



**PLAIN LOCAL SCHOOL DISTRICT  
STARK COUNTY**

**SINGLE AUDIT**

**FOR THE YEAR ENDED JUNE 30, 2004**



**Auditor of State  
Betty Montgomery**



PLAIN LOCAL SCHOOL DISTRICT  
STARK COUNTY

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## Auditor of State Betty Montgomery

### INDEPENDENT ACCOUNTANTS' REPORT

Plain Local School District  
Stark County  
901 44<sup>th</sup> Street NW  
Canton, Ohio 44709

To the Board of Education:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate discretely presented component units and remaining fund information of the Plain Local School District, Stark County, Ohio, (the District) as of and for the year ended June 30, 2004, which collectively comprise the District's basic financial statements as listed in the Table of Contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate discretely presented component units and remaining fund information of the Plain Local School District, Stark County, Ohio, as of June 30, 2004, and the respective changes in financial position, and the respective budgetary comparison for the General Fund thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 8, 2004 of our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

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

We conducted our audit to form opinions on the financial statements that collectively comprise the District's basic financial statements. The Schedule of Receipts and Expenditures of Federal Awards is required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements. We subjected the Schedule of Receipts and Expenditures of Federal Awards to the auditing procedures applied in the audit of the basic financial statements. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

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

**Betty Montgomery**  
Auditor of State

December 8, 2004

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

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

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

**Financial Highlights**

Key financial highlights for 2004 are as follows:

- In total, net assets of governmental activities decreased \$998,303 which represents a 4.65% decrease from 2003.
- General revenues accounted for \$45,443,189 in revenue or 87.98% of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$6,209,222 or 12.02% of total revenues of \$51,652,411.
- The District had \$52,650,714 in expenses related to governmental activities; \$6,209,222 of these expenses were offset by program specific charges for services, grants or contributions. General revenues supporting governmental activities (primarily taxes and unrestricted grants and entitlements) were not adequate to provide for these programs.
- The District's major governmental funds had \$46,081,427 in revenues and \$51,888,994 in expenditures and other financing uses. The fund balance of the major governmental funds decreased from \$79,576,367 to \$73,774,274.

**Using this Financial Report**

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

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

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

MANAGEMENT'S DISCUSSION AND ANALYSIS  
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**Reporting the District as a Whole**

***Statement of Net Assets and the Statement of Activities***

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

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

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

The District's statement of net assets and statement of activities can be found on pages 15-17 of this report.

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

***Fund Financial Statements***

The analysis of the District's major governmental funds begin on page 10. Fund financial reports provide detailed information about the District's major funds. The District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the District's most significant funds. The District's only major governmental funds are the general fund, debt service fund and building fund.

***Governmental Funds***

Most of the District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in future periods. These funds are reported using an accounting method called *modified accrual* accounting, which measures cash and all other *financial assets* that can readily be converted to cash. The governmental fund financial statements provide a detailed *short-term* view of the District's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance educational programs. The relationship (or differences) between governmental *activities* (reported in the Statement of Net Assets and the Statement of Activities) and governmental *funds* is reconciled in the basic financial statements. The basic governmental fund financial statements can be found on pages 18-22 of this report.



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

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004  
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***Reporting the District's Fiduciary Responsibilities***

The District is the trustee, or fiduciary, for some of its scholarship and foundation programs. This activity is presented as a private purpose trust fund. The District also acts in a trustee capacity as an agent for individuals, private organizations, other governmental units and/or other funds. These activities are reported in two agency funds. The District's fiduciary activities are reported in separate Statements of Fiduciary Net Assets and Changes in Fiduciary Net Assets on pages 23 and 24. These activities are excluded from the District's other financial statements because the assets cannot be utilized by the District to finance its operations.

***Notes to the Basic Financial Statements***

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. These notes to the basic financial statements can be found on pages 25-52 of this report.

**The District as a Whole**

The Statement of Net Assets provides the perspective of the District as a whole. The table below provides a summary of the District's net assets for 2004 and 2003.

	Net Assets	
	Governmental Activities 2004	Governmental Activities 2003
<b><u>Assets</u></b>		
Current and other assets	\$ 108,447,573	\$ 111,583,241
Capital assets	12,373,103	8,808,654
Total assets	120,820,676	120,391,895
<b><u>Liabilities</u></b>		
Current liabilities	32,587,958	29,950,200
Long-term liabilities	67,767,101	68,977,775
Total liabilities	100,355,059	98,927,975
<b><u>Net Assets</u></b>		
Invested in capital assets, net of related debt	5,085,347	4,582,014
Restricted	1,587,945	2,451,335
Unrestricted	13,792,325	14,430,571
Total net assets	\$ 20,465,617	\$ 21,463,920

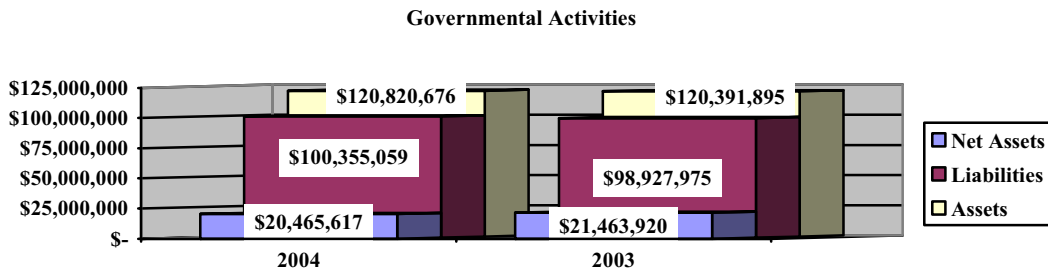
Over time, net assets can serve as a useful indicator of a government's financial position. At June 30, 2004, the District's assets exceeded liabilities by \$20,465,617.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004  
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At year-end, capital assets represented 10.24% of total assets. Capital assets include land, land improvements, buildings and improvements, furniture and equipment, vehicles, textbooks, infrastructure and construction in progress. Capital assets, net of related debt to acquire the assets at June 30, 2004, was \$5,085,347. These capital assets are used to provide services to the students and are not available for future spending. Although the District's investment in capital assets is reported net of related debt, it should be noted the resources to repay the debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities.

A portion of the District's net assets, \$1,587,945, represents resources that are subject to external restriction on how they may be used.



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

**Change in Net Assets**

	Governmental Activities 2004	Governmental Activities 2003
<b>Revenues</b>		
Program revenues:		
Charges for services and sales	\$ 2,257,670	\$ 2,153,545
Operating grants and contributions	3,951,552	4,169,864
Capital grants and contributions	-	109,145
General revenues:		
Property taxes	24,993,758	24,368,040
Grants and entitlements	19,521,421	19,775,843
Investment earnings	869,957	1,275,440
Other	58,053	80,115
<b>Total revenues</b>	<b>51,652,411</b>	<b>51,931,992</b>

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

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004  
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**Change in Net Assets**

	<u>Governmental Activities 2004</u>	<u>Governmental Activities 2003</u>
<b><u>Expenses</u></b>		
Program expenses:		
Instruction:		
Regular	\$ 22,030,517	\$ 20,385,677
Special	4,459,324	4,077,530
Vocational	2,009,875	1,938,977
Other	320,277	318,808
Support services:		
Pupil	2,645,738	2,548,841
Instructional staff	2,991,317	2,903,190
Board of education	47,058	32,254
Administration	3,461,121	3,132,128
Fiscal	710,604	657,605
Business	129,353	124,763
Operations and maintenance	4,373,624	4,150,699
Pupil transportation	2,434,642	2,345,419
Central	107,072	177,993
Operations of non-instructional services	66,629	42,503
Food service operations	1,761,814	1,859,612
Extracurricular activities	1,303,345	1,280,393
Intergovernmental-pass through	635,741	583,856
Interest and fiscal charges	<u>3,162,663</u>	<u>1,369,358</u>
Total	<u>52,650,714</u>	<u>47,929,606</u>
Change in net assets	<u>\$ (998,303)</u>	<u>\$ 4,002,386</u>

**Governmental Activities**

Net assets of the District's governmental activities decreased \$998,303. Total governmental expenses of \$52,650,714 were offset by program revenues of \$6,209,222 and general revenues of \$45,443,189. Program revenues supported 11.79% of the total governmental expenses.

The primary sources of revenue for governmental activities are derived from property taxes, and grants and entitlements. These two revenue sources represent 86.18% and 85.00% of total governmental revenue in 2004 and 2003, respectively. Real estate property is reappraised every six years and updated every three years. As a result of the latest reappraisal by Stark County in 2003, the District's tax valuation increased by 8.95% this year.

Voters approved a \$64,899,913 bond levy in November 2002. This levy, which generates approximately \$4,152,878 per year for 28 years, is expected to provide revenue for debt service through fiscal year 2031.

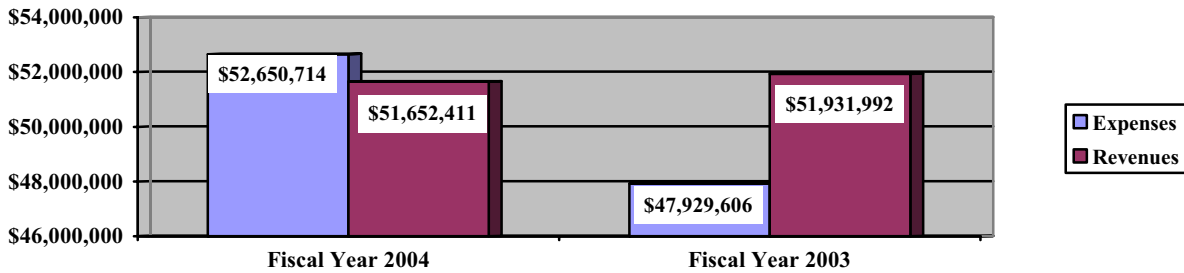
**PLAIN LOCAL SCHOOL DISTRICT  
STARK COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004  
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The District's financial condition has started to decline, primarily due to decreased financial support from the state. Unrestricted state support has decreased an average of 1.88% over the last three years. Unfortunately, with increased assessed valuation locally, the District will be receiving a continued reduction in state support. The state per pupil increase of 2.2% per year in fiscal 2005 is not great enough for the District to overcome the foundation formula charge-off increases due to assessed valuation changes.

The graph below presents the District's governmental activities revenue and expenses for fiscal years 2004 and 2003.

**Governmental Activities - Revenues and Expenses**



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

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

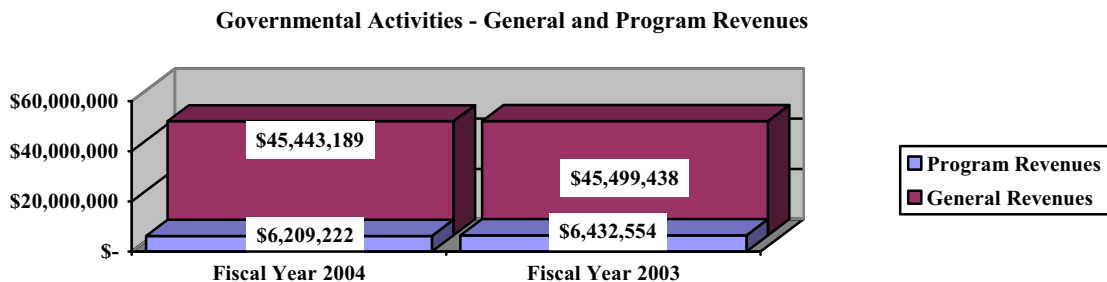
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004  
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**Governmental Activities**

	Total Cost of Services 2004	Net Cost of Services 2004	Total Cost of Services 2003	Net Cost of Services 2003
<b>Program expenses</b>				
Instruction:				
Regular	\$ 22,030,517	\$ 21,374,323	\$ 20,385,677	\$ 19,191,206
Special	4,459,324	3,128,418	4,077,530	3,389,981
Vocational	2,009,875	1,901,067	1,938,977	1,710,990
Other	320,277	316,280	318,808	292,166
Support services:				
Pupil	2,645,738	2,325,246	2,548,841	2,200,409
Instructional staff	2,991,317	2,353,401	2,903,190	2,531,508
Board of education	47,058	47,058	32,254	32,254
Administration	3,461,121	3,297,058	3,132,128	3,027,286
Fiscal	710,604	709,823	657,605	657,605
Business	129,353	129,353	124,763	124,763
Operations and maintenance	4,373,624	4,321,498	4,150,699	3,653,409
Pupil transportation	2,434,642	2,433,549	2,345,419	2,345,419
Central	107,072	94,724	177,993	162,750
Operations of non-instructional services	66,629	11,398	42,503	13,093
Food service operations	1,761,814	98,391	1,859,612	147,025
Extracurricular activities	1,303,345	736,394	1,280,393	721,282
Intergovernmental pass-through	635,741	848	583,856	(73,452)
Interest and fiscal charges	3,162,663	3,162,663	1,369,358	1,369,358
<b>Total</b>	<b>\$ 52,650,714</b>	<b>\$ 46,441,492</b>	<b>\$ 47,929,606</b>	<b>\$ 41,497,052</b>

The dependence upon tax and other general revenues for governmental activities is apparent, 92.71% of instruction activities are supported through taxes and other general revenues. For all governmental activities, general revenue support is 88.21%. The District's taxpayers, as a whole, are by far the primary support for District students.

The graph below presents the District's governmental activities revenue for fiscal years 2004 and 2003.



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

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004  
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**The District's Funds**

The District's governmental funds (as presented on the balance sheet on page 18) reported a combined fund balance of \$74,944,881, which is lower than last year's total of \$80,752,417. The schedule below indicates the fund balance and the total change in fund balance as of June 30, 2004 and 2003.

	<u>Fund Balance</u> <u>June 30, 2004</u>	<u>Fund Balance</u> <u>June 30, 2003</u>	<u>(Decrease)</u>
General	\$ 13,247,116	\$ 15,048,405	\$ (1,801,289)
Debt Service	1,364,945	2,019,084	(654,139)
Building	59,162,213	62,508,878	(3,346,665)
Other Governmental	<u>1,170,607</u>	<u>1,176,050</u>	<u>(5,443)</u>
Total	<u>\$ 74,944,881</u>	<u>\$ 80,752,417</u>	<u>\$ (5,807,536)</u>

**General Fund**

During fiscal year 2004, the District's general fund balance decreased by \$1,801,289. The table that follows assists in illustrating the financial activities of the general fund.

	<u>2004</u> <u>Amount</u>	<u>2003</u> <u>Amount</u>	<u>Percentage</u> <u>Change</u>
<b><u>Revenues</u></b>			
Taxes	\$ 20,963,789	\$ 21,932,818	(4.42)%
Tuition	420,460	356,843	17.83%
Earnings on investments	219,013	581,308	(62.32)%
Intergovernmental	19,015,432	19,535,550	(2.66)%
Other revenues	<u>309,444</u>	<u>332,147</u>	(6.84)%
Total	<u>\$ 40,928,138</u>	<u>\$ 42,738,666</u>	(4.24)%
<b><u>Expenditures</u></b>			
Instruction	\$ 27,021,957	\$ 24,838,833	8.79%
Support services	14,976,275	14,830,770	0.98%
Extracurricular activities	589,144	581,354	1.34%
Debt service	<u>-</u>	<u>50,154</u>	(100.00)%
Total	<u>\$ 42,587,376</u>	<u>\$ 40,301,111</u>	5.67%

**Debt Service**

During fiscal year 2004, the District's debt service fund balance decreased by \$654,139, due to the first principal and interest payments made on the general obligation bonds issued in 2003. Other financing sources and expenditures decreased due to the occurrence of the issuance of bonds and principal retirement of notes in 2003. The table that follows assists in illustrating the financial activities of the debt service fund

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MANAGEMENT'S DISCUSSION AND ANALYSIS  
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	<u>2004</u> <u>Amount</u>	<u>2003</u> <u>Amount</u>	<u>Increase</u> <u>(Decrease)</u>
<b><u>Revenues</u></b>			
Taxes	\$ 3,961,587	\$ 2,288,440	\$ 1,673,147
Intergovernmental	505,989	240,323	265,666
Total	<u>\$ 4,467,576</u>	<u>\$ 2,528,763</u>	<u>\$ 1,938,813</u>
<b><u>Expenditures</u></b>			
Fiscal	\$ 34,756	\$ 1,101	\$ 33,655
Debt Service:			
Principal	1,695,000	65,000,000	(63,305,000)
Interest	3,391,959	582,274	2,809,685
Bond issuance costs	-	673,513	(673,513)
Total	<u>\$ 5,121,715</u>	<u>\$ 66,256,888</u>	<u>\$ (61,135,173)</u>
<b><u>Other Financing Sources</u></b>			
Proceeds from sale of bonds	\$ -	\$ 64,899,913	\$ (64,899,913)
Premium on sale of notes and bonds	-	796,914	(796,914)
Accrued interest on sale of bonds	-	48,489	(48,489)
Total	<u>\$ -</u>	<u>\$ 65,745,316</u>	<u>\$ (65,745,316)</u>

***Building***

During fiscal year 2004, the District's building fund balance decreased \$3,346,665 due to the costs related to the construction projects. The table that follows assists in illustrating the financial activities of the building fund:

	<u>2004</u> <u>Amount</u>	<u>2003</u> <u>Amount</u>	<u>Increase</u>
<b><u>Revenues</u></b>			
Earnings on investments	\$ 685,713	\$ 515,091	\$ 170,622
<b><u>Expenditures</u></b>			
Fiscal	\$ 722	\$ 113	\$ 835
Facilities acquisition and construction	4,031,656	2,906,100	1,125,556
Total	<u>\$ 4,032,378</u>	<u>\$ 2,906,213</u>	<u>\$ 1,126,391</u>
<b><u>Other Financing Sources</u></b>			
Proceeds from sale of notes	<u>\$ -</u>	<u>\$ 64,900,000</u>	<u>\$ 64,900,000</u>

***General Fund Budgeting Highlights***

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

During the course of fiscal year 2004, the District amended its general fund budget several times. For the general fund, actual and final budgeted revenues and other financing sources of \$41,851,594 were \$401,518 lower than the original budgeted revenues estimate of \$42,253,112. This decrease is due to a continued decline in interest earnings, a reduction in bus purchase funds from the state, and decreased reimbursement from other districts.

**PLAIN LOCAL SCHOOL DISTRICT  
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MANAGEMENT'S DISCUSSION AND ANALYSIS  
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General fund original appropriations (appropriated expenditures plus other financing uses) of \$46,049,208 were decreased \$1,272,770 to \$44,776,438 in the final budget and actual expenditures. The District was able to decrease budgeted and actual expenditures primarily because purchased services proved to be lower than anticipated in the original budget. This is a result of increased funding of special education excess costs from federal grants and community school reimbursement to Plain Local.

**Capital Assets and Debt Administration**

*Capital Assets*

At the end of fiscal year 2004, the District had \$12,373,103 invested in land, land improvements, buildings and improvements, furniture and equipment, vehicles, textbooks, construction in progress and infrastructure. This entire amount is reported in governmental activities. The following table shows fiscal 2004 balances compared to 2003:

**Capital Assets at June 30  
(Net of Depreciation)**

	Governmental Activities	
	2004	2003
Land	\$ 2,376,460	\$ 2,376,460
Land improvements	381,179	361,966
Buildings and improvements	2,129,366	2,337,987
Furniture and equipment	1,344,767	1,371,351
Vehicles	1,266,831	1,505,350
Textbooks	-	-
Construction in progress	4,874,500	855,540
Infrastructure	-	-
Total	\$ 12,373,103	\$ 8,808,654

The primary increase occurred in construction in progress. The construction in progress represents the costs incurred at June 30, 2004, associated with the \$64,899,913 bond issue for various District building projects. Total additions to capital assets for 2004 were \$4,414,836 and total disposals were \$102,523.

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



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MANAGEMENT'S DISCUSSION AND ANALYSIS  
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***Debt Administration***

At June 30, 2004, the District had \$63,731,849 in general obligation bonds outstanding. Of this total, \$1,590,000 is due within one year and \$62,141,849 is due within greater than one year. The following table summarizes the bonds outstanding.

**Outstanding Debt, at Year End**

	<u>Governmental Activities 2004</u>	<u>Governmental Activities 2003</u>
General Obligation Bonds:		
Energy Conservation	\$ 350,000	\$ 455,000
School Improvement	<u>63,381,849</u>	<u>64,913,946</u>
Total	<u>\$ 63,731,849</u>	<u>\$ 65,368,946</u>

The energy conservation bonds were issued in fiscal year 1997. These bonds are scheduled to mature in fiscal 2007 and bear an interest rate of 5.35%. Payment of principal and interest on the bonds is being made from the debt service fund.

In 2003, the District passed a 5.1 mill tax levy, providing for various District building improvements. The general obligation bonds are scheduled to mature in fiscal year 2031 and bear an interest rate of 4.583%. Payment of principal and interest on the school improvement bonds will be made from the debt service fund.

At June 30, 2004, the District's overall legal debt margin was \$18,359,851 with an unvoted debt margin of \$896,321. The District maintains an A+ bond rating.

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

**Current Financial Related Activities**

Overall, the District has been financially strong. As the preceding information shows, the District relies heavily upon grants and entitlements, property taxes and the state foundation program. An increase in property tax revenue is expected in fiscal year 2005 due to the increased tax valuation caused by the triennial valuation update. This additional tax revenue, along with the District's cash balance, will provide the District with the necessary funds to meet its operating expenses in fiscal year 2005. However, the future financial stability of the District is not without challenges.

The first challenge is the loss of state foundation revenues due to the increase in local assessed valuation. The District currently has a sufficient cash balance to meet operating expenses. The District reduced planned general fund expenditures for fiscal year 2004 by \$616,885 and has made reductions in planned expenditures of \$1,068,037 for fiscal year 2005. These reductions are accomplished through the elimination of administrative positions. Also, several certified positions have been eliminated or redefined so they are now funded through federal grants. The District has lowered planned purchased services, supplies, and capital outlay expenditures.

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

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

The next challenge facing the District is to continue to attract families to the District. The District's enrollment has been stable the past several years. The District, in order to meet the needs of its families, now sponsors the following three community schools: Golden Eagle Digital Academy, Plain Local Academy of Technology and Little Eagle Kindergarten program. These schools will provide alternative educational opportunities and additional funding opportunities from federal and state sources, as well as program development which benefits the District's students without additional costs to the District.

The last challenge facing the District is the future of state funding. The State of Ohio was found by the Ohio Supreme Court in March 1997 to be operating an unconstitutional educational system, one that was neither "adequate" nor "equitable." Since 1997, the State has directed its tax revenue growth toward school districts with little property tax wealth. On May 16, 2003, the Ohio Supreme Court emphatically clarified that jurisdiction of the DeRolph case had ended. The Ohio Coalition for Equity and Adequacy of School Funding filed a petition with the U.S. Supreme Court for permission to file an appeal. The court is likely to either accept or reject the petition before the end of 2004. The District does not anticipate growth in state revenue, as in the ten years prior to the DeRolph decision; no state revenue growth was realized.

The Governor of the State has appointed a Blue Ribbon Task Force to propose revisions to the current funding system. The Task Force should have recommendations in place for the new State Biennial budget that will go into effect July 1, 2005.

**Contacting the District's Financial Management**

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

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

STATEMENT OF NET ASSETS  
JUNE 30, 2004

	<b>Primary Government</b>			
	<b>Governmental Activities</b>	<b>Golden Eagle Digital Academy</b>	<b>Little Eagle Kindergarten Program</b>	<b>Plain Local Academy of Technology</b>
<b>Assets:</b>				
Equity in pooled cash and cash equivalents. . . . .	\$ 25,508,752	\$ 50,199	\$ 49,328	\$ 46,369
Investments . . . . .	55,205,408	-	-	-
Receivables:				
Taxes . . . . .	26,496,120	-	-	-
Accounts . . . . .	12,437	-	-	-
Intergovernmental . . . . .	274,600	100,778	42,300	81,710
Accrued interest . . . . .	152,061	-	-	-
Prepayments . . . . .	34,512	435	435	435
Materials and supplies inventory . . . . .	104,202	-	-	-
Unamortized bond issue costs . . . . .	659,481	-	-	-
Capital assets:				
Land . . . . .	2,376,460	-	-	-
Construction in progress . . . . .	4,874,500	-	-	-
Depreciable capital assets, net . . . . .	5,122,143	31,161	25,358	53,537
Capital assets, net. . . . .	<u>12,373,103</u>	<u>31,161</u>	<u>25,358</u>	<u>53,537</u>
Total assets. . . . .	<u>120,820,676</u>	<u>182,573</u>	<u>117,421</u>	<u>182,051</u>
<b>Liabilities:</b>				
Accounts payable. . . . .	371,306	17,708	124	630
Contracts payable. . . . .	1,090,536	-	-	-
Accrued wages and benefits . . . . .	5,412,829	-	-	-
Pension obligation payable. . . . .	1,147,748	-	-	-
Intergovernmental payable . . . . .	151,012	-	-	-
Deferred revenue . . . . .	23,803,675	-	-	-
Accrued interest payable . . . . .	610,852	-	-	-
Long-term liabilities:				
Due within one year. . . . .	2,126,184	-	-	-
Due within more than one year . . . . .	65,640,917	-	-	-
Total liabilities . . . . .	<u>100,355,059</u>	<u>17,708</u>	<u>124</u>	<u>630</u>
<b>Net Assets:</b>				
Invested in capital assets, net of related debt. . . . .	5,085,347	31,161	25,358	53,537
Restricted for:				
Capital projects . . . . .	423,387	-	-	-
Debt service. . . . .	859,083	-	-	-
Budget stabilization . . . . .	203,450	-	-	-
Other purposes . . . . .	102,025	118,329	57,656	93,806
Unrestricted. . . . .	<u>13,792,325</u>	<u>15,375</u>	<u>34,283</u>	<u>34,078</u>
Total net assets . . . . .	<u>\$ 20,465,617</u>	<u>\$ 164,865</u>	<u>\$ 117,297</u>	<u>\$ 181,421</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

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

		<u>Program Revenues</u>		<b>Net (Expense) and Changes in Net Assets</b>
		<u>Charges for Services and Sales</u>	<u>Operating Grants and Contributions</u>	<u>Primary Government</u>
<b>Governmental Activities:</b>	<u>Expenses</u>			<u>Governmental Activities</u>
Instruction:				
Regular . . . . .	\$ 22,030,517	\$ 395,349	\$ 260,845	\$ (21,374,323)
Special . . . . .	4,459,324	194,537	1,136,369	(3,128,418)
Vocational . . . . .	2,009,875	62,082	46,726	(1,901,067)
Other . . . . .	320,277	-	3,997	(316,280)
Support services:				
Pupil . . . . .	2,645,738	-	320,492	(2,325,246)
Instructional staff . . . . .	2,991,317	-	637,916	(2,353,401)
Board of education . . . . .	47,058	-	-	(47,058)
Administration . . . . .	3,461,121	-	164,063	(3,297,058)
Fiscal . . . . .	710,604	-	781	(709,823)
Business . . . . .	129,353	-	-	(129,353)
Operations and maintenance . . . . .	4,373,624	19,877	32,249	(4,321,498)
Pupil transportation . . . . .	2,434,642	-	1,093	(2,433,549)
Central . . . . .	107,072	-	12,348	(94,724)
Operation of non-instructional services:				
Food service operations . . . . .	1,761,814	1,018,874	644,549	(98,391)
Other non-instructional services . . . . .	66,629	-	55,231	(11,398)
Extracurricular activities . . . . .	1,303,345	566,951	-	(736,394)
Intergovernmental pass-through . . . . .	635,741	-	634,893	(848)
Interest and fiscal charges . . . . .	<u>3,162,663</u>	<u>-</u>	<u>-</u>	<u>(3,162,663)</u>
Total governmental activities . . . . .	<u>\$ 52,650,714</u>	<u>\$ 2,257,670</u>	<u>\$ 3,951,552</u>	<u>(46,441,492)</u>
<b>Component Units:</b>				
Golden Eagle Digital Academy . . . . .	230,818	117,305	155,925	-
Little Eagle Kindergarten Program . . . . .	253,600	69,704	48,000	-
Plain Local Academy of Preschool/latchkey Technology . . . . .	<u>220,588</u>	<u>136,800</u>	<u>48,000</u>	<u>-</u>
Total component units . . . . .	<u>\$ 705,006</u>	<u>\$ 323,809</u>	<u>\$ 251,925</u>	<u>-</u>
<b>General Revenues:</b>				
Property taxes levied for:				
General purposes . . . . .				21,012,727
Debt service . . . . .				3,981,031
Grants and entitlements not restricted to specific programs . . . . .				19,521,421
Investment earnings . . . . .				869,957
Miscellaneous . . . . .				<u>58,053</u>
Total general revenues . . . . .				<u>45,443,189</u>
Change in net assets . . . . .				(998,303)
Net assets at beginning of year . . . . .				<u>21,463,920</u>
Net assets at end of year . . . . .				<u>\$ 20,465,617</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

<b>Component Units</b>		
<b>Golden Eagle Digital Academy</b>	<b>Little Eagle Kindergarten Program</b>	<b>Plain Local Academy of Technology</b>
\$ -	\$ -	\$ -
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
42,412	-	-
-	(135,896)	-
-	-	(35,788)
<b>42,412</b>	<b>(135,896)</b>	<b>(35,788)</b>
-	-	-
-	-	-
-	-	-
-	-	-
-	967	552
-	967	552
42,412	(134,929)	(35,236)
122,453	252,226	216,657
<b>\$ 164,865</b>	<b>\$ 117,297</b>	<b>\$ 181,421</b>

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

BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2004

	<u>General</u>	<u>Debt Service</u>	<u>Building</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Assets:</b>					
Equity in pooled cash and cash equivalents . . . . .	\$ 17,877,950	\$ 1,030,015	\$ 5,044,216	\$ 1,353,121	\$ 25,305,302
Investments . . . . .	-	-	55,205,408	-	55,205,408
Receivables:					
Taxes . . . . .	21,995,416	4,500,704	-	-	26,496,120
Accounts . . . . .	12,437	-	-	-	12,437
Intergovernmental . . . . .	37,614	-	-	236,986	274,600
Accrued interest . . . . .	53,735	-	98,326	-	152,061
Interfund loans . . . . .	14,900	-	-	-	14,900
Prepayments . . . . .	34,512	-	-	-	34,512
Materials and supplies inventory . . . . .	83,182	-	-	21,020	104,202
Restricted assets:					
Equity in pooled cash and cash equivalents . . . . .	203,450	-	-	-	203,450
<b>Total assets . . . . .</b>	<b><u>\$ 40,313,196</u></b>	<b><u>\$ 5,530,719</u></b>	<b><u>\$ 60,347,950</u></b>	<b><u>\$ 1,611,127</u></b>	<b><u>\$ 107,802,992</u></b>
<b>Liabilities:</b>					
Accounts payable . . . . .	\$ 345,759	\$ -	\$ -	\$ 25,547	\$ 371,306
Contracts payable . . . . .	-	-	1,090,536	-	1,090,536
Accrued wages and benefits . . . . .	5,067,422	-	-	345,407	5,412,829
Compensated absences payable . . . . .	198,354	-	-	1,880	200,234
Early retirement incentive payable . . . . .	220,000	-	-	5,000	225,000
Pension obligation payable . . . . .	663,948	-	-	36,536	700,484
Intergovernmental payable . . . . .	139,762	-	-	11,250	151,012
Interfund loan payable . . . . .	-	-	-	14,900	14,900
Deferred revenue . . . . .	20,430,835	4,165,774	95,201	-	24,691,810
<b>Total liabilities . . . . .</b>	<b><u>27,066,080</u></b>	<b><u>4,165,774</u></b>	<b><u>1,185,737</u></b>	<b><u>440,520</u></b>	<b><u>32,858,111</u></b>
<b>Fund Balances:</b>					
Reserved for encumbrances . . . . .	2,267,484	-	6,136,133	199,701	8,603,318
Reserved for materials and supplies inventory . . . . .	83,182	-	-	21,020	104,202
Reserved for prepayments . . . . .	34,512	-	-	-	34,512
Reserved for property tax unavailable for appropriation . . . . .	1,614,250	334,930	-	-	1,949,180
Reserved for BWC refunds . . . . .	203,450	-	-	-	203,450
Unreserved:					
Designation for budget stabilization . . . . .	1,255,941	-	-	-	1,255,941
Undesignated, reported in:					
General fund . . . . .	7,788,297	-	-	-	7,788,297
Special revenue funds . . . . .	-	-	-	526,499	526,499
Debt service fund . . . . .	-	1,030,015	-	-	1,030,015
Capital projects funds . . . . .	-	-	53,026,080	423,387	53,449,467
<b>Total fund balances . . . . .</b>	<b><u>13,247,116</u></b>	<b><u>1,364,945</u></b>	<b><u>59,162,213</u></b>	<b><u>1,170,607</u></b>	<b><u>74,944,881</u></b>
<b>Total liabilities and fund balances . . . . .</b>	<b><u>\$ 40,313,196</u></b>	<b><u>\$ 5,530,719</u></b>	<b><u>\$ 60,347,950</u></b>	<b><u>\$ 1,611,127</u></b>	<b><u>\$ 107,802,992</u></b>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

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

<b>Total governmental fund balances</b>		\$ 74,944,881
<i>Amounts reported for governmental activities in the statement of net assets are different because:</i>		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		12,373,103
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.		
Taxes	\$ 758,930	
Accrued interest	129,205	
Total		888,135
Unamortized premiums on bond issuance is not recognized in the funds.		(662,302)
Unamortized bond issuance costs are not recognized in the funds.		659,481
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.		
Compensated absences	2,947,716	
Pension obligation payable	447,264	
Energy conservation bonds	350,000	
General obligation bonds payable	63,381,849	
Accrued interest payable	610,852	
Total		(67,737,681)
<b>Net assets of governmental activities</b>		<b>\$ 20,465,617</b>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

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

	<u>General</u>	<u>Debt Service</u>	<u>Building</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Revenues:</b>					
From local sources:					
Taxes . . . . .	\$ 20,963,789	\$ 3,961,587	\$ -	\$ -	\$ 24,925,376
Tuition . . . . .	420,460	-	-	-	420,460
Charges for services. . . . .	-	-	-	1,018,874	1,018,874
Earnings on investments. . . . .	219,013	-	685,713	12,689	917,415
Extracurricular. . . . .	6	-	-	566,945	566,951
Classroom materials and fees . . . . .	208,818	-	-	-	208,818
Other local revenues. . . . .	100,620	-	-	5,552	106,172
Other revenue . . . . .	-	-	-	700	700
Intergovernmental - State. . . . .	18,947,944	505,989	-	1,169,445	20,623,378
Intergovernmental - Federal . . . . .	67,488	-	-	3,255,780	3,323,268
Total revenue . . . . .	<u>40,928,138</u>	<u>4,467,576</u>	<u>685,713</u>	<u>6,029,985</u>	<u>52,111,412</u>
<b>Expenditures:</b>					
Current:					
Instruction:					
Regular . . . . .	21,419,769	-	-	317,665	21,737,434
Special. . . . .	3,358,134	-	-	1,069,118	4,427,252
Vocational. . . . .	1,930,946	-	-	54,543	1,985,489
Other. . . . .	313,108	-	-	6,293	319,401
Support services:					
Pupil. . . . .	2,309,857	-	-	318,299	2,628,156
Instructional staff . . . . .	2,307,928	-	-	654,810	2,962,738
Board of education . . . . .	47,058	-	-	-	47,058
Administration. . . . .	3,244,082	-	-	159,124	3,403,206
Fiscal . . . . .	673,778	34,756	722	878	710,134
Business . . . . .	130,732	-	-	-	130,732
Operations and maintenance. . . . .	3,964,248	-	-	51,698	4,015,946
Pupil transportation . . . . .	2,206,353	-	-	1,210	2,207,563
Central. . . . .	92,239	-	-	13,148	105,387
Operation of non-instructional services:					
Food service operations . . . . .	-	-	-	1,744,483	1,744,483
Other non-instructional services . . . . .	-	-	-	54,758	54,758
Extracurricular activities. . . . .	589,144	-	-	714,124	1,303,268
Intergovernmental pass-through . . . . .	-	-	-	635,741	635,741
Facilities acquisition and construction . . . . .	-	-	4,031,656	380,854	4,412,510
Debt service:					
Principal retirement . . . . .	-	1,695,000	-	-	1,695,000
Interest and fiscal charges . . . . .	-	3,391,959	-	-	3,391,959
Total expenditures . . . . .	<u>42,587,376</u>	<u>5,121,715</u>	<u>4,032,378</u>	<u>6,176,746</u>	<u>57,918,215</u>
Excess of revenues under expenditures . . . . .	<u>(1,659,238)</u>	<u>(654,139)</u>	<u>(3,346,665)</u>	<u>(146,761)</u>	<u>(5,806,803)</u>
<b>Other financing sources (uses):</b>					
Transfers in . . . . .	-	-	-	147,525	147,525
Transfers (out). . . . .	(147,525)	-	-	-	(147,525)
Total other financing sources (uses) . . . . .	<u>(147,525)</u>	<u>-</u>	<u>-</u>	<u>147,525</u>	<u>-</u>
Net change in fund balances . . . . .	(1,806,763)	(654,139)	(3,346,665)	764	(5,806,803)
<b>Fund balances at beginning of year . . . . .</b>	15,048,405	2,019,084	62,508,878	1,176,050	80,752,417
<b>Increase (decrease) in reserve for inventory</b>	5,474	-	-	(6,207)	(733)
<b>Fund balances at end of year. . . . .</b>	<u>\$ 13,247,116</u>	<u>\$ 1,364,945</u>	<u>\$ 59,162,213</u>	<u>\$ 1,170,607</u>	<u>\$ 74,944,881</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS



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

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

<b>Net change in fund balances - total governmental funds</b>	\$	(5,806,803)
<i>Amounts reported for governmental activities in the statement of activities are different because:</i>		
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeds depreciation expense in the current period.		3,564,449
Premiums on debt issuances are recognized as revenues in the governmental funds, however, they are amortized over the life of the issuance in the statement of activities.		(14,032)
Bond issuance costs are recognized as expenditures in the governmental funds, however, they are amortized over the life of the issuance in the statement of activities.		14,092
Governmental funds report expenditures for inventory when purchased. However, in the statement of activities, they are reported as an expense when consumed.		(733)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		(459,001)
Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.		1,695,000
Governmental funds report expenditures for interest when it is due. In the statement of activities, interest expense is recognized as the interest accrues, regardless of when it is due. The additional interest reported in the statement of activities is due to the accrued interest on bonds and additional accumulated accreted interest on the capital appreciation bonds.		229,236
Some expenses reported in the statement of activities, such as compensated absences and pension obligations, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.		<u>(220,511)</u>
<b>Change in net assets of governmental activities</b>	<b>\$</b>	<b><u>(998,303)</u></b>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

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

	<u>Budgeted Amounts</u>			<b>Variance with Final Budget Over (Under)</b>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
<b>Revenues:</b>				
From local sources:				
Taxes . . . . .	\$ 20,893,069	\$ 21,218,669	\$ 21,218,669	\$ -
Tuition . . . . .	512,400	412,286	412,286	-
Earnings on investments . . . . .	450,000	253,057	253,057	-
Extracurricular . . . . .	-	6	6	-
Classroom materials and fees . . . . .	199,400	208,818	208,818	-
Other local revenues . . . . .	107,650	100,620	100,620	-
Intergovernmental - State . . . . .	19,211,683	18,947,944	18,947,944	-
Intergovernmental - Federal . . . . .	30,000	34,702	34,702	-
Total revenue . . . . .	<u>41,404,202</u>	<u>41,176,102</u>	<u>41,176,102</u>	<u>-</u>
<b>Expenditures:</b>				
Current:				
Instruction:				
Regular . . . . .	21,472,039	21,078,196	21,078,196	-
Special . . . . .	4,184,163	4,378,406	4,378,406	-
Vocational . . . . .	1,912,990	1,932,734	1,932,734	-
Other . . . . .	318,477	319,660	319,660	-
Support services:				
Pupil . . . . .	2,838,129	2,586,294	2,586,294	-
Instructional staff . . . . .	2,404,081	2,346,716	2,346,716	-
Board of education . . . . .	57,818	53,519	53,519	-
Administration . . . . .	3,352,622	3,175,777	3,175,777	-
Fiscal . . . . .	677,628	677,886	677,886	-
Business . . . . .	125,261	129,113	129,113	-
Operations and maintenance . . . . .	4,578,005	4,548,802	4,548,802	-
Pupil transportation . . . . .	2,443,372	2,254,443	2,254,443	-
Central . . . . .	171,901	112,966	112,966	-
Extracurricular activities . . . . .	571,234	572,110	572,110	-
Total expenditures . . . . .	<u>45,107,720</u>	<u>44,166,622</u>	<u>44,166,622</u>	<u>-</u>
Excess of revenues over (under) expenditures . . . . .	<u>(3,703,518)</u>	<u>(2,990,520)</u>	<u>(2,990,520)</u>	<u>-</u>
<b>Other financing sources (uses):</b>				
Refund of prior year expenditure . . . . .	75,000	71,354	71,354	-
Transfers (out) . . . . .	(173,792)	(168,372)	(168,372)	-
Advances in . . . . .	773,910	604,138	604,138	-
Advances (out) . . . . .	(767,696)	(441,444)	(441,444)	-
Total other financing sources (uses) . . . . .	<u>(92,578)</u>	<u>65,676</u>	<u>65,676</u>	<u>-</u>
Net change in fund balance . . . . .	(3,796,096)	(2,924,844)	(2,924,844)	-
<b>Fund balance at beginning of year . . . . .</b>	15,987,259	15,987,259	15,987,259	-
<b>Prior year encumbrances appropriated . . . . .</b>	2,459,506	2,459,506	2,459,506	-
<b>Fund balance at end of year . . . . .</b>	<u>\$ 14,650,669</u>	<u>\$ 15,521,921</u>	<u>\$ 15,521,921</u>	<u>\$ -</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF FIDUCIARY NET ASSETS  
FIDUCIARY FUNDS  
JUNE 30, 2004

	<b>Private Purpose Trust</b>	
	<b>Scholarship</b>	<b>Agency</b>
<b>Assets:</b>		
Equity in pooled cash and cash equivalents . . . . .	\$ 2,261	\$ 228,620
Total assets. . . . .	2,261	228,620
<b>Liabilities:</b>		
Accounts payable. . . . .	-	2,556
Intergovernmental payable . . . . .	-	125,199
Due to students . . . . .	-	100,865
Total liabilities . . . . .	-	\$ 228,620
<b>Net Assets:</b>		
Held in trust for scholarships . . . . .	2,261	
Total net assets . . . . .	\$ 2,261	

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

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

	<b>Private Purpose Trust</b>
	<b>Scholarship</b>
<b>Additions:</b>	
Interest . . . . .	\$ 27
Gifts and contributions. . . . .	25
	52
Total additions. . . . .	52
<b>Deductions:</b>	
Scholarships awarded . . . . .	499
	(447)
Change in net assets . . . . .	(447)
Net assets at beginning of year. . . . .	2,708
Net assets at end of year . . . . .	\$ 2,261

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

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

**NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT**

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

The District ranks as the 52<sup>nd</sup> largest by total enrollment among the 613 public school districts in the state, and 2<sup>nd</sup> largest in Stark County. The District employs 316 non-certified and 508 certified employees to provide services to 6,090 students in grades K through 12 and various community groups.

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

**A. Reporting Entity**

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

Component units are legally separate organizations for which the District is financially accountable. The District is financially accountable for an organization if the District appoints a voting majority of the organizations' government board and (1) the District is able to significantly influence the programs or services performed or provided by the organization; or (2) the District is legally entitled to or can otherwise access the organization's resources; the District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the District in that the District approves the budget, the issuance of debt or the levying of taxes. Based upon the application of the criteria, the District has three component units. The basic financial statements of the reporting entity include only those of the District (the primary government). The following organizations are described due to their relationship to the District:

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

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

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

*DISCRETELY PRESENTED COMPONENT UNITS*

Golden Eagle Digital Academy

The Golden Eagle Digital Academy (the "Academy") was established pursuant to Ohio Revised Code Chapters 3314 and 3314.03 to establish a new conversion school in Plain Local School District addressing the needs of students in kindergarten through the twelfth grade. The Academy is designed for students who have a desire for, and whose education can be optimized by, a program of online instruction in an independent environment. Because the focus is on distance learning, the ability of students to learn independently in their own homes using an online educational program is an essential element of the Academy's program. The Academy operates under the direction of a five-member Board of Directors, of which the District appoints three of the Board of Directors. The District is able to impose its will upon the operations for the Academy; therefore, the financial activity of the Academy is presented as a discretely presented component unit of the District. Separately issued financial statements can be obtained from the Treasurer of the Academy at 901 44<sup>th</sup> Street, NW, Canton, Ohio 44709-1699.

Little Eagle Kindergarten Program

The Little Eagle Kindergarten (the "School") was established pursuant to Ohio Revised Code Chapters 3314 and 3314.03 to establish a new conversion school in Plain Local School District addressing the needs of students in kindergarten. The School provides opportunities for school aged students whose parents are seeking a "center experience" in a developmentally appropriate environment. The School operates under the direction of a five-member Board of Directors, of which the District appoints three of the Board of Directors. The District is able to impose its will upon the operations for the School; therefore, the financial activity of the School is presented as a discretely presented component unit of the District. Separately issued financial statements can be obtained from the Treasurer of the School at 901 44<sup>th</sup> Street, NW, Canton, Ohio 44709-1699.

Plain Local Academy of Technology

The Plain Local Academy of Technology (the "Academy") was established pursuant to Ohio Revised Code Chapters 3314 and 3314.03 to establish a new conversion school in Plain Local School District addressing the needs of students in fourth through eighth grade. The Academy provides opportunities for students with career interests in music technology, communications technology and multimedia productions. The Academy operates under the direction of a five-member Board of Directors, of which the District appoints three of the Board of Directors. The District is able to impose its will upon the operations for the Academy; therefore, the financial activity of the Academy is presented as a discretely presented component unit of the District. Separately issued financial statements can be obtained from the Treasurer of the Academy at 901 44<sup>th</sup> Street, NW, Canton, Ohio 44709-1699.

Information in the following notes to the basic financial statements is applicable to the primary government. Information relative to the component units can be found in the separately issued financial statements.

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

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

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

*JOINTLY GOVERNED ORGANIZATION*

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

*PUBLIC ENTITY RISK POOL*

The Stark County Schools Council of Government (the "Council") is governed by an assembly which consists of one representative from each participating school district (usually the superintendent or designee). The assembly elects officers for one year terms to serve as the Board of Directors. The assembly exercises control over the operation of the Council. All Council revenues are generated from charges for services. The Council has a Health Benefits Program which is a shared risk pool comprised of 39 Stark County entities, most of which are school districts.

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

**B. Fund Accounting**

The District uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self balancing set of accounts. There are three categories of funds: governmental, proprietary and fiduciary. The District does not have proprietary funds.

*GOVERNMENTAL FUNDS*

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

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

*Debt Service Fund* - The debt service fund is used to account for the accumulation of resources and payment of general obligation bond and principal and interest from governmental resources when the government is obligated in some manner for payment. It is also used to account for the accumulation of resources and payment of general obligation bonds and notes payable.

*Building Fund* - This fund used to account for monies received and expended in connection with the renovation and construction of District buildings.

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

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

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

Other governmental funds of the District are used to account for (a) financial resources to be used for the acquisition, construction, or improvement of capital facilities other than those financed by proprietary and trust funds; and (b) for grants and other resources whose use is 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 District under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the District's own programs. The District's only trust fund is a private purpose trust which accounts for scholarship programs for students. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The District's two agency funds are the District Agency and Student Managed Activities funds.

**C. Basis of Presentation and Measurement Focus**

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

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

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

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

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

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



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

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

**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.

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

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

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

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

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

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

Expenses/Expenditures - On the accrual basis of accounting, expenses are recognized at the time they are incurred. The fair value of donated commodities used during the year is reported in the Statement of Revenues, Expenditures and Changes in Fund Balances as an expenditure with a like amount reported as intergovernmental revenue.

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

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

**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. Allocation of cost, such as depreciation and amortization, are not recognized in governmental funds.

**E. Budgets**

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

1. Prior to January 15 of the preceding year, the Superintendent and Treasurer submit to the Board of Education a proposed operating budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing for all funds. Public hearings are publicized and conducted to obtain taxpayers' comments. The express purpose of this budget document is to reflect the need for existing (or increased) tax rates.
2. By no later than January 20, the board-adopted budget is filed with the Stark County Budget Commission for tax rate determination.
3. Prior to April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the Budget Commission and receives the Commission's Certificate of Estimated Resources which states the projected revenue of each fund. Prior to June 30, the District must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the Certificate of Estimated Resources. The revised budget then serves as a basis for the appropriation measure. On or about July 1, the Certificate is amended to include any unencumbered balances from the preceding year as reported by the District Treasurer. The Certificate may be further amended during the year if projected increases or decreases in revenue are identified by the District Treasurer. The amounts reported in the budgetary statement reflect the amounts set forth in the final Amended Certificate issued for fiscal year 2004.
4. By July 1, the annual Appropriation Resolution is legally enacted by the Board of Education at the fund level of expenditures, which is the legal level of budgetary control. State statute permits a temporary appropriation to be effective until no later than October 1 of each year. Although the legal level of budgetary control was established at the fund level of expenditures, the District has elected to present budgetary statement comparisons at the fund and function level of expenditures. Resolution appropriations by fund must be within the estimated resources as certified by the County Budget Commission, and the total of expenditures and encumbrances may not exceed the appropriation total.
5. Any revisions that alter the total of any fund appropriation must be approved by the Board of Education.
6. Formal budgetary integration is employed as a management control device during the year for all funds consistent with the general obligation bond indenture and other statutory provisions. All funds completed the year within the amount of their legally authorized cash basis appropriation.

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

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

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

7. Appropriation amounts are as originally adopted, or as amended by the Board of Education through the year by supplemental appropriations which either reallocated or increased the original appropriated amounts. All supplemental appropriations were legally enacted by the Board during fiscal 2004. All amounts reported in the budgetary statement reflect the original appropriations plus all modifications legally enacted by the Board.
8. Unencumbered appropriations lapse at year-end. Encumbered appropriations are carried forward to the succeeding fiscal year and need not be reappropriated. Expenditures plus encumbrances may not legally exceed budgeted appropriations at the fund level.

**F. Cash and Investments**

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

During fiscal year 2004, investments were limited to overnight repurchase agreements, federal agency securities, and investments in the State Asset Treasury Reserve of Ohio (STAR Ohio). Except for nonparticipating investment contracts, investments are reported at fair value, which is based on quoted market prices. Nonparticipating investment contracts such as repurchase agreements and nonnegotiable certificates of deposit are reported at cost.

The District has invested funds in STAR Ohio during fiscal 2004. STAR Ohio is an investment pool managed by the State Treasurer's Office, which allows governments within the state to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price which is the price the investment could be sold for on June 30, 2004.

Under existing Ohio statutes all investment earnings are assigned to the general fund except for those specifically related to the auxiliary services fund, public schools support fund, permanent improvement fund, building fund and private purpose trust fund individually authorized by board resolution. Interest revenue credited to the general fund during fiscal year 2004 amounted to \$219,013, which includes \$16,303 assigned from other District funds.

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

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

**G. Inventory**

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

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

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

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

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

**H. Capital Assets**

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

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their fair market values as of the date received. The District maintains a capitalization threshold of \$2,500. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not.

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

<u>Description</u>	<u>Governmental Activities Estimated Lives</u>
Land improvements	20 years
Buildings and improvements	25 - 50 years
Furniture and equipment	5 - 20 years
Vehicles	6 - 10 years
Textbooks	5 years
Infrastructure	30 years

**I. Interfund Balances**

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

**J. Compensated Absences**

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

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

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

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

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

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

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

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

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

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

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

**L. Fund Reserves/Designations**

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

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

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

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

**M. Net Assets**

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

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

**N. Prepayments**

Certain payments to vendors reflect the costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements. These items are reported as assets on the balance sheet using the consumption method. A current asset for the prepaid amounts is recorded at the time of the purchase and the expenditure/expense is reported in the year in which services are consumed.

**O. Estimates**

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

**P. Restricted Assets**

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

**Q. Interfund Activity**

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

**R. Parochial and Private Schools**

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

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

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

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

**S. Extraordinary and Special Items**

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

**NOTE 3 - ACCOUNTABILITY AND COMPLIANCE**

**Deficit Fund Balances**

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

	<u>Deficit</u>
<u>Nonmajor Funds</u>	
Disadvantaged Pupil Impact Aid	\$ 854
Career Education	295
Drug-Free Schools	130

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

**NOTE 4 - EQUITY IN POOLED CASH AND CASH EQUIVALENTS**

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

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

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

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

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

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

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

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



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

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

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

*Deposits:* At year-end, the carrying amount of the District's deposits was \$7,598,631 and the bank balance was \$8,009,391. Of the bank balance:

1. \$300,000 was covered by federal depository insurance or surety company bonds deposited with the District; and
2. \$7,709,391 was uninsured and unregistered as defined by GASB although it was secured by collateral held by third party trustees, pursuant to section 135.181 Ohio Revised Code, in collateralized pools securing all public funds on deposit with specific depository institutions; these securities not being in the name of the District. Although all State statutory requirements for the deposit of money had been followed, non-compliance with federal requirements would potentially subject the District to a successful claim by the FDIC.

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

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

	<u>Category 2</u>	<u>Reported Amount</u>	<u>Fair Value</u>
Repurchase agreements	\$ 170,000	\$ 170,000	\$ 170,000
Federal agency securities	<u>65,087,336</u>	65,087,336	65,087,336
Total	<u>\$ 65,257,336</u>		
Investment in STAR Ohio		<u>8,089,074</u>	<u>8,089,074</u>
Total investments		<u>\$ 73,346,410</u>	<u>\$ 73,346,410</u>

**PLAIN LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

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

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

	<u>Cash and Cash Equivalents/Deposits</u>	<u>Investments</u>
GASB Statement No. 9	\$ 25,739,633	\$ 55,205,408
Investments of the cash management pool:		
Repurchase agreements	(170,000)	170,000
Investment in STAR Ohio	(8,089,074)	8,089,074
Federal agency securities	<u>(9,881,928)</u>	<u>9,881,928</u>
GASB Statement No. 3	<u>\$ 7,598,631</u>	<u>\$ 73,346,410</u>

**NOTE 5 - INTERFUND TRANSACTIONS**

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

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Nonmajor governmental funds	\$ 14,900

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

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

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

Transfers to Nonmajor Governmental funds from:	
General Fund	\$147,525

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

**PLAIN LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

**NOTE 6 - PROPERTY TAXES**

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

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

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

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

The District receives property taxes from Stark County. The County Auditor periodically advances to the District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2004, are available to finance fiscal year 2004 operations. The amount available as an advance at June 30, 2004 was \$1,614,250 in the general fund and \$334,930 in the debt service fund. The amount available for advance at June 30, 2003 was \$1,869,130 in the general fund and \$359,550 in the debt service fund. The amount of second-half real property taxes available for advance at fiscal year-end can vary depending upon when the tax bills are sent by the County Auditor.

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

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

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

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

**NOTE 6 - PROPERTY TAXES - (Continued)**

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

	2003 Second Half Collections		2004 First Half Collections	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/Residential and Other Real Estate	\$ 764,776,400	93.24	\$ 843,273,220	94.08
Public Utility Personal	22,349,150	2.72	22,685,110	2.53
Tangible Personal Property	<u>33,100,347</u>	<u>4.04</u>	<u>30,362,250</u>	<u>3.39</u>
Total	<u>\$ 820,225,897</u>	<u>100.00</u>	<u>\$ 896,320,580</u>	<u>100.00</u>
Tax rate per \$1,000 of assessed valuation:				
Operations	\$ 52.60		\$ 52.60	
Debt service	5.10		5.10	

**NOTE 7 - RECEIVABLES**

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

<b>Governmental Activities</b>	
Property taxes	\$ 26,496,120
Accounts	12,437
Intergovernmental	274,600
Accrued interest	<u>152,061</u>
Total	<u>\$ 26,935,218</u>

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

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

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

**NOTE 8 - CAPITAL ASSETS**

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

	<u>Balance 06/30/03</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance 06/30/04</u>
<i>Capital assets, not being depreciated:</i>				
Land	\$ 2,376,460	\$ -	\$ -	\$ 2,376,460
Construction in progress	<u>855,540</u>	<u>4,018,960</u>	<u>-</u>	<u>4,874,500</u>
Total capital assets, not being depreciated	<u>3,232,000</u>	<u>4,018,960</u>	<u>-</u>	<u>7,250,960</u>
<i>Capital assets, being depreciated:</i>				
Land improvements	1,779,763	48,325	-	1,828,088
Buildings and improvements	11,631,933	-	-	11,631,933
Furniture and equipment	4,442,977	242,515	-	4,685,492
Vehicles	3,816,868	105,036	(102,523)	3,819,381
Textbooks	2,525,194	-	-	2,525,194
Infrastructure	<u>77,183</u>	<u>-</u>	<u>-</u>	<u>77,183</u>
Total capital assets, being depreciated	<u>24,273,918</u>	<u>395,876</u>	<u>(102,523)</u>	<u>24,567,271</u>
<i>Less: accumulated depreciation</i>				
Land improvements	(1,417,797)	(29,112)	-	(1,446,909)
Buildings and improvements	(9,293,946)	(208,621)	-	(9,502,567)
Furniture and equipment	(3,071,626)	(269,099)	-	(3,340,725)
Vehicles	(2,311,518)	(343,555)	102,523	(2,552,550)
Textbooks	(2,525,194)	-	-	(2,525,194)
Infrastructure	<u>(77,183)</u>	<u>-</u>	<u>-</u>	<u>(77,183)</u>
Total accumulated depreciation	<u>(18,697,264)</u>	<u>(850,387)</u>	<u>102,523</u>	<u>(19,445,128)</u>
Governmental activities capital assets, net	<u>\$ 8,808,654</u>	<u>\$ 3,564,449</u>	<u>\$ -</u>	<u>\$ 12,373,103</u>

**PLAIN LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

**NOTE 8 - CAPITAL ASSETS - (Continued)**

Depreciation expense was charged to governmental functions as follows:

<u>Instruction:</u>	
Regular	\$ 301,840
Special	6,454
Vocational	33,676
 <u>Support Services:</u>	
Pupil	2,582
Instructional staff	20,925
Administration	35,387
Fiscal	870
Operations and maintenance	27,924
Pupil transportation	341,946
Noninstructional services	10,635
Extracurricular activities	5,135
Food service operations	<u>63,013</u>
 Total depreciation expense	 <u><u>\$ 850,387</u></u>

**NOTE 9 - LONG-TERM OBLIGATIONS**

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

	Interest Rate	Balance Outstanding 06/30/03	Additions	Reductions	Balance Outstanding 06/30/04	Amounts Due in One Year
<b>Governmental Activities:</b>						
<u>General Obligation Bonds:</u>						
Energy conservation bonds	5.35%	\$ 455,000	\$ -	\$ (105,000)	\$ 350,000	\$ 110,000
School improvements bonds	4.583	<u>64,913,946</u>	<u>57,903</u>	<u>(1,590,000)</u>	<u>63,381,849</u>	<u>1,480,000</u>
Total general obligation bonds payable		<u>\$ 65,368,946</u>	<u>\$ 57,903</u>	<u>\$ (1,695,000)</u>	<u>\$ 63,731,849</u>	<u>\$ 1,590,000</u>
<u>Other Long-Term Obligations:</u>						
Early retirement incentive		\$ 60,000	\$ 225,000	\$ (60,000)	\$ 225,000	\$ 225,000
Compensated absences		<u>2,872,435</u>	<u>639,884</u>	<u>(364,369)</u>	<u>3,147,950</u>	<u>311,184</u>
Total other long-term obligations		<u>\$ 2,932,435</u>	<u>\$ 864,884</u>	<u>\$ (424,369)</u>	<u>\$ 3,372,950</u>	<u>\$ 536,184</u>
Total governmental activities		<u>\$ 68,301,381</u>	<u>\$ 922,787</u>	<u>\$ (2,119,369)</u>	<u>\$ 67,104,799</u>	<u>\$ 2,126,184</u>
Add: Unamortized premium on bond issue					<u>662,302</u>	
Total on statement of net assets					<u><u>\$ 67,767,101</u></u>	

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

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

**NOTE 9 - LONG-TERM OBLIGATIONS - (Continued)**

*Compensated Absences/Early Retirement Incentive:* Compensated absences and early retirement incentive will be paid from the fund from which the employee's salaries are paid.

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

This issue is comprised of both current interest bonds, par value \$63,765,000, and capital appreciation bonds, par value \$1,134,913. The interest rates on the current interest bonds range from 2.00% to 5.25%. The capital appreciation bonds mature on December 1, 2011 (effective interest 5.039%), at a redemption price equal to 100% of the principal, plus accrued interest to the redemption date. The present value reported in the Statement of Net Assets at June 30, 2004, was \$1,206,849. A total of \$71,936 in accreted interest on the capital appreciation bonds has been included in the Statement of Net Assets at June 30, 2004.

Interest payments on the current interest bonds are due on June 1 and December 1 of each year. The final maturity stated in the issue is December 1, 2031.

The following is a schedule of activity for fiscal 2004 on the general obligation bonds:

	<u>Balance</u> <u>06/30/03</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>06/30/04</u>
Current interest bonds	\$ 63,765,000	\$ -	\$ (1,590,000)	\$ 62,175,000
Capital appreciation bonds	1,134,913	-	-	1,134,913
Accreted interest	<u>14,033</u>	<u>57,903</u>	<u>-</u>	<u>71,936</u>
Total G.O. bonds	<u>\$ 64,913,946</u>	<u>\$ 57,903</u>	<u>\$ (1,590,000)</u>	<u>\$ 63,381,849</u>

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

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

**NOTE 9 - LONG-TERM OBLIGATIONS - (Continued)**

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

Year Ended	Current Interest Bonds			Capital Appreciation Bonds		
	Principal	Interest	Total	Principal	Interest	Total
2005	\$ 1,480,000	\$ 2,662,460	\$ 4,142,460	\$ -	\$ -	\$ -
2006	1,510,000	2,632,560	4,142,560	-	-	-
2007	1,540,000	2,602,060	4,142,060	-	-	-
2008	1,570,000	2,570,960	4,140,960	-	-	-
2009	1,605,000	2,535,198	4,140,198	-	-	-
2010 - 2014	6,890,000	12,041,795	18,931,795	1,134,913	610,087	1,745,000
2015 - 2019	10,360,000	10,181,270	20,541,270	-	-	-
2020 - 2024	13,100,000	7,390,351	20,490,351	-	-	-
2025 - 2029	16,390,000	4,002,669	20,392,669	-	-	-
2030 - 2032	7,730,000	391,250	8,121,250	-	-	-
<b>Total</b>	<b>\$ 62,175,000</b>	<b>\$ 47,010,573</b>	<b>\$ 109,185,573</b>	<b>\$ 1,134,913</b>	<b>\$ 610,087</b>	<b>\$ 1,745,000</b>

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

Payments of principal and interest relating to this liability are recorded as expenditures in the debt service fund. The unmatured obligation at year-end is accounted for in the Statement of Net Assets.

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

	Interest Rate	Issue Date	Bonds Outstanding 06/30/03	Bonds Issued in 2004	Bonds Retired in 2004	Bonds Outstanding 06/30/04
Energy conservation bonds	5.35%	11/01/97	\$ 455,000	\$ -	\$ (105,000)	\$ 350,000

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

Fiscal Year Ending	Principal on Bonds	Interest on Bonds	Total
2005	\$ 110,000	\$ 15,783	\$ 125,783
2006	115,000	9,764	124,764
2007	125,000	3,344	128,344
<b>Total</b>	<b>\$ 350,000</b>	<b>\$ 28,891</b>	<b>\$ 378,891</b>



**PLAIN LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

**NOTE 9 - LONG-TERM OBLIGATIONS - (Continued)**

**D. Legal Debt Margin**

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

The effects of these debt limitations at June 30, 2004 are a voted debt margin of \$18,359,851 (including available funds of \$1,364,945) and an unvoted debt margin of \$896,321.

**NOTE 10 - EMPLOYEE BENEFITS**

**A. Compensated Absences**

The criteria for determining vacation and sick leave benefits components are derived from negotiated agreements and state laws. Classified employees earn 5 to 20 days of vacation per year, depending upon length of service. Accumulated unused vacation time is paid to classified employees and administrators upon termination of employment. Teachers do not earn vacation time.

Teachers, administrators and classified employees earn sick leave at the rate of one and one-fourth days per month or 15 days for each completed year of service. Sick leave may be accumulated up to a maximum of 300 days for all personnel. Upon retirement, payment is made for one-fourth of the accrued, but unused, sick leave balance to a maximum of 53 days for all employees, except for administrators, who receive a maximum of 60 days. An additional \$10 per day shall be paid for sick leave accumulated between 200 and 250 days and an additional \$20 per day shall be paid for sick leave accumulated over 250 days.

**B. Early Retirement Incentive**

The District provides an early retirement incentive plan for State Teacher's Retirement System of Ohio (STRS) employees who become first time eligible for retirement or reach 30 years of service under STRS guidelines and retire effective at the end of the school year in which they qualify. This is a one time opportunity for those eligible in fiscal years 2002 - 2004. Employees who enroll in the early retirement incentive plan must submit written notification to the Board on or before the April 1 of the year of retirement. The one time cash payment of \$20,000 shall be made within 30 days of the retirement date in January of the following year. Ten employees took advantage of the early retirement incentive in fiscal year 2004. These one-time cash payments of \$20,000 each will be made in January 2005. A liability for the early retirement incentive payments has been recorded in the fund financial statements and the Statement of Net Assets.

**PLAIN LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

**NOTE 10 - EMPLOYEE BENEFITS - (Continued)**

The District also provides an early retirement incentive plan for the State Employees Retirement System of Ohio (SERS) employees who become first time eligible for retirement or reach 30 years of service under SERS guidelines and retire effective at the end of the school year in which they qualify. This is a one-time opportunity for those eligible in fiscal years 2002 - 2004. Employees who enroll in the early retirement incentive plan must submit written notification to the Board on or before the April 1 of the year of retirement. The employee must have at least 10 years of service with the District. The one-time cash payment of \$10,000, for employees that have contracted for six hours or more, and \$5,000, for employees that have contracted for less than six hours, will be made in January of the following year. Three employees took advantage of the early retirement incentive in fiscal year 2004. The one-time cash payments will be made in January 2005. A liability for the early retirement incentive payments has been recorded in the fund financial statements and the Statement of Net Assets.

**NOTE 11 - RISK MANAGEMENT**

**A. Comprehensive**

The District maintains comprehensive insurance coverage with private carriers for liability, real property, building contents and vehicles. Vehicle policies include liability coverage for bodily injury and property damage. In addition, real property contents are 90% coinsured. The following is a description of the District's insurance coverage:

<u>Coverage</u>	<u>Insurer</u>	<u>Limits of Coverage</u>	<u>Deductible</u>
General liability:	Indiana Insurance		
Each occurrence		\$ 1,000,000	\$ 0
Aggregate		2,000,000	0
Building and contents	Indiana Insurance	83,527,804	5,000
Fleet:	Indiana Insurance		
Comprehensive		Cash Value	250
Collision		Cash Value	500
Liability		1,000,000	
Umbrella liability	Indiana Insurance	5,000,000	10,000

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

**B. Shared Risk Pool**

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

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

**PLAIN LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

**NOTE 11 - RISK MANAGEMENT - (Continued)**

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

**NOTE 12 - DEFINED BENEFIT PENSION PLANS**

**A. School Employees Retirement System**

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

Plan members are required to contribute 10% of their annual covered salary and the District is required to contribute at an actuarially determined rate. The current District rate is 14% of annual covered payroll. A portion of the District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits. For fiscal year 2004, 9.09% of annual covered salary was the portion used to fund pension obligations. For fiscal year 2003, 8.17% of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to a statutory maximum amount, by the SERS' Retirement Board. The adequacy of the contribution rates is determined annually. The District's required contributions to SERS for the fiscal years ended June 30, 2004, 2003, and 2002 were \$809,832, \$797,286, and \$704,462, respectively; 39.56% has been contributed for fiscal year 2004 and 100% for the fiscal years 2003 and 2002. \$489,480, represents the unpaid contribution for fiscal year 2004.

**B. State Teachers Retirement System**

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

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

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

**NOTE 12 - DEFINED BENEFIT PENSION PLANS - (Continued)**

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on member contributions and earned interest matched by STRS Ohio funds times an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10% of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. DC and Combined Plan members will transfer to the Defined Benefit Plan during their fifth year of membership unless they permanently select the DC or Combined Plan. Existing members with less than five years of service credit as of June 30, 2001, were given the option of making a one time irrevocable decision to transfer their account balances from the existing DB Plan into the DC Plan or the Combined Plan. This option expired on December 31, 2001. Benefits are established by Chapter 3307 of the Ohio Revised Code.

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

Plan members are required to contribute 10% of their annual covered salary and the District is required to contribute at an actuarially determined rate. The current District rate is 14% of annual covered payroll. A portion of the District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits. For fiscal year 2004, 13% of annual covered salary was the portion used to fund pension obligations. For fiscal year 2003, 13% of annual covered salary was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10% for members and 14% for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employee contributions. The District's required contributions to STRS for the fiscal years ended June 30, 2004, 2003, and 2002 were \$3,158,266, \$3,150,988, and \$2,887,434, respectively; 82.99% has been contributed for fiscal year 2004 and 100% for the fiscal years 2003 and 2002. \$537,324, represents the unpaid contribution for fiscal year 2004.

**C. Social Security System**

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System have an option to choose Social Security or the School Employees Retirement Systems/State Teachers Retirement System. As of June 30, 2004, certain members of the Board of Education have elected Social Security. The Board's liability is 6.2% of wages paid.

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

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

**NOTE 13 - POSTEMPLOYMENT BENEFITS**

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

The State Teachers Retirement Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium. By Ohio law, the cost of coverage paid from STRS funds shall be included in the employer contribution rate, currently 14% of covered payroll. For this fiscal year, the State Teachers Retirement Board allocated employer contributions equal to 1% of covered payroll to the Health Care Reserve fund. For the District, this amount equaled \$225,590 during fiscal 2004.

STRS pays health care benefits from the Health Care Reserve fund. The balance in the Health Care Reserve fund was \$2.8 billion at June 30, 2003 (the latest information available). For the fiscal year ended June 30, 2003 (the latest information available), net health care costs paid by STRS were \$352.301 million and STRS had 108,294 eligible benefit recipients.

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

For this fiscal year, employer contributions to fund health care benefits were 4.91% of covered payroll. In addition, SERS levies a surcharge to fund health care benefits equal to 14% of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2004, the minimum pay has been established at \$25,400. The surcharge, added to the unallocated portion of the 14% 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% of annual health care expenses. Expenses for health care at June 30, 2003 (the latest information available) were \$204.931 million and the target level was \$307.4 million. At June 30, 2003, (the latest information available) SERS had net assets available for payment of health care benefits of \$303.6 million and SERS had approximately 50,000 participants receiving health care benefits. For the District, the amount to fund health care benefits, including surcharge, equaled \$426,627 during the 2004 fiscal year.

**NOTE 14 - BUDGETARY BASIS OF ACCOUNTING**

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

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

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

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

**NOTE 14 - BUDGETARY BASIS OF ACCOUNTING - (Continued)**

- (a) Revenues and other sources are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis);
- (b) Expenditures and other uses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis);
- (c) In order to determine compliance with Ohio law, and to reserve that portion of the applicable appropriation, total outstanding encumbrances (budget basis) are recorded as the equivalent of an expenditure, as opposed to a reservation of fund balance for that portion of outstanding encumbrances not already recognized as an account payable (GAAP basis).

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

**Net Change in Fund Balance**

	<u>General Fund</u>
Budget basis	\$ (2,924,844)
Net adjustment for revenue accruals	(247,964)
Net adjustment for expenditure accruals	(1,033,997)
Net adjustment for other sources/uses	(213,201)
Adjustment for encumbrances	<u>2,613,243</u>
GAAP basis	<u>\$ (1,806,763)</u>

**NOTE 15 - CONTINGENCIES**

**A. Grants**

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

**B. Litigation**

The District is not party to any legal proceedings.

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

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

**NOTE 15 - CONTINGENCIES - (Continued)**

**C. State School Funding Decision**

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

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

**NOTE 16 - DISTRICT AS A FISCAL AGENT**

Vocational Agreement

The District serves as the fiscal agent for a four-district vocational compact formed to provide vocational education programs for the students in each district in the most effective and efficient manner possible. The other districts included in the agreement are: North Canton City Schools, Jackson Local Schools and Lake Local Schools. The term of the present agreement is July 1, 2001 through June 30, 2005. North Canton, Jackson and Plain offer vocational programs which conform to the regulations and statutes of the State of Ohio. Lake Local reimburses the other districts at a constant rate of \$960 per pupil for a minimum of 20% of its 11<sup>th</sup> and 12<sup>th</sup> grade enrollment as certified to the State Department of Education the first full week of October each year. Payment to each district will be based on the percentage of students in each district's program. Lake also pays North Canton, Jackson and Plain \$530 for each pupil above the minimum.

**NOTE 17 - STATUTORY RESERVES**

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

	<u>Textbooks</u>	<u>Capital Acquisition</u>	<u>BWC Refunds</u>
Set-aside cash balance as of June 30, 2003	\$ (992,127)	\$ -	\$ 203,450
Current year set-aside requirement	875,634	875,634	-
Current year offsets		-	-
Qualifying disbursements	<u>(909,932)</u>	<u>(1,065,883)</u>	<u>-</u>
Total	<u>\$ (1,026,425)</u>	<u>\$ (190,249)</u>	<u>\$ 203,450</u>
Cash balance carried forward to FY 2005	<u>\$ (1,026,425)</u>	<u>\$ -</u>	<u>\$ 203,450</u>

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

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

**NOTE 17 - STATUTORY RESERVES - (Continued)**

Monies representing BWC refunds that were received prior to April 10, 2001, have been shown as a restricted asset and reserved fund balance in the general fund since allowable expenditures are restricted by state statute. Monies set-aside by the School Board for budget stabilization are reported as a designation of fund balance in the general fund. The balance in the budget stabilization designation at June 30, 2004 was \$1,255,941.

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

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

Amount restricted for BWC refunds	<u>\$ 203,450</u>
-----------------------------------	-------------------

**NOTE 18 - CONTRACTUAL COMMITMENTS**

As of June 30, 2004, The District had the following contractual commitments outstanding related to the completion of bond issue projects throughout the District and construction of a new high school. A summary of the primary contractual commitments follows:

Project Vendor	Total Contract	Amount Paid	Remaining Commitment at June 30, 2004
R.P. Carbone Construction	\$ 3,247,193	\$ 1,233,860	\$ 2,013,333
Ricciuti Balog & Partners	3,342,524	1,733,643	1,608,881
Feinman	525,231	515,502	9,729
Abbott Electric	44,515	34,742	9,773
Eduplex	410,000	79,500	330,500
Northern Valley	1,524,080	72,206	1,451,874
Architectural Window	726,240	12,101	714,139
DeJong & Associates	75,000	46,404	28,596
Central Allied	862,845	-	862,845
Professional Services	75,520	-	75,520



PLAIN LOCAL SCHOOL DISTRICT  
STARK COUNTY

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

Federal Grantor/ Pass Through Grantor/ Program Title	Pass Through Grantor Number	Federal CFDA Number	Receipts	Non-Cash Receipts	Expenditures	Non-Cash Expenditures
<b>U.S. DEPARTMENT OF EDUCATION</b>						
<i>Passed Through Ohio Department of Education:</i>						
Grants to Local Educational Agencies (ESEA Title I)	C1-S1-2003 C1-S1-2004	84.010	\$21,252 625,291	\$0 -	\$82,250 549,704	\$0 -
<b>Total Grants to Local Educational Agencies</b>			<b>646,543</b>	<b>-</b>	<b>631,954</b>	<b>-</b>
Special Education Cluster: Special Education - Grants to States (IDEA Part B)	6B-SF-2003 6B-SF-2004 6B-SD-2004P	84.027	1,623 829,665 15,000	- - -	58,597 774,364 6,257	- - -
Total Special Education - Grants to States			846,288	-	839,218	-
Special Education - Preschool Grants	PG-S1-2004	84.173	23,078	-	25,643	-
<b>Total Special Education Cluster</b>			<b>869,366</b>	<b>-</b>	<b>864,861</b>	<b>-</b>
Vocational Education - Basic Grants to States	20-C1-2003 20-C1-2004	84.048	32,800 214,821 -	- - -	7,143 214,821 3,017	- - -
<b>Total Vocational Education - Basic Grants to States</b>			<b>247,621</b>	<b>-</b>	<b>224,981</b>	<b>-</b>
Safe and Drug Free Schools and Communities State Grants	DR-S1-2004	84.186	23,604	-	26,213	-
Innovative Education Program Strategies (ESEA Title VI)	C2-S1-2003 C2-S1-2004	84.298	12,111 43,488	- -	19,654 42,676	- -
<b>Total Innovative Education Program Strategies</b>			<b>55,599</b>	<b>-</b>	<b>62,330</b>	<b>-</b>
Technology Literacy Challenge Fund Grants (Title II-D)	TJ-S1-2003 TJ-S1-2004	84.318	- 24,937	- -	3,374 28,229	- -
<b>Total Technology Literacy Challenge Fund Grants</b>			<b>24,937</b>	<b>-</b>	<b>31,603</b>	<b>-</b>
School Renovation Grants	AT-S2-2004	84.352A	337,303	-	440,278	-
Improving Teacher Quality State Grants	TR-S1-2003 TR-S1-2004	84.367	26,101 252,872	- -	53,324 217,431	- -
<b>Total Improving Teacher Quality State Grants</b>			<b>278,973</b>	<b>-</b>	<b>270,755</b>	<b>-</b>
<b>Total U.S. Department of Education</b>			<b>2,483,946</b>	<b>-</b>	<b>2,552,975</b>	<b>-</b>
<b>U.S. DEPARTMENT OF AGRICULTURE</b>						
<i>Passed Through Ohio Department of Education:</i>						
Child Nutrition Cluster: Food Distribution	N/A	10.550	-	83,755	-	83,755
National School Breakfast Program	N/A	10.553	99,628	-	97,378	-
National School Lunch Program	N/A	10.555	508,403	-	508,403	-
Total Child Nutrition Cluster			608,031	83,755	605,781	83,755
Team Nutrition Grants	N/A	10.574	2,000	-	-	-
<b>Total U.S. Department of Agriculture</b>			<b>610,031</b>	<b>83,755</b>	<b>605,781</b>	<b>83,755</b>
<b>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>						
<i>Passed Through the Ohio Department of Mental Retardation and Developmental Disabilities:</i>						
Medical Assistance Program	N/A	93.778	34,702	-	34,702	-
<b>Totals</b>			<b>\$3,128,679</b>	<b>\$83,755</b>	<b>\$3,193,458</b>	<b>\$83,755</b>

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

**PLAIN LOCAL SCHOOL DISTRICT  
STARK COUNTY**

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

**NOTE A - SIGNIFICANT ACCOUNTING POLICIES**

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

**NOTE B - CHILD NUTRITION CLUSTER**

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

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



## Auditor of State Betty Montgomery

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

Plain Local School District  
Stark County  
901 44<sup>th</sup> Street NW  
Canton, Ohio 44709

To the Board of Education:

We have audited the basic financial statements of the governmental activities, each major fund and the aggregate discretely presented component units and remaining fund information of the Plain Local School District, Stark County, Ohio, (the District) as of and for the year ended June 30, 2004, and have issued our report thereon dated December 8, 2004. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

#### Compliance

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance we must report 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 opinions on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to the District's management in a separate letter dated December 8, 2004.

101 Central Plaza South / 700 Bank One Tower / Canton, OH 44702  
Telephone: (330) 438-0617 (800) 443-9272 Fax: (330) 471-0001  
[www.auditor.state.oh.us](http://www.auditor.state.oh.us)

Plain Local School District  
Stark County  
Independent Accountants' Report on Compliance and on  
Internal Control Required by *Government Auditing Standards*  
Page 2

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

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

**Betty Montgomery**  
Auditor of State

December 8, 2004



## Auditor of State Betty Montgomery

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

Plain Local School District  
Stark County  
901 44<sup>th</sup> Street NW  
Canton, Ohio 44709

To the Board of Education:

#### **Compliance**

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

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

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

#### **Internal Control Over Compliance**

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

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

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

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

**Betty Montgomery**  
Auditor of State

December 8, 2004

**PLAIN LOCAL SCHOOL DISTRICT  
STARK COUNTY**

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

**1. SUMMARY OF AUDITOR'S RESULTS**

<i>(d)(1)(i)</i>	<b>Type of Financial Statement Opinion</b>	Unqualified
<i>(d)(1)(ii)</i>	<b>Were there any material control weakness conditions reported at the financial statement level (GAGAS)?</b>	No
<i>(d)(1)(ii)</i>	<b>Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?</b>	No
<i>(d)(1)(iii)</i>	<b>Was there any reported material non-compliance at the financial statement level (GAGAS)?</b>	No
<i>(d)(1)(iv)</i>	<b>Were there any material internal control weakness conditions reported for major federal programs?</b>	No
<i>(d)(1)(iv)</i>	<b>Were there any other reportable internal control weakness conditions reported for major federal programs?</b>	No
<i>(d)(1)(v)</i>	<b>Type of Major Programs Compliance Opinion</b>	Unqualified
<i>(d)(1)(vi)</i>	<b>Are there any reportable findings under § .510?</b>	No
<i>(d)(1)(vii)</i>	<b>Major Programs (list):</b>	Title I, CFDA #84.010  School Renovation Grant, CFDA #84.352A
<i>(d)(1)(viii)</i>	<b>Dollar Threshold: Type A/B Programs</b>	Type A: > \$ 300,000 Type B: all others
<i>(d)(1)(ix)</i>	<b>Low Risk Auditee?</b>	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.







**Auditor of State  
Betty Montgomery**

88 East Broad Street  
P.O. Box 1140  
Columbus, Ohio 43216-1140

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800-282-0370

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**PLAIN LOCAL SCHOOL DISTRICT  
STARK COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
FEBRUARY 22, 2005**