	103,977	126,017	126,017	-
Earnings on investments	86,977	66,143	66,143	-
Extracurricular	135,605	123,260	123,260	-
Classroom materials and fees	197,922	194,499	194,499	-
Other local revenues	255,471	209,541	209,541	-
Intergovernmental - state	20,981,789	20,654,019	20,654,019	-
Intergovernmental - federal	24,709	84,817	84,817	-
Total revenues	<u>48,847,130</u>	<u>49,202,828</u>	<u>49,202,828</u>	<u>-</u>
Expenditures:				
Current:				
Instruction:				
Regular	26,643,006	24,306,325	24,306,325	-
Special	5,265,796	6,055,518	6,055,518	-
Vocational	1,570,017	1,528,054	1,528,054	-
Other	45,289	214,837	214,837	-
Support services:				
Pupil	2,854,270	1,241,443	1,241,443	-
Instructional staff	2,555,220	2,631,080	2,631,080	-
Board of education	92,926	173,839	173,839	-
Administration	3,044,628	2,610,943	2,610,943	-
Fiscal	984,415	897,334	897,334	-
Business	165,638	159,178	159,178	-
Operations and maintenance	4,462,138	5,616,128	5,616,128	-
Pupil transportation	2,581,479	2,812,933	2,812,933	-
Central	220,709	208,896	208,896	-
Extracurricular activities	657,978	663,611	663,611	-
Total expenditures	<u>51,143,509</u>	<u>49,120,119</u>	<u>49,120,119</u>	<u>-</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(2,296,379)</u>	<u>82,709</u>	<u>82,709</u>	<u>-</u>
Other financing sources (uses):				
Refund of prior year's expenditures	14,826	2,577	2,577	-
Refund of prior year's receipts	-	(19,443)	(19,443)	-
Transfers (out)	(61,654)	(30,410)	(30,410)	-
Advances in	266,862	222,958	222,958	-
Advances (out)	(84,261)	(188,769)	(188,769)	-
Sale of capital assets	1,023	7,998	7,998	-
Total other financing sources (uses)	<u>136,796</u>	<u>(5,089)</u>	<u>(5,089)</u>	<u>-</u>
Net change in fund balance	(2,159,583)	77,620	77,620	-
Fund balance at beginning of year	7,997,714	7,997,714	7,997,714	-
Prior year encumbrances appropriated	1,764,313	1,764,313	1,764,313	-
Fund balance at end of year	<u>\$ 7,602,444</u>	<u>\$ 9,839,647</u>	<u>\$ 9,839,647</u>	<u>\$ -</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**PLAIN LOCAL SCHOOL DISTRICT
STARK COUNTY, OHIO**

STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
JUNE 30, 2011

	Private Purpose Trust	
	Scholarship	Agency
Assets:		
Equity in pooled cash and cash equivalents	\$ 2,088	\$ 443,417
Total assets.	2,088	\$ 443,417
Liabilities:		
Accounts payable.	-	\$ 680
Intergovernmental payable	-	351,324
Loans payable	-	4,818
Due to students.	-	86,595
Total liabilities	-	\$ 443,417
Net assets:		
Held in trust for scholarships	2,088	
Total net assets	\$ 2,088	

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**PLAIN LOCAL SCHOOL DISTRICT
STARK COUNTY, OHIO**

STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	Private Purpose Trust
	Scholarship
Additions:	
Interest.	\$ 2
Total additions.	2
Change in net assets.	2
Net assets at beginning of year	2,086
Net assets at end of year	\$ 2,088

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**PLAIN LOCAL SCHOOL DISTRICT
STARK COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT

The Plain Local School District (the "District") was established through the consolidation of existing land areas and school districts and is organized under Section 2 and 3, Articles VI of the Constitution of the State of Ohio. Under such laws there is no authority for a school district to have a charter or adopt local laws. The legislative power of the school district is vested in the Board of Education, consisting of five members elected at large for staggered four-year terms.

The District ranks as the 46th largest by total enrollment among the 918 public and community schools in the State and 2nd largest in Stark County. The District employs 345 non-certified and 412 certified employees to provide services to 5,950 students in grades K through 12 and various community groups.

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 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 and student related activities of the District.

Component units are legally separate organizations for which the District is financially accountable. The District is financially accountable for an organization if the District appoints a voting majority of the organization's Governing Board and (1) the District is able to significantly influence the programs or services performed or provided by the organization; or (2) the District is legally entitled to or can otherwise access the organization's resources; or (3) the District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or (4) the District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the District in that the District approves the budget, the issuance of debt or the levying of taxes. Certain organizations are also included as component units if the nature and significance of the relationship between the primary government and the organization is such that exclusion by the primary government would render the primary governments 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).

**PLAIN LOCAL SCHOOL DISTRICT
STARK COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

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

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

JOINTLY GOVERNED ORGANIZATION

The District is a member of the Stark-Portage Computer Consortium (SPARCC), a jointly governed organization which provides computer services to the school districts within the boundaries of Stark and Portage Counties. Each District's superintendent serves as a representative on the Board, which consists of approximately 31 member districts. However, SPARCC is primarily governed by a five member Executive Board which is made up of two representatives from Stark County, two from Portage County and a Treasurer. The Board meets monthly to address any current issues.

PUBLIC ENTITY RISK POOL

The Stark County Schools Council of Government (the "Council") is governed by an assembly which consists of one representative from each participating school district (usually the superintendent or designee). The assembly elects officers for one year terms to serve as the Board of Directors. The assembly exercises control over the operation of the Council. All Council revenues are generated from charges for services. The Council has a Health Benefits Program which is a shared risk pool comprised of 70 entities, most of which are school districts.

The Council also sponsors a workers' compensation group rating plan which is an insurance purchasing pool.

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. The District does not have proprietary funds.

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 and report all financial resources not accounted for and reported in another fund. The general fund balance is available for any purpose provided it is expended or transferred according to the general laws of Ohio.

Debt service fund - The debt service fund is used to account and report financial resources that are restricted to expenditures for principal and interest.

**PLAIN LOCAL SCHOOL DISTRICT
STARK COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

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

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

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 two agency funds are the district agency and student managed activities funds.

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.

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. 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.

**PLAIN LOCAL SCHOOL DISTRICT
STARK COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

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 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. Fiduciary funds 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, are 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, 2011, but which were levied to finance fiscal year 2012 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, 2011 are recorded as deferred revenue in the governmental funds.

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

**PLAIN LOCAL SCHOOL DISTRICT
STARK COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

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 used 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 District is required by State statute to adopt an annual appropriated cash basis budget for all funds. The specific timetable for is as follows:

1. On October 25, 2005, the Stark County Budget Commission voted to waive the requirement that school districts adopt a tax budget as required by section 5705.28 of the Ohio Revised Code, by January 15 and the filing by January 20. The Budget Commission now requires an alternate tax budget be submitted by January 20 which no longer requires specific Board approval.
2. By no later than January 20, the adopted budget is filed with the Stark 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 certificated of estimated resources. The revised budget then serves as a basis for the appropriation measure. On or about July 1, the certificate of estimated resources is amended to include any unencumbered balances from the preceding year as reported by the District Treasurer. The certificate of estimated resources 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 certificate of estimated resources issued for fiscal year 2011.
4. By July 1, the annual appropriation resolution is legally enacted by the Board of Education at the fund level of expenditures, which is the legal level of budgetary control. State statute permits a temporary appropriation to be effective until no later than October 1 of each year. Although the legal level of budgetary control was established at the fund level of expenditures, the District has elected to present budgetary statement comparisons at the fund and function level of expenditures. 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 total.
5. Any revisions that alter the total of any fund appropriation must be approved by the Board of Education.

**PLAIN LOCAL SCHOOL DISTRICT
STARK COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

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

6. 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.
7. Appropriation amounts are as originally adopted, or as amended by the Board of Education through the year by supplemental appropriations which either reallocated or increased the original appropriated amounts. All supplemental appropriations were legally enacted by the Board during fiscal year 2011. All amounts reported in the budgetary statement reflect the original and final appropriations plus all modifications legally enacted by the Board.
8. 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.

F. Cash and Investments

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

During fiscal year 2011, investments were limited to federal agency securities, nonnegotiable certificates of deposit and investments in the State Treasury Asset Reserve of Ohio (STAR Ohio). Except for nonparticipating investment contracts, investments are reported at fair value, which is based on quoted market prices. Nonparticipating investment contracts such as repurchase agreements and nonnegotiable certificates of deposit are reported at cost.

The District has invested funds in STAR Ohio during fiscal year 2011. 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, 2011.

Under existing Ohio statutes all investment earnings are assigned to the general fund except for those specifically related to the auxiliary services fund, food service fund, permanent improvement fund, building fund and private purpose trust fund individually authorized by Board resolution. Interest revenue credited to the general fund during fiscal year 2011 amounted to \$55,388, which includes \$15,016 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.

**PLAIN LOCAL SCHOOL DISTRICT
STARK COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

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

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

G. Inventory

On government-wide and fund financial statements, purchased inventories are presented at the lower of cost or market and donated commodities are presented at their entitlement value. Inventories are recorded on a first-in, first-out basis and are expensed when received. Inventories are accounted for using the purchase method on the fund 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 fund balance - nonspendable 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 are those related to government activities. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net assets, but are not reported in the fund financial statements.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their fair market values as of the date received. The District maintains a capitalization threshold of \$5,000. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not.

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

<u>Description</u>	<u>Governmental Activities Estimated Lives</u>
Land improvements	15 - 20 years
Buildings and improvements	25 - 40 years
Furniture and equipment	5 - 20 years
Vehicles	8 - 12 years

I. Interfund Balances

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "interfund receivables/payables". These amounts are eliminated in the governmental activities column on the statement of net assets. Loans between governmental activities and agency funds are classified as "loans receivable/payable" on the government wide and fund financial statements.

**PLAIN LOCAL SCHOOL DISTRICT
STARK COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

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

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.

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 severance is accrued using the vesting method; i.e., the liability is based on the sick leave accumulated at the balance sheet date by those employees who are currently eligible to receive termination (severance) payments, as well as those employees expected to become eligible in the future. For purposes of establishing a liability for sick leave on employees expected to become eligible to retire in the future, all employees age fifty or greater with at least ten years of service or any age with 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, 2011 and reduced to the maximum payment allowed by labor contract and/or statute, plus any additional salary related payments.

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

For governmental fund financial statements, the current portion of unpaid compensated absences is the amount expected to be paid using expendable available resources. These amounts are recorded in the account "compensated absences payable" in the fund from which the employees who have accumulated unpaid leave are paid. The noncurrent portion of the liability is not reported.

K. Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements.

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, compensated absences and early retirement incentives that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment during the current year. Bonds are recognized as a liability on the fund financial statements when due.

**PLAIN LOCAL SCHOOL DISTRICT
STARK COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

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

L. Fund Balance

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

Nonspendable - The nonspendable fund balance classification includes amounts that cannot be spent because they are not in spendable form or legally required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash. It also includes the long-term amount of loans receivable.

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

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

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

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

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

**PLAIN LOCAL SCHOOL DISTRICT
STARK COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

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 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 consumption method. A current asset for the prepaid amounts is recorded at the time of the purchase and the expenditure/expense is reported in the year in which services are consumed.

O. 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.

P. Restricted Assets

Restricted assets in the general fund represent cash and cash equivalents that are restricted in use by State statute. A restriction for fund balance has also been established. See Note 17 for details.

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. 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. Unamortized Bond Issuance Costs and Bond Premium

On government-wide financial statements, bond issuance costs are deferred and amortized over the term of the bonds using the straight line method, which approximates the effective interest method. Unamortized bond issuance costs are recorded as an asset on the financial statements.

Bond premiums are deferred and amortized over the term of the bonds. Bond premiums are presented as an addition to the face amount of the bonds. Capital appreciation bond discounts are accreted over the term of the bonds.

**PLAIN LOCAL SCHOOL DISTRICT
STARK COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

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

On the governmental fund financial statements, issuance costs and bond premiums are recognized in the current period.

S. Parochial and Private Schools

Within the District boundaries, St. Michael's School and Our Lady of Peace Schools are operated through the Youngstown Catholic Diocese. Also within the District boundaries, are Canton Country Day Schools and Holy Cross Preschool and Kindergarten, which are privately operated. Current State legislation provides funding to these schools. These monies are received and disbursed on behalf of these schools by the Treasurer of the District, as directed by the schools. The fiduciary responsibility of the District for these monies is reflected in a non major governmental fund for financial reporting purposes.

T. 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 2011.

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

A. Change in Accounting Principles

For fiscal year 2011, the District has implemented GASB Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions", and GASB Statement No. 59, "Financial Instruments Omnibus".

GASB Statement No. 54 establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. GASB Statement No. 54 also clarifies the definitions of governmental fund types.

GASB Statement No. 59 updates and improves guidance for financial reporting and disclosure requirements of certain financial instruments and external investment pools. The implementation of GASB Statement No. 59 did not have an effect on the financial statements of the District.

**PLAIN LOCAL SCHOOL DISTRICT
STARK COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE - (Continued)

B. Fund Reclassifications

Fund reclassifications are required in order to report funds in accordance with GASB Statement No 54. These fund reclassifications had the following effect on the District's governmental fund balances as previously reported:

	<u>General</u>	<u>Debt Service</u>	<u>Nonmajor Governmental</u>	<u>Total Governmental</u>
Fund balance as previously reported	\$ 2,505,855	\$ 2,206,036	\$ 665,450	\$ 5,377,341
Fund reclassifications:				
Public school support fund	<u>85,156</u>	<u>-</u>	<u>(85,156)</u>	<u>-</u>
Total fund reclassifications	<u>85,156</u>	<u>-</u>	<u>(85,156)</u>	<u>-</u>
Restated fund balance at July 1, 2010	<u>\$ 2,591,011</u>	<u>\$ 2,206,036</u>	<u>\$ 580,294</u>	<u>\$ 5,377,341</u>

The fund reclassifications did not have an effect on net assets as previously reported.

C. Deficit Fund Balances

Fund balances at June 30, 2011 included the following individual fund deficits:

<u>Nonmajor funds</u>	<u>Deficit</u>
Management information system	\$ 55
Education jobs	9,206
IDEA - Part B	42,709
Stimulus Title II-D	5
Title I	21,687
Improving teacher quality	2,599
Building	769,260

The general fund is liable for any deficits in these funds and provides transfers when cash is required, not when accruals occur. The deficit fund balances resulted from adjustments for accrued liabilities.

NOTE 4 - DEPOSITS AND INVESTMENTS

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

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

**PLAIN LOCAL SCHOOL DISTRICT
STARK COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

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

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

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

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

Protection of the District's deposits is provided by the Federal Deposit Insurance Corporation (FDIC), by eligible securities pledged by the financial institution as security for repayment, by surety company bonds deposited with the District 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.

**PLAIN LOCAL SCHOOL DISTRICT
STARK COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

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

A. Deposits with Financial Institutions

At June 30, 2011, the carrying amount of all District deposits was \$11,281,255. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of June 30, 2011, \$7,370,042 of the District's bank balance of \$11,383,555 was exposed to custodial risk as discussed below, while \$4,013,513 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.

B. Investments

As of June 30, 2011, 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
FFCB	\$ 999,880	\$ -	\$ -	\$ -	\$ 999,880
STAR Ohio	<u>4,186,533</u>	<u>4,186,533</u>	-	-	-
Total	<u>\$ 5,186,413</u>	<u>\$ 4,186,533</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 999,880</u>

Interest Rate Risk: Interest rate risk arises because potential purchasers of debt securities will not agree to pay face value for those securities if interest rates subsequently increase. As a means of limiting its exposure to fair value losses arising from rising interest rates and according to State law, the District's investment policy limits investment portfolio maturities to five years or less.

**PLAIN LOCAL SCHOOL DISTRICT
STARK COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

Credit Risk: The District's investments in the federal agency securities were rated AAA and Aaa by Standard & Poor's and Moody's Investor Services, respectively. STAR Ohio carries a rating of AAAM by Standard & Poor's. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service. The District has no investment policy dealing with investment credit risk beyond the requirements in State statutes.

Custodial Credit Risk: For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The 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, 2011:

<u>Investment type</u>	<u>Fair Value</u>	<u>% of Total</u>
FFCB	\$ 999,880	19.28
STAR Ohio	<u>4,186,533</u>	<u>80.72</u>
Total	<u>\$ 5,186,413</u>	<u>100.00</u>

C. 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, 2011:

<u>Cash and investments per note</u>	
Carrying amount of deposits	\$ 11,281,255
Investments	<u>5,186,413</u>
Total	<u>\$ 16,467,668</u>
 <u>Cash and investments per financial statements</u>	
Governmental activities	\$ 16,022,163
Private purpose trust fund	2,088
Agency funds	<u>443,417</u>
Total	<u>\$ 16,467,668</u>

**PLAIN LOCAL SCHOOL DISTRICT
STARK COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

NOTE 5 - INTERFUND TRANSACTIONS

- A.** Interfund balances at June 30, 2011 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	\$ 49,058

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, 2011 are reported on the statement of net assets.

- B.** Interfund transfers for the year ended June 30, 2011 consisted of the following as reported on the fund financial statements:

<u>Transfers to nonmajor governmental funds from:</u>	<u>Amount</u>
General fund	\$ 19,000

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. Transfers between governmental funds are eliminated in the statement of activities.

- C.** Advances outstanding at June 30, 2011 between governmental funds and fiduciary funds consist of \$4,796 and \$22 due to the general fund from the District's student managed activity agency fund and the district agency fund, respectively. These advances are reported as loans on the government-wide financial statements. Except for \$355 from the student managed activity fund, the loans are expected to be repaid within one year.

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.

**PLAIN LOCAL SCHOOL DISTRICT
STARK COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

NOTE 6 - PROPERTY TAXES - (Continued)

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 2011 represent the collection of calendar year 2010 taxes. Real property taxes received in calendar year 2011 were levied after April 1, 2010, on the assessed values as of January 1, 2010, 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 2011 represent the collection of calendar year 2010 taxes. Public utility real and tangible personal property taxes received in calendar year 2011 became a lien on December 31, 2009, were levied after April 1, 2010, 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.

Tangible personal property tax revenues received in the District's fiscal year ended June 30, 2011 (other than public utility property) generally 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 were due September 20, 2010. Single county taxpayers could pay annually or semiannually. If paid semiannually, the first payment was due April 30, 2010, with the remainder payable by September 20, 2010.

The District receives property taxes from Stark County. The County Auditor periodically advances to the District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2011, are available to finance fiscal year 2011 operations. The amount available as an advance at June 30, 2011 was \$4,079,679 in the general fund and \$539,098 in the debt service fund. This amount is recorded as revenue. The amount available for advance at June 30, 2010 was \$1,060,760 in the general fund, \$142,800 and in the debt service 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, 2011 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.

**PLAIN LOCAL SCHOOL DISTRICT
STARK COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

NOTE 6 - PROPERTY TAXES - (Continued)

The assessed values upon which the fiscal year 2011 taxes were collected are:

	2010 Second Half Collections		2011 First Half Collections	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/residential and other real estate	\$ 955,352,480	97.67	\$ 956,416,820	97.72
Public utility personal	22,267,700	2.28	22,267,700	2.28
Tangible personal property	<u>545,950</u>	<u>0.05</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 978,166,130</u>	<u>100.00</u>	<u>\$ 978,684,520</u>	<u>100.00</u>
Tax rate per \$1,000 of assessed valuation:				
Operations	\$59.50		\$59.50	
Debt service	4.10		4.10	

NOTE 7 - RECEIVABLES

Receivables at June 30, 2011 consisted of taxes, accounts (billings for user charged services and student fees), intergovernmental grants and entitlements, accrued interest and loans. 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:

Property taxes	\$ 31,987,053
Accounts	2,980
Intergovernmental	363,377
Accrued interest	4,688
Loans	<u>4,818</u>
Total	<u>\$ 32,362,916</u>

Receivables have been disaggregated on the face of the basic financial statements. Except for \$355 in loans, all receivables are expected to be collected in the subsequent year.

**PLAIN LOCAL SCHOOL DISTRICT
STARK COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

NOTE 8 - CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2011, was as follows:

	Balance			Balance
	<u>06/30/10</u>	<u>Additions</u>	<u>Deductions</u>	<u>06/30/11</u>
<i>Capital assets, not being depreciated:</i>				
Land	\$ 2,370,360	\$ -	\$ -	\$ 2,370,360
Total capital assets, not being depreciated	<u>2,370,360</u>	<u>-</u>	<u>-</u>	<u>2,370,360</u>
<i>Capital assets, being depreciated:</i>				
Land improvements	5,821,781	-	-	5,821,781
Buildings and improvements	76,102,576	166,028	-	76,268,604
Furniture and equipment	7,564,334	201,552	(2,189,340)	5,576,546
Vehicles	3,783,583	101,919	(78,936)	3,806,566
Total capital assets, being depreciated	<u>93,272,274</u>	<u>469,499</u>	<u>(2,268,276)</u>	<u>91,473,497</u>
<i>Less: accumulated depreciation</i>				
Land improvements	(2,314,826)	(270,757)	-	(2,585,583)
Buildings and improvements	(19,530,626)	(1,605,335)	-	(21,135,961)
Furniture and equipment	(4,227,000)	(335,271)	2,185,294	(2,376,977)
Vehicles	(3,460,833)	(94,009)	67,999	(3,486,843)
Total accumulated depreciation	<u>(29,533,285)</u>	<u>(2,305,372)</u>	<u>2,253,293</u>	<u>(29,585,364)</u>
Governmental activities capital assets, net	<u>\$ 66,109,349</u>	<u>\$ (1,835,873)</u>	<u>\$ (14,983)</u>	<u>\$ 64,258,493</u>

Depreciation expense was charged to governmental functions as follows:

Instruction:

Regular	\$ 1,667,069
Special	44,630
Vocational	158,612

Support services:

Pupil	36,363
Instructional staff	51,771
Administration	35,454
Operations and maintenance	65,944
Pupil transportation	80,344
Extracurricular activities	16,829
Food service operations	<u>148,356</u>
Total depreciation expense	<u>\$ 2,305,372</u>

**PLAIN LOCAL SCHOOL DISTRICT
STARK COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

NOTE 9 - LONG-TERM OBLIGATIONS

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

	Average Interest <u>Rate</u>	Balance Outstanding <u>06/30/10</u>	<u>Additions</u>	<u>Reductions</u>	Balance Outstanding <u>06/30/11</u>	Amounts Due in <u>One Year</u>
Governmental activities:						
School improvements general obligation bonds	4.583	\$ 54,445,940	\$ 81,686	\$ (1,690,000)	\$ 52,837,626	\$ 1,702,626
Early retirement incentive		2,441,853	40,000	(1,122,647)	1,359,206	1,359,206
Compensated absences		<u>3,648,427</u>	<u>246,820</u>	<u>(699,148)</u>	<u>3,196,099</u>	<u>543,696</u>
Total governmental activities		60,536,220	<u>\$ 368,506</u>	<u>\$ (3,511,795)</u>	57,392,931	<u>\$ 3,605,528</u>
Add: Unamortized premium on bond issue		<u>517,361</u>			<u>493,204</u>	
Total on statement of net assets		<u>\$ 61,053,581</u>			<u>\$ 57,886,135</u>	

Compensated Absences/Early Retirement Incentive: Compensated absences and early retirement incentives will be paid from the fund from which the employee's salaries are paid, which primarily consist of the general fund and the following nonmajor governmental funds: food service, auxiliary services, poverty aid, Title VI-B, Title I and miscellaneous federal grants.

B. During fiscal year 2003, the District issued \$64,899,913 in general obligation bonds to provide funds for various District building projects. These bonds are general obligations of the District for which the full faith and credit of the District is pledged for repayment. Payments of principal and interest relating to this bond are recorded as expenditures in the debt service fund.

This issue is comprised of both current interest bonds, par value \$63,765,000, and capital appreciation bonds, par value \$1,134,913. The interest rates on the current interest bonds range from 2.00% to 5.25%. The capital appreciation bonds mature on December 1, 2011 (effective interest 5.039%), at redemption price equal to 100% of the principal, plus accrued interest to the redemption date. The accreted value at maturity for the capital appreciation bonds is \$1,745,000. A total of \$567,713 in accreted interest on the capital appreciation bonds has been included on the statement of net assets at June 30, 2011.

Interest payments on the current interest bonds are due on June 1 and December 1 of each year. The final maturity stated in the issue is December 1, 2030.

**PLAIN LOCAL SCHOOL DISTRICT
STARK COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

NOTE 9 - LONG-TERM OBLIGATIONS - (Continued)

The following is a schedule of activity for fiscal 2011 on the general obligation bonds:

	Balance <u>06/30/10</u>	<u>Additions</u>	<u>Reductions</u>	Balance <u>06/30/11</u>
Current interest bonds	\$ 52,825,000	\$ -	\$ (1,690,000)	\$ 51,135,000
Capital appreciation bonds	1,134,913	-	-	1,134,913
Accreted interest	<u>486,027</u>	<u>81,686</u>	<u>-</u>	<u>567,713</u>
Total G.O. bonds	<u>\$ 54,445,940</u>	<u>\$ 81,686</u>	<u>\$ (1,690,000)</u>	<u>\$ 52,837,626</u>

The following is a summary of the future debt service requirements to maturity for the general obligation bonds:

Fiscal Year <u>Ended June 30,</u>	<u>Current Interest Bonds</u>			<u>Capital Appreciation Bonds</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$ -	2,413,350	\$ 2,413,350	\$ 1,134,913	\$ 610,087	\$ 1,745,000
2013	1,745,000	2,381,504	4,126,504	-	-	-
2014	1,810,000	2,315,268	4,125,268	-	-	-
2015	1,880,000	2,231,528	4,111,528	-	-	-
2016	1,975,000	2,130,334	4,105,334	-	-	-
2017 - 2021	11,390,000	9,131,971	20,521,971	-	-	-
2022 - 2026	14,325,000	6,140,088	20,465,088	-	-	-
2027 - 2031	<u>18,010,000</u>	<u>2,331,619</u>	<u>20,341,619</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 51,135,000</u>	<u>\$ 29,075,662</u>	<u>\$ 80,210,662</u>	<u>\$ 1,134,913</u>	<u>\$ 610,087</u>	<u>\$ 1,745,000</u>

C. 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, 2011, are a voted debt margin of \$38,186,165 (including available funds of \$2,374,471) and an unvoted debt margin of \$978,685.

**PLAIN LOCAL SCHOOL DISTRICT
STARK COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

NOTE 10 - EMPLOYEE BENEFITS

A. Compensated Absences

The criteria for determining vacation and sick leave benefits components are derived from negotiated agreements and State laws. Classified employees earn 10 to 25 days of vacation per year, depending upon length of service. Accumulated unused vacation time is paid to classified employees and administrators upon termination of employment. Teachers do not earn vacation time.

Teachers, administrators and classified employees earn sick leave at the rate of one and one-fourth days per month or 15 days for each completed year of service. Sick leave may be accumulated up to a maximum of 345 days for all personnel. Upon retirement, payment is made for one-fourth of the accrued, but unused, sick leave balance to a maximum of 65 days for all employees, except for administrators, who receive a maximum of 70 days. For all employees except administrators, an additional \$10 per day shall be paid for sick leave accumulated between 200 and 250 days and an additional \$20 per day shall be paid for sick leave accumulated over 250 days.

B. Early Retirement Incentive

The District offered a two year Early Retirement Incentive Program (ERI) with the State Teacher's Retirement System of Ohio (STRS Ohio) to the certified staff. The program was done in accordance with the rules and regulations of STRS Ohio for anyone retiring at the end of 2009-2010. The employee had to notify the District by June 2, 2010 of their intent to retire July 1, 2010 or July 1, 2011. Twenty employees took advantage of the ERI option effective July 1, 2010 and another 29 retired under the program effective July 1, 2011. The program is now closed.

No other retirement incentives are being offered in the District to any certified, classified or administrative staff members.

NOTE 11 - RISK MANAGEMENT

A. Comprehensive

The District maintains comprehensive insurance coverage with private carriers for liability, real property, building contents, vehicles, and builder's risk. Vehicle policies include liability coverage for bodily injury and property damage. In addition, real property contents are 100% coinsured.

**PLAIN LOCAL SCHOOL DISTRICT
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

NOTE 11 - RISK MANAGEMENT - (Continued)

The following is a description of the District's insurance coverage:

<u>Coverage</u>	<u>Insurer</u>	<u>Limits of Coverage</u>	<u>Deductible</u>
General liability:	Ohio Casualty		
Each occurrence		\$ 1,000,000	\$ 0
Aggregate		2,000,000	0
Building and contents	Ohio Casualty	176,021,249	10,000
Fleet:	Ohio Casualty		
Comprehensive		Actual Cash Value	250
Collision		Actual Cash Value	500
Liability		1,000,000	0
Umbrella liability	Ohio Casualty	5,000,000	10,000

Settled claims have not exceeded this commercial coverage in any of the past three years and there has been no significant reduction in coverage.

B. Shared Risk Pool

The District is a participant in the Stark County Schools Council of Government (the "COG") for the purpose of obtaining benefits at a reduced premium for both health care and workers' compensation.

The District's insurance program for health care is administered by Mutual Health Services Company. Payments are made to the COG for monthly attachment point, monthly stop-loss premiums and administrative charges. The fiscal agent of the COG is the Stark County Education Service Center.

The Treasurer of the Stark County Educational Service Center pays Mutual Health Services monthly for the actual amount of claims processed, the stop-loss premium, and the administrative charges.

The District also participates in a program within the COG to obtain workers' compensation coverage. This program is administered by CompManagement, Inc. The experience rating of each of the participating districts is calculated as one experience rate and applied to all participants in the program. Premiums paid to the State are based on this calculation. Total savings are then determined and each participant's performance is compared to the overall savings percentage of the program. The districts will then either receive money back or be required to contribute additional money to the program. This process insures that each participant pays an equitable share of the cost.

**PLAIN LOCAL SCHOOL DISTRICT
STARK COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

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 "*Media/Financial Reports*".

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 2011, 11.77 percent and 0.04 percent of annual covered salary was the portion used to fund pension obligations and death benefits, respectively. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to a statutory maximum amount of 10 percent for plan members and 14 percent for employers. Chapter 3309 of the Ohio Revised Code provides statutory authority for member and employer contributions. The District's required contributions for pension obligations and death benefits to SERS for the fiscal years ended June 30, 2011, 2010 and 2009 were \$916,309, \$933,796 and \$616,259, respectively; 51.23 percent has been contributed for fiscal year 2011 and 100 percent for fiscal years 2010 and 2009.

B. State Teachers Retirement System of Ohio

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

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

**PLAIN LOCAL SCHOOL DISTRICT
STARK COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

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 2011, 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, 2011, 2010 and 2009 were \$3,023,902, \$3,040,822 and \$3,075,596, respectively; 84.18 percent has been contributed for fiscal year 2011 and 100 percent for fiscal years 2010 and 2009. Contributions to the DC and Combined Plans for fiscal year 2011 were \$98,541 made by the District and \$70,387 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, 2011, certain members of the Board of Education have elected Social Security. The District's liability is 6.2 percent of wages paid.

NOTE 13 - POSTEMPLOYMENT BENEFITS

A. School Employees Retirement System

Plan Description - The District participates in two cost-sharing, multiple employer postemployment benefit plans administered by the School Employees Retirement System (SERS) for non-certificated retirees and their beneficiaries, a Health Care Plan and a Medicare Part B Plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's, Medicare Advantage, and traditional indemnity plans. A prescription drug program is also available to those who elect health coverage. SERS employs two third-party administrators and a pharmacy benefit manager to manage the self-insurance and prescription drug plans, respectively. The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries as set forth in Section 3309.69 of the Ohio Revised Code. Qualified benefit recipients who pay Medicare Part B premiums may apply for and receive a monthly reimbursement from SERS. The reimbursement amount is limited by statute to the lesser of the January 1, 1999 Medicare Part B premium or the current premium. The Medicare Part B premium for calendar year 2011 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 "Media/Financial Reports".

**PLAIN LOCAL SCHOOL DISTRICT
STARK COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

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 2011, 1.43 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 2011, 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, 2011, 2010 and 2009 were \$222,245, \$169,894 and \$426,035, respectively; 51.23 percent has been contributed for fiscal year 2011 and 100 percent for fiscal years 2010 and 2009.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For fiscal year 2011, 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, 2011, 2010, and 2009 were \$58,967, \$55,531 and \$50,846, respectively; 51.23 percent has been contributed for fiscal year 2011 and 100 percent for fiscal years 2010 and 2009.

B. State Teachers Retirement System of Ohio

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

Funding Policy - Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2011, 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, 2011, 2010 and 2009 were \$232,608, \$233,909 and \$236,584, respectively; 84.18 percent has been contributed for fiscal year 2011 and 100 percent for fiscal years 2010 and 2009.

**PLAIN LOCAL SCHOOL DISTRICT
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

NOTE 14 - BUDGETARY BASIS OF ACCOUNTING

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

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

- (a) Revenues and other financing sources are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis);
- (b) Expenditures and other financing uses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis);
- (c) In order to determine compliance with Ohio law, and to reserve that portion of the applicable appropriation, total outstanding encumbrances (budget basis) are recorded as the equivalent of an expenditure, as opposed to assigned or committed fund balance for that portion of outstanding encumbrances not already recognized as an account payable (GAAP basis);
- (d) Advances-in and advances-out are operating transactions (budget basis) as opposed to balance sheet transactions (GAAP basis);
- (e) Investments are reported at fair value (GAAP basis) as opposed to cost (budget basis); and,
- (f) Some funds are included in the general fund (GAAP basis), but have separate legally adopted budgets (budget basis).

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

Net Change in Fund Balance

	<u>General fund</u>
Budget basis	\$ 77,620
Net adjustment for revenue accruals	3,000,116
Net adjustment for expenditure accruals	1,310,352
Net adjustment for other sources/uses	(5,913)
Funds budgeted elsewhere	(19,095)
Adjustment for encumbrances	2,125,375
GAAP basis	<u>\$ 6,488,455</u>

Certain funds that are legally budgeted in separate special revenue funds are considered part of the general fund on a GAAP basis. This includes the public school support fund.

**PLAIN LOCAL SCHOOL DISTRICT
STARK COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

NOTE 15 - CONTINGENCIES

A. Grants

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

B. Litigation

The District is a party to legal proceedings seeking damages or injunctive relief generally incidental to its operations and spending projects. The District management is of the opinion that disposition of the claim and legal proceedings will not have a material effect, if any, on the financial condition of the District.

NOTE 16 - DISTRICT AS A FISCAL AGENT

Vocational Agreement

The District serves as the fiscal agent for a four-district vocational compact formed to provide vocational education programs for the students in each district in the most effective and efficient manner possible. The other districts included in the agreement are: North Canton City Schools, Jackson Local Schools and Lake Local Schools. The term of the present agreement is July 1, 2010 through June 30, 2012. The districts offer vocational programs which conform to the regulations and statutes of the State of Ohio. Lake Local reimburses the other districts at a constant rate of \$1,300 per pupil for each Lake Local student enrolled in a compact program. Each District contributes \$150 per vocational student to a permanent improvement, capital equipment, and supply fund to provide for needed equipment, computer software and site licenses (per State allowances) and facility improvements.

NOTE 17 - SET-ASIDES

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 fiscal year-end. These amounts must be carried forward to be used for the same purposes in future years.

**PLAIN LOCAL SCHOOL DISTRICT
STARK COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

NOTE 17 - SET-ASIDES - (Continued)

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

	<u>Textbooks</u>	<u>Capital Improvements</u>
Set-aside balance June 30, 2010	\$ -	\$ -
Current year set-aside requirement	878,979	878,979
Contributions in excess of the current fiscal year set-aside requirement	-	-
Current year qualifying expenditures	(821,574)	(1,211,708)
Excess qualified expenditures from prior years	(2,152,467)	-
Current year offsets	-	-
Waiver granted by ODE	-	-
Prior year offset from bond proceeds	<u>-</u>	<u>-</u>
Total	<u>\$ (2,095,062)</u>	<u>\$ (332,729)</u>
Balance carried forward to fiscal year 2012	<u>\$ -</u>	<u>\$ -</u>
Set-aside balance June 30, 2011	<u>\$ -</u>	<u>\$ -</u>

The District had qualifying disbursements during the fiscal year that reduced the textbook set-aside amount to below zero. Effective July 1, 2011, the textbook set-aside is no longer required and has been removed from existing law. This negative balance is therefore not being presented as being carried forward to the future fiscal year. Although the District had qualifying disbursements during the fiscal year that reduced the set-aside amount to below zero for the capital improvements set-aside, this amount may not be used to reduce the set-aside requirement for future fiscal years. The negative balance is therefore not presented as being carried forward to future fiscal years.

In addition to the above statutory set-asides, the District also has \$21,387 in monies restricted for school bus purchases.

A schedule of the restricted assets at June 30, 2011 follows:

Amounts restricted for school bus purchases	<u>\$ 21,387</u>
---	------------------

**PLAIN LOCAL SCHOOL DISTRICT
STARK COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

NOTE 18 - OPERATING LEASE - LESSOR DISCLOSURE

On June 30, 2005, the District and the Stark County Public Library (the "Library") entered into an agreement in which the Library would lease a 12,000 square foot area which is part of the new library facility constructed at Glen Oak High School. During fiscal year 2006, the Library contributed \$1,716,913 to the District towards the construction of the new library. Included in this contribution is a \$1,538,520 one-time lease payment/construction payment for the term of ten years. There shall be no termination by either party during the first five years of the lease term, which commenced on June 30, 2006. After five years, the District may terminate the lease agreement at its sole discretion. If terminated, the District shall pay the Library a sum of \$153,852 times the remaining years on the lease, prorated from the date of termination. At June 30, 2011, a payment of \$769,260 has been recorded as unearned revenue on the financial statements. Revenue from the lease will be recognized each year it is earned.

The Library paid operating costs of \$6.38 per square foot on 12,000 square feet of the library facility during fiscal year 2011. The square footage rate is adjusted annually based on actual operating costs for the 10 year lease term.

After ten years, the Library has the option to renew the lease for three additional terms of five years each. The renewal rate shall equal a base cost of \$12.82 per square foot of the 12,000 square feet for the leased premises or the fair market value of leased space in the surrounding area. The Library will also be obligated to pay operating expenses as set forth.

NOTE 19 - OTHER COMMITMENTS

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

<u>Fund Type</u>	<u>Year-End Encumbrances</u>
General fund	\$ 1,915,594
Other governmental	<u>253,896</u>
Total	<u>\$ 2,169,490</u>

NOTE 20 - SUBSEQUENT EVENTS

On July 27, 2011, the District issued general obligation refunding bonds in the amount of \$16,290,000 for the purpose of advance refunding a portion of the District's outstanding school improvement general obligation bonds. The refunding bonds bear an interest rate ranging from 2.0% to 5.0% and have a final maturity date of November 1, 2019.

On October 26, 2011, the District issued additional general obligation refunding bonds in the amount of \$34,345,000 for the purpose of advance refunding the remaining current interest portion of the outstanding school improvement general obligation bonds. The refunding bonds bear an interest rate ranging from 4.0% to 4.5% and have a final maturity date of November 1, 2030.

SUPPLEMENTARY DATA

PLAIN LOCAL SCHOOL DISTRICT
SCHEDULE OF RECEIPTS AND EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

FEDERAL GRANTOR/ SUB GRANTOR/ PROGRAM TITLE	CFDA NUMBER	(A) PASS-THROUGH GRANT NUMBER	(B) CASH FEDERAL RECEIPTS	(B) CASH FEDERAL DISBURSEMENTS
U.S. DEPARTMENT OF AGRICULTURE PASSED THROUGH THE OHIO DEPARTMENT OF EDUCATION				
<i>Child Nutrition Cluster:</i>				
(C)(D) School Breakfast Program	10.553	2011	\$ 261,477	\$ 261,477
(D)(E) National School Lunch Program - Food Donation	10.555	2011	123,322	123,322
(C)(D) National School Lunch Program	10.555	2011	1,010,628	1,010,628
Total National School Lunch Program			<u>1,133,950</u>	<u>1,133,950</u>
<i>Total Child Nutrition Cluster</i>			<u>1,395,427</u>	<u>1,395,427</u>
Total U.S. Department of Agriculture			<u>1,395,427</u>	<u>1,395,427</u>
U.S. DEPARTMENT OF EDUCATION PASSED THROUGH THE OHIO DEPARTMENT OF EDUCATION				
<i>Title I Cluster:</i>				
(H) Title I Grants to Local Educational Agencies	84.010	2010	73,244	122,817
(H) Title I Grants to Local Educational Agencies	84.010	2011	966,877	1,002,009
Total Title I Grants to Local Educational Agencies			<u>1,040,121</u>	<u>1,124,826</u>
(H) ARRA Title I Grants to Local Educational Agencies, Recovery Act	84.389	2011	560,764	555,027
<i>Total Title I Cluster</i>			<u>1,600,885</u>	<u>1,679,853</u>
<i>Special Education Cluster:</i>				
(G) Special Education_Grants to States	84.027	2010	155,311	161,120
(G) Special Education_Grants to States	84.027	2011	1,084,971	1,062,146
Total Special Education_Grants to States			<u>1,240,282</u>	<u>1,223,266</u>
(F)(G) ARRA Special Education_Grants to States, Recovery Act	84.391	2010	84,853	144,168
(F)(G) ARRA Special Education_Grants to States, Recovery Act	84.391	2011	428,749	404,361
Total ARRA Special Education_Grants to States, Recovery Act			<u>513,602</u>	<u>548,529</u>
(G) Special Education_Preschool Grants	84.173	2011	24,266	24,266
<i>Total Special Education Cluster</i>			<u>1,778,150</u>	<u>1,796,061</u>
Career and Technical Education -- Basic Grants to States	84.048	2010	17,683	36,781
Career and Technical Education -- Basic Grants to States	84.048	2011	228,736	217,259
Total Career and Technical Education -- Basic Grants to States			<u>246,419</u>	<u>254,040</u>
Safe and Drug-Free Schools and Communities_State Grants	84.186	2011	2,678	-
Educational Technology State Grants	84.318	2011	3,672	3,672
Improving Teacher Quality State Grants	84.367	2010	22,797	34,094
Improving Teacher Quality State Grants	84.367	2011	226,278	220,099
Total Improving Teacher Quality State Grants			<u>249,075</u>	<u>254,193</u>
School Improvement Grants	84.377	2010	702	-
ARRA - Education for Homeless Children and Youth, Recovery Act	84.387	2010	675	-
ARRA - Education for Homeless Children and Youth, Recovery Act	84.387	2011	438	430
Total ARRA - Education for Homeless Children and Youth, Recovery Act			<u>1,113</u>	<u>430</u>
ARRA State Fiscal Stabilization Fund (SFSF) - Education State Grants, Recovery Act	84.394	2011	1,276,808	1,276,808
ARRA - State Fiscal Stabilization Fund (SFSF) - Race-to-the-Top Incentive Grants, Recovery Act	84.395	2011	114,828	111,239
Education Jobs Fund	84.410	2011	832,076	832,076
Total U.S. Department of Education			<u>6,106,406</u>	<u>6,208,372</u>
Total Federal Financial Assistance			<u>\$ 7,501,833</u>	<u>\$ 7,603,799</u>

- Continued

**PLAIN LOCAL SCHOOL DISTRICT
SCHEDULE OF RECEIPTS AND EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

NOTES TO THE SCHEDULE OF RECEIPTS AND EXPENDITURES OF FEDERAL AWARDS:

- (A) OAKS did not assign pass through numbers for fiscal year 2011
- (B) This schedule was prepared on the cash basis of accounting
- (C) Commingled with state and local revenue from sales of lunches; assumed expenditures were made on a first-in, first-out basis
- (D) Included as part of "Child Nutrition Cluster" in determining major programs
- (E) The Food Donation Program is a non-cash, in kind, federal grant. Commodities are valued at entitlement value
- (F) The District generally must spend Federal assistance within 15 months of receipt (funds must be obligated by June 30th and spent by September 30th). However, with Ohio Department of Education ("ODE")'s approval, a District may transfer unspent Federal assistance to the succeeding year, thus allowing the District a total of 27 months to spend the assistance. Schools can document this by using special cost centers for each year's activity, and transferring the amounts ODE approves between the cost centers. During fiscal year 2011, the ODE authorized the following transfer

Program Title	CFDA	Grant Year	Transfers Out	Transfers In
ARRA Special Education_Grants to States, Recovery Act	84.391	2010	\$ 51,988	
ARRA Special Education_Grants to States, Recovery Act	84.391	2011		\$ 51,988

- (G) Included as part of "Special Education Grant Cluster" in determining major programs.
- (H) Included as part of "Title I Cluster" in determining major programs.



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333 County Line Rd. West, Westerville, OH 43082 Phone: 614.846.1899 Fax: 614.846.2799

Independent Accountants' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required By *Government Auditing Standards*

Plain Local School District
Stark County
901 44th Street NW
Canton, Ohio 44709-1699

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 the Plain Local School District, Stark County, Ohio, as of and for the fiscal year ended June 30, 2011, which collectively comprise the Plain Local School District's basic financial statements and have issued our report thereon dated November 28, 2011. We noted the District adopted Governmental Accounting Standards Board Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions. 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 Plain Local School 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 Plain Local School District's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the Plain Local School District's internal control over financial reporting.

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 combination of internal control deficiencies resulting in more than a reasonable possibility that a material misstatement of the Plain Local School District's financial statements will not be prevented, or detected and timely corrected.

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

Board of Education
Plain Local School District

Compliance and Other Matters

As part of reasonably assuring whether the Plain Local School 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 no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

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

A handwritten signature in cursive script that reads "Julian & Grube, Inc.".

Julian & Grube, Inc.
November 28, 2011



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333 County Line Rd. West, Westerville, OH 43082 Phone: 614.846.1899 Fax: 614.846.2799

**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**

Plain Local School District
Stark County
901 44th Street NW
Canton, Ohio 44709-1699

To the Board of Education:

Compliance

We have audited the compliance of the Plain Local School 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 each of Plain Local School District's major federal programs for the fiscal year ended June 30, 2011. The summary of auditor's results section of the accompanying schedule of findings identifies the Plain Local School District's major federal programs. The Plain Local School 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 Plain Local School 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 Plain Local School 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 Plain Local School District's compliance with those requirements.

In our opinion, the Plain Local School District complied, in all material respects, with the requirements referred to above that could directly and materially affect each of its major federal programs for the fiscal year ended June 30, 2011.

Internal Control Over Compliance

The Plain Local School 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 Plain Local School 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 Plain Local School District's internal control over compliance.

Board of Education
Plain Local School District

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 did note a certain matter not requiring inclusion in this report that we reported to the Plain Local School District's management in a separate letter date November 28, 2011.

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

A handwritten signature in cursive script that reads "Julian & Grube, Inc.".

Julian & Grube, Inc.
November 28, 2011

**PLAIN LOCAL SCHOOL DISTRICT
STARK COUNTY, OHIO**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A-133 § .505
JUNE 30, 2011**

1. SUMMARY OF AUDITOR'S RESULTS		
<i>(d)(1)(i)</i>	<i>Type of Financial Statement Opinion</i>	Unqualified
<i>(d)(1)(ii)</i>	<i>Were there any material control weaknesses reported at the financial statement level (GAGAS)?</i>	No
<i>(d)(1)(ii)</i>	<i>Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?</i>	No
<i>(d)(1)(iii)</i>	<i>Was there any reported material noncompliance at the financial statement level (GAGAS)?</i>	No
<i>(d)(1)(iv)</i>	<i>Were there any material internal control weaknesses reported for major federal programs?</i>	No
<i>(d)(1)(iv)</i>	<i>Were there any significant deficiencies in internal control reported for major federal programs?</i>	No
<i>(d)(1)(v)</i>	<i>Type of Major Program's Compliance Opinion</i>	Unqualified
<i>(d)(1)(vi)</i>	<i>Are there any reportable findings under §.510(a)?</i>	No
<i>(d)(1)(vii)</i>	<i>Major Programs (listed):</i>	Child Nutrition Cluster: School Breakfast Program (CFDA #10.553) and National School Lunch Program (CFDA #10.555); Title I Cluster: Title I Grants to Local Educational Agencies (CFDA #84.010) and ARRA Title I Grants to Local Educational Agencies, Recovery Act (CFDA #84.389); Special Education Cluster: Special Education Grants to States (CFDA #84.027), ARRA Special Education Grants to States, Recovery Act (CFDA #84.391), and Special Education Preschool Grants (CFDA #84.173); ARRA State Fiscal Stabilization Fund (SFSF) - Education State Grants, Recovery Act (CFDA #84.394); and Education Jobs Fund (CFDA #84.410)
<i>(d)(1)(viii)</i>	<i>Dollar Threshold: Type A/B Programs</i>	Type A: >\$300,000 Type B: all others
<i>(d)(1)(ix)</i>	<i>Low Risk Auditee?</i>	Yes

**PLAIN LOCAL SCHOOL DISTRICT
STARK COUNTY, OHIO**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A-133 § .505
JUNE 30, 2011**

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

None

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None



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Independent Accountant's Report on Applying Agreed-Upon Procedures

Plain Local School District
Stark County
901 44th Street NW
Canton, Ohio 44709-1699

To the Board of Education:

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

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

1. We noted the Board amended its anti-harassment policy at its meeting on November 17, 2010 to include violence within a dating relationship within its definition of harassment, intimidation or bullying.

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

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

Julian & Grube, Inc.
November 28, 2011



Dave Yost • Auditor of State

PLAIN LOCAL SCHOOL DISTRICT

STARK 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 26, 2012**