



**JIM PETRO**  
**AUDITOR OF STATE**  

---

**STATE OF OHIO**





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January 21, 2003

The attached audit was conducted and prepared for release prior to the commencement of my term of office on January 13, 2003. Thus, I am releasing this audit under the signature of my predecessor.

*Betty Montgomery*

BETTY MONTGOMERY  
Auditor of State



**PLEASANT LOCAL SCHOOL DISTRICT  
MARION COUNTY**

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STATE OF OHIO  
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## REPORT OF INDEPENDENT ACCOUNTANTS

Pleasant Local School District  
Marion County  
1107 Owens Road West  
Marion, Ohio 43302

To the Board of Education:

We have audited the accompanying financial statements of the governmental activities, the General fund and the aggregate remaining fund information of Pleasant Local School District, Marion County, Ohio, (the District) as of and for the year ended June 30, 2002, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the General fund and the aggregate remaining fund information of Pleasant Local School District, Marion County, Ohio, as of June 30, 2002, the respective changes in financial position, and the respective budgetary comparison for the General fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As disclosed in Note 3, effective in fiscal year 2002, the District changed the classification of certain funds from the enterprise fund classification to the special revenue fund classification.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 8, 2003, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

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

We conducted our audit to form opinions on the financial statements that collectively comprise the District's basic financial statements. The federal awards receipts and expenditures schedule is 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 basic financial statements. We subjected the federal awards receipts and expenditures schedule to the auditing procedures applied in the audit of the basic financial statements. In our opinion, this information is fairly stated in all material respects, in relation to the basic financial statements taken as a whole.

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

**JIM PETRO**  
Auditor of State

January 8, 2003



**Pleasant Local School District  
Marion County**

**Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2002  
Unaudited**

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The discussion and analysis of Pleasant Local School District's financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2002. The intent of this discussion and analysis is to look at the School District's financial performance as a whole; readers should also review the basic financial statements and notes to enhance their understanding of the School District's financial performance.

**Financial Highlights**

Key financial highlights for fiscal year 2002 are as follows:

In total, net assets increased \$1,003 thousand, or 16 percent, indicating a relatively significant change from the prior fiscal year. Intergovernmental revenues represented the largest amount of this increase and was primarily due to adjustments in funding factors for foundation money established in House Bill 94 and an increase in the base cost per pupil. The increase in future fiscal years will not be as large. An increase also occurred for charges for services and sales generated from programs.

General revenues accounted for \$7,875 thousand, or 75 percent of all revenues, and reflects the School District's significant dependence on property taxes and unrestricted state entitlements.

During the fiscal year, the School District fully retired outstanding energy conservation loans. The loans were not due to be paid off until fiscal year 2010.

**Using the Basic Financial Statements**

This annual report consists of a series of financial statements and notes to those statements. The statements are organized so the reader can understand Pleasant Local School District as a financial whole, or as an entire operating entity.

The statement of net assets and the statement of activities provide information about the activities of the whole School District, presenting both an aggregate view of the School District's finances and a longer-term view of those finances.

Fund financial statements provide a greater level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the School District's most significant funds, with all other nonmajor funds presented in total in a single column. For Pleasant Local School District, the General Fund is the most significant fund.

**Pleasant Local School District  
Marion County**

**Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2002  
Unaudited**

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**Reporting the School District as a Whole**

Statement of Net Assets and Statement of Activities

The statement of net assets and the statement of activities reflect how the School District did financially during fiscal year 2002. These statements include all assets and liabilities using the accrual basis of accounting similar to that which is used by most private-sector companies. This basis of accounting considers all of the current fiscal years' revenues and expenses regardless of when cash is received or paid.

These statements report the School District's net assets and changes in those assets. This change in net assets is important because it tells the reader whether the financial position of the School District as a whole has increased or decreased from the prior fiscal year. Over time, these increases and/or decreases are one indicator of whether the financial position is improving or deteriorating. Causes for these changes may be the result of many factors, some financial, some not. Nonfinancial factors include the School District's property tax base, current property tax laws in Ohio restricting revenue growth, facility conditions, required educational programs, and other factors.

In the statement of net assets and the statement of activities, the School District discloses a single type of activity:

Governmental Activities - All of the School District's programs and services are reported here including instruction, support services, non-instructional services, and extracurricular activities.

**Reporting the School District's Most Significant Funds**

Fund Financial Statements

Fund financial statements provide detailed information about the School District's major funds. While the School District uses many funds to account for its multitude of financial transactions, the fund financial statements focus on the School District's most significant funds. The School District's only major governmental fund is the General Fund.

Governmental Funds - Most of the School District's activities are reported in governmental funds, which focus on how monies flow into and out of those funds and the balances left at fiscal year end for spending in future periods. These funds are reported using modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the School District's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or less financial resources that can be spent in the near future to finance educational programs.

Fiduciary Funds - Fiduciary funds are used to account for resources held for the benefit of parties outside the School District. Fiduciary funds are not reflected on the government-wide financial statements because the resources from these funds are not available to support the School District's programs. These funds use the accrual basis of accounting.

**Pleasant Local School District  
Marion County**

**Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2002  
Unaudited**

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**The School District as a Whole**

Table 1 provides a summary of the School District's net assets for fiscal year 2002 compared to fiscal year 2001:

Table 1  
Net Assets  
(In Thousands)

	Governmental Activities	
	2002	2001
<u>Assets:</u>		
Current and Other Assets	\$7,993	\$7,543
Capital Assets, Net	6,723	6,728
Total Assets	<u>14,716</u>	<u>14,271</u>
<u>Liabilities:</u>		
Current and Other Liabilities	3,568	3,494
Long-Term Liabilities	3,952	4,584
Total Liabilities	<u>7,520</u>	<u>8,078</u>
<u>Net Assets:</u>		
Invested in Capital Assets, Net of Related Debt	3,259	2,612
Restricted	749	692
Unrestricted	3,188	2,889
Total Net Assets	<u>\$7,196</u>	<u>\$6,193</u>

Total assets increased \$445 thousand. The increase is primarily due to increases in equity in pooled cash and cash equivalents of \$148 thousand and property taxes receivable of \$251 thousand. A tax reevaluation occurred in fiscal year 2002 and the School District reached the twenty mill floor, which resulted in increased property taxes.

The total liabilities decrease of \$558 thousand is primarily due to the early retirement of the energy conservation loans. A decrease in contracts payable for the construction of bleachers, installation of air conditioning units, and paving in the prior fiscal year, in the amount of \$102 thousand, also contributed to the decrease.

**Pleasant Local School District  
Marion County**

**Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2002  
Unaudited**

Table 2 reflects the changes in net assets for fiscal year 2002.

Table 2  
Change in Net Assets  
(In Thousands)

	Governmental Activities	
	2002	2001
<u>Revenues</u>		
Program Revenues:		
Charges for Services and Sales	\$2,045	\$1,843
Operating Grants, Contributions, and Interest	595	522
Capital Grants and Contributions	54	41
Total Program Revenues	2,694	2,406
General Revenues:		
Property Taxes	4,057	3,875
Grants and Entitlements	3,652	3,195
Interest	120	248
Gifts and Donations	0	7
Miscellaneous	46	95
Total General Revenues	7,875	7,420
Total Revenues	10,569	9,826
<u>Expenses</u>		
Instruction	5,895	5,355
Support Services:		
Pupils	319	301
Instructional Staff	268	316
Board of Education	82	69
Administration	619	579
Fiscal	227	223
Operation and Maintenance of Plant	781	636
Pupil Transportation	351	323
Central	1	0
Non-Instructional Services	427	453
Extracurricular Activities	398	438
Intergovernmental	0	5
Interest and Fiscal Charges	198	222
Total Expenses	9,566	8,920
Increase in Net Assets	\$1,003	\$906

Program revenues account for 25 percent of total revenues and are primarily represented by restricted intergovernmental revenues, charges for tuition and fees and extracurricular activities, and food service sales.

**Pleasant Local School District  
Marion County**

**Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2002  
Unaudited**

The major program expenses for governmental activities are for instruction, which accounts for 62 percent of all governmental expenses. Other programs which support the instruction process, including pupils and instructional staff and pupil transportation account for 10 percent of governmental expenses. Maintenance of the School District's facilities also represents a significant expense, 8 percent. Therefore, over 80 percent of the School District's expenses are related to the primary functions of providing facilities and delivering education. As can be seen, these costs are funded almost entirely from property taxes and grants and entitlements.

Governmental Activities

Table 3 indicates the total cost of services and the net cost of services for governmental activities. The statement of activities reflects the cost of program services and the charges for services and sales, grants, and contributions offsetting those services. The net cost of services identifies the cost of those services supported by tax revenues and unrestricted state entitlements.

Table 3  
Governmental Activities  
(In Thousands)

	Total Cost of Services		Net Cost of Services	
	2002	2001	2002	2001
Instruction	\$5,895	\$5,355	\$3,921	\$3,738
Support Services:				
Pupils	319	301	258	246
Instructional Staff	268	316	268	284
Board of Education	82	69	82	69
Administration	619	579	619	579
Fiscal	227	223	227	223
Operation and Maintenance of Plant	781	636	781	636
Pupil Transportation	351	323	319	294
Central	1	0	1	0
Non-Instructional Services	427	453	(29)	(30)
Extracurricular Activities	398	438	227	248
Intergovernmental	0	5	0	5
Interest and Fiscal Charges	198	222	198	222
Total Expenses	\$9,566	\$8,920	\$6,872	\$6,514

The dependence upon tax revenues and unrestricted state entitlements for governmental activities is apparent. Over 66 percent of instruction activities are supported through taxes and other general revenues. Non-instructional services had program revenues in excess of expenses of \$29 thousand for the fiscal year. This is primarily due to cafeteria sales, state and federal subsidies, and donated commodities for food service. For all governmental activities, support from general revenues is 72 percent. It is apparent that the community, as a whole, is the primary support for Pleasant Local School District students.

**Pleasant Local School District  
Marion County**

**Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2002  
Unaudited**

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**The School District's Funds**

The School District's governmental funds are accounted for using the modified accrual basis of accounting. Total governmental funds had revenues of \$10,519 thousand and expenditures \$10,225 thousand. The net positive change of \$294 thousand in fund balance for the year indicates that the School District is able to meet current costs.

**General Fund Budgeting Highlights**

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

During the course of fiscal year 2002, the School District amended its General Fund budget as needed. Final budgeted revenues, in the amount of \$8,939 thousand, were above original budgeted revenues, in the amount of \$8,262 thousand. Of this \$677 thousand difference, most was due to conservative estimates in revenues for state foundation and open enrollment. The School District also experienced an increase in special education reimbursements from other school districts.

Final expenditures were budgeted at \$11,006 thousand while actual expenditures were \$8,967 thousand. The \$2,039 thousand difference is primarily due to a conservative "worst case scenario" approach. The School District over appropriates in case significant, unexpected expenditures arise during the fiscal year. A decrease in capital outlay also resulted because land was purchased in the prior fiscal year.

Actual General Fund revenues were less than expenditures by \$29 thousand. The difference can largely be attributed to recording encumbrances for capital outlay, in the amount of \$66 thousand, which is reflected as expenditures. During fiscal year 2002, interest revenue decreased significantly due to the declining economy.

**Capital Assets and Debt Administration**

**Capital Assets**

At the end of fiscal year 2002, the School District had \$6,723 thousand invested in capital assets (net of accumulated depreciation) for governmental activities, an insignificant decrease of \$5 thousand, or less than 1 percent.

For further information regarding the School District's capital assets see Note 9 to the basic financial statements.

**Pleasant Local School District  
Marion County**

**Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2002  
Unaudited**

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Debt

At June 30, 2002, the School District had \$3,455 thousand in school improvement general obligation bonds for building improvements. The bonds were issued for a twenty-six year period, with final maturity on December 1, 2018. The bonds are being retired through the Bond Retirement debt service fund.

At June 30, 2002, the School District had an outstanding capital lease, in the amount of \$9 thousand. The lease is being paid from the General Fund in three annual payments beginning in fiscal year 2003, with final maturity in fiscal year 2005.

At June 30, 2002, the School District's overall legal debt margin was \$10,803,693 with an unvoted debt margin of \$557,922.

For further information regarding the School District's debt see Note 15 to the basic financial statements.

Current Issues

Pleasant Local School District is holding its own in the state of a declining economy and uncertainty in State funding. Pleasant Local School District is a residential/farming community currently experiencing some residential growth. As a result, the School District is experiencing moderate growth in residential students.

Over the past several years, the School District has remained in a good financial position. In 1996, the School District passed a three-year emergency levy to generate \$495,000 and has renewed it twice. This levy provides a continuous source of funds for a financial cushion. The School District has also been able to benefit from open enrollment from other school districts. The School District has generated approximately \$527,000 from open enrollment during the last three fiscal years.

During fiscal year 2001, the School District purchased sixty-four acres of adjoining property, for a total of one hundred acres for a school campus, making it unique that all buildings and facilities will be on one campus. The School District has begun to develop twenty-eight acres of the property. Building of a new access road to the campus began in July 2002. The land lab is also located in this area, and is being gradually developed.

Contacting the School District's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the School District's finances and to reflect the School District's accountability for the monies it receives. Questions concerning any of the information in this report or requests for additional information should be directed to Carol Owings, Treasurer, Pleasant Local School District, 1107 Owens Road West, Marion, Ohio 43302.

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Pleasant Local School District  
Statement of Net Assets  
June 30, 2002

	<u>Governmental Activities</u>
<u>Assets:</u>	
Equity in Pooled Cash and Cash Equivalents	\$3,695,255
Cash and Cash Equivalents	
with Fiscal Agent	177
Accounts Receivable	17,453
Accrued Interest Receivable	11,237
Intergovernmental Receivable	69,175
Prepaid Items	77,187
Inventory Held for Resale	10,530
Materials and Supplies Inventory	40,717
Property Taxes Receivable	4,071,347
Nondepreciable Capital Assets	416,997
Depreciable Capital Assets, Net	6,306,345
Total Assets	<u>14,716,420</u>
 <u>Liabilities:</u>	
Accounts Payable	108,335
Accrued Wages and Benefits Payable	613,553
Intergovernmental Payable	217,276
Matured Compensated Absences Payable	3,984
Deferred Revenue	2,585,886
Accrued Interest Payable	15,015
Special Termination Benefits Payable	23,883
Long-Term Liabilities:	
Due Within One Year	233,142
Due in More Than One Year	3,719,329
Total Liabilities	<u>7,520,403</u>
 <u>Net Assets:</u>	
Invested in Capital Assets, Net of Related Debt	3,259,311
Restricted For:	
Set Asides	36,620
Debt Service	404,122
Capital Projects	4,232
Other Purposes	303,769
Unrestricted	3,187,963
Total Net Assets	<u><u>\$7,196,017</u></u>

See Accompanying Notes to Basic Financial Statements

Pleasant Local School District  
Statement of Activities  
For the Fiscal Year Ended June 30, 2002

	Expenses	Program Revenues		
		Charges for Services and Sales	Operating Grants, Contributions, and Interest	Capital Grants and Contributions
<u>Governmental Activities:</u>				
Instruction:				
Regular	\$5,066,651	\$1,466,752	\$83,910	\$21,970
Special	763,175	85,628	303,186	0
Vocational	64,099	0	12,227	0
Adult/Continuing	1,108	0	0	0
Support Services:				
Pupils	319,541	0	61,405	0
Instructional Staff	267,934	0	0	0
Board of Education	82,074	0	0	0
Administration	618,800	0	0	0
Fiscal	226,724	0	0	0
Operation and Maintenance of Plant	780,842	0	0	0
Pupil Transportation	350,522	6,250	3,741	21,098
Central	775	0	0	0
Non-Instructional Services	427,343	327,544	118,773	10,500
Extracurricular Activities	397,580	158,574	11,548	0
Interest and Fiscal Charges	197,952	0	0	0
Total Governmental Activities	<u>\$9,565,120</u>	<u>\$2,044,748</u>	<u>\$594,790</u>	<u>\$53,568</u>

General Revenues:

Property Taxes Levied for General Purposes  
Grants and Entitlements not Restricted to Specific Programs  
Interest  
Miscellaneous  
Total General Revenues

Change in Net Assets

Net Assets Beginning of Year (Restated Note 3)  
Net Assets End of Year

See Accompanying Notes to the Basic Financial Statements

Net (Expense) Revenue  
and Change in Net Assets

Governmental  
Activities

(\$3,494,019)  
(374,361)  
(51,872)  
(1,108)

(258,136)  
(267,934)  
(82,074)  
(618,800)  
(226,724)  
(780,842)  
(319,433)  
(775)

29,474  
(227,458)  
(197,952)

(6,872,014)

4,057,094  
3,652,389  
119,691  
46,154

7,875,328

1,003,314

6,192,703  
\$7,196,017

Pleasant Local School District  
Balance Sheet  
Governmental Funds  
June 30, 2002

	General Fund	Other Governmental Funds	Total Governmental Funds
<u>Assets:</u>			
Equity in Pooled Cash and Cash Equivalents	\$3,022,529	\$636,106	\$3,658,635
Cash and Cash Equivalents			
with Fiscal Agent	0	177	177
Accounts Receivable	1,407	16,046	17,453
Accrued Interest Receivable	11,237	0	11,237
Interfund Receivable	0	107	107
Intergovernmental Receivable	28,338	40,837	69,175
Prepaid Items	73,855	3,332	77,187
Inventory Held for Resale	0	10,530	10,530
Materials and Supplies Inventory	39,907	810	40,717
<u>Restricted Assets:</u>			
Equity in Pooled Cash and Cash Equivalents	36,620	0	36,620
Property Taxes Receivable	3,775,389	295,958	4,071,347
Total Assets	<u>\$6,989,282</u>	<u>\$1,003,903</u>	<u>\$7,993,185</u>
<u>Liabilities and Fund Balances:</u>			
<u>Liabilities</u>			
Accounts Payable	\$64,465	\$43,870	\$108,335
Interfund Payable	0	107	107
Accrued Wages and Benefits Payable	581,908	31,645	613,553
Intergovernmental Payable	148,691	5,635	154,326
Matured Compensated Absences Payable	3,984	0	3,984
Deferred Revenue	2,610,594	202,905	2,813,499
Total Liabilities	<u>3,409,642</u>	<u>284,162</u>	<u>3,693,804</u>
<u>Fund Balances:</u>			
Reserved for Property Taxes	1,199,474	111,267	1,310,741
Reserved for Budget Stabilization	36,620	0	36,620
Reserved for Encumbrances	187,435	37,401	224,836
Unreserved, Designated for Budget Stabilization	602,563	0	602,563
<u>Unreserved, Undesignated Reported in:</u>			
General Fund	1,553,548	0	1,553,548
Special Revenue Funds	0	288,964	288,964
Debt Service Fund	0	292,714	292,714
Capital Projects Funds	0	(10,605)	(10,605)
Total Fund Balances	<u>3,579,640</u>	<u>719,741</u>	<u>4,299,381</u>
Total Liabilities and Fund Balances	<u>\$6,989,282</u>	<u>\$1,003,903</u>	<u>\$7,993,185</u>

See Accompanying Notes to the Basic Financial Statements

Pleasant Local School District  
 Reconciliation of Total Governmental Fund Balances  
 to Net Assets of Governmental Activities  
 June 30, 2002

Total Governmental Fund Balances		\$4,299,381
<p>Amounts reported for governmental activities on the statement of net assets are different because of the following:</p>		
Capital assets used in governmental activities are not financial resources and, therefore, not reported in the funds.		6,723,342
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds:		
Accounts Receivable	39,525	
Accrued Interest Receivable	5,458	
Intergovernmental Receivable	7,910	
Property Taxes Receivable	174,720	
		227,613
Intergovernmental payable includes contractually required pension contributions not expected to be paid with available expendable resources and, therefore, not reported in the funds.		(62,950)
Some liabilities are not due and payable in the current period and, therefore, not reported in the funds:		
Accrued Interest Payable	(15,015)	
Special Termination Benefits Payable	(23,883)	
General Obligation Bonds Payable	(3,455,000)	
Compensated Absences Payable	(488,440)	
Capital Leases Payable	(9,031)	
		(3,991,369)
Net Assets of Governmental Activities		\$7,196,017

See Accompanying Notes to the Basic Financial Statements

Pleasant Local School District  
Statement of Revenues, Expenditures, and Changes in Fund Balances  
Governmental Funds  
For the Fiscal Year Ended June 30, 2002

	General Fund	Other Governmental Funds	Total Governmental Funds
<u>Revenues:</u>			
Property Taxes	\$3,730,850	\$309,452	\$4,040,302
Intergovernmental	3,788,760	456,512	4,245,272
Interest	124,058	1,599	125,657
Tuition and Fees	1,371,065	65,393	1,436,458
Extracurricular Activities	14,943	283,962	298,905
Charges for Services	0	327,437	327,437
Gifts and Donations	0	1,533	1,533
Miscellaneous	43,519	107	43,626
Total Revenues	<u>9,073,195</u>	<u>1,445,995</u>	<u>10,519,190</u>
<u>Expenditures:</u>			
Current:			
Instruction:			
Regular	4,483,218	319,250	4,802,468
Special	619,615	146,373	765,988
Vocational	62,640	0	62,640
Adult/Continuing	1,108	0	1,108
Support Services:			
Pupils	261,065	56,961	318,026
Instructional Staff	246,810	27,759	274,569
Board of Education	82,074	0	82,074
Administration	610,008	1,279	611,287
Fiscal	222,925	6,279	229,204
Operation and Maintenance of Plant	807,996	0	807,996
Pupil Transportation	357,060	500	357,560
Central	775	0	775
Non-Instructional Services	0	433,800	433,800
Extracurricular Activities	253,519	155,052	408,571
Capital Outlay	195,727	8,220	203,947
Debt Service:			
Principal Retirement	481,495	180,000	661,495
Interest and Fiscal Charges	16,488	187,046	203,534
Total Expenditures	<u>8,702,523</u>	<u>1,522,519</u>	<u>10,225,042</u>
Excess of Revenues Over (Under) Expenditures	<u>370,672</u>	<u>(76,524)</u>	<u>294,148</u>
<u>Other Financing Sources (Uses):</u>			
Sale of Capital Assets	22,500	0	22,500
Inception of Capital Lease	0	9,031	9,031
Transfers In	0	41,462	41,462
Transfers Out	(41,462)	0	(41,462)
Total Other Financing Sources (Uses)	<u>(18,962)</u>	<u>50,493</u>	<u>31,531</u>
Net Change in Fund Balances	351,710	(26,031)	325,679
Fund Balances at Beginning of Year (Restated Note 3)	<u>3,227,930</u>	<u>745,772</u>	<u>3,973,702</u>
Fund Balances at End of Year	<u>\$3,579,640</u>	<u>\$719,741</u>	<u>\$4,299,381</u>

See Accompanying Notes to the Basic Financial Statements

Pleasant Local School District  
 Reconciliation of Statement of Revenues, Expenditures, and Changes in Fund Balances  
 of Governmental Funds to Statement of Activities  
 For the Fiscal Year Ended June 30, 2002

Net Change in Fund Balances - Total Governmental Funds \$325,679

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

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

Capital Outlay - Depreciable Capital Assets	256,236	
Depreciation	(250,678)	
		5,558

The proceeds from the sale of capital assets are reported as other financing sources in the governmental funds. However, the cost of the capital assets is removed from the capital asset account on the statement of net assets and is offset against the proceeds from the sale of capital assets resulting in a gain on disposal of capital assets on the statement of activities.

Proceeds from Sale of Capital Assets	(22,500)	
Gain on Disposal of Capital Assets	11,783	
		(10,717)

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

Property Taxes	16,792	
Intergovernmental	17,127	
Interest	(4,367)	
Tuition and Fees	19,977	
Extracurricular Activities	(318)	
Miscellaneous	(7,550)	
		41,661

Repayment of principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities on the statement of activities. 661,495

Interest is reported as an expenditure when due in the governmental funds, but is accrued on outstanding debt on the statement of activities. 5,582

Accrued Interest Payable

The inception of capital lease is reported as an other financing source in governmental funds, but increases long-term liabilities on the statement of net assets. (9,031)

Some expenses reported on the statement of activities, such as compensated absences and intergovernmental payables representing contractually required pension contributions, do not require the use of current financial resources, therefore, are not reported as expenditures in governmental funds:

Intergovernmental Payable	224	
Special Termination Benefits Payable	3,768	
Compensated Absences Payable	(20,905)	
		(16,913)

Change in Net Assets of Governmental Activities \$1,003,314

See Accompanying Notes to the Basic Financial Statements

Pleasant Local School District  
Statement of Revenues, Expenditures, and Changes in Fund Balance  
Budget (Non-GAAP Basis) and Actual  
General Fund  
For the Fiscal Year Ended June 30, 2002

	Budgeted Amounts		Actual	Variance with Final Budget Over (Under)
	Original	Final		(Under)
<u>Revenues:</u>				
Property Taxes	\$3,353,125	\$3,590,242	\$3,590,242	\$0
Intergovernmental	3,286,000	3,788,760	3,788,760	0
Interest	187,000	127,878	127,878	0
Tuition and Fees	1,396,875	1,393,904	1,393,904	0
Extracurricular Activities	11,000	14,943	14,943	0
Miscellaneous	28,000	22,901	22,901	0
Total Revenues	<u>8,262,000</u>	<u>8,938,628</u>	<u>8,938,628</u>	<u>0</u>
<u>Expenditures:</u>				
Current:				
Instruction:				
Regular	4,954,001	4,729,914	4,429,022	300,892
Special	785,614	790,367	634,592	155,775
Vocational	79,221	79,921	62,408	17,513
Adult/Continuing	1,100	1,100	1,100	0
Other	10,000	18,314	2,949	15,365
Support Services:				
Pupils	354,219	361,517	267,539	93,978
Instructional Staff	285,498	409,251	298,160	111,091
Board of Education	83,600	94,735	90,900	3,835
Administration	757,376	756,148	617,314	138,834
Fiscal	254,389	265,654	230,651	35,003
Operation and Maintenance of Plant	1,017,748	1,046,915	884,921	161,994
Pupil Transportation	464,784	462,737	369,678	93,059
Central	775	775	775	0
Extracurricular Activities	228,060	264,460	251,692	12,768
Capital Outlay	525,000	1,228,214	329,123	899,091
Debt Service:				
Principal Retirement	25,000	480,000	480,000	0
Interest and Fiscal Charges	0	16,434	16,434	0
Total Expenditures	<u>9,826,385</u>	<u>11,006,456</u>	<u>8,967,258</u>	<u>2,039,198</u>
Excess of Revenues				
Under Expenditures	<u>(1,564,385)</u>	<u>(2,067,828)</u>	<u>(28,630)</u>	<u>2,039,198</u>
<u>Other Financing Sources (Uses):</u>				
Refund of Prior Year Expenditures	28,000	12,687	12,687	0
Other Financing Sources	0	8,089	8,089	0
Sale of Capital Assets	23,000	22,500	22,500	0
Transfers Out	(50,000)	(50,000)	(41,462)	8,538
Total Other Financing Sources (Uses)	<u>1,000</u>	<u>(6,724)</u>	<u>1,814</u>	<u>8,538</u>
Net Change in Fund Balance	(1,563,385)	(2,074,552)	(26,816)	2,047,736
Fund Balance at Beginning of Year	2,050,567	2,050,567	2,050,567	0
Prior Year Encumbrances Appropriated	787,778	787,778	787,778	0
Fund Balance at End of Year	<u>\$1,274,960</u>	<u>\$763,793</u>	<u>\$2,811,529</u>	<u>\$2,047,736</u>

See Accompanying Notes to the Basic Financial Statements



Pleasant Local School District  
Statement of Fiduciary Net Assets  
Fiduciary Funds  
June 30, 2002

	Private Purpose Trust	Agency
<u>Assets:</u>		
Equity in Pooled Cash and Cash Equivalents	\$71,424	\$12,537
<u>Liabilities:</u>		
Due to Students	0	\$12,537
<u>Net Assets:</u>		
Held in Trust for Scholarships	61,424	
Endowment	10,000	
Total Net Assets	\$71,424	

See Accompanying Notes to the Basic Financial Statements

Pleasant Local School District  
Statement of Changes in Fiduciary Net Assets  
Fiduciary Funds  
For the Fiscal Year Ended June 30, 2002

	Private Purpose Trust
<u>Additions:</u>	
Interest	\$1,393
Gifts and Donations	23,550
Total Additions	24,943
 <u>Deductions:</u>	
	0
 Change in Net Assets	 24,943
 Net Assets at Beginning of Year	 46,481
Net Assets at End of Year	\$71,424

See Accompanying Notes to the Basic Financial Statements

Pleasant Local School District  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2002

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**Note 1 - Description of the School District and Reporting Entity**

Pleasant Local School District (the "School District") is organized under Article VI, Sections 2 and 3 of the Constitution of the State of Ohio. The School District operates under a locally-elected Board form of government consisting of five members elected at-large for staggered four year terms. The School District provides educational services as authorized by state and federal guidelines.

The School District was established in 1916. The School District serves an area of approximately thirty-six square miles. It is located in Marion County and includes all of Pleasant Township, portions of Marion and Richland Townships, and a portion of the City of Marion. The School District is the 415th largest in the State of Ohio (among 613 school districts) in terms of enrollment. It is staffed by fifty-five classified employees, ninety-three certified teaching personnel, and six administrative employees who provide services to 1,437 students and other community members. The School District currently operates three instructional buildings.

**Reporting Entity**

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

Component units are legally separate organizations for which the School District is financially accountable. The School District is financially accountable for an organization if the School District appoints a voting majority of the organization's governing board and (1) the School District is able to significantly influence the programs or services performed or provided by the organization; or (2) the School District is legally entitled to or can otherwise access the organization's resources; the School District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the School District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the School District in that the School District approves the budget, the issuance of debt, or the levying of taxes.

The School District participates in six jointly governed organizations and two insurance pools. These organizations are the Tri-Rivers Educational Computer Association (TRECA), Tri-Rivers Joint Vocational School, North Central Regional Professional Development Center, North Central Ohio Special Education Regional Resource Center, Northwestern Ohio Educational Research Council, Inc., Metropolitan Educational Council, Ohio School Boards Association Workers' Compensation Group Rating Plan, and the Champaign, Delaware, Marion, Union School Employee Welfare Benefit Association Trust. These organizations are presented in Notes 20 and 21 to the basic financial statements.

**Note 2 - Summary of Significant Accounting Policies**

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

**Note 2 - Summary of Significant Accounting Policies** (continued)

**A. Basis of Presentation**

The School District's basic financial statements consist of government-wide statements, including a statement of net assets and a statement of activities, and fund financial statements which provide a more detailed level of financial information.

Government-Wide Financial Statements

The statement of net assets and the statement of activities display information about the School District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds.

The statement of net assets presents the financial condition of the governmental activities of the School District at fiscal year end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the School District's governmental activities. Direct expenses are those that are specifically associated with a service, program, or department and, therefore, clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program and grants, contributions, and interest that are restricted to meeting the operational or capital requirements of a particular program. Revenues which are not classified as program revenues are presented as general revenues of the School District, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the School District.

Fund Financial Statements

During the fiscal year, the School District segregates transactions related to certain School District functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the School District at this more detailed level. The focus of governmental fund financial statements is on major funds. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. Fiduciary funds are reported by type.

**B. Fund Accounting**

The School District uses funds to maintain its financial records during the fiscal year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The funds of the School District are divided into two categories, governmental and fiduciary.

Governmental Funds

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

**Note 2 - Summary of Significant Accounting Policies** (continued)

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

The other governmental funds of the School District account for grants and other resources whose use are restricted to a particular purpose.

Fiduciary Funds

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

**C. Measurement Focus**

Government-Wide Financial Statements

The government-wide financial statements are prepared using a flow of economic resources measurement focus. All assets and all liabilities associated with the operation of the School District are included on the statement of net assets. The statement of activities presents increases (e.g., revenues) and decreases (e.g., expenses) in total net assets.

Fund Financial Statements

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

The private purpose trust fund is accounted for using a flow of economic resources measurement focus.

**Note 2 - Summary of Significant Accounting Policies** (continued)

**D. Basis of Accounting**

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting; fiduciary funds use the accrual basis of accounting. Differences in the accrual and modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred revenue, and in the presentation of expenses versus expenditures.

**Revenues - Exchange and Nonexchange Transactions**

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

Nonexchange transactions, in which the School District receives value without directly giving equal value in return, include property taxes, grants, entitlements, and donations. On the accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the fiscal year when the resources are required to be used or the fiscal year when use is first permitted; matching requirements, in which the School District must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the School District on a reimbursement basis. On the modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

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

**Deferred Revenues**

Deferred revenues arise when assets are recognized before revenue recognition criteria has been satisfied.

Property taxes for which there was an enforceable legal claim as of June 30, 2002, but which were levied to finance fiscal year 2003 operations, are recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

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

**Expenses/Expenditures**

On the accrual basis, expenses are recognized at the time they are incurred.

**Note 2 - Summary of Significant Accounting Policies** (continued)

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

**E. Budgetary Process**

All funds, except agency funds, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriations resolution, all of which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amount the Board of Education may appropriate. The appropriations resolution is the Board's authorization to spend resources and sets annual limits on expenditures plus encumbrances at the level of control selected by the Board. The legal level of budgetary control selected by the Board is the fund level for all funds. Budgetary allocations at the function and object level within all funds are made by the School District Treasurer.

The certificate of estimated resources may be amended during the year if projected increases or decreases in revenue are identified by the Treasurer. The amounts reported as the original budgeted amounts on the budgetary statements reflect the amounts on the certificate of estimated resources when the original appropriations were adopted. The amounts reported as the final budgeted amounts on the budgetary statements reflect the amounts on the amended certificate of estimated resources in effect at the time final appropriations were passed by the Board.

The appropriation resolution is subject to amendment throughout the year with the restriction that appropriations cannot exceed estimated resources. The amounts reported as the original budgeted amounts reflect the first appropriation resolution for that fund that covered the entire fiscal year, including amounts automatically carried forward from prior fiscal years. The amounts reported as the final budgeted amounts represent the final appropriation amounts passed by the Board during the fiscal year.

**F. Cash and Investments**

To improve cash management, cash received by the School District is pooled. Monies for all funds are maintained in this pool. Individual fund integrity is maintained through School District records. Interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents".

Cash and cash equivalents held for the School District by the North Central Ohio Educational Service Center are reflected as "Cash and Cash Equivalents with Fiscal Agent".

During fiscal year 2002, investments were limited to nonnegotiable certificates of deposit, which are reported at cost, and STAR Ohio. 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.

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the General Fund during fiscal year 2002 was \$124,058, which includes \$20,539 assigned from other School District funds.

**Note 2 - Summary of Significant Accounting Policies** (continued)

Investments of the School District's cash management pool and investments with an original maturity of three months or less at the time they are purchased by the School District are presented on the financial statements as cash equivalents. Investments with an initial maturity of more than three months that were not purchased from the pool are reported as investments.

**G. Prepaid Items**

Payments made to vendors for services that will benefit periods beyond June 30, 2002, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of purchase and an expenditure/expense is reported in the year in which services are consumed.

**H. Inventory**

Inventory is presented at the lower of cost or market. Cost is determined on a first-in, first-out basis and is expensed when used on the government-wide financial statements, or recorded as an expenditure when used on the fund financial statements.

Inventory consists of administrative supplies and donated and purchased food.

**I. Restricted Assets**

Assets are reported as restricted when limitations on their use change the nature or normal understanding of the availability of the asset. Such constraints are either imposed by creditors, contributors, grantors, laws of other governments, or imposed by enabling legislation. Restricted assets in the General Fund represent amounts required by State statute to be set aside to create a reserve for budget stabilization.

**J. Capital Assets**

All of the School District's capital assets are general capital assets resulting from expenditures in governmental funds. These assets are reported in the governmental activities column on the government-wide statement of net assets but are not reported on the fund financial statements.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and reductions during the year. Donated capital assets are recorded at their fair market value on the date donated. The School District maintains a capitalization threshold of two thousand dollars. Improvements are capitalized. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized.



Pleasant Local School District  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2002

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**Note 2 - Summary of Significant Accounting Policies** (continued)

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

<u>Description</u>	<u>Useful Lives</u>
Land Improvements	10 - 25 years
Buildings and Building Improvements	10 - 100 years
Furniture, Fixtures, and Equipment	5 - 20 years
Vehicles	10 - 15 years
Infrastructure	50 years

**K. Interfund Assets/Liabilities**

On fund financial statements, receivables and payables resulting from short-term interfund loans or interfund services provided and used are classified as “Interfund Receivables/Payables”. Interfund balances within governmental activities are eliminated on the statement of net assets.

**L. Compensated Absences**

Vacation benefits are accrued as a liability as the benefits are earned if the employees’ rights to receive compensation are attributable to services already rendered and it is probable the School District will compensate the employees for the benefits through time off or some other means. The School District records a liability for accumulated unused vacation time when earned for all employees with more than one year of service.

Sick leave benefits are accrued as a liability using the vesting method. The liability includes the employees who are currently eligible to receive termination benefits and those the School District has identified as probable of receiving payment in the future. The amount is based on accumulated sick leave and employees’ wage rates at fiscal year end, taking into consideration any limits specified in the School District’s termination policy. The School District records a liability for accumulated unused sick leave for all employees after seven years of service.

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

On governmental fund financial statements, compensated absences are recognized as liabilities and expenditures to the extent payments come due each period upon the occurrence of employee resignations and retirements. These amounts are recorded in the account “Matured Compensated Absences Payable” in the fund from which the employees who have accumulated unpaid leave are paid.

**Note 2 - Summary of Significant Accounting Policies** (continued)

**M. Accrued Liabilities and Long-Term Obligations**

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

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

**N. Net Assets**

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

The School District's policy is to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

**O. Fund Balance Reserves and Designation**

The School District reserves those portions of fund balance which are legally segregated for a specific future use or which do not represent available expendable resources and, therefore, are not available for appropriation or expenditure. Unreserved fund balance indicates that portion which is available for appropriation in future periods. Fund balance reserves have been established for property taxes, budget stabilization, and encumbrances.

The reserve for property taxes represents taxes recognized as revenue under generally accepted accounting principles but not available for appropriation under State statute. The reserve for budget stabilization represents monies required to be set aside by State statute to protect against cyclical changes in revenues and expenditures. The designation for budget stabilization represents monies set aside by resolution of the Board of Education to offset revenue/expenditure fluctuations.

**P. Interfund Transactions**

Transfers within governmental activities are eliminated on the government-wide financial statements.

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

**Note 2 - Summary of Significant Accounting Policies** (continued)

**Q. Extraordinary and Special Items**

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of management and are either unusual in nature or infrequent in occurrence.

**R. Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles 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.

**Note 3 - Restatement of Net Assets and Fund Balance**

For fiscal year 2002, the Food Service and Uniform School Supplies funds have been reported as nonmajor special revenue funds due to the insignificance of the funds. In prior years, these funds were reported as enterprise funds. This change increased net assets of governmental activities by \$109,864, from \$6,082,839 to \$6,192,703 as of June 30, 2001. Fund balance for nonmajor funds increased \$78,735, from \$667,037 to \$745,772.

**Note 4 - Accountability**

At June 30, 2002, the Title VI-R special revenue fund and the SchoolNet Plus capital projects fund had deficit fund balances, in the amount of \$242 and \$12,768, respectively, resulting from adjustments for accrued liabilities. The General Fund provides transfers to cover deficit balances; however, this is done when cash is needed rather than when accruals occur.

**Note 5 - Budgetary Basis of Accounting**

While the School District is reporting financial position, results of operations, and changes in fund balance on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget (Non-GAAP Basis) and Actual for the General Fund is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and the GAAP basis are as follows:

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Encumbrances are treated as expenditures (budget basis) rather than as a reservation of fund balance (GAAP basis).

Pleasant Local School District  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2002

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**Note 5 - Budgetary Basis of Accounting** (continued)

The adjustments necessary to reconcile the GAAP and budgetary basis statements for the General Fund are as follows:

Net Change in Fund Balance	
GAAP Basis	\$351,710
<u>Increase (Decrease) Due To:</u>	
Revenue Accruals:	
Accrued FY 2001, Received in Cash FY 2002	1,086,184
Accrued FY 2002, Not Yet Received in Cash	(1,205,777)
Expenditure Accruals:	
Accrued FY 2001, Paid in Cash FY 2002	(798,113)
Accrued FY 2002, Not Yet Paid in Cash	799,048
Cash Adjustments:	
Unrecorded Activity FY 2001	10,444
Unrecorded Activity FY 2002	(4,642)
Prepaid Items	(22,549)
Materials and Supplies Inventory	(143)
Encumbrances Outstanding at Fiscal Year End (Budget Basis)	(242,978)
Budget Basis	(\$26,816)

**Note 6 - Deposits and Investments**

State statutes classify monies held by the School 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 School District Treasury, in commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

**Note 6 - Deposits and Investments** (continued)

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

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

Protection of the School 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.

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

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligation or security 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 the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least 2 percent and be marked to market daily, and the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions; and
6. The State Treasurer's investment pool (STAR Ohio).

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 School District, and must be purchased with the expectation that it will be held to maturity.

Pleasant Local School District  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2002

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**Note 6 - Deposits and Investments** (continued)

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.

At fiscal year end, the School District had \$100 in undeposited cash on hand which is included as part of "Equity in Pooled Cash and Cash Equivalents".

At fiscal year end, the School District had \$177 in cash and cash equivalents held by the North Central Ohio Educational Service Center, which is presented as "Cash and Cash Equivalents with Fiscal Agent". The Educational Service Center holds this flow through grant money for the School District together with that of other school districts, and therefore, the School District cannot classify this money by risk under GASB Statement No. 3.

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

At fiscal year end, the carrying amount of the School District's deposits was \$943,745 and the bank balance was \$1,073,949. Of the bank balance, \$301,360 was covered by federal depository insurance and \$772,589 was uninsured and uncollateralized. Although all State statutory requirements for the deposit of money had been followed, non-compliance with federal requirements could potentially subject the School District to a successful claim by the FDIC.

The School District's investments are categorized to give an indication of the level of risk assumed by the School District at fiscal year end. Category 1 includes investments that are insured or registered for which the securities are held by the School District or its agent in the School District's name. Category 2 includes uninsured and unregistered investments for which the securities are held by the counterparty's trust department or agent in the School District's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty, or by its trust department or agent but not in the School District's name. The School District's investment in STAR Ohio is unclassified since it is not evidenced by securities that exist in physical or book entry form. At June 30, 2002, the fair value of funds on deposit with STAR Ohio was \$2,835,371.

Pleasant Local School District  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2002

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**Note 6 - Deposits and Investments** (continued)

The classification of cash and cash equivalents and investments on the basic financial statements is based on criteria set forth in GASB Statement No. 9, "Reporting Cash Flows of Proprietary and Non-Expendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting". A reconciliation between the classification of cash and cash equivalents and investments on the basic financial statements and the classification of deposits and investments according to GASB Statement No. 3 is as follows:

	Cash and Cash Equivalents/ Deposits	Investments
GASB Statement No. 9	\$3,779,393	\$0
Cash on Hand	(100)	0
Cash and Cash Equivalents with Educational Service Center	(177)	0
Investments:		
STAR Ohio	(2,835,371)	2,835,371
GASB Statement No. 3	\$943,745	\$2,835,371

**Note 7 - Receivables**

Receivables at June 30, 2002, consisted of accounts (student fees and billings for user charged services), accrued interest, interfund, intergovernmental, and property taxes. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current year guarantee of federal funds. All receivables are expected to be collected within one year.

A summary of the principal items of intergovernmental receivables follows:

	Amount
Governmental Activities	
General Fund	\$28,338
Other Governmental Funds	
Food Service	19,036
DPIA	585
SchoolNet Professional Development	3,450
Title VI-B	1,440
Title I	15,893
Bond Retirement	433
Total Other Governmental Funds	40,837
Total Intergovernmental Receivables	\$69,175

Pleasant Local School District  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2002

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**Note 8 - Property Taxes**

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

Property taxes include amounts levied against all real property, public utility property, and tangible personal (used in business) property located in the School District. Real and public utility property tax revenues received in calendar year 2002 represent the collection of calendar year 2001 taxes. Real property taxes received in calendar year 2002 were levied after April 1, 2001, on the assessed values as of January 1, 2001, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility real and tangible personal property tax revenues received in calendar year 2002 were levied after April 1, 2001, on the assessed values as of December 31, 2000, the lien date. Public utility real property is assessed at 35 percent of true value; tangible personal property is currently assessed at varying percentages of true value. Public utility property taxes are payable on the same dates as real property taxes described previously.

Tangible personal property tax revenues received in calendar year 2002 (other than public utility property) represent the collection of calendar year 2002 taxes. Tangible personal property taxes received in calendar year 2002 were levied after April 1, 2001, on the value as of December 31, 2001. Tangible personal property is currently assessed at 25 percent of true value. Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20.

The School District receives property taxes from Marion County. The County Auditor periodically advances to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2002, are available to finance fiscal year 2002 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable represents real property, public utility property, and tangible personal property taxes which were measurable as of June 30, 2002, and for which there was an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount available as an advance at June 30 is intended to finance current fiscal year operations and is reflected as revenue at fiscal year end. The receivable is offset by a credit to deferred revenue for that portion not intended to finance current year operations. The amount available as an advance at June 30, 2002, was \$1,199,474 in the General Fund and \$111,267 in the Bond Retirement debt service fund. The amount available as an advance at June 30, 2001, was \$1,058,866 in the General Fund and \$105,769 in the Bond Retirement debt service fund.

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



Pleasant Local School District  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2002

**Note 8 - Property Taxes** (continued)

The assessed values upon which the fiscal year 2002 taxes were collected are:

	2001 Second- Half Collections		2002 First- Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential	\$100,496,670	72.72%	\$111,874,410	72.67%
Industrial/Commercial	18,526,230	13.40	23,328,490	15.15
Public Utility	10,044,570	7.27	8,652,060	5.62
Tangible Personal	9,137,890	6.61	10,086,280	6.56
Total Assessed Value	<u>\$138,205,360</u>	<u>100.00%</u>	<u>\$153,941,240</u>	<u>100.00%</u>
Tax rate per \$1,000 of assessed valuation	\$49.01		\$48.32	

**Note 9 - Capital Assets**

Capital asset activity for the fiscal year ended June 30, 2002, was as follows:

	Balance at 6/30/01	Additions	Reductions	Balance at 6/30/02
Governmental Activities				
Nondepreciable Capital Assets				
Land	\$416,997	\$0	\$0	\$416,997
Construction in Progress	58,396	0	(58,396)	0
Total Nondepreciable Capital Assets	<u>475,393</u>	<u>0</u>	<u>(58,396)</u>	<u>416,997</u>
Depreciable Capital Assets				
Land Improvements	1,163,804	147,481	0	1,311,285
Buildings and Building Improvements	5,477,575	5,750	0	5,483,325
Furniture, Fixtures, and Equipment	680,720	76,902	(25,473)	732,149
Vehicles	826,335	71,899	(21,374)	876,860
Infrastructure	85,000	12,600	0	97,600
Total Depreciable Capital Assets	<u>8,233,434</u>	<u>314,632</u>	<u>(46,847)</u>	<u>8,501,219</u>

(continued)

Pleasant Local School District  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2002

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**Note 9 - Capital Assets** (continued)

	Balance at 6/30/01	Additions	Reductions	Balance at 6/30/02
Less Accumulated Depreciation				
Land Improvements	(\$280,875)	(\$80,877)	\$0	(\$361,752)
Buildings and Building Improvements	(861,076)	(68,472)	0	(929,548)
Furniture, Fixtures, and Equipment	(352,502)	(54,569)	14,756	(392,315)
Vehicles	(484,598)	(44,804)	21,374	(508,028)
Infrastructure	(1,275)	(1,956)	0	(3,231)
Total Accumulated Depreciation	<u>(1,980,326)</u>	<u>(250,678)</u>	<u>36,130</u>	<u>(2,194,874)</u>
Depreciable Capital Assets, Net	<u>6,253,108</u>	<u>63,954</u>	<u>(10,717)</u>	<u>6,306,345</u>
Governmental Activities Capital Assets, Net	<u>\$6,728,501</u>	<u>\$63,954</u>	<u>(\$69,113)</u>	<u>\$6,723,342</u>

During fiscal year 2002, the School District moved \$58,396 from construction in progress to land improvements.

Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$70,913
Special	392
Vocational	156
Support Services:	
Pupils	757
Instructional Staff	3,512
Administration	1,589
Fiscal	1,195
Operation and Maintenance of Plant	93,487
Pupil Transportation	42,133
Non-Instructional Services	2,421
Extracurricular Activities	34,123
Total Depreciation Expense	<u>\$250,678</u>

Pleasant Local School District  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2002

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**Note 10 - Interfund Assets/Liabilities**

At June 30, 2002, the Food Service special revenue fund had an interfund receivable from other governmental funds, in the amount of \$107, for goods provided to the Uniform School Supplies special revenue fund.

**Note 11 - Risk Management**

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2002, the School District contracted for the following insurance coverage.

Coverage provided by Selective Insurance Company of South Carolina is as follows:

Buildings and Contents - replacement cost (\$1,000 deductible)	\$23,691,900
Inland Marine (\$1,000 deductible)	748,956
Employee Benefits Liability (\$1,000 deductible)	
Per Occurrence	2,000,000
Total per Year	4,000,000
Automobile Liability	1,000,000
Uninsured Motorists	1,000,000
General Liability	
Per Occurrence	2,000,000
Aggregate	4,000,000

Coverage provided by Zurich Specialties London Limited is as follows:

Wrongful Act Liability (\$5,000 deductible)	
Per Occurrence	1,000,000
Aggregate	1,000,000

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

For fiscal year 2002, the School District participated in the Ohio School Boards Association Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool. The intent of the GRP is to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participants is calculated as one experience and a common premium rate is applied to all participants in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate.

Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of the GRP. A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund". This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to participants that can meet the GRP's selection criteria. The firm of Gates McDonald & Co. provides administrative, cost control, and actuarial services to the GRP.

**Note 11 - Risk Management** (continued)

The School District participates in the Champaign, Delaware, Marion, Union School Employee Welfare Benefit Association Trust (Trust), a public entity shared risk pool consisting of eight school districts and the Madison/Champaign County and Delaware/Union County Educational Service Centers. The School District pays monthly premiums to the Trust for employee medical, dental, and life insurance. The Trust is responsible for the management and operations of the program. Upon withdrawal from the Trust, the participant is responsible for the payment of all Trust liabilities to its employees, dependents, and designated beneficiaries accruing as a result of withdrawal.

**Note 12 - Defined Benefit Pension Plans**

**A. State Teachers Retirement System**

The School 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 benefits to members and beneficiaries. Benefits are established by Chapter 3307 of the Ohio Revised Code. STRS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to the State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3771.

Plan members are required to contribute 9.3 percent of their annual covered salary and the School District is required to contribute 14 percent; 9.5 percent was the portion used to fund pension obligations for fiscal year 2002. Contribution rates are established by STRS, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. The School District's required contribution for pension obligations to STRS for the fiscal years ended June 30, 2002, 2001, and 2000, were \$383,591, \$358,568, and \$201,628, respectively; 82 percent has been contributed for fiscal year 2002 and 100 percent for fiscal years 2001 and 2000. The unpaid contribution for fiscal year 2002, in the amount of \$67,241, is recorded as a liability.

**B. School Employees Retirement System**

The School District contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing multiple employer defined pension plan administered by the School Employees Retirement Board. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available 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 43215-3746.

Plan members are required to contribute 9 percent of their annual covered salary and the School District is required to contribute an actuarially determined rate. The current rate is 14 percent of annual covered payroll; 5.46 percent was the portion used to fund pension obligations for fiscal year 2002. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS Retirement Board. The School District's required contribution for pension obligations to SERS for the fiscal years ended June 30, 2002, 2001, and 2000 were \$47,794, \$33,679, and \$41,257, respectively; 45 percent has been contributed for fiscal year 2002 and 100 percent for fiscal years 2001 and 2000. The unpaid contribution for fiscal year 2002, in the amount of \$26,302, is recorded as a liability.

**Note 12 - Defined Benefit Pension Plans** (continued)

**C. Social Security System**

Effective July 1, 1991, all employees not otherwise covered by the State Teachers Retirement System or the School Employees Retirement System have an option to choose Social Security or the State Teachers Retirement System/School Employees Retirement System. As of June 30, 2002, none of the Board of Education members have elected Social Security. The Board's liability is 6.2 percent of wages paid.

**Note 13 - Postemployment Benefits**

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

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 law, the cost of coverage paid from STRS funds shall be included in the employer contribution rate, currently 14 percent of covered payroll. For fiscal year 2002, the Board allocated employer contributions equal to 4.5 percent of covered payroll to the Health Care Reserve Fund. For the School District, this amount was \$181,701.

STRS pays health care benefits from the Health Care Reserve Fund. The balance in the Fund was \$3,256 million at June 30, 2001 (the latest information available). For the fiscal year ended June 30, 2001, net health care costs paid by STRS were \$300,772,000, and STRS had 102,132 eligible benefit recipients.

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

For the fiscal year ended June 30, 2002, employer contributions to fund health care benefits were 8.54 percent of covered payroll. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2002, the minimum pay was established at \$12,400. For the School District, the amount to fund health care benefits, including the surcharge, was \$92,746 for fiscal year 2002.

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 for the fiscal year ended June 30, 2001 (the latest information available), were \$161,439,934, and the target level was \$242.2 million. At June 30, 2001, SERS had net assets available for payment of health care benefits of \$315.7 million. SERS has approximately 50,000 participants currently receiving health care benefits.

**Note 14 - Other Employee Benefits**

**A. Compensated Absences**

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

Teachers, administrators, and classified employees earn sick leave at a rate of one and one-fourth days per month. Sick leave may be accumulated up to a maximum of two hundred fifteen days for all school personnel. Upon retirement, payment is made for one-fourth of their accrued, but unused sick leave credit to a maximum of forty days for all employees.

**B. Health Care Benefits**

The School District offers medical, dental, and life insurance benefits to all employees who work thirty or more hours per week, bus drivers, and cooks through the Champaign, Delaware, Marion, Union School Employee Welfare Benefit Association Trust. Depending upon the plan chosen, the employees share the cost of the monthly premium with the Board. The premium varies with employee depending on the terms of the union contract.

**C. Special Termination Benefits**

Employees who retired in fiscal year 2002 were offered a special termination benefit. STRS employees were offered a one time retirement incentive in addition to severance benefits and STRS pension benefits. The retirement incentive, in the amount of \$3,000 per \$10,000 of annual salary, is offered in the first year of retirement eligibility. The employee has the opportunity to accept or reject the retirement incentive opportunity. The benefit may be paid directly to the employee and taxed as income, placed in a retirement account of the employee's choosing, or the employee may have the payment delayed until the following calendar year. At June 30, 2002, the liability for special termination benefits was \$23,883. The current special termination benefit program expires in August 2003.

Pleasant Local School District  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2002

**Note 15 - Long-Term Obligations**

Changes in the School District's long-term obligations during fiscal year 2002 were as follows:

	Balance at 6/30/01	Additions	Reductions	Balance at 6/30/02	Amounts Due Within One Year
Governmental Activities					
General Long-Term Obligations					
Energy Conservation Loan FY 1999 4.635%	480,000	0	480,000	0	0
School Improvement Bonds FY 1993 5.045%	3,635,000	0	180,000	3,455,000	185,000
Total General Long-Term Obligations	4,115,000	0	660,000	3,455,000	185,000
Compensated Absences Payable	467,535	46,923	26,018	488,440	45,132
Capital Leases Payable	1,495	9,031	1,495	9,031	3,010
Total Governmental Activities Long-Term Obligations	<u>\$4,584,030</u>	<u>\$55,954</u>	<u>\$687,513</u>	<u>\$3,952,471</u>	<u>\$233,142</u>

Energy Conservation Loan - On April 7, 1999, the School District obtained a loan, in the amount of \$100,000, to provide energy conservation measures for the School District. Only July 14, 1999, the School District obtained an additional loan, in the amount of \$500,000. The loans were obtained under the authority of Ohio Revised Section 133.06, for a ten year period. During fiscal year 2002, the loans were fully retired through the General Fund.

School Improvement General Obligation Bonds - On September 23, 1993, the School District issued \$4,500,000 in voted general obligation bonds for building improvements. The bonds were issued for a twenty-six year period, with final maturity on December 1, 2018. The bonds are being retired through the Bond Retirement debt service fund.

Compensated absences will be paid from the General Fund and the Food Service and Title I special revenue funds. Capital leases will be paid from the General Fund.

The School District's overall debt margin was \$10,803,693 with an unvoted debt margin of \$557,922 at June 30, 2002.

Pleasant Local School District  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2002

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**Note 15 - Long-Term Obligations** (continued)

Principal and interest requirements to retire the general obligation bonds outstanding at June 30, 2002, were as follows:

Fiscal Year Ending	Principal	Interest	Total
2003	\$185,000	\$173,131	\$358,131
2004	195,000	158,570	353,570
2005	200,000	146,662	346,662
2006	210,000	137,537	347,537
2007-2011	1,045,000	534,642	1,579,642
2012-2016	935,000	295,222	1,230,222
2017-2019	685,000	53,678	738,678
Totals	<u>\$3,455,000</u>	<u>\$1,499,442</u>	<u>\$4,954,442</u>

**Note 16 - Capital Leases - Lessee Disclosure**

The School District has entered into capitalized leases for equipment. Each lease meets the criteria of a capital lease as defined by Statement of Financial Accounting Standards No. 13, "Accounting for Leases", which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee. New capital leases are reflected in the accounts "Regular Instruction" and "Inception of Capital Lease" in the funds which will be making the lease payments. Capital lease payments are reflected as debt service expenditures on the statement of revenues, expenditures, and changes in fund balances for the governmental funds. Assets, consisting of equipment, have been capitalized, in the amount of \$11,189, in the governmental funds. Principal payments in 2002 were \$1,495.

	Governmental Activities
Property under Capital Lease	\$11,189
Less Accumulated Depreciation	(575)
Total June 30, 2002	<u>\$10,614</u>



Pleasant Local School District  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2002

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**Note 16 - Capital Leases - Lessee Disclosure** (continued)

The following is a schedule of the future long-term minimum lease payments required under the capital leases and the present value of the minimum lease payments as of June 30, 2002.

Fiscal Year Ending June 30,	Governmental Activities
2003	\$3,245
2004	3,245
2005	3,244
Subtotal	9,734
Less Amount Representing Interest	(703)
Present Value of Net Minimum Lease Payments	\$9,031

**Note 17 - Set Asides**

The School District is required by State statute to annually set aside, in the General Fund, an amount based on a statutory formula for the purchase of textbooks and other instructional materials, and an equal amount for the acquisition and construction of capital improvements. Amounts not spent by the end of the fiscal year or offset by similarly restricted resources received during the fiscal year must be held in cash at fiscal year end. These amounts must be carried forward and used for the same purposes in future years. In prior years, the School District was also required to set aside money for budget stabilization. At June 30, 2002, only the unspent portion of certain workers' compensation refunds continues to be set aside.

The following cash basis information identifies the changes in the fund balance reserves for textbooks, capital improvements, and budget stabilization during fiscal year 2002.

	Textbooks	Capital Improvements	Budget Stabilization
Balance June 30, 2001	(\$10,648)	\$0	\$36,620
Current Year Set Aside Requirement	175,093	175,093	0
Qualifying Expenditures	(173,607)	(175,093)	0
Balance June 30, 2002	(\$9,162)	\$0	\$36,620
Amount Carried Forward to Fiscal Year 2003	\$0	\$0	\$36,620

The School District had qualifying expenditures during the fiscal year that reduced the textbooks set aside amount below zero; however, the School District has decided not to use this amount to reduce the set aside requirement of future fiscal years. The total reserve balance for the set asides at the end of the fiscal year was \$36,620.

**Note 18 - Interfund Transfers**

During fiscal year 2002, the General Fund made transfers to other governmental funds, in the amount of \$41,462, to subsidize various programs in other funds.

**Note 19 - Donor Restricted Endowments**

The School District's private purpose trust fund includes donor restricted endowments. Endowment, in the amount of \$10,000, represents the principal portion. The amount of net appreciation in donor restricted investments that is available for expenditures by the School District is \$61,424 and is included as held in trust for scholarships. State law permits the School District to appropriate, for purposes consistent with the endowment's intent, net appreciation, realized and unrealized, unless the endowment terms specify otherwise. The endowment indicates that the interest should be used to provide a scholarship each year.

**Note 20 - Jointly Governed Organizations**

**A. Tri-Rivers Educational Computer Association**

The School District is a participant in the Tri-Rivers Educational Computer Association (TRECA), which is a computer consortium. TRECA is an association of public school districts within the boundaries of Delaware, Knox, Marion, Morrow, Muskingum, and Wyandot Counties. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member school districts. The governing board of TRECA consists of one representative from each county elected by majority vote of all charter member school districts within each county, one representative from the city school districts, and the superintendent from Tri-Rivers Joint Vocational School. During fiscal year 2002, the School District paid \$51,238 to TRECA for various services. Financial information can be obtained from Mike Carder, who serves as Director, 2222 Marion Mt. Gilead Road, Marion, Ohio 43302.

**B. Tri-Rivers Joint Vocational School**

The Tri-Rivers Joint Vocational School (JVS) is a distinct political subdivision of the State of Ohio which provides vocational education. The JVS operates under the direction of a Board consisting of one representative from each of the ten participating school districts' Board of Education. The degree of control exercised by the School District is limited to its representation on the Board. The Board possesses its own budgeting and taxing authority. Financial information can be obtained from Terril Martin, who serves as Treasurer, 2222 Marion Mt. Gilead Road, Marion, Ohio 43302.

**Note 20 - Jointly Governed Organizations** (continued)

**C. North Central Regional Professional Development Center**

The North Central Regional Professional Development Center (Center) is a jointly governed organization among the school districts in Crawford, Huron, Knox, Marion, Morrow, Richland, Seneca, and Wyandot Counties. The organization was formed to create and sustain self-renewing learning communities to transform education in Ohio so that all learners can achieve their full potential. The Center is governed by a twenty-one member Board made up of representatives from the participating school districts, the business community, and two institutions of higher learning. The degree of control exercised by any participating school district is limited to its representation on the Board. Financial information can be obtained from Eileen Lemaster, Mid-Ohio Educational Service Center, 1495 West Longview Avenue, Suite 202, Mansfield, Ohio 44906.

**D. North Central Ohio Special Education Regional Resource Center**

The North Central Ohio Special Education Regional Resource Center (SERRC) is a jointly governed organization formed to initiate, expand, and improve special education programs and services for children with disabilities and their parents. The SERRC is governed by a fifty-six member board including the superintendent from the participating school districts. The degree of control exercised by the School District is limited to its representation on the Board. Financial information can be obtained from Patricia Lyons, Knox County Educational Service Center, 106 East High Street, Mt. Vernon, Ohio 43050.

**E. Northwestern Ohio Educational Research Council, Inc.**

The Northwestern Ohio Educational Research Council, Inc. (NOERC) is a jointly governed organization formed to bring educational entities into a better understanding of their common educational problems, facilitate and conduct practical educational research, coordinate educational research among members, provide a means for evaluating and disseminating the results of research, serve as a repository for research and legislative materials, and provide opportunities for training. The NOERC serves a twenty-five county area in Northwest Ohio. The Board of Directors consists of superintendents from two educational service centers, two exempted village school districts, five local school districts, and five city school districts, as well as representatives from two private or parochial schools and three institutions of higher education. Each active member is entitled to one vote on all issues addressed by the Board of Directors. Financial information can be obtained from the Northwestern Ohio Educational Research Council, Inc., Box 456, Ashland, Ohio 44805.

**F. Metropolitan Educational Council**

The Metropolitan Educational Council (MEC) is a purchasing cooperative made up of one hundred forty-two school districts, libraries, and related agencies in twenty-seven counties. The purpose of the MEC is to obtain prices for quality merchandise and services commonly used by the participants. The governing board of the MEC consists of one representative from each participant. All participants must pay all fees, charges, or other assessments as established by the MEC. Financial information can be obtained from the Metropolitan Educational Council, Elmo Kallner, who serves as Director, 6100 Channingway Boulevard, Suite 604, Columbus, Ohio 43232.

**Note 21 - Insurance Pools**

**A. Ohio School Boards Association Workers' Compensation Group Rating Plan**

The School District participates in a group rating plan for worker's compensation as established under Section 4123.29 of the Ohio Revised Code. The Ohio School Boards Association Workers' Compensation Group Rating Plan (GRP) was established through the Ohio School Boards Association (OSBA) as an insurance purchasing pool.

The GRP's business and affairs are conducted by a three member Board of Directors consisting of the President, the President-Elect, and the Immediate Past President of the OSBA. The Executive Director of the OSBA, or his designee, serves as coordinator of the GRP. Each year, the participants pay an enrollment fee to the GRP to cover the costs of administering the program.

**B. Champaign, Delaware, Marion, Union School Employee Welfare Benefit Association Trust**

The Champaign, Delaware, Marion, Union School Employee Welfare Benefit Association Trust (Trust), is a public entity shared risk pool consisting of eight school districts and the Madison/Champaign County and Delaware/Union County Educational Service Centers. The Trust is organized as a Voluntary Employee Benefit association under Section 501(c)(9) of the Internal Revenue Code and provides medical, dental, and life insurance benefits to the employees of the participants. Each participant's superintendent is appointed to an Administrative Committee which advises the Trustee concerning aspects of the administration of the Trust.

Each participant decides which plans offered by the Administrative Committee will be extended to its employees. Participation in the Trust is by written application subject to acceptance by the Administrative Committee and payment of monthly premiums. Financial information can be obtained from Joanne Little, who serves as Treasurer, Olentangy Local School District, 814 Shanahan Road, Lewis Center, Ohio, 43035-9080.

**Note 22 - State School Funding Decision**

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

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

**Note 23 - Contingencies**

**A. Grants**

The School District received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 2002.

**B. Litigation**

There are currently no matters in litigation with the School District as defendant.

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PLEASANT LOCAL SCHOOL DISTRICT  
MARION COUNTY

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

<b>FEDERAL GRANTOR</b> <i>Pass Through Grantor</i> Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Non-Cash Receipts	Disburse- ments	Non-Cash Disburse- ments
<b>UNITED STATES DEPARTMENT OF AGRICULTURE</b>						
<i>Passed Through Ohio Department of Education:</i>						
Nutrition Cluster:						
Food Distribution Program	048421-LL-P1-01/02	10.550	\$0	\$38,089	\$0	\$34,404
National School Lunch Program	048421-LL-P1/P4-01/02	10.555	<u>65,370</u>	<u>0</u>	<u>65,370</u>	<u>0</u>
Total U.S. Department of Agriculture - Nutrition Cluster			<u><b>65,370</b></u>	<u><b>38,089</b></u>	<u><b>65,370</b></u>	<u><b>34,404</b></u>
<b>UNITED STATES DEPARTMENT OF EDUCATION</b>						
<i>Passed Through Ohio Department of Education:</i>						
Special Education Grants to States	048421 6B-SF-2002	84.027	<u>76,127</u>	<u>0</u>	<u>76,127</u>	<u>0</u>
Safe and Drug Free Schools & Communities State Grants	048421 DR-S1-2001	84.186	0	0	158	0
	048421 DR-S1-2002		<u>5,543</u>	<u>0</u>	<u>5,543</u>	<u>0</u>
Total Safe and Drug-Free Schools and Communities - State Grants			<u>5,543</u>	<u>0</u>	<u>5,701</u>	<u>0</u>
Title I Grants to Local Educational Agencies	048421 C1-S1-2001	84.010	0	0	31,118	0
	048421 C1-S1-2002		<u>107,132</u>	<u>0</u>	<u>83,495</u>	<u>0</u>
Total Title I Grants to Local Educational Agencies			<u>107,132</u>	<u>0</u>	<u>114,613</u>	<u>0</u>
Innovative Educational Program Strategies	048421 C2-S1-2001	84.298	0	0	908	0
	048421 C2-S1-2002		<u>7,305</u>	<u>0</u>	<u>4,502</u>	<u>0</u>
Total Innovative Educational Program Strategies			<u>7,305</u>	<u>0</u>	<u>5,410</u>	<u>0</u>
Eisenhower Professional Development State Grants	048421 MS-S1-2002	84.281	<u>6,990</u>	<u>0</u>	<u>6,125</u>	<u>0</u>
Class - Size Reduction Program	048421 CR-S1-2002	84.340	<u>33,824</u>	<u>0</u>	<u>33,824</u>	<u>0</u>
Total U.S. Department of Education			<u><b>236,921</b></u>	<u><b>0</b></u>	<u><b>241,800</b></u>	<u><b>0</b></u>
<b>Total Federal Awards</b>			<u><b>\$302,291</b></u>	<u><b>\$38,089</b></u>	<u><b>\$307,170</b></u>	<u><b>\$34,404</b></u>

*The accompanying notes to this schedule are an integral part of this schedule.*

**PLEASANT LOCAL SCHOOL DISTRICT  
MARION COUNTY**

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

**NOTE A--SIGNIFICANT ACCOUNTING POLICIES**

The accompanying Schedule of Federal Awards Receipts and Expenditures summarizes activity of the District's federal award programs. The schedule has been prepared on the cash basis of accounting.

**NOTE B--FOOD DISTRIBUTION**

Non-monetary assistance, such as food received from the U.S. Department of Agriculture, is reported in the Schedule at the fair market value of the commodities received and consumed. Cash receipts from the U.S. Department of Agriculture 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

35 North Fourth Street  
Columbus, Ohio 43215  
Telephone 614-466-3402  
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Facsimile 614-728-7199  
www.auditor.state.oh.us

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

Pleasant Local School District  
Marion County  
1107 Owens Road West  
Marion, Ohio 43302

To the Board of Education:

We have audited the basic financial statements of Pleasant Local School District, Marion County, Ohio, (the District) as of and for the year ended June 30, 2002, and have issued our report thereon dated January 8, 2003, wherein we noted that the District reclassified certain funds from the enterprise fund classification to the special revenue fund classification. 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. However, we noted a certain matter involving the internal control over financial reporting that does not require inclusion in this report, that we have reported to management of the District in a separate letter dated January 8, 2003.

This report is intended solely for the information and use of the finance committee, the Board of Education, management, 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", with a large, stylized flourish at the end.

**JIM PETRO**  
Auditor of State

January 8, 2003



STATE OF OHIO  
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

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

Pleasant Local School District  
Marion County  
1107 Owens Road West  
Marion, Ohio 43302

To the Board of Education:

**Compliance**

We have audited the compliance of Pleasant Local School District, Marion 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 program is identified in the summary of auditor's results section of the accompanying schedule of findings. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

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

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

**Internal Control Over Compliance**

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

Pleasant Local School District  
Marion County  
Report of Independent Accountants on Compliance with Requirements  
Applicable to the Major Federal Program and Internal Control over  
Compliance in Accordance with OMB Circular A-133  
Page 2

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

This report is intended for the information and use of the finance committee, the Board of Education, management, 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 stylized and cursive.

**JIM PETRO**  
Auditor of State

January 8, 2003

**PLEASANT LOCAL SCHOOL DISTRICT  
MARION 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):	CFDA # 84.010 – Title I Grants to Local Educational Agencies
<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





STATE OF OHIO  
OFFICE OF THE AUDITOR  

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**PLEASANT LOCAL SCHOOL DISTRICT**

**MARION 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  
FEBRUARY 20, 2003**