



**PLAIN LOCAL SCHOOL DISTRICT
STARK COUNTY**

SINGLE AUDIT

FOR THE YEAR ENDED JUNE 30, 2002



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

PLAIN LOCAL SCHOOL DISTRICT
STARK COUNTY

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REPORT OF INDEPENDENT ACCOUNTANTS

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

To the Board of Education:

We have audited the accompanying general purpose financial statements of Plain Local School District, Stark County, Ohio (the District) as of and for the year ended June 30, 2002, as listed in the Table of Contents. These general purpose financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

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

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the District as of June 30, 2002, and the results of its operations and the cash flows of its proprietary fund type for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 3A to the general purpose financial statements, certain errors and omissions resulting in the understatement of accumulated depreciation were discovered during the current year. Accordingly, beginning Retained Earnings for the Enterprise Fund was restated as of July 1, 2001 to correct for these errors.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 29, 2002, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

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

A handwritten signature in black ink, appearing to read "Jim Petro". The signature is stylized with a large, sweeping initial "J" and a long, horizontal stroke extending to the right.

Jim Petro
Auditor of State

November 29, 2002

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PLAIN LOCAL SCHOOL DISTRICT
STARK COUNTY, OHIO
 COMBINED BALANCE SHEET
 ALL FUND TYPES AND ACCOUNT GROUPS
 JUNE 30, 2002

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
ASSETS AND OTHER DEBITS				
ASSETS:				
Equity in pooled cash and cash equivalents	\$ 17,470,380	\$ 813,268	\$ 1,893	\$ 401,243
Receivables (net of allowances of uncollectibles):				
Property taxes - current & delinquent	21,225,147	-	125,124	-
Accounts	130	-	-	-
Accrued interest	78,774	-	-	-
Interfund loan receivable	128,016	-	-	-
Due from other governments	412,686	160,343	-	-
Materials and supplies inventory	76,350	-	-	-
Restricted assets:				
Equity in pooled cash and cash equivalents	223,072	-	-	-
Property, plant and equipment (net of accumulated depreciation where applicable).	-	-	-	-
OTHER DEBITS:				
Amount available in debt service fund	-	-	-	-
Amount to be provided for retirement of general long-term obligations	-	-	-	-
Total assets and other debits	<u>\$ 39,614,555</u>	<u>\$ 973,611</u>	<u>\$ 127,017</u>	<u>\$ 401,243</u>
LIABILITIES, EQUITY AND OTHER CREDITS				
LIABILITIES:				
Accounts payable	\$ 171,037	\$ 45,523	\$ -	\$ -
Accrued wages and benefits.	4,400,577	200,245	-	-
Compensated absences payable.	31,031	-	-	-
Pension obligation payable	588,272	25,718	-	-
Early retirement incentive payable	-	-	-	-
Interfund loan payable	-	128,016	-	-
Deferred revenue	20,749,690	18,898	125,124	-
Due to other governments.	129,658	7,302	-	-
Due to students	-	-	-	-
Capital lease obligation	-	-	-	-
Energy conservation bonds payable	-	-	-	-
Total liabilities	<u>26,070,265</u>	<u>425,702</u>	<u>125,124</u>	<u>-</u>
EQUITY AND OTHER CREDITS:				
Investment in general fixed assets	-	-	-	-
Retained earnings: unreserved	-	-	-	-
Fund balances:				
Reserved for encumbrances	2,782,980	473,241	-	2,022
Reserved for materials and supplies inventory.	76,350	-	-	-
Reserved for debt service	-	-	1,893	-
Reserved for tax revenue unavailable for appropriation.	536,120	-	-	-
Reserved for bus purchase allowance	19,622	-	-	-
Reserved for BWC refunds	203,450	-	-	-
Unreserved:				
Designated for budget stabilization	1,079,171	-	-	-
Undesignated.	8,846,597	74,668	-	399,221
Total equity and other credits	<u>13,544,290</u>	<u>547,909</u>	<u>1,893</u>	<u>401,243</u>
Total liabilities, equity and other credits	<u>\$ 39,614,555</u>	<u>\$ 973,611</u>	<u>\$ 127,017</u>	<u>\$ 401,243</u>

THE NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

Proprietary Fund Type	Fiduciary Fund Types	Account Groups		Total (Memorandum Only)
		General Fixed Assets	General Long-Term Obligations	
Enterprise	Trust and Agency			
\$ 483,624	\$ 260,123	\$ -	\$ -	\$ 19,430,531
-	-	-	-	21,350,271
-	-	-	-	130
-	-	-	-	78,774
-	-	-	-	128,016
73,095	-	-	-	646,124
42,460	-	-	-	118,810
-	-	-	-	223,072
252,142	-	28,309,116	-	28,561,258
-	-	-	1,893	1,893
-	-	-	4,250,632	4,250,632
<u>\$ 851,321</u>	<u>\$ 260,123</u>	<u>\$ 28,309,116</u>	<u>\$ 4,252,525</u>	<u>\$ 74,789,511</u>
\$ 1,533	\$ -	\$ -	\$ -	\$ 218,093
76,495	-	-	-	4,677,317
44,701	-	-	2,890,625	2,966,357
61,945	-	-	295,639	971,574
7,500	-	-	465,000	472,500
-	-	-	-	128,016
14,803	-	-	-	20,908,515
2,447	174,716	-	-	314,123
-	81,684	-	-	81,684
-	-	-	46,261	46,261
-	-	-	555,000	555,000
<u>209,424</u>	<u>256,400</u>	<u>-</u>	<u>4,252,525</u>	<u>31,339,440</u>
-	-	28,309,116	-	28,309,116
641,897	-	-	-	641,897
-	-	-	-	3,258,243
-	-	-	-	76,350
-	-	-	-	1,893
-	-	-	-	536,120
-	-	-	-	19,622
-	-	-	-	203,450
-	-	-	-	1,079,171
-	3,723	-	-	9,324,209
<u>641,897</u>	<u>3,723</u>	<u>28,309,116</u>	<u>-</u>	<u>43,450,071</u>
<u>\$ 851,321</u>	<u>\$ 260,123</u>	<u>\$ 28,309,116</u>	<u>\$ 4,252,525</u>	<u>\$ 74,789,511</u>

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PLAIN LOCAL SCHOOL DISTRICT
STARK COUNTY, OHIO
 COMBINED STATEMENT OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCES
 ALL GOVERNMENTAL FUND TYPES AND EXPENDABLE TRUST FUND
 FOR THE FISCAL YEAR ENDED JUNE 30, 2002

	Governmental Fund Types				Fiduciary Fund Type	Total (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	Expendable Trust	
Revenues:						
From local sources:						
Taxes	\$ 20,410,043	\$ -	\$ 127,234	\$ -	\$ -	\$ 20,537,277
Tuition	667,676	-	-	-	-	667,676
Earnings on investments	471,044	15,578	-	15,592	134	502,348
Extracurricular	-	527,614	-	-	-	527,614
Other local revenues	276,338	13,310	-	-	35	289,683
Other revenue	-	6,041	-	-	-	6,041
Intergovernmental - State	19,263,279	1,130,161	-	17,743	-	20,411,183
Intergovernmental - Federal	17,425	1,578,389	-	-	-	1,595,814
Total revenue	<u>41,105,805</u>	<u>3,271,093</u>	<u>127,234</u>	<u>33,335</u>	<u>169</u>	<u>44,537,636</u>
Expenditures:						
Current:						
Instruction:						
Regular	18,628,170	303,432	-	134,402	-	19,066,004
Special	3,101,697	699,047	-	-	-	3,800,744
Vocational	1,882,083	116,858	-	15,349	-	2,014,290
Other	318,775	25,462	-	-	-	344,237
Support services:						
Pupil	2,536,573	295,288	-	-	-	2,831,861
Instructional staff	1,949,015	286,234	-	-	-	2,235,249
Board of Education	46,136	-	-	-	-	46,136
Administration	2,999,659	97,137	-	-	-	3,096,796
Fiscal	609,933	-	-	-	-	609,933
Business	117,959	-	-	-	-	117,959
Operations and maintenance	3,682,571	25,689	-	-	-	3,708,260
Pupil transportation	2,066,100	12,703	-	-	-	2,078,803
Central	214,253	18,083	-	-	18,796	251,132
Community services	-	20,813	-	-	-	20,813
Extracurricular activities	533,376	685,722	-	-	-	1,219,098
Pass-through intergovernmental	-	637,730	-	-	-	637,730
Debt service:						
Principal retirement	13,877	-	95,000	28,481	-	137,358
Interest and fiscal charges	2,554	-	32,234	5,242	-	40,030
Total expenditures	<u>38,702,731</u>	<u>3,224,198</u>	<u>127,234</u>	<u>183,474</u>	<u>18,796</u>	<u>42,256,433</u>
Excess (deficiency) of revenues over (under) expenditures	<u>2,403,074</u>	<u>46,895</u>	<u>-</u>	<u>(150,139)</u>	<u>(18,627)</u>	<u>2,281,203</u>
Other financing sources (uses):						
Operating transfers in	-	143,550	-	-	-	143,550
Operating transfers out	(143,550)	-	-	-	-	(143,550)
Proceeds from sale of fixed assets	7,249	-	-	-	-	7,249
Total other financing sources (uses)	<u>(136,301)</u>	<u>143,550</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>7,249</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing (uses)	2,266,773	190,445	-	(150,139)	(18,627)	2,288,452
Fund balances, July 1	11,257,823	357,464	1,893	551,382	22,350	12,190,912
Increase in reserve for inventory	19,694	-	-	-	-	19,694
Fund balances, June 30	<u>\$ 13,544,290</u>	<u>\$ 547,909</u>	<u>\$ 1,893</u>	<u>\$ 401,243</u>	<u>\$ 3,723</u>	<u>\$ 14,499,058</u>

THE NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

PLAIN LOCAL SCHOOL DISTRICT
STARK COUNTY, OHIO
 COMBINED STATEMENT OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCES
 BUDGET AND ACTUAL COMPARISON (NON-GAAP BUDGETARY BASIS)
 ALL GOVERNMENTAL FUND TYPES
 FOR THE FISCAL YEAR ENDED JUNE 30, 2002

	General			Special Revenue		
	Revised Budget	Actual	Variance: Favorable (Unfavorable)	Revised Budget	Actual	Variance: Favorable (Unfavorable)
Revenues:						
From local sources:						
Taxes	\$ 20,508,733	\$ 20,508,733	\$ -	\$ -	\$ -	\$ -
Tuition	225,651	225,651	-	-	-	-
Earnings on investments	490,787	490,787	-	15,578	15,578	-
Extracurricular	-	-	-	527,614	527,614	-
Other local revenues	295,894	295,894	-	13,310	13,310	-
Other revenue	-	-	-	6,041	6,041	-
Intergovernmental - State	19,263,279	19,263,279	-	1,132,561	1,132,561	-
Intergovernmental - Federal	7,634	7,634	-	1,631,728	1,631,728	-
Total revenues	<u>40,791,978</u>	<u>40,791,978</u>	<u>-</u>	<u>3,326,832</u>	<u>3,326,832</u>	<u>-</u>
Expenditures:						
Current:						
Instruction:						
Regular	19,118,852	19,118,852	-	399,943	399,943	-
Special	4,221,472	4,221,472	-	708,138	708,138	-
Vocational	1,896,004	1,896,004	-	128,777	128,777	-
Other	317,851	317,851	-	25,446	25,446	-
Support services:						
Pupil	2,742,856	2,742,856	-	301,627	301,627	-
Instructional staff	1,899,532	1,899,532	-	291,757	291,757	-
Board of Education	50,765	50,765	-	-	-	-
Administration	2,950,091	2,950,091	-	93,031	93,031	-
Fiscal	607,024	607,024	-	-	-	-
Business	116,788	116,788	-	-	-	-
Operations and maintenance	4,278,660	4,278,660	-	66,810	66,810	-
Pupil transportation	2,086,403	2,086,403	-	16,746	16,746	-
Central	207,385	207,385	-	16,678	16,678	-
Community services	-	-	-	20,866	20,866	-
Extracurricular activities	498,910	498,910	-	838,362	838,362	-
Pass-through intergovernmental	-	-	-	776,567	776,567	-
Debt service:						
Principal retirement	-	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-	-
Total expenditures	<u>40,992,593</u>	<u>40,992,593</u>	<u>-</u>	<u>3,684,748</u>	<u>3,684,748</u>	<u>-</u>
Excess (deficiency) of revenues over (under) expenditures	(200,615)	(200,615)	-	(357,916)	(357,916)	-
Other financing sources (uses):						
Advances in	510,333	510,333	-	438,738	438,738	-
Advances out	(465,387)	(465,387)	-	(483,425)	(483,425)	-
Operating transfers in	-	-	-	143,550	143,550	-
Operating transfers out	(167,240)	(167,240)	-	-	-	-
Proceeds from sale of fixed assets	7,249	7,249	-	-	-	-
Refund of prior year's receipts	-	-	-	(1,405)	(1,405)	-
Refund of prior year's expenditures	299,063	299,063	-	(90)	(90)	-
Total other financing sources (uses)	<u>184,018</u>	<u>184,018</u>	<u>-</u>	<u>97,368</u>	<u>97,368</u>	<u>-</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing (uses)	(16,597)	(16,597)	-	(260,548)	(260,548)	-
Fund balances, July 1	12,128,345	12,128,345	-	216,738	216,738	-
Prior year encumbrances appropriated	2,640,904	2,640,904	-	338,314	338,314	-
Fund balances, June 30	<u>\$ 14,752,652</u>	<u>\$ 14,752,652</u>	<u>\$ -</u>	<u>\$ 294,504</u>	<u>\$ 294,504</u>	<u>\$ -</u>

THE NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

Debt Service			Capital Projects			Total (Memorandum only)		
Budget Revised	Actual	Variance: Favorable (Unfavorable)	Budget Revised	Actual	Variance: Favorable (Unfavorable)	Budget Revised	Actual	Variance: Favorable (Unfavorable)
\$ 127,234	\$ 127,234	\$ -	\$ -	\$ -	\$ -	\$ 20,635,967	\$ 20,635,967	\$ -
-	-	-	-	-	-	225,651	225,651	-
-	-	-	15,592	15,592	-	521,957	521,957	-
-	-	-	-	-	-	527,614	527,614	-
-	-	-	-	-	-	309,204	309,204	-
-	-	-	-	-	-	6,041	6,041	-
-	-	-	17,743	17,743	-	20,413,583	20,413,583	-
-	-	-	-	-	-	1,639,362	1,639,362	-
<u>127,234</u>	<u>127,234</u>	<u>-</u>	<u>33,335</u>	<u>33,335</u>	<u>-</u>	<u>44,279,379</u>	<u>44,279,379</u>	<u>-</u>
-	-	-	168,375	168,375	-	19,687,170	19,687,170	-
-	-	-	-	-	-	4,929,610	4,929,610	-
-	-	-	18,834	18,834	-	2,043,615	2,043,615	-
-	-	-	-	-	-	343,297	343,297	-
-	-	-	-	-	-	3,044,483	3,044,483	-
-	-	-	-	-	-	2,191,289	2,191,289	-
-	-	-	-	-	-	50,765	50,765	-
-	-	-	-	-	-	3,043,122	3,043,122	-
-	-	-	-	-	-	607,024	607,024	-
-	-	-	-	-	-	116,788	116,788	-
-	-	-	-	-	-	4,345,470	4,345,470	-
-	-	-	-	-	-	2,103,149	2,103,149	-
-	-	-	-	-	-	224,063	224,063	-
-	-	-	-	-	-	20,866	20,866	-
-	-	-	-	-	-	1,337,272	1,337,272	-
-	-	-	-	-	-	776,567	776,567	-
95,000	95,000	-	-	-	-	95,000	95,000	-
32,234	32,234	-	-	-	-	32,234	32,234	-
<u>127,234</u>	<u>127,234</u>	<u>-</u>	<u>187,209</u>	<u>187,209</u>	<u>-</u>	<u>44,991,784</u>	<u>44,991,784</u>	<u>-</u>
-	-	-	(153,874)	(153,874)	-	(712,405)	(712,405)	-
-	-	-	-	-	-	949,071	949,071	-
-	-	-	-	-	-	(948,812)	(948,812)	-
-	-	-	-	-	-	143,550	143,550	-
-	-	-	-	-	-	(167,240)	(167,240)	-
-	-	-	-	-	-	7,249	7,249	-
-	-	-	-	-	-	(1,405)	(1,405)	-
-	-	-	-	-	-	298,973	298,973	-
-	-	-	-	-	-	281,386	281,386	-
-	-	-	(153,874)	(153,874)	-	(431,019)	(431,019)	-
1,892	1,892	-	475,065	475,065	-	12,822,040	12,822,040	-
-	-	-	78,030	78,030	-	3,057,248	3,057,248	-
<u>\$ 1,892</u>	<u>\$ 1,892</u>	<u>\$ -</u>	<u>\$ 399,221</u>	<u>\$ 399,221</u>	<u>\$ -</u>	<u>\$ 15,448,269</u>	<u>\$ 15,448,269</u>	<u>\$ -</u>

PLAIN LOCAL SCHOOL DISTRICT
STARK COUNTY, OHIO
STATEMENT OF REVENUES, EXPENSES,
AND CHANGES IN RETAINED EARNINGS/FUND BALANCE
PROPRIETARY FUND TYPE
FOR THE FISCAL YEAR ENDED JUNE 30, 2002

	Proprietary Fund Type
	Enterprise
Operating revenues:	
Sales/charges for services	\$ 945,368
Total operating revenues	945,368
Operating expenses:	
Personal services	693,289
Contract services	95,899
Materials and supplies	825,988
Depreciation	68,501
Total operating expenses	1,683,677
Operating loss	(738,309)
Nonoperating revenues:	
Operating grants	554,194
Interest revenue	18,958
Federal commodities	127,116
Total nonoperating revenues	700,268
Net loss	(38,041)
Retained earnings, July 1 (restated)	679,938
Retained earnings, June 30.	\$ 641,897

THE NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

PLAIN LOCAL SCHOOL DISTRICT
STARK COUNTY, OHIO
STATEMENT OF CASH FLOWS
PROPRIETARY FUND TYPE
FOR THE FISCAL YEAR ENDED JUNE 30, 2002

	Proprietary Fund Type
	Enterprise
Cash flows from operating activities:	
Cash received from sales/service charges	\$ 945,368
Cash payments for personal services	(663,773)
Cash payments for contract services	(109,532)
Cash payments for materials and supplies	(693,902)
Net cash used in operating activities	(521,839)
Cash flows from noncapital financing activities:	
Cash received from operating grants	542,225
Cash flows from capital and related financing activities:	
Acquisition of capital assets	(55,282)
Cash flows from investing activities:	
Interest received	18,958
Net decrease in cash and cash equivalents	(15,938)
Cash and cash equivalents at beginning of year	499,562
Cash and cash equivalents at end of year	\$ 483,624
Reconciliation of operating loss to net cash used in operating activities:	
Operating loss	\$ (738,309)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Depreciation	68,501
Federal donated commodities	127,116
Changes in assets and liabilities:	
Decrease in materials and supplies inventory	22,239
Decrease in accounts payable	(14,102)
Increase in accrued wages and benefits	13,157
Increase in compensated absences payable	2,414
Decrease in due to other governments	(600)
Increase in pension obligation payable	7,045
Increase in early retirement incentive payable	7,500
Decrease in deferred revenue	(16,800)
Net cash used in operating activities	\$ (521,839)

THE NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

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

**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002**

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 48th largest by total revenue among the 705 public and community school districts in the state, and 2nd largest in Stark County. The District employs 299 non-certified and 515 certified employees to provide services to 6,251 students in grades K through 12 and various community groups.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The general purpose financial statements (GPFS) of the District have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The District also applies Financial Accounting Standards Board (FASB) Statements and Interpretations issued prior to November 30, 1989 to its proprietary activities unless those pronouncements conflict with or contradict GASB pronouncements. The District's significant accounting policies are described below.

A. Reporting Entity

The reporting entity is comprised of the primary government, component units, and other organizations that are included to insure that the general purpose financial statements of the District are not misleading. The primary government consists of all funds, departments, boards, and agencies that are not legally separate from the District. For the District, this includes general operations, food service, and student related activities.

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

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002

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

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

JOINTLY GOVERNED ORGANIZATION

The District is a member of the Stark-Portage Area 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 39 Stark County entities, most of which are school districts.

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

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

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002

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

B. Fund Accounting

The District uses funds and account groups to report its financial position and the results of its operations. A fund is a separate accounting entity with a self-balancing set of accounts. An account group, on the other hand, is a financial reporting device designed to provide accountability for certain assets and liabilities that are not recorded in the funds because they do not directly affect net expendable available financial resources. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain school district activities or functions. Funds are classified into three categories: governmental, proprietary and fiduciary. Each category is divided into separate fund types.

GOVERNMENTAL FUNDS

Governmental funds are those through which most governmental functions of the District are financed. The acquisition, use and balances of the District's expendable financial resources and the related liabilities (except those accounted for in proprietary funds) are accounted for through governmental funds. The following are the District's governmental fund types:

General Fund - The general fund is the general operating fund of the District and is used to account for all financial resources except those required to be accounted for in another fund.

Special Revenue Funds - The special revenue funds are used to account for the proceeds of specific revenue sources (other than expendable trusts, or major capital projects) that are legally restricted to expenditures for specified purposes.

Debt Service Fund - The debt service fund is used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest, and related costs.

Capital Projects Funds - The capital projects funds are used to account for financial resources to be used for the acquisition and construction of major capital facilities (other than those financed by proprietary funds).

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

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002

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

PROPRIETARY FUND

The proprietary fund is used to account for the District's ongoing activities which are similar to those often found in the private sector where the determination of net income is necessary or useful to sound financial administration. The following is the District's proprietary fund type:

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

FIDUCIARY FUNDS

Fiduciary funds are used to account for assets held by the District in a trustee capacity or as an agent for individuals, private organizations, other governmental units and/or other funds. These include an expendable trust fund and agency funds. The expendable trust fund is accounted for in the same manner as governmental funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The agency fund is presented on a budget basis, with note disclosure, regarding items, which, in other fund types, would be subject to accrual. See Note 3 for an analysis of the agency fund accruals, which, in other fund types, would be recognized in the combined balance sheet.

ACCOUNT GROUPS

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

General Fixed Assets Account Group - This group of accounts is established to account for all fixed assets of the District, other than those accounted for in the proprietary funds.

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

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002

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

General Long-Term Obligations Account Group - This group of accounts is established to account for all long-term obligations of the District, other than those accounted for in the proprietary funds.

C. Measurement Focus/Basis of Accounting

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

All proprietary funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operations of these funds are included on the balance sheet. Proprietary fund type operating statements present increases (revenues) and decreases (expenses) in net total assets.

The modified accrual basis of accounting is followed for governmental funds and expendable trust funds. Under the modified accrual basis of accounting, revenues are recognized when they become both measurable and available to finance expenditures of the current period, which for the District is 60 days after the June 30 year-end. Revenues accrued at the end of the year include taxes, (to the extent they are intended to finance the current fiscal year), interest, and accounts (student fees and tuition). Current property taxes measurable as of June 30, 2002, and which are intended to finance fiscal 2003 operations, have been recorded as deferred revenues. Delinquent property taxes measurable and available (received within 60 days) are recognized as revenue. In proprietary funds, unused donated commodities are reported as deferred revenue.

Nonexchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On the modified accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied and the resources are available. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been met and the resources are available.

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

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002

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

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.

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

Expenditures (decreases in net financial resources) are recognized in the period in which the fund liability is incurred with the following exception: general long-term obligation principal and interest are reported only when due; and costs of accumulated unpaid vacation and sick leave are reported as expenditures in the period in which they will be liquidated with available financial resources rather than in the period earned by employees.

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

On the accrual basis of accounting, revenue from nonexchange transactions, such as grants, entitlements and donations, is recognized in the fiscal year in which all eligibility requirements have been met. The proprietary funds receive no revenue from property taxes.

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

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002

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

D. Budgets

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

1. Prior to January 15 of the preceding year, the Superintendent and Treasurer submit to the Board of Education a proposed operating budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing for all funds. Public hearings are publicized and conducted to obtain taxpayers' comments. The express purpose of this budget document is to reflect the need for existing (or increased) tax rates.
2. By no later than January 20, the Board-adopted budget is filed with the 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 June 30, the District must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the Certificate of Estimated Resources. The revised budget then serves as a basis for the appropriation measure. On or about July 1, the Certificate is amended to include any unencumbered balances from the preceding year as reported by the District Treasurer. The Certificate may be further amended during the year if projected increases or decreases in revenue are identified by the District Treasurer. The amounts reported in the budgetary statement reflect the amounts set forth in the final Amended Certificate issued for fiscal year 2002.
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.

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

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002

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

5. Any revisions that alter the total of any fund appropriation must be approved by the Board of Education.
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 2002. The amounts reported in the budgetary statement reflect the original 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.

Encumbrance accounting is utilized with District funds in the normal course of operations for purchase orders and contract related expenditures. An encumbrance is a reserve on the available spending authority due to commitment for a future expenditure and does not represent a liability. For governmental fund types, encumbrances outstanding at year-end appear as a reserve to the fund balance on a GAAP basis and as the equivalent of expenditures on a non-GAAP budgetary basis in order to demonstrate legal compliance. For enterprise funds, encumbrances outstanding at year-end appear as a footnote disclosure in Note 13. Note 16 provides a reconciliation of the budgetary and GAAP basis of accounting and disclosure of the encumbrances outstanding for governmental fund types at fiscal year-end.

E. Cash and Investments

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

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

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002

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

During fiscal year 2002, investments were limited to federal agency notes, repurchase agreements, investments in the State Asset Treasury Reserve of Ohio (STAR Ohio) and nonnegotiable certificates of deposit. The federal agency notes and investments in STAR Ohio are reported at fair value, which is based on quoted market prices. Nonparticipating investment contracts, such as nonnegotiable certificates of deposit and repurchase agreements, are reported at cost.

STAR Ohio is an investment pool managed by the State Treasurer's Office which allows governments within the state to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price which is the price the investment could be sold for on June 30, 2002.

Under existing Ohio statutes all investment earnings are assigned to the general fund except for those specifically related to the auxiliary services fund, public schools support fund, permanent improvement fund and certain trust funds individually authorized by board resolution. Interest revenue credited to the general fund during fiscal year 2002 amounted to \$471,044 which includes \$4,445 assigned from other District funds.

For purposes of the combined statement of cash flows and for presentation on the combined balance sheet, investments of the cash management pool and investments with original maturities of three months or less at the time they are purchased by the District are considered to be cash equivalents. Investments with an initial maturity of more than three months are reported as investments.

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

F. Inventory

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

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

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002

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

Inventories of proprietary funds are valued at the lower of cost (first-in/first-out method) or market and expensed when used rather than when purchased. Inventories of proprietary funds consist of donated food, purchased food, and school supplies held for resale.

G. Fixed Assets and Depreciation

1. General Fixed Assets Account Group

General fixed assets are capitalized at cost or estimated historical cost. Donated fixed assets are recorded at their fair market values as of the date donated. The District follows the policy of not capitalizing assets with a cost of less than \$750 and a useful life of less than one year, except for the cost of textbooks and library books. This is based primarily on the uniqueness of these items to a school operation and on an existing five-year textbook adoption policy.

No depreciation is recognized for assets in the general fixed assets account group. The District has not included infrastructure in the general fixed assets account group.

2. Proprietary Fund

Equipment reflected in the proprietary fund is stated at historical cost or estimated historical cost and updated for the cost of additions and retirements during the year. Contributed fixed assets are recorded at their fair market values as of the date donated. Depreciation has been provided, where appropriate, on a straight-line basis over an estimated useful life of 10 years.

H. Compensated Absences

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

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

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002

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

In accordance with the provisions of GASB Statement No. 16, “Accounting for Compensated Absences”, a liability for vacation leave is accrued if a) the employees' rights to payment are attributable to services already rendered; and b) it is probable that the employer will compensate the employees for the benefits through paid time off or other means, such as cash payment at termination or retirement. A liability for sick pay is accrued using the vesting method; i.e., the liability is based on the sick leave accumulated at the balance sheet date by those employees who are currently eligible to receive termination (sick) payments, as well as those employees expected to become eligible in the future.

For purposes of establishing a liability for sick pay on employees expected to become eligible to retire in the future, all employees age 50 or greater with at least 10 years of service and all employees with at least 20 years of service at any age were considered expected to become eligible to retire in accordance with GASB Statement No. 16.

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

Accumulated vacation and severance of governmental fund type employees meeting the above requirements have been recorded in the appropriate governmental fund as a current liability to the extent that the amounts are expected to be payable within the current available period. The balance of the liability is recorded in the general long-term obligations account group. Vacation and sick leave for employees meeting the above requirements who are paid from proprietary funds is recorded as an expense when earned.

I. Long-Term Obligations

Long-term debt is recognized as a liability of a governmental fund when due. For other long-term obligations, only that portion expected to be financed from expendable available financial resources is reported as a fund liability of a governmental fund. The remaining portion of such obligations is reported in the general long-term obligations account group. Long-term liabilities expected to be financed from proprietary fund operations are accounted for in those funds.

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

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002

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

J. Fund Reserves/Designations

Reserved fund balances indicate that portion of fund equity which is not available for current appropriation or is legally segregated for a specific use. Designated fund balance indicates that portion of fund equity for which management has an intended use of the resources. Fund balances are reserved for encumbrances, materials and supplies inventory, debt service, tax advance unavailable for appropriation, bus purchase allowance and Bureau of Workers Compensation (BWC) refunds. The unreserved portions of fund equity reflected for the governmental funds are available for use within the specific purposes of those funds. The reserve for tax revenue unavailable for appropriation represents taxes recognized as revenue under GAAP but not available for appropriations under state statute. The amount set-aside by the School Board for budget stabilization is reported as a designation of fund balance in the general fund.

K. Interfund Transactions

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

1. Transfers of resources from one fund to another fund. The resources transferred are to be expended for operations by the receiving fund and are recorded as operating transfers, with the exception of agency funds, which do not show transfers of resources as operating transfers.
2. Reimbursements from one fund to another are treated as expenditures/expenses in the reimbursing fund and a reduction in expenditures/expenses in the reimbursed fund. Quasi-external transactions are accounted for as revenues, expenditures or expenses.
3. Short-term interfund loans and accrued interfund reimbursements and accrued operating transfers are reflected as "interfund loans receivable or payable". The District had short-term interfund loans receivable and payable at June 30, 2002.
4. Long-term interfund loans that will not be repaid within the next year are termed "advances" and are shown as reservations of fund balances on the combined balance sheet for those funds that report advances to other funds as assets because they are not spendable, available resources. The District had no long-term advances receivable or payable at June 30, 2002.

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

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002

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

An analysis of interfund transactions is presented in Note 5.

L. Estimates

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

M. Restricted Assets

Restricted assets in the general fund represent cash and cash equivalents that are restricted in use by state statute. The District has also received state monies that are restricted for school bus purchases. A fund balance reserve has also been established. See Note 19 for details.

N. Parochial and Private Schools

Within the District boundaries, St. Michael's Schools and Our Lady of Peace Schools are operated through the Youngstown Catholic Diocese. Also within the District boundaries, is Canton County Day Schools, which is 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 special revenue fund for financial reporting purposes.

O. Memorandum Only - Total Columns

Total columns on the GPFS are captioned (Memorandum Only) to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position, results of operations, or changes in financial position in conformity with GAAP. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

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

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002

NOTE 3 -ACCOUNTABILITY AND COMPLIANCE

A. Prior Period Adjustment

Due to errors and omissions in the amount previously reported as accumulated depreciation of the Food Service enterprise fund, a prior period adjustment is required to properly state the fixed assets at June 30, 2001. The prior period adjustment had the following effect on retained earnings as previously reported as of June 30, 2001:

	<u>Enterprise Fund</u>
Retained earnings as previously reported	\$747,724
Restatement for errors and omissions	<u>(67,786)</u>
Restated retained earnings as of July 1, 2001	<u>\$679,938</u>

B. Deficit Fund Balances

Fund balance at June 30, 2002 included the following individual fund deficits:

	<u>Deficit Balance</u>
<u>Special Revenue Funds</u>	
Miscellaneous State Grants	\$ 16
Career Development	70
Disadvantaged Pupil Impact Aid	721
EHA Preschool Grant	56
Management Information Systems	77

Each of these funds complied with Ohio state law, which does not permit a cash basis deficit at year-end.

The deficit balances in the Miscellaneous State Grants, Career Development, Disadvantaged Pupil Impact Aid, EHA Preschool Grant, and Management Information Systems special funds are caused by the application of GAAP, namely in the reporting of a liability for accrued wages and benefits attributable to the fiscal year. These deficits will be eliminated as revenues become available to cover these costs as they are incurred.

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

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002

NOTE 3 -ACCOUNTABILITY AND COMPLIANCE - (Continued)

C. Agency Funds

The following are accrual for the agency funds, which, in another fund type, would be recognized in the combined balance sheet:

LIABILITIES

Accounts payable	\$3,830
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NOTE 4 - EQUITY IN POOLED CASH AND INVESTMENTS

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

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

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

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

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

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

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002

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

Interim monies may be invested or deposited 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 or interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least 2% and be marked to market daily, and that the term of the agreement must not exceed 30 days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasury Asset Reserve of Ohio (STAR Ohio);
7. Certain bankers' acceptances and commercial paper notes for a period not to exceed 180 days in an amount not to exceed 25% of the interim monies available for investment at any one time; and
8. Under limited circumstances, corporate debt interests rated in either of the two highest rating classifications by at least two nationally recognized rating agencies.

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

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002

NOTE 4 - EQUITY IN POOLED CASH 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 qualified trustee or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

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

Deposits: At year-end, the carrying amount of the District's deposits, including nonnegotiable certificates of deposit, was \$4,340,962 and the bank balance, including nonnegotiable certificates of deposit was \$4,683,279. Of the bank balance:

1. \$300,000 was covered by federal depository insurance.
2. \$4,383,279 was uninsured and unclassified as defined by GASB although it was secured by collateral held by third party trustees, pursuant to section 135.181 Ohio Revised Code, in collateralized pools securing all public funds on deposit with specific depository institutions; these securities not being in the name of the District. Although all state statutory requirements for the deposit of money had been followed, non-compliance with federal requirements would potentially subject the District to a successful claim by the FDIC.

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

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

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002

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

	Category 2	Reported Amount	Fair Value
Federal agency securities	<u>\$6,731,980</u>	\$ 6,731,980	\$ 6,731,980
Investment in STAR Ohio		<u>8,580,661</u>	<u>8,580,661</u>
Total investments		<u>\$15,312,641</u>	<u>\$15,312,641</u>

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

A reconciliation between the classifications of equity in pooled cash and cash equivalents on the Combined Balance Sheet (per GASB Statement No. 9) and the classifications of deposits and investments presented above per GASB Statement No. 3 is as follows:

	Cash and Cash Equivalents/Deposits	Investments
GASB Statement No. 9	\$19,653,603	\$ -
Investments of the cash management pool:		
Federal agency securities	(6,731,980)	6,731,980
Investment in STAR Ohio	<u>(8,580,661)</u>	<u>8,580,661</u>
GASB Statement No. 3	<u>\$ 4,340,962</u>	<u>\$15,312,641</u>

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

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002

NOTE 5 - INTERFUND TRANSACTIONS

- A. Interfund balances at June 30, 2002, consist of the following individual interfund loans receivable and payable:

	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
General Fund	\$128,016	\$ -
<u>Special Revenue Funds</u>		
District Managed Student Activities	-	42,600
Vocational Education	-	57,661
Title VI	-	17,454
Handicapped Preschool	<u>-</u>	<u>10,301</u>
Totals	<u>\$128,016</u>	<u>\$128,016</u>

- B. The following is a summarized breakdown of the District's operating transfers for fiscal year 2002:

	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund	\$ -	\$143,550
<u>Special Revenue Funds</u>		
Public School Support	29,700	-
District Managed Student Activity	<u>113,850</u>	<u>-</u>
Totals	<u>\$143,550</u>	<u>\$143,550</u>

NOTE 6 - PROPERTY TAXES

Property taxes are levied and assessed on a calendar year basis. Distributions from the second half of the calendar year occur in a new fiscal year and are intended to finance the operations of that year. Property taxes include amounts levied against all real, public utility and tangible (used in business) property located in the District. Real property taxes and public utility taxes are levied after November 1 on the assessed value listed as of the prior January 1, the lien date. Assessed values are established by state law at 35% of appraised market value.

Public utility property taxes are assessed on tangible personal property, as well as land and improvements. Real property is assessed at 35% of market value and personal property is assessed at varying rates of true market value.

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

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002

NOTE 6 - PROPERTY TAXES - (Continued)

Tangible personal property taxes attach as a lien and are levied on January 1 of the current year. Tangible personal property assessments are 25% of true value. The assessed value upon which the 2001 taxes were collected was \$801,754,403. Agricultural/residential and public utility/minerals real estate represented 77.09% or \$617,989,110 of this total; Commercial & industrial real estate represented 16.03% or \$128,547,440 of this total, public utility tangible represented 2.59% or \$20,788,080 of this total and general tangible property represented 4.29% or \$34,429,773 of this total. The voted general tax rate at the fiscal year ended June 30, 2002 was \$52.60 per \$1,000.00 of assessed valuation for operations.

Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20.

The Stark County Treasurer collects property taxes on behalf of the District. The Stark County Auditor periodically remits to the District its portion of the taxes collected. These tax "advances" are based on statutory cash flow collection rates. Final "settlements" are made each February and August.

Accrued property taxes receivable represent delinquent taxes outstanding and real property, personal property and public utility taxes, which became measurable as of June 30, 2002. Although total property tax collections for the next fiscal year are measurable, they are not (exclusive of advances) intended to finance current year operations. The net receivable (total receivable less amount available intended to finance the current year) is therefore offset by a credit to deferred revenue. The amount of tax advance available at year-end was \$536,120 and has been recorded as revenue.

Taxes available for advance and recognized as revenue, but not received by the district prior to June 30, 2002, are reflected as a reservation of fund balance for future appropriations. The District is prohibited, by law, from appropriating this revenue in accordance with ORC Section 5705.35, since an advance of revenue was not requested or received prior to the fiscal year-end.

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

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002

NOTE 7 - RECEIVABLES

Receivables at June 30, 2002 consisted of taxes, accounts (billings for user charged services and student fees), accrued interest, interfund loans, and intergovernmental grants (to the extent such grants relate to the current fiscal year). Intergovernmental grants receivable have been presented as "Due from other governments" on the combined balance sheet. Taxes and intergovernmental receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes and the stable condition of state programs.

A summary of the principal items of receivables follows:

	<u>Amounts</u>
<u>General Fund</u>	
Taxes - current and delinquent	\$21,225,147
Accounts	130
Accrued interest	78,774
Interfund loans	128,016
Due from other governments	412,686
<u>Special Revenue Funds</u>	
Due from other governments	160,343
<u>Debt Service Fund</u>	
Taxes - current	125,124
<u>Enterprise Fund</u>	
Due from other governments	73,095

NOTE 8 - FIXED ASSETS

A. A summary of the changes in the general fixed assets account group during the fiscal year follows:

	<u>Balance</u>	<u>Increase</u>	<u>Decrease</u>	<u>Balance</u>
	<u>July 1, 2001</u>			<u>June 30, 2002</u>
Land/improvements	\$ 1,732,333	\$ -	\$ -	\$ 1,732,333
Buildings/improvements	11,514,201	63,169	-	11,577,370
Furniture, fixtures and equipment	8,134,969	701,730	-	8,836,699
Vehicles	3,517,494	120,026	-	3,637,520
Textbooks and library books	<u>2,525,194</u>	<u>-</u>	<u>-</u>	<u>2,525,194</u>
Total	<u>\$27,424,191</u>	<u>\$884,925</u>	<u>\$ -</u>	<u>\$28,309,116</u>

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

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002

NOTE 8 - FIXED ASSETS - (Continued)

B. A summary of the proprietary fixed assets at June 30, 2002 follows:

Furniture, fixtures and equipment	\$1,016,922
Less: accumulated depreciation	<u>(764,780)</u>
Net fixed assets	<u>\$ 252,142</u>

NOTE 9 - CAPITALIZED LEASES - LESSEE DISCLOSURE

During a previous year, the District entered into a capital lease for computer equipment. The terms of the lease agreements provide options to purchase the copier and modular units at lease end. The leases meet the criteria of a capital lease as defined by FASB Statement No. 13, “Accounting for Leases”, which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee at the conclusion of the lease term. Capital lease payments are reflected as debt service in the Combined Financial Statements for the Governmental Funds. These expenditures are reflected as program/function expenditures on a budgetary basis. General fixed assets acquired by lease have been capitalized in the general fixed asset account group in an amount equal to the present value of the future minimum lease payments as of the date of their inception. A corresponding liability was recorded in the general long-term obligation account group. Principal payments totaled \$42,358 in fiscal year 2002. This amount is reflected as debt service principal in the general fund and the SchoolNet capital projects fund in the amount of \$13,877 and \$28,481, respectively.

The following is a schedule of the future minimum lease payments required under the capital lease and the present value of the future minimum lease payments as of June 30, 2002:

<u>Year Ending</u>	<u>General Long-Term Obligations</u>
2003	<u>\$50,154</u>
Total minimum lease payments	50,154
Less: amount representing interest	<u>(3,893)</u>
Present value of future minimum lease payments	<u>\$46,261</u>

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

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002

NOTE 10 - LONG-TERM OBLIGATIONS

- A. During fiscal year 1997, the District issued \$980,000 in energy conservation bonds to provide for energy improvements to various District buildings. The primary source of repayment of these bonds is through energy savings as a result of the improvements.

Payments of principal and interest relating to this liability are recorded as expenditures in the debt service fund. The unmatured obligation at year-end is accounted for in the general long-term debt account group.

The following is a description of the District's energy conservation bonds outstanding as of June 30, 2002:

	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Bonds Outstanding July 1, 2001</u>	<u>Bonds Issued in 2002</u>	<u>Bonds Retired in 2002</u>	<u>Bonds Outstanding June 30, 2002</u>
Energy conservation bonds	5.35%	11/1/06	<u>\$650,000</u>	<u>\$ -</u>	<u>\$(95,000)</u>	\$555,000

- B. The following is a summary of the District's future annual debt service requirements to maturity for the energy conservation bonds:

<u>Fiscal Year Ending</u>	<u>Principal on Bonds</u>	<u>Interest on Bonds</u>	<u>Total</u>
2003	\$100,000	\$27,018	\$127,018
2004	105,000	21,534	126,534
2005	110,000	15,783	125,783
2006	115,000	9,764	124,764
2007	<u>125,000</u>	<u>3,344</u>	<u>128,344</u>
Total	<u>\$555,000</u>	<u>\$77,443</u>	<u>\$632,443</u>

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

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002

NOTE 10 - LONG-TERM OBLIGATIONS - (Continued)

C. During the year ended June 30, 2002, the following changes occurred in the liabilities reported in the general long-term obligations account group. Compensated absences and the pension obligations will be paid from the fund in which the employee was paid. Compensated absences and the pension obligation are presented net of actual increases and decreases because of the impracticality of determining these values.

	Balance <u>July 1, 2001</u>	<u>Increase</u>	<u>Decrease</u>	Balance <u>June 30, 2002</u>
Compensated absences	\$2,644,543	\$ 246,082	\$ -	\$2,890,625
Pension obligation	290,207	295,639	(290,207)	295,639
Early retirement incentive	-	465,000	-	465,000
Energy conservation bonds payable	650,000	-	(95,000)	555,000
Capital lease obligation	<u>88,619</u>	<u>-</u>	<u>(42,358)</u>	<u>46,261</u>
Total	<u>\$3,673,369</u>	<u>\$1,006,721</u>	<u>\$(427,565)</u>	<u>\$4,252,525</u>

D. Legal Debt Margin

The Ohio Revised Code provides that voted net general obligation debt of the District shall never exceed 9% of the total assessed valuation of the District. The code further provides that unvoted indebtedness shall not exceed 1/10 of 1% of the property valuation of the District. The effects of these debt limitations at June 30, 2002 are a voted debt margin of \$71,604,789 (including available funds of \$1,893) and an unvoted debt margin of \$801,754.

NOTE 11 - EMPLOYEE BENEFITS

A. Compensated Absences

The criteria for determining vacation and sick leave components are derived from negotiated agreements and state laws. Classified employees earn 5 to 20 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.

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

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002

NOTE 11 - EMPLOYEE BENEFITS - (Continued)

Teachers, administrators, and classified employees earn sick leave at the rate of one and one-fourth days per month or fifteen days for each completed year of service. Sick leave may be accumulated up to a maximum of 300 days for all personnel. Upon retirement, payment is made for one-fourth of the accrued, but unused, sick leave balance to a maximum of 51 days for all employees, except for administrators, who receive a maximum of 60 days. 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 provides an early retirement incentive plan for State Teacher's Retirement System of Ohio (STRS) employees who become first time eligible for retirement or reach 30 years of service under STRS guidelines and retire effective at the end of the school year in which they qualify. This is a one time opportunity for those eligible in fiscal years 2002-2004. Employees who enroll in the early retirement incentive plan must submit written notification to the Board on or before the April 1 of the year of retirement. The one time cash payment of \$15,000 shall be made within 30 days of the retirement date or in January of the following year. Twenty five employees took advantage of the early retirement incentive in fiscal year 2002. These one-time cash payments of \$15,000 each will be made in January 2003. A liability for the early retirement incentive payments has been recorded in the general long-term obligations account group.

The District also provides an early retirement incentive plan for the State Employees Retirement System of Ohio (SERS) employees who become first time eligible for retirement or reach 30 years of service under SERS guidelines and retire effective at the end of the school year in which they qualify. This is a one time opportunity for those eligible in fiscal years 2002-2004. Employees who enroll in the early retirement incentive plan must submit written notification to the Board on or before the April 1 of the year of retirement. The employee must have at least 10 years of service with the District. The one time cash payment of \$7,500, for employees that have contracted for six hours or more, and \$3,750, for employees that have contracted for less than six hours, will be made in January of the following year. Thirteen employees took advantage of the early retirement incentive in fiscal year 2002. These one-time cash payments will be made in January 2003. A liability for the early retirement incentive payments has been recorded in the general long-term obligations account group and the Food Service enterprise fund.

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

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002

NOTE 12 - RISK MANAGEMENT

A. Comprehensive

The District maintains comprehensive insurance coverage with private carriers for liability, real property, building contents and vehicles. Vehicle policies include liability coverage for bodily injury and property damage. In addition, real property contents are 90% coinsured. 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:	Nationwide/Wausau		
Each occurrence		\$ 2,000,000	\$ 0
Aggregate		\$ 5,000,000	\$ 0
Building and contents	Indiana Insurance	\$95,442,314	\$ 5,000
Fleet:	Indiana Insurance		
Comprehensive		\$ 1,000,000	\$ 500
Collision		\$ 1,000,000	\$ 250
Umbrella liability	Nationwide/Wausau	\$ 2,000,000	\$ 10,000

Settled claims have not exceeded this commercial coverage in any of the past three years.

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 the monthly attachment point, monthly stop-loss premiums, and administrative charges. The fiscal agent of the COG is the Stark County Educational 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.

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

**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002**

NOTE 12 - RISK MANAGEMENT - (Continued)

The District also participates in a program within the COG to obtain workers' compensation coverage. This program is administered by Comp Management 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.

NOTE 13 - SEGMENT INFORMATION - ENTERPRISE FUNDS

The District maintains one enterprise fund which provides lunchroom/cafeteria services, therefore segment information for the year ended June 30, 2002 is not presented in these notes. The enterprise fund had \$104,927 in encumbrances outstanding at June 30, 2002.

NOTE 14 - DEFINED BENEFIT PENSION PLANS

A. School Employees Retirement System

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

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

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002

NOTE 14 - DEFINED BENEFIT PENSION PLANS - (Continued)

Plan members are required to contribute 9% of their annual covered salary and the District is required to contribute 14% for 2002; 5.46% was the portion to fund pension obligations. The contribution rates are not determined actuarially, but are established by the School Employees Retirement Board within the rates allowed by state statute. The adequacy of the contribution rates is determined annually. The District's required contributions to SERS for the fiscal years ended June 30, 2002, 2001 and 2000 were \$704,462, \$655,365, and \$683,979, respectively; 43.27% has been contributed for fiscal year 2002 and 100% for the fiscal years 2001 and 2000. \$399,600, representing the unpaid contribution for fiscal year 2002, is recorded as a liability within the respective funds and the general long-term obligations account group.

B. State Teachers Retirement System

The District contributes to the State Teachers Retirement System of Ohio (STRS), a cost-sharing, multiple-employer public employee retirement system administered by the State Teachers Retirement Board. STRS provides retirement and disability benefits, annual cost-of-living adjustments, and death and survivor benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3307 of the Ohio Revised Code. STRS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. The report may be obtained by writing to the State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3771, or by calling (614) 227-4090.

Plan members are required to contribute 9.3% of their annual covered salary and the District is required to contribute 14%; 9.5% was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10% for members and 14% for employers. The District's required contributions to STRS for the fiscal years ended June 30, 2002, 2001, and 2000 were \$2,887,434, \$2,836,781, and \$2,741,681, respectively; 83.02% has been contributed for fiscal year 2002 and 100% for the fiscal years 2001 and 2000. \$490,160, representing the unpaid contribution for fiscal year 2002, is recorded as a liability within the respective funds.

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

**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002**

NOTE 14 - DEFINED BENEFIT PENSION PLANS - (Continued)

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by SERS or STRS have an option to choose Social Security or SERS/STRS. The Board's liability is 6.2% of wages paid.

NOTE 15 - POSTEMPLOYMENT BENEFITS

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

The State Teachers Retirement Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium. By Ohio law, the cost of coverage paid from STRS funds shall be included in the employer contribution rate, currently 14 percent of covered payroll. For this fiscal year, the State Teachers Retirement Board allocated employer contributions equal to 4.5 percent of covered payroll to the Health Care Reserve Fund. For the District, this amount equaled \$928,104 during fiscal 2002.

STRS pays health care benefits from the Health Care Reserve Fund. The balance in the Health Care Reserve Fund was \$3.256 billion at June 30, 2001 (the latest information available). For the fiscal year ended June 30, 2001 (the latest information available), net health care costs paid by STRS were \$300.772 million and STRS had 102,132 eligible benefit recipients.

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

**PLAIN LOCAL SCHOOL DISTRICT
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NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002

NOTE 15 - POSTEMPLOYMENT BENEFITS - (Continued)

For this fiscal year, employer contributions to fund health care benefits were 8.54 percent of covered payroll, a decrease of 1.2% from the prior year. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2002, the minimum pay was established at \$12,400. The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund.

The target level for the health care reserve is 150 percent of annual health care expenses. Expenses for health care at June 30, 2001 (the latest information available), were \$161.440 million and the target level was \$242.2 million. At June 30, 2001 (the latest information available), SERS had net assets available for payment of health care benefits of \$315.7 million and SERS had approximately 50,000 participants receiving health care benefits. For the District, the amount to fund health care benefits, including surcharge, equaled \$517,587 during the 2002 fiscal year.

NOTE 16 - BUDGETARY BASIS OF ACCOUNTING

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

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

- (a) Revenues 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);

**PLAIN LOCAL SCHOOL DISTRICT
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NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002

NOTE 16 - BUDGETARY BASIS OF ACCOUNTING - (Continued)

(c) In order to determine compliance with Ohio law, and to reserve that portion of the applicable appropriation, encumbrances are recorded as the equivalent of an expenditure (budget basis) as opposed to a reservation of fund balance for governmental funds (GAAP basis).

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

	Excess Deficiency and Other Financing Sources Over/Under Expenditures and Other Financing Uses			
		<u>Governmental Fund Types</u>		
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>
Budget basis	\$ (16,597)	\$(260,548)	\$ -	\$(153,874)
Net adjustment for revenue accruals	313,827	(55,739)	-	-
Net adjustment for expenditure accruals	(672,602)	(58,214)	-	1,713
Net adjustment for other financing sources/(uses)	(320,319)	46,182	-	-
Encumbrances (budget basis)	<u>2,962,464</u>	<u>518,764</u>	<u>-</u>	<u>2,022</u>
GAAP basis	<u>\$2,266,773</u>	<u>\$ 190,445</u>	<u>\$ -</u>	<u>\$(150,139)</u>

**PLAIN LOCAL SCHOOL DISTRICT
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NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002

NOTE 17 - 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 is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material effect on any of the financial statements of the individual fund types included herein or on the overall financial position of the District at June 30, 2002.

B. Litigation

The District is party to legal proceedings. The District is of the opinion that ultimate disposition of claims will not have a material effect, if any, on the financial condition of the District.

C. State School Funding Decision

On September 6, 2001, the Ohio Supreme Court issued its latest opinion regarding the state's school funding plan. The decision identified aspects of the current plan that require modification if the plan is to be considered constitutional, including:

A change in the school districts that are used as the basis for determining the base cost support amount. Any change in the amount of funds distributed to school districts as a result of this change must be retroactive to July 1, 2001, although a timeline for distribution is not specified.

Fully funding parity aid no later than the beginning of fiscal year 2004 rather than fiscal year 2006.

The Supreme Court relinquished jurisdiction over the case based on anticipated compliance with its order.

**PLAIN LOCAL SCHOOL DISTRICT
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NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002

NOTE 17 - CONTINGENCIES - (Continued)

The State of Ohio, in a motion filed September 17, 2001, asked the Court to reconsider and clarify the parts of the decision changing the school districts that are used as the basis for determining the base cost support amount and the requirement that changes be made retroactive to July 1, 2001. In November, 2001, the Court granted the request for reconsideration, but also ordered the parties to participate in a settlement conference with a court appointed mediator. On March 21, 2002, the mediator issued his final report indicating that the conference was unable to produce a settlement. The case is now under reconsideration by the Court.

The District is currently unable to determine what effect, if any, this decision will have on its future state funding and on its financial operations.

NOTE 18 - 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, 2001 through June 30, 2005. North Canton, Jackson and Plain 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 \$960 per pupil for a minimum of 20% of its 11th and 12th grade enrollment as certified to the State Department of Education the first full week of October each year. Payment to each district will be based on the percentage of students in each district's program. Lake also pays North Canton, Jackson and Plain \$530 for each pupil above the minimum.

Each district also contributes \$125 toward permanent improvement and capital equipment for each student they have in attendance at a site. The District redistributes this allocation to North Canton, Jackson and Plain.

**PLAIN LOCAL SCHOOL DISTRICT
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NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002

NOTE 19 - STATUTORY RESERVES

The District is required by state law to set-aside certain general fund revenue amounts, as defined by statute, into various reserves. These reserves are calculated and presented on a cash basis. During the fiscal year ended June 30, 2002, the reserve activity was as follows:

	<u>Textbooks</u>	<u>Capital Acquisition</u>	<u>BWC Refunds</u>
Set-aside cash balance as of June 30, 2001	\$ (325,676)	\$ -	\$203,450
Current year set-aside requirement	754,272	754,272	-
Current year offsets	-	-	-
Qualifying disbursements	<u>(1,127,621)</u>	<u>(1,144,295)</u>	<u>-</u>
Total	<u>\$ (699,025)</u>	<u>\$ (390,023)</u>	<u>\$203,450</u>
Cash balance carried forward to FY 2003	<u>\$ (699,025)</u>	<u>\$ -</u>	<u>\$203,450</u>

Monies representing BWC refunds that were received prior to April 10, 2001, have been shown as a restricted asset and reserved fund balance in the general fund since allowable expenditures are restricted by state statute. Monies set-aside by the School Board for budget stabilization are reported as a designation of fund balance in the general fund. The balance in the budget stabilization designation at June 30, 2002, was \$1,079,171.

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

In addition to the above statutory reserves, the District has also received monies restricted for school bus purchases.

A schedule of the restricted assets at June 30, 2002 follows:

Amount restricted for school bus purchases	\$ 19,622
Amount restricted for BWC refunds	<u>203,450</u>
Total restricted assets	<u>\$223,072</u>

PLAIN LOCAL SCHOOL DISTRICT
STARK COUNTY

SCHEDULE OF RECEIPTS AND EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2002

Federal Grantor/ Sub Grantor/ Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Program or Award Amount	Receipts	Non-Cash Receipts	Expenditures	Non-Cash Expenditures
U.S. Department of Education							
<i>(Passed Through the Ohio Department of Education)</i>							
Special Education Cluster:							
Special Education Grants to States	84.027	6B-SF-02	\$510,994	\$510,994		\$462,411	
		6B-SF-01	438,815	0		36,963	
Total Special Education Grants to States				510,994		499,374	
Special Education Preschool Grants	84.173	PG-S1-02	25,751	15,450		25,751	
Total Special Education Cluster				526,444		525,125	
Title I Grants to Local Educational Agencies	84.010	C1-S1-02	594,622	537,847		484,010	
		C1-S1-01	591,627	118,718		22,320	
Total Title I Grants to Local Educational Agencies				656,565		506,330	
Vocational Education Basic Grants to States	84.048	VECP111-S02-093	200,198	142,538		186,539	
		VECP111-S01-093	183,204	27,481		6,925	
		VECA-2002-PD-13	5,000	5,000		5,000	
Total Vocational Education Basic Grants to States				175,019		198,464	
Eisenhower Professional Development State Grants	84.281	MS-S1-02	29,492	11,969		8,393	
		MS-S1-01	24,236	2,424		17,020	
Total Eisenhower Professional Development State Grants				14,393		25,413	
Innovative Education Program Strategies	84.298	C2-S1-02	42,570	25,116		29,398	
		C2-S1-01	40,924	8,632		12,013	
Total Innovative Education Program Strategies				33,748		41,411	
Safe and Drug-Free Schools and Communities State Grants	84.186	DR-S1-02	26,852	26,852		21,386	
		DR-S1-01	28,611	2,193		2,507	
Total Safe and Drug-Free Schools and Communities State Grants				29,045		23,893	
Technology Literacy Challenge Fund Grants	84.318	N/A	300,000	0		3,017	
Class Size Reduction	84.340	CR-S1-02	149,463	148,833		111,803	
		CR-S1-01	121,365	47,588		36,532	
Total Class Size Reduction				196,421		148,335	
Total U.S. Department of Education				1,639,269		1,479,622	
U.S. Department of Health and Human Services							
<i>(Passed Through Ohio Department of Mental Retardation and Developmental Disabilities)</i>							
Medical Assistance Program	93.778	N/A	N/A	7,634		7,634	
Total U.S. Department of Health and Human Services				7,634		7,634	
U.S. Department of Agriculture							
<i>(Passed Through the Ohio Department of Education)</i>							
Child Nutrition Cluster:							
National School Lunch Program	10.555	N/A	N/A	427,668		427,668	
School Breakfast Program	10.553	N/A	N/A	79,525		79,525	
Food Donation	10.550	N/A	N/A		110,276		127,116
Total U.S. Department of Agriculture - Child Nutrition Cluster				507,193	110,276	507,193	127,116
Totals				\$2,146,462	\$110,276	\$1,986,815	\$127,116

The accompanying notes are an integral part of these statements.

**PLAIN LOCAL SCHOOL DISTRICT
STARK COUNTY**

**NOTES TO THE SCHEDULE OF RECEIPTS AND EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2002**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B - FOOD DISTRIBUTION

Nonmonetary assistance is reported in the Schedule at the fair market value of the commodities received and disbursed. Monies are commingled with state grants. It is assumed federal monies are expended first. At June 30, 2002, the District had no significant food commodities in inventory.



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

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

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

To the Board of Education:

We have audited the general purpose financial statements of Plain Local School District, Stark County, Ohio (the District) as of and for the year ended June 30, 2002, and have issued our report thereon dated November 29, 2002 in which we noted that beginning retained earnings for the Enterprise Fund was restated for certain errors and omissions related to accumulated depreciation. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

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

Internal Control Over Financial Reporting

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

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

A handwritten signature in black ink, appearing to read "Jim Petro". The signature is fluid and cursive, with a large loop at the end.

Jim Petro
Auditor of State

November 29, 2002



STATE OF OHIO
OFFICE OF THE AUDITOR

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

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

To the Board of Education:

Compliance

We have audited the compliance of Plain Local School District, Stark County, Ohio (the District) with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to its major federal program for the year ended June 30, 2002. The District's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal programs are the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

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

In our opinion, the District complied, in all material respects, with the requirements referred to above that are applicable to its major federal programs for the year ended June 30, 2002.

Internal Control Over Compliance

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

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

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

A handwritten signature in black ink, appearing to read "Jim Petro", written in a cursive style.

Jim Petro
Auditor of State

November 29, 2002

**PLAIN LOCAL SCHOOL DISTRICT
STARK COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 §.505
JUNE 30, 2002**

1. SUMMARY OF AUDITOR'S RESULTS

<i>(d)(1)(i)</i>	Type of Financial Statement Opinion	Unqualified
<i>(d)(1)(ii)</i>	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(ii)</i>	Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(iii)</i>	Was there any reported material non-compliance at the financial statement level (GAGAS)?	No
<i>(d)(1)(iv)</i>	Were there any material internal control weakness conditions reported for major federal programs?	No
<i>(d)(1)(iv)</i>	Were there any other reportable internal control weakness conditions reported for major federal programs?	No
<i>(d)(1)(v)</i>	Type of Major Programs' Compliance Opinion	Unqualified
<i>(d)(1)(vi)</i>	Are there any reportable findings under § .510?	No
<i>(d)(1)(vii)</i>	Major Programs (list):	Title I - CFDA #84.010 <i>Special Education Cluster: Special Education Grants to States, CFDA #84.027 and Special Education Preschool Grant, CFDA #84.173</i>
<i>(d)(1)(viii)</i>	Dollar Threshold: Type A\B Programs	Type A: > \$ 300,000 Type B: all others
<i>(d)(1)(ix)</i>	Low Risk Auditee?	Yes

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

None.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None.



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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 9, 2003**