



Mary Taylor, CPA
Auditor of State

**PLEASANT LOCAL SCHOOL DISTRICT
MARION COUNTY**

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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

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

To the Board of Education:

We have audited the accompanying financial statements of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Pleasant Local School District, Marion County, Ohio (the District), as of and for the year ended June 30, 2007, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Pleasant Local School District, Marion County, Ohio, as of June 30, 2007, and the respective changes in financial position thereof and the budgetary comparison for the General fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 15, 2008 on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

Management's Discussion and Analysis is not a required part of the basic financial statements but is supplementary information accounting principles generally accepted in the United States of America requires. We have applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measuring and presenting the required supplementary information. However, we did not audit the information and express no opinion on it.

We conducted our audit to opine on the financial statements that collectively comprise the District's basic financial statements. The schedule of federal awards receipts and expenditures is required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. We subjected the schedule of federal awards receipts and expenditures 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 cursive script that reads "Mary Taylor".

Mary Taylor, CPA
Auditor of State

January 15, 2008

**PLEASANT LOCAL SCHOOL DISTRICT
MARION COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
UNAUDITED**

The discussion and analysis of Pleasant Local School District's financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2007. The intent of this discussion and analysis is to look at the School District's financial performance as a whole; readers should also review the basic financial statements and notes to enhance their understanding of the School District's financial performance.

Highlights

Highlights for fiscal year 2007 are as follows:

In total, net assets increased \$883,855, or approximately 9%.

General revenues were \$9,607,675, or 72 percent of total revenues. The School District is very dependent on property taxes and unrestricted state entitlements.

Using the Basic Financial Statements

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

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

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

Reporting the School District as a Whole

The statement of net assets and the statement of activities reflect how the School District did financially during fiscal year 2007. These statements include all assets and liabilities using the accrual basis of accounting similar to that which is used by most private-sector companies. This basis of accounting considers all of the current fiscal years' revenues and expenses regardless of when cash is received or paid.

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

In the statement of net assets and the statement of activities, all of the School District's activities are presented as governmental activities and include instruction, support services, non-instructional services, and extracurricular activities.

**PLEASANT LOCAL SCHOOL DISTRICT
MARION COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
UNAUDITED**

Reporting the School District's Most Significant Funds

Fund financial statements provide detailed information about the School District's major funds. While the School District uses many funds to account for its financial transactions, the fund financial statements focus on the School District's most significant funds. The School District's major governmental funds are the General Fund and the Permanent Improvement capital projects fund.

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

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

The School District as a Whole

Table 1 provides a summary of the School District's net assets for fiscal year 2007 and fiscal year 2006:

Table 1
Net Assets

	Governmental Activities	
	2007	2006
<u>Assets:</u>		
Current and Other Assets	10,322,439	\$9,842,415
Capital Assets, Net	7,646,094	7,686,159
Total Assets	<u>17,968,533</u>	<u>17,528,574</u>
 <u>Liabilities:</u>		
Current and Other Liabilities	3,876,571	3,901,784
Long-Term Liabilities	3,650,639	4,069,322
Total Liabilities	<u>7,527,210</u>	<u>7,971,106</u>

(continued)

**PLEASANT LOCAL SCHOOL DISTRICT
MARION COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
UNAUDITED**

Table 1
Net Assets
(continued)

	Governmental Activities	
	2007	2006
<u>Net Assets:</u>		
Invested in Capital Assets, Net of Related Debt	\$4,631,124	\$4,296,881
Restricted	1,146,624	958,039
Unrestricted	4,663,575	4,302,548
Total Net Assets	10,441,323	\$9,557,468

A review of the above table demonstrates that fiscal year 2007 and fiscal year 2006 were similar years. However, two increases worth mentioning are the increase in current assets and the decrease in long term liabilities. The increase in current assets relates to a significant increase in intergovernmental receivables. This increase was primarily due to the School District being awarded a new Carol M. White Physical Education Grant totaling \$325,982. The decrease in long-term liabilities is primarily a result of principal payments of \$360,000 being made on the School District's outstanding bonds and energy conservation loan.

Table 2 reflects the changes in net assets for fiscal year 2007 and fiscal year 2006.

Table 2
Change in Net Assets

	Governmental Activities	
	2007	2006
<u>Revenues</u>		
Program Revenues:		
Charges for Services and Sales	2,477,975	\$2,497,032
Operating Grants, Contributions, and Interest	1,220,524	924,641
Capital Grants and Contributions	19,250	14,470
Total Program Revenues	3,717,749	3,436,143

(continued)

**PLEASANT LOCAL SCHOOL DISTRICT
MARION COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
UNAUDITED**

Table 2
Change in Net Assets
(continued)

	Governmental Activities	
	2007	2006
<u>Revenues (continued)</u>		
General Revenues:		
Property Taxes Levied for General Purposes	4,309,021	\$4,080,288
Property Taxes Levied for Debt Service Purposes	340,005	346,212
Grants and Entitlements	4,421,857	3,914,095
Interest	313,668	219,903
Gain on Sale of Capital Assets	13,003	0
Miscellaneous	210,121	39,342
Total General Revenues	9,607,675	8,599,840
Total Revenues	13,325,424	12,035,983
<u>Expenses</u>		
Instruction:		
Regular	6,544,056	6,271,416
Special	955,404	767,646
Vocational	66,380	85,585
Other	13,881	0
Support Services:		
Pupils	444,350	459,766
Instructional Staff	353,289	321,953
Board of Education	76,805	78,170
Administration	951,637	916,119
Fiscal	325,694	276,548
Operation and Maintenance of Plant	1,109,807	1,032,427
Pupil Transportation	419,835	393,388
Non-Instructional Services	506,296	550,663
Extracurricular Activities	521,112	509,589
Interest and Fiscal Charges	153,023	162,808
Total Expenses	12,441,569	11,826,078
Increase in Net Assets	883,855	209,905
Net Assets Beginning of Year	9,557,468	9,347,563
Net Assets End of Year	10,441,323	\$9,557,468

**PLEASANT LOCAL SCHOOL DISTRICT
MARION COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
UNAUDITED**

Revenues increased approximately 11 percent. However, the percentage of program revenues and general revenues to total revenues basically remained the same. Program revenues are primarily represented by tuition, student fees, charges for extracurricular activities, and food service sales as well as restricted intergovernmental revenues. The increase in program revenue is due, in large part, to new grant monies for physical education instruction. The increase in general revenues resulted from increases in property taxes, interest and unrestricted State entitlements.

Overall, expenses increased approximately 5%. Contributing to this increase was depreciation expense on \$810,450 of new construction in progress assets completed during fiscal year 2007.

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

Table 3
Governmental Activities

	Total Cost of Services		Net Cost of Services	
	2007	2006	2007	2006
Instruction:				
Regular	6,544,056	\$6,271,416	4,201,407	\$4,211,619
Special	955,404	767,646	717,066	163,901
Vocational	66,380	85,585	51,687	73,562
Other	13,881	0	13,881	0
Support Services:				
Pupils	444,350	459,766	282,540	449,396
Instructional Staff	353,289	321,953	325,053	321,953
Board of Education	76,805	78,170	76,805	78,170
Administration	951,637	916,119	823,958	916,119
Fiscal	325,694	276,548	325,694	276,548
Operation and Maintenance of Plant	1,109,807	1,032,427	1,109,807	1,023,427
Pupil Transportation	419,835	393,388	314,000	350,577
Non-Instructional Services	506,296	550,663	(24,333)	27,281
Extracurricular Activities	521,112	509,589	353,232	334,574
Interest and Fiscal Charges	153,023	162,808	153,023	162,808
Total Expenses	12,441,569	\$11,826,078	8,723,820	\$8,389,935

As can be seen in the table above, instruction and support services are supported largely with general revenues of the School District. However, 36% of regular instruction expenses are offset by program revenue charges for services and operating grants. The majority of this support is generated through open enrollment. In addition, nearly 25% of special instruction is supported through program revenue operating grants. Specifically, the District receives federal Special Education and Title I grants to offset these expenses. The non-instructional program is entirely supported through program revenues, which consist of cafeteria sales and state and federal subsidies for food service operations.

**PLEASANT LOCAL SCHOOL DISTRICT
MARION COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
UNAUDITED**

The School District's Funds

The School District's governmental funds are accounted for using the modified accrual basis of accounting. The General Fund experienced a 7 percent increase in fund balance due to increased school foundation revenue, interest earnings and property taxes.

General Fund Budgeting Highlights

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

During fiscal year 2007, the School District amended its General Fund budget as needed. The changes from the original budget to the final budget to actual revenues and expenditures received were minor. Actual expenditures were less than amounts budgeted for all programs and, in total, 13 percent lower. The School District typically budgets for nearly all amounts anticipated to be available (current year estimates plus carryover balances). Actual expenditures generally are not as much as amounts budgeted.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2007, the School District had \$7,646,094 invested in capital assets (net of accumulated depreciation) for governmental activities, a decrease of \$40,065. The major additions were the completion of the HVAC and middle school parking lot projects. For further information regarding the School District's capital assets, refer to Note 8 to the basic financial statements.

Debt

At June 30, 2007, the School District had outstanding school improvement general obligation bonds, in the amount of \$2,445,000, for building improvements. The bonds were issued for a twenty-five year period, with final maturity on December 1, 2018. The School District also had an outstanding energy conservation loan, with an outstanding balance of \$509,941. This loan will be fully retired in fiscal year 2015.

The School District also had outstanding capital leases for equipment, in the amount of \$60,029. In addition to the bonds and leases, the School District's long-term obligations include compensated absences. For further information regarding the School District's long-term obligations, refer to Note 14 to the basic financial statements.

**PLEASANT LOCAL SCHOOL DISTRICT
MARION COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
UNAUDITED**

Current Issues

In 1996, the School District passed a three-year emergency levy to generate \$495,000 and has renewed it three times. This emergency levy was recently renewed for a fourth time in November, 2007. This levy provides a continuous source of funds for a financial cushion and has helped the School District remain in a good financial position.

The School District has also greatly benefited from open enrollment from other school districts. The School District generated over \$800,000 of open enrollment revenue, net of open enrollment funding paid for outgoing students.

The School District has continued making improvements to the grounds and athletic facilities. During the fiscal year, outdoor sand volleyball courts were erected. In addition, work has continued on the varsity baseball field with the expectation that the field will be completed by Spring, 2008. In June, 2007, the Board of Education also awarded bids for improvements to the middle school parking lot as well as improvements and expansion of the School District's tennis courts.

The School District is sponsoring a community school, the Pleasant Digital Academy. The Digital Academy began operations in fiscal year 2005. The School District has enrolled resident kindergarten students and also has junior high and high school students enrolled. With this Digital Academy, the School District was able to receive additional federal funding and expand the curriculum for these students.

Contacting the School District's Financial Management

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

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**PLEASANT LOCAL SCHOOL DISTRICT
MARION COUNTY**

**STATEMENT OF NET ASSETS
PRIMARY GOVERNMENT AND DISCRETELY PRESENTED COMPONENT UNIT
JUNE 30, 2007**

	Primary Government	Component Unit
	Governmental Activities	Pleasant Digital Academy
<u>Assets:</u>		
Equity in Pooled Cash and Cash Equivalents	\$ 5,301,668	\$ 224,871
Cash and Cash Equivalents with Fiscal Agent	882	-
Accounts Receivable	44,667	-
Accrued Interest Receivable	39,057	-
Intergovernmental Receivable	464,000	24,285
Prepaid Items	-	3,258
Inventory Held for Resale	19,705	-
Materials and Supplies Inventory	914	-
Property Taxes Receivable	4,451,546	-
Nondepreciable Capital Assets	496,723	-
Depreciable Capital Assets, Net	7,149,371	50,420
Total Assets	17,968,533	302,834
<u>Liabilities:</u>		
Accounts Payable	102,700	-
Accrued Wages and Benefits Payable	798,469	-
Intergovernmental Payable	277,887	-
Deferred Revenue	2,533,467	-
Accrued Interest Payable	10,659	-
Matured Compensated Absences Payable	77,227	-
Retirement Incentive Payable	76,162	-
Long-Term Liabilities:		
Due Within One Year	388,570	-
Due in More Than One Year	3,262,069	-
Total Liabilities	7,527,210	-
<u>Net Assets:</u>		
Invested in Capital Assets, Net of Related Debt	4,631,124	50,420
Restricted For:		
Set Asides	129,571	-
Debt Service	464,007	-
Capital Projects	13,646	-
Other Purposes	539,400	-
Unrestricted	4,663,575	252,414
Total Net Assets	\$ 10,441,323	\$ 302,834

See Accompanying Notes to Basic Financial Statements

**PLEASANT LOCAL SCHOOL DISTRICT
MARION COUNTY**

**STATEMENT OF ACTIVITIES
PRIMARY GOVERNMENT AND DISCRETELY PRESENTED COMPONENT UNIT
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

	Program Revenues			
Expenses	Charges for Services	Operating Grants, Contributions, and Interest	Capital Grants and Contributions	
<u>Governmental Activities:</u>				
Instruction:				
Regular	\$ 6,544,056	\$ 1,987,027	\$ 345,372	\$ 10,250
Special	955,404	17,910	220,428	-
Vocational	66,380	-	14,693	-
Other	13,881	-	-	-
Support Services:				
Pupils	444,350	-	161,810	-
Instructional Staff	353,289	-	19,236	9,000
Board of Education	76,805	-	-	-
Administration	951,637	-	127,679	-
Fiscal	325,694	-	-	-
Operation and Maintenance of Plant	1,109,807	-	-	-
Pupil Transportation	419,835	33,603	72,232	-
Non-Instructional Services	506,296	340,940	189,689	-
Extracurricular Activities	521,112	98,495	69,385	-
Interest and Fiscal Charges	153,023	-	-	-
Total Governmental Activities	12,441,569	2,477,975	1,220,524	19,250
<u>Component Unit</u>				
Pleasant Digital Academy	\$ 305,781	\$ -	\$ 29,270	\$ -

General Revenues:

Property Taxes Levied for General Purposes
Property Taxes Levied for Debt Service Purposes
Grants and Entitlements not Restricted to Specific Programs
Interest
Gain on Sale of Capital Assets
Miscellaneous
Total General Revenues

Change in Net Assets

Net Assets at Beginning of Year
Net Assets at End of Year

See Accompanying Notes to the Basic Financial Statements

Net (Expense) Revenue
and Change in Net Assets

Primary Government	Component Unit
Governmental Activities	Pleasant Digital Academy
\$ (4,201,407)	\$ -
(717,066)	-
(51,687)	-
(13,881)	-
(282,540)	-
(325,053)	-
(76,805)	-
(823,958)	-
(325,694)	-
(1,109,807)	-
(314,000)	-
24,333	-
(353,232)	-
(153,023)	-
<u>(8,723,820)</u>	<u>-</u>
-	(276,511)
4,309,021	-
340,005	-
4,421,857	269,675
313,668	7,865
13,003	-
210,121	23,998
<u>9,607,675</u>	<u>301,538</u>
883,855	25,027
9,557,468	277,807
<u>\$ 10,441,323</u>	<u>\$ 302,834</u>

**PLEASANT LOCAL SCHOOL DISTRICT
MARION COUNTY**

**BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2007**

	General	Permanent Improvement	Other Governmental	Total Governmental Funds
<u>Assets:</u>				
Equity in Pooled Cash and Cash Equivalents	\$ 2,632,029	\$ 1,957,487	\$ 582,581	\$ 5,172,097
Cash and Cash Equivalents				
with Fiscal Agent	-	-	882	882
Accounts Receivable	30,248	-	14,419	44,667
Accrued Interest Receivable	39,057	-	-	39,057
Interfund Receivable	82,611	-	-	82,611
Intergovernmental Receivable	-	-	464,000	464,000
Inventory Held for Resale	-	-	19,705	19,705
Materials and Supplies Inventory	-	-	914	914
Restricted Assets:				
Equity in Pooled Cash and Cash Equivalents	129,571	-	-	129,571
Property Taxes Receivable	4,081,446	-	370,100	4,451,546
Total Assets	6,994,962	1,957,487	1,452,601	10,405,050
 <u>Liabilities and Fund Balances:</u>				
<u>Liabilities</u>				
Accounts Payable	81,256	2,945	18,499	102,700
Accrued Wages and Benefits Payable	738,246	-	60,223	798,469
Interfund Payable	-	-	82,611	82,611
Intergovernmental Payable	261,143	-	16,744	277,887
Matured Compensated Absences Payable	72,903	-	4,324	77,227
Retirement Incentive Payable	68,420	-	7,742	76,162
Deferred Revenue	2,674,688	-	560,255	3,234,943
Total Liabilities	3,896,656	2,945	750,398	4,649,999
 <u>Fund Balances:</u>				
Reserved for Property Taxes	1,403,638	-	120,014	1,523,652
Reserved for Textbooks	109,917	-	-	109,917
Reserved for Capital Improvements	19,654	-	-	19,654
Reserved for Encumbrances	65,462	376,900	54,571	496,933
Unreserved Reported in:				
General Fund	1,499,635	-	-	1,499,635
Special Revenue Funds	-	-	187,977	187,977
Debt Service Fund	-	-	325,595	325,595
Capital Projects Funds	-	1,577,642	14,046	1,591,688
Total Fund Balances	3,098,306	1,954,542	702,203	5,755,051
Total Liabilities and Fund Balances	\$ 6,994,962	\$ 1,957,487	\$ 1,452,601	\$ 10,405,050

See Accompanying Notes to the Basic Financial Statements

**PLEASANT LOCAL SCHOOL DISTRICT
MARION COUNTY**

**RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES
TO NET ASSETS OF GOVERNMENTAL ACTIVITIES
JUNE 30, 2007**

Total Governmental Fund Balances		\$ 5,755,051
Amounts reported for governmental activities on the statement of net assets are different because of the following:		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		7,646,094
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds:		
Intergovernmental Receivable	312,144	
Accrued Interest Receivable	19,425	
Property Taxes Receivable	<u>369,907</u>	
		701,476
Some liabilities are not due and payable in the current period and, therefore, are not reported in the funds:		
Accrued Interest Payable	(10,659)	
General Obligation Bonds Payable	(2,445,000)	
Energy Conservation Loan Payable	(509,941)	
Compensated Absences Payable	(635,669)	
Capital Leases Payable	<u>(60,029)</u>	
		<u>(3,661,298)</u>
Net Assets of Governmental Activities		<u>\$ 10,441,323</u>

See Accompanying Notes to the Basic Financial Statements

**PLEASANT LOCAL SCHOOL DISTRICT
MARION COUNTY**

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

	General	Permanent Improvement	Other Governmental	Total Governmental Funds
<u>Revenues:</u>				
Property Taxes	\$ 4,198,204	\$ -	\$ 331,928	\$ 4,530,132
Intergovernmental	4,467,137	-	765,040	5,232,177
Interest	308,600	-	1,037	309,637
Tuition and Fees	1,914,169	-	81,541	1,995,710
Extracurricular Activities	14,105	-	193,895	208,000
Charges for Services	51,513	-	341,153	392,666
Gifts and Donations	-	-	11,661	11,661
Miscellaneous	177,299	-	33,062	210,361
Total Revenues	<u>11,131,027</u>	<u>-</u>	<u>1,759,317</u>	<u>12,890,344</u>
<u>Expenditures:</u>				
Current:				
Instruction:				
Regular	6,254,459	-	239,720	6,494,179
Special	668,865	-	286,850	955,715
Vocational	90,712	-	-	90,712
Other	13,881	-	-	13,881
Support Services:				
Pupils	257,347	-	186,265	443,612
Instructional Staff	290,312	-	47,564	337,876
Board of Education	76,805	-	-	76,805
Administration	936,877	-	3,688	940,565
Fiscal	336,699	-	3,973	340,672
Operation and Maintenance of Plant	992,166	-	-	992,166
Pupil Transportation	409,593	-	4,900	414,493
Non-Instructional Services	-	-	523,213	523,213
Extracurricular Activities	319,361	-	171,491	490,852
Capital Outlay	49,070	145,458	-	194,528
Debt Service:				
Principal Retirement	154,308	-	220,000	374,308
Interest and Fiscal Charges	22,833	-	131,078	153,911
Total Expenditures	<u>10,873,288</u>	<u>145,458</u>	<u>1,818,742</u>	<u>12,837,488</u>
Excess of Revenues Over/ Under Expenditures	<u>257,739</u>	<u>(145,458)</u>	<u>(59,425)</u>	<u>52,856</u>
<u>Other Financing Sources (Uses):</u>				
Sale of Capital Assets	15,376	-	-	15,376
Transfers In	-	-	80,661	80,661
Transfers Out	(80,661)	-	-	(80,661)
Total Other Financing Sources (Uses)	<u>(65,285)</u>	<u>-</u>	<u>80,661</u>	<u>15,376</u>
Changes in Fund Balances	192,454	(145,458)	21,236	68,232
Fund Balances at Beginning of Year	<u>2,905,852</u>	<u>2,100,000</u>	<u>680,967</u>	<u>5,686,819</u>
Fund Balances at End of Year	<u>\$ 3,098,306</u>	<u>\$ 1,954,542</u>	<u>\$ 702,203</u>	<u>\$ 5,755,051</u>

See Accompanying Notes to the Basic Financial Statements

**PLEASANT LOCAL SCHOOL DISTRICT
MARION COUNTY**

**RECONCILIATION OF STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES OF GOVERNMENTAL FUNDS TO STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

Changes in Fund Balances - Total Governmental Funds \$ 68,232

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

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

Capital Outlay	319,065	
Depreciation	<u>(356,757)</u>	(37,692)

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

Proceeds from Sale of Assets	(15,376)	
Gain on Sale of Capital Assets	<u>13,003</u>	(2,373)

Revenues on the statement of activities that do not provide current financial resources are not reported as revenues in governmental funds. 422,077

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

Repayment of Principal 374,308

Interest is reported as an expenditure when due in the governmental funds, but is accrued on outstanding debt on the statement of net assets. 888

Some expenses reported on the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds:

Separation Benefits Payable	1,508	
Compensated Absences Payable	<u>83,108</u>	58,415

Change in Net Assets of Governmental Activities \$ 883,855

See Accompanying Notes to the Basic Financial Statements

**PLEASANT LOCAL SCHOOL DISTRICT
MARION COUNTY**

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET (NON-GAAP BASIS) AND ACTUAL
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

	Budgeted Amounts		Actual	Variance with Final Budget Over (Under)
	Original	Final		(Under)
<u>Revenues:</u>				
Property Taxes	\$ 3,900,000	\$ 4,070,000	\$ 4,098,401	\$ 28,401
Intergovernmental	3,900,000	4,096,310	4,416,065	319,755
Interest	300,000	300,000	315,068	15,068
Tuition and Fees	2,000,000	2,058,150	1,895,208	(162,942)
Extracurricular Activities	15,000	15,000	14,105	(895)
Miscellaneous	100,000	72,500	116,960	44,460
Total Revenues	<u>10,215,000</u>	<u>10,611,960</u>	<u>10,855,807</u>	<u>243,847</u>
<u>Expenditures:</u>				
Current:				
Instruction:				
Regular	6,586,763	6,735,650	6,201,525	534,125
Special	788,860	849,253	666,517	182,736
Vocational	90,780	92,192	78,913	13,279
Other	17,400	17,439	13,808	3,631
Support Services:				
Pupils	356,285	315,814	235,806	80,008
Instructional Staff	375,985	345,642	300,110	45,532
Board of Education	105,773	136,847	104,486	32,361
Administration	1,099,231	1,085,894	942,713	143,181
Fiscal	381,017	376,111	336,115	39,996
Operation and Maintenance of Plant	1,318,692	1,203,757	1,033,487	170,270
Pupil Transportation	519,402	531,711	428,531	103,180
Extracurricular Activities	385,566	379,906	307,141	72,765
Capital Outlay	500,310	455,848	210,218	245,630
Debt Service:				
Principal Retirement	250,000	140,000	140,000	-
Interest and Fiscal Charges	80,000	76,707	17,437	59,270
Total Expenditures	<u>12,856,064</u>	<u>12,742,771</u>	<u>11,016,807</u>	<u>1,725,964</u>
Excess of Revenues				
Under Expenditures	<u>(2,641,064)</u>	<u>(2,130,811)</u>	<u>(161,000)</u>	<u>1,969,811</u>
<u>Other Financing Sources (Uses):</u>				
Refund of Prior Year Expenditures	-	115,000	114,724	(276)
Sale of Capital Assets	10,000	5,000	15,376	10,376
Advances-Out	-	(82,609)	(82,609)	-
Transfers Out	(57,000)	(87,684)	(87,684)	-
Total Other Financing Sources (Uses)	<u>(47,000)</u>	<u>(50,293)</u>	<u>(40,193)</u>	<u>10,100</u>
Changes in Fund Balance	(2,688,064)	(2,181,104)	(201,193)	1,979,911
Fund Balance at Beginning of Year	2,311,399	2,311,399	2,311,399	-
Prior Year Encumbrances Appropriated	381,742	381,742	381,742	-
Fund Balance at End of Year	<u>\$ 5,077</u>	<u>\$ 512,037</u>	<u>\$ 2,491,948</u>	<u>\$ 1,979,911</u>

See Accompanying Notes to the Basic Financial Statements

**PLEASANT LOCAL SCHOOL DISTRICT
MARION COUNTY**

**STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
JUNE 30, 2007**

	Private Purpose Trust	Agency
<u>Assets:</u>		
Equity in Pooled Cash and Cash Equivalents	\$ 82,425	\$ 22,527
Accrued Interest Receivable	64	-
Total Assets	82,489	22,527
 <u>Liabilities:</u>		
Accounts Payable	1,941	-
Due to Students	-	22,527
Total Liabilities	1,941	\$ 22,527
 <u>Net Assets:</u>		
Held in Trust for Scholarships	70,548	
Endowment	10,000	
Total Net Assets	\$ 80,548	

See Accompanying Notes to the Basic Financial Statements

**PLEASANT LOCAL SCHOOL DISTRICT
MARION COUNTY**

**STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
PRIVATE PURPOSE TRUST FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

Additions:

Donations	\$	17,425
Interest		3,309
Total Additions		<u>20,734</u>

Deductions:

Non-Instructional Services		<u>16,439</u>
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Change in Net Assets 4,295

Net Assets at Beginning of Year 76,253

Net Assets at End of Year \$ 80,548

See Accompanying Notes to the Basic Financial Statements

**PLEASANT LOCAL SCHOOL DISTRICT
MARION COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY

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

The School District was established in 1916. The School District serves an area of approximately thirty-six square miles. It is located in Marion County and includes all of Pleasant Township, portions of Marion and Richland Townships, and a portion of the City of Marion. The School District is the 380th largest in the State of Ohio (among 614 school districts) in terms of enrollment. It is staffed by forty-nine classified employees, one hundred one certified teaching personnel, and seven administrative employees who provide services to 1,475 students and other community members. The School District currently operates three instructional buildings.

Reporting Entity

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

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

The component unit column on the financial statements identifies the financial data of the School District's component unit, Pleasant Digital Academy (PDA). It is reported separately to emphasize that it is legally separate from the School District. Information about this component unit is presented in Note 19 to the basic financial statements.

Pleasant Digital Academy. PDA is a legally separate, not-for-profit corporation. PDA, under a contractual agreement with the Pleasant Local School District, provides education opportunities through distance learning technologies. Pleasant Local School District is PDA's sponsoring government and PDA's seven member Board of Directors is appointed by Pleasant Local School District's Board of Education. Pleasant Local School District is financially accountable for PDA as it appoints PDA's Board and can impose its will on PDA. PDA is reported as a discretely presented component unit on Pleasant Local School District's financial statements.

**PLEASANT LOCAL SCHOOL DISTRICT
MARION COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(Continued)**

NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY (Continued)

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

Note 2 - Summary of Significant Accounting Policies

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

A. Basis of Presentation

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

Government-Wide Financial Statements

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

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

**PLEASANT LOCAL SCHOOL DISTRICT
MARION COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(Continued)**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Financial Statements

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

B. Fund Accounting

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

Governmental Funds

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

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

Permanent Improvement Fund - The Permanent Improvement capital projects fund accounts for the acquisition, construction, or improvement of capital facilities.

The other governmental funds of the School District account 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 School District under a trust agreement for individuals, private organizations, or other governments and are not available to support the School District's own programs. The School District's private purpose trust fund accounts for programs that provide college scholarships to students after graduation. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The School District's agency fund accounts for various student-managed activities.

**PLEASANT LOCAL SCHOOL DISTRICT
MARION COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(Continued)**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Measurement Focus

Government-Wide Financial Statements

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

Fund Financial Statements

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

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

D. Basis of Accounting

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

Revenues - Exchange and Nonexchange Transactions

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

**PLEASANT LOCAL SCHOOL DISTRICT
MARION COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(Continued)**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

Deferred Revenues

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

Property taxes for which there was an enforceable legal claim as of June 30, 2007, but which were levied to finance fiscal year 2008 operations, are recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

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

Expenses/Expenditures

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

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

E. Budgetary Process

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

**PLEASANT LOCAL SCHOOL DISTRICT
MARION COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(Continued)**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

F. Cash and Investments

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

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

During fiscal year 2007, the School District's investments included nonnegotiable certificates of deposit, a U.S. Treasury Note, and STAR Ohio. Nonnegotiable certificates of deposit are reported at cost. Investments are reported at fair value which is based on quoted market prices. 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, 2007.

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the General Fund during fiscal year 2007 was \$308,600, which includes \$139,634 assigned from other School District funds.

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

G. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2007, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of purchase and an expenditure/expense is reported in the year in which services are consumed.

**PLEASANT LOCAL SCHOOL DISTRICT
MARION COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(Continued)**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

H. Inventory

Inventory is presented at cost on a first-in, first-out basis and is expended/expensed when used. Inventory consists of administrative supplies and donated and purchased food.

I. Restricted Assets

Assets are reported as restricted when limitations on their use change the nature or normal understanding of the availability of the asset. Such constraints are either externally imposed by creditors, contributors, grantors, laws of other governments, or imposed by law through constitutional provisions or enabling legislation. Restricted assets in the General Fund represent amounts required by State statute to be set aside for the purchase of textbooks and other instructional materials and for the acquisition and construction of capital improvements.

J. Capital Assets

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

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

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

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

K. Interfund Assets/Liabilities

On fund financial statements, receivables and payables resulting from interfund services provided are classified as "Interfund Receivables/Payables". Interfund balances within governmental activities are eliminated on the statement of net assets.

**PLEASANT LOCAL SCHOOL DISTRICT
MARION COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(Continued)**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

L. Compensated Absences

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

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

M. Accrued Liabilities and Long-Term Obligations

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

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

N. Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balance of any borrowing used for the acquisition, construction, or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the School District or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Net assets restricted for other purposes include resources restricted for food service operations, music and athletic programs, and federal and state grants restricted to expenditure for specified purposes. As of June 30, 2007, there were no net assets restricted by enabling legislation.

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

O. Fund Balance Reserves

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

**PLEASANT LOCAL SCHOOL DISTRICT
MARION COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(Continued)**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The reserve for property taxes represents taxes recognized as revenue under generally accepted accounting principles but not available for appropriation under State statute.

P. Interfund Transactions

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

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

Q. Extraordinary and Special Items

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

R. Estimates

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

NOTE 3 - ACCOUNTABILITY

At June 30, 2007, the Title I Grant special revenue fund had a deficit fund balance, in the amount of \$9,026 resulting from adjustments for accrued liabilities.

NOTE 4 - BUDGETARY BASIS OF ACCOUNTING

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

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).

**PLEASANT LOCAL SCHOOL DISTRICT
MARION COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(Continued)**

NOTE 4 - BUDGETARY BASIS OF ACCOUNTING (Continued)

3. Encumbrances are treated as expenditures (budget basis) rather than as a reservation of fund balance (GAAP basis).

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

Changes in Fund Balance	
GAAP Basis	\$192,454
<u>Increase (Decrease) Due To:</u>	
Revenue Accruals	(275,220)
Expenditure Accruals	126,134
Other Financing Sources/(Uses)	25,092
Encumbrances Outstanding at Fiscal Year End (Budget Basis)	(269,653)
Budget Basis	<u><u>(\$201,193)</u></u>

NOTE 5 - DEPOSITS AND INVESTMENTS

Monies held by the School District are classified by State statute into three categories.

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

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

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

Interim monies held by the School District may be deposited or invested in the following securities:

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;

**PLEASANT LOCAL SCHOOL DISTRICT
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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(Continued)**

NOTE 5 - DEPOSITS AND INVESTMENTS (Continued)

2. Bonds, notes, debentures, or any other obligation or security issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least 2 percent and be marked to market daily, and the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio or Ohio local governments;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
7. The State Treasurer's investment pool (STAR Ohio);
8. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred eighty days in an amount not to exceed 25 percent of the interim monies available for investment at any one time; and
9. Under limited circumstances, corporate debt interests rated in either of the two highest rated 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 School 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.

Deposits

Custodial credit risk for deposits is the risk that in the event of bank failure, the School District will not be able to recover deposits or collateral securities that are in the possession of an outside party. At fiscal year end, \$1,339,027 of the School District's bank balance of \$1,539,814 was exposed to custodial credit risk because it was uninsured and uncollateralized. Although all State statutory requirements for the deposit of money had been followed, noncompliance with federal requirements could potentially subject the School District to a successful claim by the FDIC.

**PLEASANT LOCAL SCHOOL DISTRICT
MARION COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(Continued)**

NOTE 5 - DEPOSITS AND INVESTMENTS (Continued)

The School District has no deposit policy for custodial risk beyond the requirements of State statute. Ohio law requires that deposits be either insured or be protected by eligible securities pledged to and deposited either with the School District or a qualified trustee by the financial institution as security for repayment, or by a collateral pool of eligible securities deposited with a qualified trustee and pledged to secure the repayment of all public monies deposited in the financial institution whose market value at all times shall be at least 105 percent of the deposits being secured.

Investments

As of June 30, 2007, the School District had the following investments:

	<u>Fair Value</u>	<u>Maturity</u>
U.S. Treasury Notes	9,700	4/15/09
STAR Ohio	3,933,150	average 38.9 days

Interest rate risk arises because potential purchasers of debt securities will not agree to pay face value for those securities if interest rates subsequently increase. The investment policy restricts the Treasurer from investing in any securities other than those identified in the Ohio Revised Code and that all investments must mature within five years from the date of investment unless they are matched to a specific obligation or debt of the School District.

The U.S. Treasury Note carries a rating of AAA by Moody's. STAR Ohio carries a rating of AAAM by Standard and Poor's. The School District has no investment policy dealing with credit risk beyond the requirements of State statute. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service.

The School District places no limit on the amount of its interim monies it may invest in a particular security. The District's Treasury Note investment represents .25% of the School District's total portfolio.

NOTE 6 - RECEIVABLES

Receivables at June 30, 2007, consisted of accounts (student fees and billings for user charged services), accrued interest, interfund, intergovernmental, and property taxes. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current year guarantee of federal funds. All receivables are expected to be collected within one year. A summary of the principal items of intergovernmental receivables follows:

**PLEASANT LOCAL SCHOOL DISTRICT
MARION COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(Continued)**

NOTE 6 – RECEIVABLES (Continued)

	<u>Amount</u>
Governmental Activities	
Other Governmental Funds	
Food Service	\$25,008
Summer School Grant	33,319
CORE Grant	14,080
Title VI-B Grant	50,397
Title I Grant	9,651
Drug Free Grant	3,301
Improving Teacher Quality Grant	2,262
Physical Education Grant	325,982
Total Intergovernmental Receivables	<u><u>\$464,000</u></u>

NOTE 7 - PROPERTY TAXES

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

Property taxes include amounts levied against all real property, public utility property, and tangible personal (used in business) property located in the School District. Real property tax revenues received in calendar year 2007 represent the collection of calendar year 2006 taxes. Real property taxes received in calendar year 2007 were levied after April 1, 2006, on the assessed values as of January 1, 2006, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenues received in calendar year 2007 represent the collection of calendar year 2006 taxes. Public utility real and tangible personal property taxes received in calendar year 2007 became a lien on December 31, 2005, were levied after April 1, 2006, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

**PLEASANT LOCAL SCHOOL DISTRICT
MARION COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(Continued)**

NOTE 7 - PROPERTY TAXES (Continued)

Tangible personal property tax revenues received in calendar year 2007 (other than public utility property) represent the collection of calendar year 2007 taxes. Tangible personal property taxes received in calendar year 2007 were levied after April 1, 2006, on the value as of December 31, 2006. In prior years, tangible personal property was assessed at 25 percent of true value for capital assets and 23 percent for inventory. The tangible personal property tax is being phased out. The assessment percentage for all property, including inventory, for 2006 was 18.75 percent and was reduced to 12.5 percent for 2007. This will be further reduced to 6.25 percent for 2008, and zero for 2009. Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the School District prior to June 30.

The School District receives property taxes from Marion County. The County Auditor periodically advances to the School District its portion of the taxes collected. Second-half real property tax payments collected by the county by June 30, 2007, are available to finance fiscal year 2007 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable represents real property, public utility property, and tangible personal property taxes which were measurable as of June 30, 2007, and for which there was 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 reflected 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.

The amount available as an advance at June 30, 2007, was \$1,403,638 in the General Fund and \$120,014 in the Bond Retirement debt service fund. The amount available as an advance at June 30, 2006, was \$1,326,380 in the General Fund and \$123,299 in the Bond Retirement debt service fund.

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

The assessed values upon which fiscal year 2007 taxes were collected are:

	2006 Second- Half Collections		2007 First- Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential	\$131,107,990	76.59%	135,193,360	77.98%
Industrial/Commercial	24,668,240	14.41	25,324,860	14.61
Public Utility	8,158,580	4.77	8,582,250	4.95
Tangible Personal	7,251,529	4.23	4,270,540	2.46
Total Assessed Value	<u>171,186,339</u>	<u>100.00%</u>	<u>173,371,010</u>	<u>100.00%</u>
Tax rate per \$1,000 of assessed valuation	\$48.23		\$47.77	

**PLEASANT LOCAL SCHOOL DISTRICT
MARION COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(Continued)**

NOTE 8 - CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2007, was as follows:

	Balance at 6/30/06	Additions	Reductions	Balance at 6/30/07
Governmental Activities				
Nondepreciable Capital Assets				
Land	\$416,997	\$0	\$0	\$416,997
Construction in Progress	740,792	149,384	(810,450)	79,726
Total Nondepreciable Capital Assets	<u>1,157,789</u>	<u>149,384</u>	<u>(810,450)</u>	<u>496,723</u>
Depreciable Capital Assets				
Land Improvements	1,929,698	153,247	0	2,082,945
Buildings and Building Improvements	5,597,887	688,360	0	6,286,247
Furniture, Fixtures, and Equipment	1,033,069	47,581	(7,124)	1,073,526
Vehicles	950,907	98,943	(121,395)	928,455
Infrastructure	97,600	0	0	97,600
Total Depreciable Capital Assets	<u>9,609,161</u>	<u>988,131</u>	<u>(128,519)</u>	<u>10,468,773</u>
Less Accumulated Depreciation				
Land Improvements	(741,763)	(101,532)	0	(843,295)
Buildings and Building Improvements	(1,214,765)	(109,581)	0	(1,324,346)
Furniture, Fixtures, and Equipment	(563,069)	(68,610)	475	(631,204)
Vehicles	(549,970)	(75,082)	117,671	(507,381)
Infrastructure	(11,224)	(1,952)	0	(13,176)
Total Accumulated Depreciation	<u>(3,080,791)</u>	<u>(356,757)</u>	<u>118,146</u>	<u>(3,319,402)</u>
Depreciable Capital Assets, Net	<u>6,528,370</u>	<u>631,374</u>	<u>(10,373)</u>	<u>7,149,371</u>
Governmental Activities Capital Assets, Net	<u>\$7,686,159</u>	<u>\$780,758</u>	<u>(\$820,823)</u>	<u>\$7,646,094</u>

**PLEASANT LOCAL SCHOOL DISTRICT
MARION COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(Continued)**

NOTE 8 - CAPITAL ASSETS (Continued)

Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$105,028
Special	915
Vocational	156
Support Services:	
Pupils	234
Instructional Staff	2,898
Administration	2,734
Fiscal	237
Operation and Maintenance of Plant	125,750
Pupil Transportation	72,300
Non-Instructional Services	6,704
Extracurricular Activities	39,801
Total Depreciation Expense	<u>\$356,757</u>

NOTE 9 - INTERFUND ASSETS/LIABILITIES

At June 30, 2007, the general fund had an interfund receivable, in the amount of \$82,611, from other governmental funds related to short-term advances.

NOTE 10 - RISK MANAGEMENT

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2007, the School District contracted for the following insurance coverage.

Coverage provided by Ohio School Plan is as follows:

Buildings and Contents - replacement cost	\$24,608,123
Equipment Breakdown	25,374,249
General Liability	
Per Occurrence	1,000,000
Aggregate	3,000,000
Automobile Liability	1,000,000

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

**PLEASANT LOCAL SCHOOL DISTRICT
MARION COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(Continued)**

NOTE 10 - RISK MANAGEMENT (Continued)

For fiscal year 2007, the School District participated in the Ohio School Plan (Plan), an insurance purchasing pool. Each participant enters into an individual agreement with the Plan for insurance coverage and pays annual premiums to the Plan based on the types and limits of coverage and deductibles selected by the participant.

For fiscal year 2007, the School District participated in the Ohio Association of School Business Officials (OASBO) Workers' Compensation Group Rating Plan (Plan), an insurance purchasing pool. The intent of the Plan is to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the Plan. The third party administrator, Sheakley Uniservice, Inc., review each participants' claims experience and determines the rating tier for that participant. A common premium rate is applied to all participants in a given rating tier. Each participant pays its workers' compensation premium to the State based on the rate for their rating tier rather than its individual rate. Sheakley Uniservice, Inc. provides administrative, cost control, and actuarial services to the Plan.

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

NOTE 11 – DEFINED BENEFIT PENSION PLANS

A. School Employee Retirement System

The School District contributes to the School Employees Retirement System (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 Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3476.

Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute at an actuarially determined rate. The current School District rate is 14 percent of annual covered payroll. A portion of the School District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2007, 10.68 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to a statutory maximum amount, by the SERS' Retirement Board. The School District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2007, 2006 and 2005 were \$128,877, \$121,718 and \$109,667 respectively; 43.89 percent has been contributed for fiscal year 2007 and 100 percent for fiscal years 2006 and 2005.

**PLEASANT LOCAL SCHOOL DISTRICT
MARION COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(Continued)**

NOTE 11 – DEFINED BENEFIT PENSION PLANS (Continued)

B. State Teachers Retirement System

The School District participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple-employer public employee retirement system. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a stand-alone financial report that may be obtained by writing to STRS Ohio, 275 E. Broad St., Columbus, OH 43215-3371, by calling (614) 227-4090, or by visiting the STRS Ohio Web site at www.strs.org.

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on 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 10.5 percent of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The 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.

For the fiscal year ended June 30, 2007, plan members were required to contribute 10 percent of their annual covered salaries. The School District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. For fiscal year 2006, the portion used to fund pension obligations was also 13 percent. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The School District's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2007, 2006, and 2005 were \$667,884, \$643,215, and \$607,080 respectively; 82.69 percent has been contributed for fiscal year 2007 and 100 percent for fiscal years 2006 and 2005.

**PLEASANT LOCAL SCHOOL DISTRICT
MARION COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(Continued)**

NOTE 11 – DEFINED BENEFIT PENSION PLANS (Continued)

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 of Ohio have an option to choose Social Security or the School Retirement System. As of June 30, 2007, three members of the Board of Education have elected Social Security. The Board's liability is 6.2 percent of wages.

NOTE 12 – POSTEMPLOYMENT BENEFITS

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

All STRS Ohio retirees who participated in the DB or Combined Plans and their dependents are eligible for health care coverage. The STRS Ohio Board has statutory authority over how much, if any, of the health care cost will be absorbed by STRS Ohio. All benefit recipients pay a portion of the health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS Ohio funds is included in the employer contribution rate, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2007, the STRS Board allocated employer contributions equal to one percent of covered payroll to the Health Care Stabilization Fund. For the School District, this amount equaled \$51,376 for fiscal year 2007.

STRS Ohio pays health care benefits from the Health Care Stabilization Fund. At June 30, 2006, (the latest information available) the balance in the Fund was \$3.5 billion. For the year ended June 30, 2006, net health care costs paid by STRS were \$282,743,000 and STRS had 119,184 eligible benefit recipients.

For SERS, coverage is made available to service retirees with ten or more fiscal years of qualifying service credit, and to disability and survivor benefit recipients. All retirees and beneficiaries are required to pay a portion of their health care premium. The portion is based on years of service, Medicare eligibility, and retirement status.

After the allocation for basic benefits, the remainder of the employer's 14 percent contribution is allocated to providing health care benefits. For the fiscal year ended June 30, 2007, employer contributions to fund health care benefits were 3.32 percent of covered payroll, compared to 3.42 percent of covered payroll for fiscal year 2006. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2007, the minimum pay was established at \$35,800. However, the surcharge is capped at two percent of each employer's SERS salaries. For the School District, the amount contributed to fund health care benefits, including the surcharge, during the 2007 fiscal year equaled \$58,446.

**PLEASANT LOCAL SCHOOL DISTRICT
MARION COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(Continued)**

NOTE 12 – POSTEMPLOYMENT BENEFITS (Continued)

The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund. The target level for the health care reserve is 150 percent of the projected claims less premium contributions for the next year. Expenses for health care at June 30, 2006, (the latest information available), were \$158,751,207. At June 30, 2006, SERS had net assets available for payment of health care benefits of \$295.6 million. SERS has 59,492 participants eligible to receive benefits.

NOTE 13 - OTHER EMPLOYEE BENEFITS

A. Compensated Absences

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

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

B. Health Care Benefits

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

C. Separation Benefits

Employees who retired in fiscal year 2007 were offered a separation benefit. Employees were offered a one time incentive in addition to severance benefits and pension benefits. The incentive, in the amount of \$3,000 per \$10,000 of annual salary, is offered in the first year of retirement eligibility. The employee has the opportunity to accept or reject the incentive opportunity. If rejected, the employee will then be eligible for a reduced benefit of \$1,500 per \$10,000 of annual salary when they retire. The benefit may be paid directly to the employee or placed in a retirement account of the employee's choosing. At June 30, 2007, the liability for separation benefits was \$76,162.

**PLEASANT LOCAL SCHOOL DISTRICT
MARION COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(Continued)**

NOTE 14 - LONG-TERM OBLIGATIONS

Changes in the School District's long-term obligations during fiscal year 2007 were as follows:

	Balance at 6/30/06	Additions	Reductions	Balance at 6/30/07	Amounts Due Within One Year
Governmental Activities					
General Long-Term Obligations					
School Improvement Bonds FY 1993 5.045%	\$2,665,000	\$0	\$220,000	\$2,445,000	\$230,000
Energy Conservation Loan FY 2007 2.442%	649,941	0	140,000	509,941	65,000
Total General Long-Term Obligations	3,314,941	0	360,000	2,954,941	295,000
Compensated Absences Payable	680,044	53,955	98,330	635,669	78,082
Capital Leases Payable	74,337	0	14,308	60,029	15,488
Total Governmental Activities Long-Term Obligations	<u>\$4,069,322</u>	<u>\$53,955</u>	<u>\$472,638</u>	<u>\$3,650,639</u>	<u>\$388,570</u>

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

Energy Conservation Loan - On June 16, 2006, the School District obtained a loan, in the amount of \$649,941, to provide energy conservation measures for the School District. The loan was obtained for a ten year period, with final maturity in fiscal year 2015.

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

The School District's overall debt margin was \$12,001,640 with an unvoted debt margin of \$160,518 at June 30, 2007.

**PLEASANT LOCAL SCHOOL DISTRICT
MARION COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(Continued)**

NOTE 14 - LONG-TERM OBLIGATIONS (Continued)

Principal and interest requirements to retire the general long-term obligations outstanding at June 30, 2007, were as follows:

Fiscal Year Ending	School Improvement Bonds		Energy Conservation Loan	
	Principal	Interest	Principal	Interest
2008	230,000	117,455	65,000	10,199
2009	245,000	106,289	65,000	8,899
2010	175,000	96,008	65,000	7,599
2011	175,000	87,083	65,000	6,299
2012	170,000	78,285	65,000	4,999
2013-2017	980,000	249,390	184,941	6,098
2018-2019	470,000	24,225	0	0
Totals	<u>\$2,445,000</u>	<u>\$758,735</u>	<u>\$509,941</u>	<u>\$44,093</u>

NOTE 15 - CAPITAL LEASES - LESSEE DISCLOSURE

The School District has entered into capitalized leases for equipment. Each lease meets the criteria of a capital lease as defined by Statement of Financial Accounting Standards No. 13, "Accounting for Leases", which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee. New capital leases are reflected in the accounts "Operation and Maintenance of Plant" and "Inception of Capital Lease" in the funds which will be making the lease payments. Capital lease payments are reflected as debt service expenditures on the statement of revenues, expenditures, and changes in fund balances for the governmental funds. Principal payments in 2007 were \$14,308.

	Governmental Activities
Property under Capital Lease	\$81,077
Less Accumulated Depreciation	(27,026)
Total June 30, 2007	<u>\$54,051</u>

The following is a schedule of the future long-term minimum lease payments required under the capital leases and the present value of the minimum lease payments as of June 30, 2007.

Fiscal Year	Principal	Interest
2008	15,488	4,216
2009	16,765	2,939
2010	18,148	1,556
2011	9,628	213
	<u>\$60,029</u>	<u>\$8,924</u>

**PLEASANT LOCAL SCHOOL DISTRICT
MARION COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(Continued)**

NOTE 16 - SET ASIDES

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

The following cash basis information identifies the changes in the fund balance reserves for textbooks and capital improvements during fiscal year 2007.

	<u>Textbooks</u>	<u>Capital Improvements</u>
Balance June 30, 2006	\$132,316	\$149,947
Current Year Set Aside Requirement	206,749	206,749
Qualifying Expenditures	(229,148)	(337,042)
Balance June 30, 2007	<u>\$109,917</u>	<u>\$19,654</u>

NOTE 17 - INTERFUND TRANSFERS

During fiscal year 2007, the General Fund made transfers to other governmental funds in the amount of \$80,661 to subsidize programs in other funds.

NOTE 18 - DONOR RESTRICTED ENDOWMENTS

The School District's private purpose trust fund includes donor restricted endowments. Endowment, in the amount of \$10,000 represents the principal portion. The amount of net appreciation in donor restricted investments that is available for expenditures by the School District is \$70,548 and is included as held in trust for scholarships. State law permits the School District to appropriate, for purposes consistent with the endowment's intent, net appreciation, realized and unrealized, unless the endowment terms specify otherwise. The endowment indicates that the interest should be used to provide a scholarship each year.

NOTE 19 - PLEASANT DIGITAL ACADEMY

A. Basis of Presentation

Pleasant Digital Academy is accounted for using a flow of economic resources measurement focus. With this measurement focus, all assets and liabilities are included on the statement of net assets. Pleasant Digital Academy uses the full accrual basis of accounting. Revenues are recognized in the accounting period in which they are earned, and expenses are recognized at the time they are incurred.

**PLEASANT LOCAL SCHOOL DISTRICT
MARION COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(Continued)**

NOTE 19 - PLEASANT DIGITAL ACADEMY (Continued)

B. Deposits and Investments

At fiscal year end, the carrying amount of Pleasant Digital Academy's deposits was \$224,871 and the bank balance was \$233,721. Of the bank balance, \$100,000 was covered by federal depository insurance and \$133,721 was uninsured and uncollateralized. Pleasant Digital Academy did not have any investments at fiscal year end.

C. Capital Assets

Capital asset activity for the fiscal year ended June 30, 2007, was as follows:

	<u>Balance at 6/30/06</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance at 6/30/07</u>
Depreciable Capital Assets				
Equipment	\$105,893	\$35,348	\$0	\$141,241
Less Accumulated Depreciation	(47,640)	(43,181)	0	(90,821)
Capital Assets, Net	<u>\$58,253</u>	<u>(\$7,833)</u>	<u>\$0</u>	<u>\$50,420</u>

NOTE 20 - JOINTLY GOVERNED ORGANIZATIONS

A. Tri-Rivers Educational Computer Association

The School District is a participant in the Tri-Rivers Educational Computer Association (TRECA), which is a computer consortium. TRECA is an association of public school districts within the boundaries of Delaware, Knox, Marion, Morrow, Muskingum, and Wyandot Counties. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member school districts. The governing board of TRECA consists of one representative from each county elected by majority vote of all charter member school districts within each county, one representative from the city school districts, and the superintendent from Tri-Rivers Joint Vocational School. During fiscal year 2007, the School District paid \$35,058 to TRECA for various services. Financial information can be obtained from the Tri-Rivers Educational Computer Association, 2222 Marion Mt. Gilead Road, Marion, Ohio 43302.

B. Tri-Rivers Joint Vocational School

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

**PLEASANT LOCAL SCHOOL DISTRICT
MARION COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(Continued)**

NOTE 20 - JOINTLY GOVERNED ORGANIZATIONS (Continued)

C. North Central Regional Professional Development Center

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

D. North Central Ohio Special Education Regional Resource Center

The North Central Ohio Special Education Regional Resource Center (SERRC) is a jointly governed organization formed to initiate, expand, and improve special education programs and services for children with disabilities and their parents. The SERRC is governed by a forty-seven member board including the superintendent from the forty-two participating educational entities, one representative from a non-public school, one representative from Knox County Educational Service Center, one representative from Ashland University, and two parents of children with disabilities. The degree of control exercised by any participating educational entity is limited to its representative on the Board. Financial information can be obtained from the Knox County Educational Service Center, 308 Martinsburg Road, Mt. Vernon, Ohio 43050.

E. Northwestern Ohio Educational Research Council, Inc.

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

F. Metropolitan Educational Council

The Metropolitan Educational Council (MEC) is a purchasing cooperative made up of one hundred forty-two school districts, libraries, and related agencies in twenty-seven counties. The purpose of the MEC is to obtain prices for quality merchandise and services commonly used by the participants. The governing board of the MEC consists of one representative from each participant. All participants must pay all fees, charges, or other assessments as established by the MEC. Financial information can be obtained from the Metropolitan Educational Council, 2100 Citygate Drive, Columbus, Ohio 43219.

**PLEASANT LOCAL SCHOOL DISTRICT
MARION COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(Continued)**

NOTE 21 - INSURANCE POOLS

A. Ohio School Plan

The School District participates in the Ohio School Plan (Plan), an insurance purchasing pool established under Section 2744.081 of the Ohio Revised Code. The Plan is an unincorporated nonprofit association of its members which enables the participants to provide for a formalized joint insurance purchasing program for maintaining adequate insurance protection and provides risk management programs and other administrative services. The Plan's business and affairs are conducted by a fifteen member board consisting of superintendents, treasurers, the president of Harcum-Shuett Insurance Agency, Inc., and a member of the Hylant Group, Inc. The Hylant Group, Inc. is the Plan's administrator and is responsible for processing claims. Harcum-Shuett Insurance Agency serves as the sales and marketing representative which establishes agreements between the Plan and its members. Financial information can be obtained from Harcum-Shuett Insurance Agency, 246 East Sycamore Street, Columbus, Ohio 43206.

B. Ohio Association of School Business Officials (OASBO) Workers' Compensation Group Rating Plan

The School District participates in a group rating plan for workers' compensation as established under Section 4123.29 of the Ohio Revised Code. The OASBO Workers' Compensation Group Rating Plan (Plan) was established through the Ohio Association of School Business Officials as an insurance purchasing pool. The Plan's business and affairs are conducted by a five member OASBO Board of Directors. Each year, the participants pay an enrollment fee to the Plan to cover the costs of administering the program.

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

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

Each participant decides which plans offered by the Administrative Committee will be extended to its employees. Participation in the Trust is by written application subject to acceptance by the Administrative Committee and payment of monthly premiums. Financial information can be obtained from the North Union Local School District, 12920 State Route 739, Richwood, Ohio, 43344.

NOTE 22 - CONTINGENCIES

A. Grants

The School District received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 2007.

**PLEASANT LOCAL SCHOOL DISTRICT
MARION COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(Continued)**

NOTE 22 – CONTINGENCIES (Continued)

B. Litigation

A lawsuit has been filed by the Columbia Gas Transmission Corporation arguing that the Corporation's public utility property tax assessment rate should be 25% of true value rather than the 88% used by the Tax Commissioner. The Board of Tax Appeals has agreed with the Corporation and the case has been appealed by the Tax Commissioner to the Ohio Supreme Court. The School District receives a significant amount of property tax from the Corporation. Should the Corporation prevail in the Supreme Court, it may be entitled to a refund from the School District based on the lower assessment rate beginning from tax year 2001. The amount of the refund is estimated to be approximately \$22,903 per year. A portion of the refund may be recovered from additional State entitlement payments.

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**PLEASANT LOCAL SCHOOL DISTRICT
MARION COUNTY**

**SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2007**

<u>FEDERAL GRANTOR</u>	Pass Through Entity Number	Federal CFDA Number	Receipts	Non-Cash Receipts	Disburse- ments	Non-Cash Disburse- ments
Pass Through Grantor Program Title						
<u>U.S. DEPARTMENT OF AGRICULTURE</u>						
<i>Passed Through Ohio Department of Education:</i>						
Food Donation	N/A	10.550	\$ -	\$ 78,099	\$ -	\$ 78,099
National School Lunch Program	048421-LLP4-2007	10.555	96,546	-	96,546	-
Total U.S. Department of Agriculture			96,546	78,099	96,546	78,099
<u>U.S. DEPARTMENT OF EDUCATION</u>						
<i>Passed Through the Ohio Department of Education:</i>						
Special Education Grants to States	048421-6BSF-2007 048421-6BSF-2006	84.027	218,363 (14,858)	- -	241,252 50,275	- -
Total Special Education Grants to States			203,505	-	291,527	-
Title I Grants to Local Educational Agencies	048421-C1S1-2007 048421-C1S1-2006	84.010	106,462 -	- -	106,017 30,493	- -
Total Title I Grants to Local Educational Agencies			106,462	-	136,510	-
State Grants for Innovative Programs	048421-C2S1-2007	84.298	1,907	-	1,907	-
Improving Teacher Quality State Grants	048421-TRS1-2007	84.367	49,097	-	50,652	-
Safe and Drug-Free Schools and Communities State Grants	048421-DRS1-2007 048421-DRS1-2006	84.186	900 -	- -	1,221 3,586	- -
Total Safe and Drug-Free Schools and Communities State Grants			900	-	4,807	-
Education Technology State Grants	048421-TJS1-2007 048421-TJS1-2006	84.318	1,208 -	- -	1,208 1,769	- -
Total Education Technology State Grants			1,208	-	2,977	-
Total U.S. Department of Education			363,079	-	488,380	-
TOTAL FEDERAL AWARDS RECEIPTS AND EXPENDITURES			\$ 459,625	\$ 78,099	\$ 584,926	\$ 78,099

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

**PLEASANT LOCAL SCHOOL DISTRICT
MARION COUNTY**

**NOTES TO THE SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2007**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B – NATIONAL SCHOOL LUNCH PROGRAM

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

NOTE C – FOOD DONATION PROGRAM

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 non-monetary assistance (expenditures) is reported in the Schedule at the fair value of the commodities received.



Mary Taylor, CPA

Auditor of State

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

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

To the Board of Education:

We have audited the financial statements of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Pleasant Local School District, Marion County, Ohio (the District), as of and for the year ended June 30, 2007, which collectively comprise the District's basic financial statements and have issued our report thereon dated January 15, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

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

A control deficiency exists when the design or operation of a control does not allow management or employees, in performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis, such that there is more than a remote likelihood that the District's internal control will not prevent or detect a more-than-inconsequential financial statement misstatement.

A material weakness is a significant deficiency, or combination of significant deficiencies resulting in more than a remote likelihood that the District's internal control will not prevent or detect a material financial statement misstatement.

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

Compliance and Other Matters

As part of reasonably assuring whether the District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

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

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

Mary Taylor, CPA
Auditor of State

January 15, 2008



Mary Taylor, CPA

Auditor of State

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

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

To the Board of Education:

Compliance

We have audited the compliance of Pleasant Local School District, Marion County, Ohio (the District), with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement that apply to its major federal program for the year ended June 30, 2007. The summary of auditor's results section of the accompanying schedule of findings identifies the District's major federal program. The District's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to the major federal program. Our responsibility is to express an opinion on the District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits 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 reasonably assure whether noncompliance occurred with the types of compliance requirements referred to above that could directly and materially affect a major federal program. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing other procedures we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the District's compliance with those requirements.

In our opinion, Pleasant Local School District, Marion County, Ohio, complied, in all material respects, with the requirements referred to above that apply to its major federal program for the year ended June 30, 2007.

Internal Control Over Compliance

The District's management is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the District's internal control over compliance with requirements that could directly and materially affect a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

A control deficiency in internal control over compliance exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent or detect noncompliance with a federal program compliance requirement on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to administer a federal program such that there is more than a remote likelihood that the District's internal control will not prevent or detect more than inconsequential noncompliance with a federal program compliance requirement.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that the District's internal control will not prevent or detect material noncompliance with a federal program's compliance requirements.

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

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



Mary Taylor, CPA
Auditor of State

January 15, 2008

**PLEASANT LOCAL SCHOOL DISTRICT
MARION COUNTY**

**OMB CIRCULAR A -133 § .505
SCHEDULE OF FINDINGS
JUNE 30, 2007**

1. SUMMARY OF AUDITOR'S RESULTS

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

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

None.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None.

PLEASANT LOCAL SCHOOL DISTRICT
MARION COUNTY

OMB CIRCULAR A -133 § .315 (b)
SCHEDULE OF PRIOR AUDIT FINDINGS
JUNE 30, 2007

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2006-001	Allowable/Cost Principles and Reporting-Special Education	Yes	N/A



Mary Taylor, CPA
Auditor of State

PLEASANT LOCAL SCHOOL DISTRICT

MARION COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
FEBRUARY 5, 2008**