



**Auditor of State  
Betty Montgomery**



PLAIN LOCAL SCHOOL DISTRICT  
STARK COUNTY

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## Auditor of State Betty Montgomery

### INDEPENDENT ACCOUNTANTS' REPORT

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

To the Board of Education:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate discretely presented component units and remaining fund information of the Plain Local School District, Stark County, Ohio, (the District) as of and for the year ended June 30, 2005, 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, each major fund, and the aggregate discretely presented component units and remaining fund information of the Plain Local School District, Stark County, Ohio, as of June 30, 2005, 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.

As described in Note 3, the District implemented Governmental Accounting Standards Board Technical Bulletin No. 2004-2, Recognition of Pension and Other Postemployment Benefit Expenditures/Expenses and Liabilities by Cost-Sharing Employers which resulted in the restatement of the major General Fund and other governmental fund's beginning balance as of July 1, 2004.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 27, 2006, 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.

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

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

**Betty Montgomery**  
Auditor of State

January 27, 2006

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

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005  
UNAUDITED

The discussion and analysis of the Plain Local School District's (the "District") financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2005. The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should also review the basic financial statements and the notes to the basic financial statements to enhance their understanding of the District's financial performance.

**Financial Highlights**

Key financial highlights for 2005 are as follows:

- In total, net assets of governmental activities increased \$3,404,166 which represents a 16.63% increase from 2004.
- General revenues accounted for \$47,551,910 in revenue or 87.02% of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$7,094,232 or 12.98% of total revenues of \$54,646,142.
- The District had \$51,241,976 in expenses related to governmental activities; \$7,094,232 of these expenses were offset by program specific charges for services, grants or contributions. General revenues supporting governmental activities (primarily taxes and unrestricted grants and entitlements) were adequate to provide for these programs.
- The District's major governmental funds had \$48,304,240 in revenues and other financing sources, and \$60,850,608 in expenditures and other financing uses. The fund balance of the major governmental funds decreased from \$73,407,813 to \$60,871,694.

**Using this Financial Report**

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

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

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

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005  
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**Reporting the District as a Whole**

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

While this document contains the large number of funds used by the District to provide programs and activities, the view of the District as a whole looks at all financial transactions and asks the question, "How did we do financially during 2005?" The Statement of Net Assets and the Statement of Activities answer this question. These statements include *all non-fiduciary assets, liabilities, revenues and expenses* using the *accrual basis of accounting* similar to the accounting used by most private-sector companies. This basis of accounting will take into account all of the current year's revenues and expenses regardless of when cash is received or paid.

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

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

The District's Statement of Net Assets and Statement of Activities can be found on pages 15-17 of this report.

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

***Fund Financial Statements***

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

***Governmental Funds***

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



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

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005  
UNAUDITED

***Reporting the District's Fiduciary Responsibilities***

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

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

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. These notes to the basic financial statements can be found on pages 25-54 of this report.

**The District as a Whole**

The Statement of Net Assets provides the perspective of the District as a whole. The table below provides a summary of the District's net assets for 2005 and 2004.

	<b>Net Assets</b>	
	Governmental Activities 2005	Governmental Activities 2004
<b><u>Assets</u></b>		
Current and other assets	\$ 98,928,134	\$ 108,447,573
Capital assets	<u>25,722,392</u>	<u>12,373,103</u>
Total assets	<u>124,650,526</u>	<u>120,820,676</u>
<b><u>Liabilities</u></b>		
Current liabilities	34,626,221	32,587,958
Long-term liabilities	<u>66,154,522</u>	<u>67,767,101</u>
Total liabilities	<u>100,780,743</u>	<u>100,355,059</u>
<b><u>Net Assets</u></b>		
Invested in capital assets, net of related debt	7,555,868	5,085,347
Restricted	5,717,806	1,587,945
Unrestricted	<u>10,596,109</u>	<u>13,792,325</u>
Total net assets	<u>\$ 23,869,783</u>	<u>\$ 20,465,617</u>

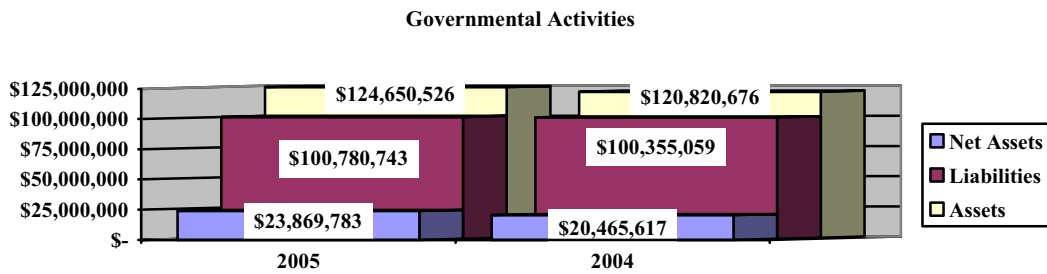
Over time, net assets can serve as a useful indicator of a government's financial position. At June 30, 2005, the District's assets exceeded liabilities by \$23,869,783.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005  
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At year-end, capital assets represented 20.64% of total assets. Capital assets include land, land improvements, buildings and improvements, furniture and equipment, vehicles, textbooks, infrastructure and construction in progress. Capital assets, net of related debt to acquire the assets at June 30, 2005, were \$7,555,868. These capital assets are used to provide services to the students and are not available for future spending. Although the District's investment in capital assets is reported net of related debt, it should be noted the resources to repay the debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities.

A portion of the District's net assets, \$5,717,806, represents resources that are subject to external restriction on how they may be used.



The table below shows the change in net assets for fiscal years 2005 and 2004.

	<b>Change in Net Assets</b>	
	Governmental Activities 2005	Governmental Activities 2004
<b><u>Revenues</u></b>		
Program revenues:		
Charges for services and sales	\$ 2,672,756	\$ 2,257,670
Operating grants and contributions	4,367,506	3,951,552
Capital grants and contributions	53,970	-
General revenues:		
Property taxes	25,766,740	24,993,758
Grants and entitlements	19,690,130	19,521,421
Investment earnings	2,042,091	869,957
Other	52,949	58,053
<b>Total revenues</b>	<b>54,646,142</b>	<b>51,652,411</b>

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

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005  
UNAUDITED

**Change in Net Assets**

	Governmental Activities <u>2005</u>	Governmental Activities <u>2004</u>
<b><u>Expenses</u></b>		
Program expenses:		
Instruction:		
Regular	\$ 21,124,200	\$ 22,030,517
Special	4,508,507	4,459,324
Vocational	1,790,194	2,009,875
Other	325,567	320,277
Support services:		
Pupil	2,663,906	2,645,738
Instructional staff	3,346,261	2,991,317
Board of education	95,698	47,058
Administration	3,380,032	3,461,121
Fiscal	751,452	710,604
Business	138,648	129,353
Operations and maintenance	3,936,770	4,373,624
Pupil transportation	2,813,801	2,434,642
Central	179,174	107,072
Operations of non-instructional services	43,334	66,629
Food service operations	1,836,834	1,761,814
Extracurricular activities	1,362,056	1,303,345
Intergovernmental-pass through	602,664	635,741
Interest and fiscal charges	<u>2,342,878</u>	<u>3,162,663</u>
Total	<u>51,241,976</u>	<u>52,650,714</u>
Change in net assets	3,404,166	(998,303)
Net assets at beginning of year	<u>20,465,617</u>	<u>21,463,920</u>
Net assets at end of year	<u>\$ 23,869,783</u>	<u>\$ 20,465,617</u>

**Governmental Activities**

Net assets of the District's governmental activities increased \$3,404,166. Total governmental expenses of \$51,241,976 were offset by program revenues of \$7,094,232 and general revenues of \$47,551,910. Program revenues supported 13.84% of the total governmental expenses.

The primary sources of revenue for governmental activities are derived from property taxes, and grants and entitlements. These two revenue sources represent 83.18% and 86.18% of total governmental revenue in 2005 and 2004, respectively. Real estate property is reappraised every six years and updated every three years. As a result of the latest reappraisal by Stark County in 2003, the District's tax valuation increased by 8.95% this year.

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

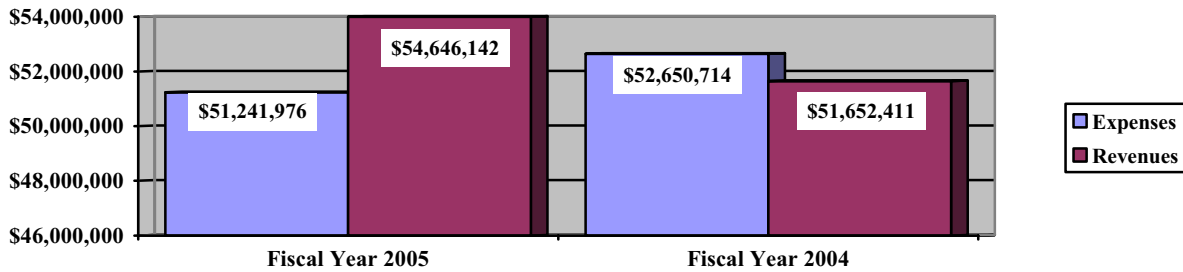
**PLAIN LOCAL SCHOOL DISTRICT  
STARK COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005  
UNAUDITED**

The District's financial condition has started to decline, primarily due to decreased financial support from the state and the phase out of Tangible Personal Property Tax. Unrestricted state support has decreased an average of .77% over the last three years while restricted state support has declined by an average of 11.96%. Tangible Personal Property Tax has decreased an average of 1.93%. Unfortunately, current projections for the new state budget do not show an increase in the foundation program for the District in the next two years and the phase out of Tangible Personal Property Tax will be accelerated.

The graph below presents the District's governmental activities revenue and expenses for fiscal years 2005 and 2004.

**Governmental Activities - Revenues and Expenses**



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

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

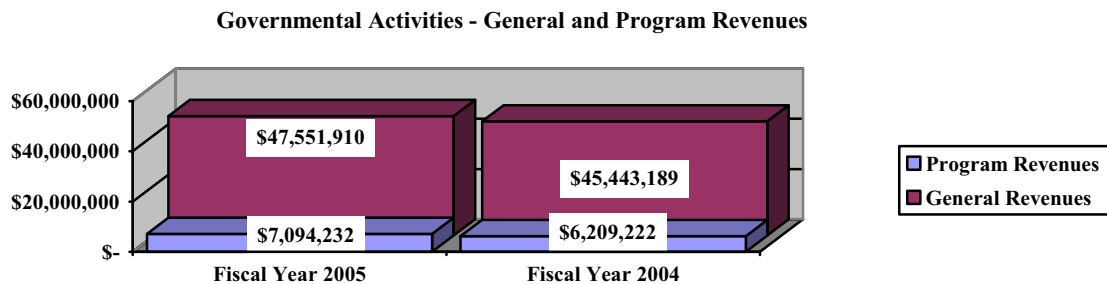
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005  
UNAUDITED

**Governmental Activities**

	Total Cost of Services 2005	Net Cost of Services 2005	Total Cost of Services 2004	Net Cost of Services 2004
<b>Program expenses</b>				
Instruction:				
Regular	\$ 21,124,200	\$ 20,247,218	\$ 22,030,517	\$ 21,374,323
Special	4,508,507	3,026,921	4,459,324	3,128,418
Vocational	1,790,194	1,675,705	2,009,875	1,901,067
Other	325,567	318,590	320,277	316,280
Support services:				
Pupil	2,663,906	2,280,402	2,645,738	2,325,246
Instructional staff	3,346,261	2,501,658	2,991,317	2,353,401
Board of education	95,698	95,698	47,058	47,058
Administration	3,380,032	3,234,628	3,461,121	3,297,058
Fiscal	751,452	698,824	710,604	709,823
Business	138,648	138,648	129,353	129,353
Operations and maintenance	3,936,770	3,880,842	4,373,624	4,321,498
Pupil transportation	2,813,801	2,813,801	2,434,642	2,433,549
Central	179,174	166,719	107,072	94,724
Operations of non-instructional services	43,334	(2,076)	66,629	11,398
Food service operations	1,836,834	(13,996)	1,761,814	98,391
Extracurricular activities	1,362,056	716,469	1,303,345	736,394
Intergovernmental pass-through	602,664	24,815	635,741	848
Interest and fiscal charges	2,342,878	2,342,878	3,162,663	3,162,663
<b>Total</b>	<b>\$ 51,241,976</b>	<b>\$ 44,147,744</b>	<b>\$ 52,650,714</b>	<b>\$ 46,441,492</b>

The dependence upon tax and other general revenues for governmental activities is apparent, 91.06% of instruction activities are supported through taxes and other general revenues. For all governmental activities, general revenue support is 86.16%. The District's taxpayers, as a whole, are by far the primary support for District students.

The graph below presents the District's governmental activities revenue for fiscal years 2005 and 2004.



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

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005  
UNAUDITED

**The District's Funds**

The District's governmental funds (as presented on the balance sheet on page 18) reported a combined fund balance of \$62,100,922, which is lower than last year's total of \$74,497,617. The schedule below indicates the fund balance and the total change in fund balance as of June 30, 2005 and 2004.

	Fund Balance <u>June 30, 2005</u>	(Restated) Fund Balance <u>June 30, 2004</u>	Increase <u>(Decrease)</u>
General	\$ 12,487,379	\$ 12,880,655	\$ (393,276)
Debt Service	1,703,912	1,364,945	338,967
Building	46,680,403	59,162,213	(12,481,810)
Other Governmental	<u>1,229,228</u>	<u>1,089,804</u>	<u>139,424</u>
Total	<u>\$ 62,100,922</u>	<u>\$ 74,497,617</u>	<u>\$ (12,396,695)</u>

**General Fund**

During fiscal year 2005, the District's general fund balance decreased by \$393,276. The table that follows assists in illustrating the financial activities of the general fund.

	2005 <u>Amount</u>	2004 <u>Amount</u>	Increase <u>(Decrease)</u>
<b><u>Revenues</u></b>			
Taxes	\$ 21,483,711	\$ 20,963,789	\$ 519,922
Tuition	624,241	420,460	203,781
Earnings on investments	494,493	219,013	275,480
Intergovernmental	19,158,027	19,015,432	142,595
Other revenues	<u>314,252</u>	<u>309,444</u>	<u>4,808</u>
Total	<u>\$ 42,074,724</u>	<u>\$ 40,928,138</u>	<u>\$ 1,146,586</u>
<b><u>Expenditures</u></b>			
Instruction	\$ 26,180,678	\$ 27,021,957	\$ (841,279)
Support services	15,552,054	14,976,275	575,779
Extracurricular activities	<u>618,033</u>	<u>589,144</u>	<u>28,889</u>
Total	<u>\$ 42,350,765</u>	<u>\$ 42,587,376</u>	<u>\$ (236,611)</u>

**Debt Service**

During fiscal year 2005, the District's debt service fund balance increased by \$338,967, partially due to an increase in earnings on investments that were received in 2005. The table that follows assists in illustrating the financial activities of the debt service fund

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

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005  
UNAUDITED

	<u>2005</u> <u>Amount</u>	<u>2004</u> <u>Amount</u>	<u>Increase</u> <u>(Decrease)</u>
<b><u>Revenues</u></b>			
Taxes	\$ 4,137,219	\$ 3,961,587	\$ 175,632
Intergovernmental	<u>532,103</u>	<u>505,989</u>	<u>26,114</u>
Total	<u>\$ 4,669,322</u>	<u>\$ 4,467,576</u>	<u>\$ 201,746</u>
<b><u>Expenditures</u></b>			
Fiscal	\$ 62,112	\$ 34,756	\$ 27,356
Debt Service:			
Principal	1,590,000	1,695,000	(105,000)
Interest	<u>2,678,243</u>	<u>3,391,959</u>	<u>(713,716)</u>
Total	<u>\$ 4,330,355</u>	<u>\$ 5,121,715</u>	<u>\$ (791,360)</u>

***Building***

During fiscal year 2005, the District's building fund balance decreased \$12,481,810 due to the costs related to the construction projects. The table that follows assists in illustrating the financial activities of the building fund:

	<u>2005</u> <u>Amount</u>	<u>2004</u> <u>Amount</u>	<u>Increase</u>
<b><u>Revenues</u></b>			
Earnings on investments	<u>\$ 1,556,028</u>	<u>\$ 685,713</u>	<u>\$ 870,315</u>
<b><u>Expenditures</u></b>			
Fiscal	\$ 1,838	\$ 722	\$ 1,116
Facilities acquisition and construction	<u>14,036,000</u>	<u>4,031,656</u>	<u>10,004,344</u>
Total	<u>\$14,037,838</u>	<u>\$ 4,032,378</u>	<u>\$ 10,005,460</u>

***General Fund Budgeting Highlights***

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

During the course of fiscal year 2005, the District amended its general fund budget several times. For the general fund, actual and final budgeted revenues and other financing sources of \$42,200,154 were \$57,287 higher than the original budgeted revenues estimate of \$42,142,867. This increase is due to an increase in interest earnings and increased reimbursement from other districts.

General fund original appropriations (appropriated expenditures plus other financing uses) of \$46,518,898 were decreased \$1,362,929 to \$45,155,969 in the final budget and actual expenditures. The District was able to decrease budgeted and actual expenditures primarily because purchased services proved to be lower than anticipated in the original budget. This is a result of increased funding of special education excess costs from federal grants and community school reimbursement to Plain Local.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005  
UNAUDITED

**Capital Assets and Debt Administration**

*Capital Assets*

At the end of fiscal year 2005, the District had \$25,722,392 invested in land, land improvements, buildings and improvements, furniture and equipment, vehicles, textbooks, construction in progress and infrastructure. This entire amount is reported in governmental activities. The following table shows fiscal 2005 balances compared to 2004:

	<b>Capital Assets at June 30</b>	
	<b>(Net of Depreciation)</b>	
	Governmental Activities	
	2005	2004
Land	\$ 2,376,460	\$ 2,376,460
Land improvements	376,712	381,179
Buildings and improvements	4,859,977	2,129,366
Furniture and equipment	1,211,519	1,344,767
Vehicles	966,408	1,266,831
Textbooks	-	-
Construction in progress	15,931,316	4,874,500
Infrastructure	-	-
Total	\$ 25,722,392	\$12,373,103

The primary increase occurred in construction in progress. The construction in progress represents the costs incurred at June 30, 2005, associated with the \$64,899,913 bond issue for various District building projects. Total additions to capital assets for 2005 were \$17,133,959 and total disposals were \$3,105,564.

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



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

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005  
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***Debt Administration***

At June 30, 2005, the District had \$62,202,667 in general obligation bonds outstanding. Of this total, \$1,625,000 is due within one year and \$60,577,677 is due within greater than one year. The following table summarizes the bonds outstanding.

**Outstanding Debt, at Year End**

	<u>Governmental Activities 2005</u>	<u>Governmental Activities 2004</u>
General Obligation Bonds:		
Energy Conservation	\$ 240,000	\$ 350,000
School Improvement	<u>61,962,667</u>	<u>63,381,849</u>
Total	<u>\$ 62,202,667</u>	<u>\$ 63,731,849</u>

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

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

At June 30, 2005, the District's overall legal debt margin was \$21,991,152 with an unvoted debt margin of \$913,888. The District maintains an A+ bond rating.

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

**Current Financial Related Activities**

During the past 9 years, the District has been financially strong due to conservative spending and revenue growth in the first five of those years. As the preceding information shows, the District relies heavily upon grants and entitlements, property taxes and the state foundation program. An increase in property tax revenue was received in fiscal year 2005 due to the increased tax valuation caused by the triennial valuation update. This additional tax revenue along with the District's cash balance will provide the District with the necessary funds to meet its operating expenses in fiscal year 2006. However, without additional sources of revenue from the state, the future financial stability of the District is not without challenges.

The greatest challenge is the overall loss of state foundation revenue that has amounted to an average yearly change of -.86% the last three fiscal years. The District reduced planned general fund expenditures in fiscal year 2004 by \$616,885 and made reductions in planned expenditures of \$1,068,037 in fiscal year 2005. These reductions have been accomplished through elimination of administrative positions. Also, several certified positions have been eliminated or redefined so they are now funded through federal grants. The District has lowered planned purchased services, supplies, and capital outlay expenditures. In addition, another \$503,796 has been cut from planned staff expenditures for fiscal year 2006.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005  
UNAUDITED

The District has anxiously awaited an answer by the State to the Supreme Court decision made in March 1997 in which the State of Ohio was found by the Ohio Supreme Court to be operating an unconstitutional educational system, one that was neither "adequate" nor "equitable". Since 1997, the State has directed its tax revenue growth toward school districts with little property tax wealth. On May 16, 2003, the Ohio Supreme Court emphatically clarified that jurisdiction of the DeRolph case has ended. Even though the Ohio Coalition for Equity and Adequacy of School Funding has continued to pursue a solution and the Governor of the State appointed a Blue Ribbon Task Force to propose a remedy, the funding system has not been changed. The District does not anticipate growth in state revenue, as in the ten years prior to the DeRolph decision; no state revenue growth was realized.

**Contacting the District's Financial Management**

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

BASIC  
FINANCIAL STATEMENTS

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

STATEMENT OF NET ASSETS  
JUNE 30, 2005

	<b>Primary Government</b>	<b>Component Units</b>		
	<b>Governmental Activities</b>	<b>Golden Eagle Digital Academy</b>	<b>Little Eagle Kindergarten Program</b>	<b>Plain Local Academy of Technology</b>
<b>Assets:</b>				
Equity in pooled cash and cash equivalents . . .	\$ 20,587,792	\$ 75,533	\$ 30,987	\$ 95,225
Investments . . . . .	50,030,447	-	-	-
Receivables:				
Taxes . . . . .	26,705,776	-	-	-
Accounts . . . . .	7,247	-	-	-
Intergovernmental . . . . .	535,108	125,000	125,000	125,000
Accrued interest . . . . .	286,224	-	-	-
Prepayments . . . . .	30,791	495	495	495
Materials and supplies inventory . . . . .	109,322	-	-	-
Unamortized bond issue costs . . . . .	635,427	-	-	-
Capital assets:				
Land . . . . .	2,376,460	-	-	-
Construction in progress . . . . .	15,931,316	-	-	-
Depreciable capital assets, net . . . . .	7,414,616	25,653	19,736	47,229
Capital assets, net . . . . .	<u>25,722,392</u>	<u>25,653</u>	<u>19,736</u>	<u>47,229</u>
Total assets . . . . .	<u>124,650,526</u>	<u>226,681</u>	<u>176,218</u>	<u>267,949</u>
<b>Liabilities:</b>				
Accounts payable . . . . .	186,176	1,370	525	-
Contracts payable . . . . .	3,513,782	-	-	-
Accrued wages and benefits . . . . .	5,463,060	-	-	-
Pension obligation payable . . . . .	1,201,539	-	-	-
Intergovernmental payable . . . . .	134,947	2,138	-	10,875
Deferred revenue . . . . .	23,911,946	-	-	-
Accrued interest payable . . . . .	214,771	-	-	-
Long-term liabilities:				
Due within one year . . . . .	2,248,942	-	-	-
Due within more than one year . . . . .	63,905,580	-	-	-
Total liabilities . . . . .	<u>100,780,743</u>	<u>3,508</u>	<u>525</u>	<u>10,875</u>
<b>Net Assets:</b>				
Invested in capital assets, net of related debt . . . . .	7,555,868	25,653	19,736	47,229
Restricted for:				
Capital projects . . . . .	3,179,882	-	-	-
Debt service . . . . .	1,620,541	-	-	-
BWC refunds . . . . .	203,450	-	-	-
School bus purchases . . . . .	50,056	-	-	-
State funded programs . . . . .	95,765	1,981	-	977
Federally funded programs . . . . .	287,037	135,669	137,172	142,625
Student activities . . . . .	56,701	59,870	-	-
Public school support . . . . .	224,374	-	-	-
Unrestricted . . . . .	<u>10,596,109</u>	<u>-</u>	<u>18,785</u>	<u>66,243</u>
Total net assets . . . . .	<u>\$ 23,869,783</u>	<u>\$ 223,173</u>	<u>\$ 175,693</u>	<u>\$ 257,074</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF ACTIVITIES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

	Expenses	Program Revenues			Net (Expense) and Changes in Net Assets
		Charges for Services and Sales	Operating Grants and Contributions	Grants and Contributions	Primary Governmental Activities
<b>Governmental Activities:</b>					
Instruction:					
Regular . . . . .	\$ 21,124,200	\$ 594,753	\$ 228,259	\$ 53,970	\$ (20,247,218)
Special . . . . .	4,508,507	197,855	1,283,731	-	(3,026,921)
Vocational . . . . .	1,790,194	74,118	40,371	-	(1,675,705)
Other . . . . .	325,567	-	6,977	-	(318,590)
Support services:					
Pupil . . . . .	2,663,906	-	383,504	-	(2,280,402)
Instructional staff . . . . .	3,346,261	-	844,603	-	(2,501,658)
Board of education . . . . .	95,698	-	-	-	(95,698)
Administration . . . . .	3,380,032	-	145,404	-	(3,234,628)
Fiscal . . . . .	751,452	-	52,628	-	(698,824)
Business . . . . .	138,648	-	-	-	(138,648)
Operations and maintenance . . . . .	3,936,770	18,791	37,137	-	(3,880,842)
Pupil transportation . . . . .	2,813,801	-	-	-	(2,813,801)
Central . . . . .	179,174	-	12,455	-	(166,719)
Operation of non-instructional services:					
Food service operations . . . . .	1,836,834	1,141,652	709,178	-	13,996
Other non-instructional services . . . . .	43,334	-	45,410	-	2,076
Extracurricular activities . . . . .	1,362,056	645,587	-	-	(716,469)
Intergovernmental pass-through . . . . .	602,664	-	577,849	-	(24,815)
Interest and fiscal charges . . . . .	2,342,878	-	-	-	(2,342,878)
Total governmental activities . . . . .	<u>\$ 51,241,976</u>	<u>\$ 2,672,756</u>	<u>\$ 4,367,506</u>	<u>\$ 53,970</u>	<u>(44,147,744)</u>
<b>Component Units:</b>					
Golden Eagle Digital Academy . . . . .	269,218	-	155,925	-	-
Little Eagle Kindergarten Program . . . . .	167,562	-	153,000	-	-
Plain Local Academy of Technology . . . . .	224,551	-	155,925	-	-
Total component units . . . . .	<u>\$ 661,331</u>	<u>\$ -</u>	<u>\$ 464,850</u>	<u>\$ -</u>	<u>\$ -</u>
<b>General Revenues:</b>					
Property taxes levied for:					
General purposes . . . . .					21,603,111
Debt service . . . . .					4,163,629
Grants and entitlements not restricted to specific programs . . . . .					19,690,130
Investment earnings . . . . .					2,042,091
Miscellaneous . . . . .					52,949
Total general revenues . . . . .					<u>47,551,910</u>
Change in net assets . . . . .					3,404,166
Net assets at beginning of year . . . . .					<u>20,465,617</u>
Net assets at end of year . . . . .					<u>\$ 23,869,783</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS



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

BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2005

	<u>General</u>	<u>Debt Service</u>	<u>Building</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Assets:</b>					
Equity in pooled cash and cash equivalents . . . . .	\$ 17,218,875	\$ 1,378,242	\$ -	\$ 1,737,169	\$ 20,334,286
Investments . . . . .	-	-	50,030,447	-	50,030,447
Receivables:					
Taxes . . . . .	22,653,978	4,051,798	-	-	26,705,776
Accounts . . . . .	7,247	-	-	-	7,247
Intergovernmental . . . . .	146	-	-	534,962	535,108
Accrued interest . . . . .	42,417	-	243,807	-	286,224
Interfund loans . . . . .	245,035	-	-	-	245,035
Prepayments . . . . .	30,791	-	-	-	30,791
Materials and supplies inventory . . . . .	93,431	-	-	15,891	109,322
Restricted assets:					
Equity in pooled cash and cash equivalents . . . . .	<u>253,506</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>253,506</u>
Total assets . . . . .	<u>\$ 40,545,426</u>	<u>\$ 5,430,040</u>	<u>\$ 50,274,254</u>	<u>\$ 2,288,022</u>	<u>\$ 98,537,742</u>
<b>Liabilities:</b>					
Accounts payable . . . . .	\$ 170,454	\$ -	\$ -	\$ 15,722	\$ 186,176
Contracts payable . . . . .	-	-	3,513,782	-	3,513,782
Accrued wages and benefits . . . . .	5,082,021	-	-	381,038	5,463,059
Compensated absences payable . . . . .	318,141	-	-	-	318,141
Early retirement incentive payable . . . . .	180,000	-	-	-	180,000
Pension obligation payable . . . . .	1,069,537	-	-	132,002	1,201,539
Intergovernmental payable . . . . .	124,674	-	-	10,274	134,948
Interfund loan payable . . . . .	-	-	-	245,035	245,035
Deferred revenue . . . . .	<u>21,113,220</u>	<u>3,726,128</u>	<u>80,069</u>	<u>274,723</u>	<u>25,194,140</u>
Total liabilities . . . . .	<u>28,058,047</u>	<u>3,726,128</u>	<u>3,593,851</u>	<u>1,058,794</u>	<u>36,436,820</u>
<b>Fund Balances:</b>					
Reserved for encumbrances . . . . .	2,159,596	-	34,397,202	599,957	37,156,755
Reserved for materials and supplies inventory . . . . .	93,431	-	-	15,891	109,322
Reserved for prepayments . . . . .	30,791	-	-	-	30,791
Reserved for property tax unavailable for appropriation . . . . .	1,584,590	325,670	-	-	1,910,260
Reserved for BWC refunds . . . . .	203,450	-	-	-	203,450
Reserved for school bus purchases . . . . .	50,056	-	-	-	50,056
Unreserved:					
Designation for budget stabilization . . . . .	1,258,500	-	-	-	1,258,500
Undesignated, reported in:					
General fund . . . . .	7,106,965	-	-	-	7,106,965
Special revenue funds . . . . .	-	-	-	130,812	130,812
Debt service fund . . . . .	-	1,378,242	-	-	1,378,242
Capital projects funds . . . . .	-	-	12,283,201	482,568	12,765,769
Total fund balances . . . . .	<u>12,487,379</u>	<u>1,703,912</u>	<u>46,680,403</u>	<u>1,229,228</u>	<u>62,100,922</u>
Total liabilities and fund balances . . . . .	<u>\$ 40,545,426</u>	<u>\$ 5,430,040</u>	<u>\$ 50,274,254</u>	<u>\$ 2,288,022</u>	<u>\$ 98,537,742</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS



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

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO  
NET ASSETS OF GOVERNMENTAL ACTIVITIES  
JUNE 30, 2005

<b>Total governmental fund balances</b>		\$ 62,100,922
<i>Amounts reported for governmental activities in the statement of net assets are different because:</i>		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		25,722,392
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.		
Taxes	\$ 904,740	
Intergovernmental revenue	274,723	
Accrued interest	102,731	
Total	1,282,194	1,282,194
In the statement of activities interest is accrued on outstanding bonds, whereas in governmental funds, interest expenditures are reported when due.		(214,771)
Unamortized premiums on bond issuance is not recognized in the funds.		(638,146)
Unamortized bond issuance costs are not recognized in the funds.		635,427
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.		
Compensated absences	(2,815,568)	
Energy conservation bonds	(61,962,667)	
General obligation bonds payable	(240,000)	
Total	(65,018,235)	(65,018,235)
<b>Net assets of governmental activities</b>		<b>\$ 23,869,783</b>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

	<u>General</u>	<u>Debt Service</u>	<u>Building</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Revenues:</b>					
From local sources:					
Taxes . . . . .	\$ 21,483,711	\$ 4,137,219	\$ -	\$ -	\$ 25,620,930
Tuition . . . . .	624,241	-	-	-	624,241
Charges for services . . . . .	-	-	-	1,141,652	1,141,652
Earnings on investments . . . . .	494,493	-	1,556,028	13,969	2,064,490
Extracurricular . . . . .	27	-	-	645,560	645,587
Classroom materials and fees . . . . .	222,188	-	-	-	222,188
Other local revenues . . . . .	92,037	-	-	4,075	96,112
Other revenue . . . . .	-	-	-	5,000	5,000
Intergovernmental - State . . . . .	19,140,770	532,103	-	1,149,774	20,822,647
Intergovernmental - Federal . . . . .	17,257	-	-	2,991,979	3,009,236
Total revenue . . . . .	<u>42,074,724</u>	<u>4,669,322</u>	<u>1,556,028</u>	<u>5,952,009</u>	<u>54,252,083</u>
<b>Expenditures:</b>					
Current:					
Instruction:					
Regular . . . . .	20,765,399	-	-	221,155	20,986,554
Special . . . . .	3,364,418	-	-	1,158,580	4,522,998
Vocational . . . . .	1,732,271	-	-	43,978	1,776,249
Other . . . . .	318,590	-	-	6,977	325,567
Support services:					
Pupil . . . . .	2,316,231	-	-	356,665	2,672,896
Instructional staff . . . . .	2,500,075	-	-	806,961	3,307,036
Board of education . . . . .	95,698	-	-	-	95,698
Administration . . . . .	3,300,211	-	-	124,786	3,424,997
Fiscal . . . . .	635,380	62,112	-	49,176	746,668
Business . . . . .	134,012	-	-	-	134,012
Operations and maintenance . . . . .	3,895,982	-	1,838	32,098	3,929,918
Pupil transportation . . . . .	2,492,930	-	-	-	2,492,930
Central . . . . .	181,535	-	-	12,455	193,990
Operation of non-instructional services:					
Food service operations . . . . .	-	-	-	1,766,191	1,766,191
Other non-instructional services . . . . .	-	-	-	48,013	48,013
Extracurricular activities . . . . .	618,033	-	-	740,078	1,358,111
Intergovernmental pass-through . . . . .	-	-	-	571,993	571,993
Facilities acquisition and construction . . . . .	-	-	14,036,000	-	14,036,000
Debt service:					
Principal retirement . . . . .	-	1,590,000	-	-	1,590,000
Interest and fiscal charges . . . . .	-	2,678,243	-	-	2,678,243
Total expenditures . . . . .	<u>42,350,765</u>	<u>4,330,355</u>	<u>14,037,838</u>	<u>5,939,106</u>	<u>66,658,064</u>
Excess of revenues under expenditures . . . . .	<u>(276,041)</u>	<u>338,967</u>	<u>(12,481,810)</u>	<u>12,903</u>	<u>(12,405,981)</u>
<b>Other financing sources (uses):</b>					
Transfers in . . . . .	-	-	-	131,650	131,650
Transfers (out) . . . . .	(131,650)	-	-	-	(131,650)
Sale of capital assets . . . . .	4,166	-	-	-	4,166
Total other financing sources (uses) . . . . .	<u>(127,484)</u>	<u>-</u>	<u>-</u>	<u>131,650</u>	<u>4,166</u>
Net change in fund balances . . . . .	(403,525)	338,967	(12,481,810)	144,553	(12,401,815)
<b>Fund balances at beginning of year (restated)</b>	12,880,655	1,364,945	59,162,213	1,089,804	74,497,617
<b>Increase (decrease) in reserve for inventory</b>	10,249	-	-	(5,129)	5,120
<b>Fund balances at end of year . . . . .</b>	<u>\$ 12,487,379</u>	<u>\$ 1,703,912</u>	<u>\$ 46,680,403</u>	<u>\$ 1,229,228</u>	<u>\$ 62,100,922</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

<b>Net change in fund balances - total governmental funds</b>	\$	(12,401,815)
<i>Amounts reported for governmental activities in the statement of activities are different because:</i>		
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeds depreciation expense in the current period.		
Capital asset additions	14,191,689	
Current year depreciation	(837,209)	
Total	13,354,480	13,354,480
Governmental funds only report the disposal of capital assets to the extent proceeds are received from the sale. In the statement of activities, a gain or loss is reported for each disposal.		
		(5,191)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Taxes	145,810	
Intergovernmental revenue	274,723	
Accrued interest	(26,474)	
Total	394,059	394,059
In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, interest is expensed when due.		
Accrued interest	396,081	
Accreted interest on capital appreciation bonds	(60,818)	
Bond premium	24,156	
Bond issuance costs	(24,054)	
Total	335,365	335,365
Governmental funds report expenditures for inventory when purchased. However, in the statement of activities, they are reported as an expense when consumed.		
		5,120
Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.		
		1,590,000
Some expenses reported in the statement of activities, such as compensated absences, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.		
		132,148
<b>Change in net assets of governmental activities</b>	<b>\$</b>	<b>3,404,166</b>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Over (Under)</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues:</b>				
From local sources:				
Taxes . . . . .	\$ 21,545,240	\$ 21,513,371	\$ 21,513,371	\$ -
Tuition. . . . .	561,900	636,061	636,061	-
Earnings on investments. . . . .	350,000	464,034	464,034	-
Extracurricular. . . . .	-	27	27	-
Classroom materials and fees . . . . .	209,000	222,188	222,188	-
Other local revenues. . . . .	101,100	92,037	92,037	-
Intergovernmental - State . . . . .	18,677,127	19,140,770	19,140,770	-
Intergovernmental - Federal. . . . .	48,000	54,725	54,725	-
Total revenue . . . . .	<u>41,492,367</u>	<u>42,123,213</u>	<u>42,123,213</u>	<u>-</u>
<b>Expenditures:</b>				
Current:				
Instruction:				
Regular . . . . .	21,939,094	21,409,189	21,409,189	-
Special. . . . .	4,424,570	4,252,190	4,252,190	-
Vocational. . . . .	2,084,523	1,801,736	1,801,736	-
Other. . . . .	334,527	349,486	349,486	-
Support services:				
Pupil. . . . .	2,697,991	2,608,773	2,608,773	-
Instructional staff . . . . .	2,433,736	2,426,248	2,426,248	-
Board of education . . . . .	63,513	111,665	111,665	-
Administration. . . . .	3,308,401	3,302,041	3,302,041	-
Fiscal . . . . .	709,702	626,334	626,334	-
Business . . . . .	138,372	133,152	133,152	-
Operations and maintenance. . . . .	4,569,855	4,372,766	4,372,766	-
Pupil transportation . . . . .	2,324,541	2,530,065	2,530,065	-
Central. . . . .	120,222	190,692	190,692	-
Extracurricular activities. . . . .	608,576	594,214	594,214	-
Total expenditures . . . . .	<u>45,757,623</u>	<u>44,708,551</u>	<u>44,708,551</u>	<u>-</u>
Excess of revenues over (under) expenditures. . . . .	<u>(4,265,256)</u>	<u>(2,585,338)</u>	<u>(2,585,338)</u>	<u>-</u>
<b>Other financing sources (uses):</b>				
Refund of prior year expenditure. . . . .	50,000	6,016	6,016	-
Transfers (out) . . . . .	(161,275)	(150,674)	(150,674)	-
Advances in. . . . .	600,000	66,759	66,759	-
Advances (out) . . . . .	(600,000)	(296,744)	(296,744)	-
Sale of capital assets . . . . .	500	4,166	4,166	-
Total other financing sources (uses) . . . . .	<u>(110,775)</u>	<u>(370,477)</u>	<u>(370,477)</u>	<u>-</u>
Net change in fund balance . . . . .	(4,376,031)	(2,955,815)	(2,955,815)	-
<b>Fund balance at beginning of year. . . . .</b>	15,521,921	15,521,921	15,521,921	-
<b>Prior year encumbrances appropriated . . . . .</b>	2,613,243	2,613,243	2,613,243	-
<b>Fund balance at end of year . . . . .</b>	<u>\$ 13,759,133</u>	<u>\$ 15,179,349</u>	<u>\$ 15,179,349</u>	<u>\$ -</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF FIDUCIARY NET ASSETS  
FIDUCIARY FUNDS  
JUNE 30, 2005

	<b>Private Purpose Trust</b>	
	<b>Scholarship</b>	<b>Agency</b>
<b>Assets:</b>		
Equity in pooled cash and cash equivalents . . . . .	\$ 3,382	\$ 269,920
Total assets. . . . .	3,382	269,920
<b>Liabilities:</b>		
Accounts payable. . . . .	-	936
Intergovernmental payable . . . . .	-	119,919
Due to students . . . . .	-	149,065
Total liabilities . . . . .	-	\$ 269,920
<b>Net Assets:</b>		
Held in trust for scholarships . . . . .	3,382	
Total net assets . . . . .	\$ 3,382	

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS  
FIDUCIARY FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

	<b>Private Purpose Trust</b>
	<b>Scholarship</b>
<b>Additions:</b>	
Interest . . . . .	\$ 46
Gifts and contributions. . . . .	2,000
	2,046
Total additions. . . . .	2,046
<b>Deductions:</b>	
Scholarships awarded . . . . .	925
	1,121
Change in net assets . . . . .	1,121
Net assets at beginning of year. . . . .	2,261
	3,382
Net assets at end of year . . . . .	\$ 3,382

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

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

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

The District ranks as the 51<sup>st</sup> largest by total enrollment among the 614 public school districts in the state, and 2<sup>nd</sup> largest in Stark County. The District employs 250 non-certified and 445 certified employees to provide services to 6,159 students in grades K through 12 and various community groups.

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

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

**A. Reporting Entity**

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

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

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

*DISCRETELY PRESENTED COMPONENT UNITS*

Golden Eagle Digital Academy

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

Little Eagle Kindergarten Program

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

Plain Local Academy of Technology

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

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



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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

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

*JOINTLY GOVERNED ORGANIZATION*

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

*PUBLIC ENTITY RISK POOL*

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

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

**B. Fund Accounting**

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

*GOVERNMENTAL FUNDS*

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

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

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

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

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

Other governmental funds of the District are used to account for (a) financial resources to be used for the acquisition, construction, or improvement of capital facilities other than those financed by proprietary and trust funds; and (b) for grants and other resources whose use is restricted to a particular purpose.

*FIDUCIARY FUNDS*

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

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

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

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

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

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

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

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

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

**D. Basis of Accounting**

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Fiduciary funds use the accrual basis of accounting.

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

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

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

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

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

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

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

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

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

**E. Budgets**

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

1. Prior to January 15 of the preceding year, the Superintendent and Treasurer submit to the Board of Education a proposed operating budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing for all funds. Public hearings are publicized and conducted to obtain taxpayers' comments. The express purpose of this budget document is to reflect the need for existing (or increased) tax rates.
2. By no later than January 20, the board-adopted budget is filed with the Stark County Budget Commission for tax rate determination.
3. Prior to April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the Budget Commission and receives the Commission's Certificate of Estimated Resources which states the projected revenue of each fund. Prior to June 30, the District must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the Certificated of Estimated Resources. The revised budget then serves as a basis for the appropriation measure. On or about July 1, the Certificate is amended to include any unencumbered balances from the preceding year as reported by the District Treasurer. The Certificate may be further amended during the year if projected increases or decreases in revenue are identified by the District Treasurer. The amounts reported in the budgetary statement reflect the amounts set forth in the final Amended Certificate issued for fiscal year 2005.
4. By July 1, the annual Appropriation Resolution is legally enacted by the Board of Education at the fund level of expenditures, which is the legal level of budgetary control. State statute permits a temporary appropriation to be effective until no later than October 1 of each year. Although the legal level of budgetary control was established at the fund level of expenditures, the District has elected to present budgetary statement comparisons at the fund and function level of expenditures. Resolution appropriations by fund must be within the estimated resources as certified by the County Budget Commission, and the total of expenditures and encumbrances may not exceed the appropriation total.
5. Any revisions that alter the total of any fund appropriation must be approved by the Board of Education.
6. Formal budgetary integration is employed as a management control device during the year for all funds consistent with the general obligation bond indenture and other statutory provisions. All funds completed the year within the amount of their legally authorized cash basis appropriation.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

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

7. Appropriation amounts are as originally adopted, or as amended by the Board of Education through the year by supplemental appropriations which either reallocated or increased the original appropriated amounts. All supplemental appropriations were legally enacted by the Board during fiscal 2005. All amounts reported in the budgetary statement reflect the original appropriations plus all modifications legally enacted by the Board.
8. Unencumbered appropriations lapse at year-end. Encumbered appropriations are carried forward to the succeeding fiscal year and need not be reappropriated. Expenditures plus encumbrances may not legally exceed budgeted appropriations at the fund level.

**F. Cash and Investments**

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

During fiscal year 2005, investments were limited to overnight repurchase agreements, federal agency securities, and investments in the State Asset Treasury Reserve of Ohio (STAR Ohio). Except for nonparticipating investment contracts, investments are reported at fair value, which is based on quoted market prices. Nonparticipating investment contracts such as repurchase agreements and nonnegotiable certificates of deposit are reported at cost.

The District has invested funds in STAR Ohio during fiscal 2005. 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, 2005.

Under existing Ohio statutes all investment earnings are assigned to the general fund except for those specifically related to the auxiliary services fund, public schools support fund, permanent improvement fund, building fund and private purpose trust fund individually authorized by board resolution. Interest revenue credited to the general fund during fiscal year 2005 amounted to \$494,493, which includes \$17,454 assigned from other District funds.

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

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

**G. Inventory**

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

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

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

**H. Capital Assets**

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

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

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

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

**I. Interfund Balances**

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

**J. Compensated Absences**

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

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

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

The total liability for vacation and severance payments has been calculated using pay rates in effect at June 30, 2005, and reduced to the maximum payment allowed by labor contract and/or statute, plus any additional salary related payments.

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

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

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

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

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

**L. Fund Reserves/Designations**

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

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

**M. Net Assets**

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

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

**N. Prepayments**

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

**O. Estimates**

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

**P. Restricted Assets**

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

**Q. Interfund Activity**

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

**R. Parochial and Private Schools**

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



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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

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

**S. Extraordinary and Special Items**

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Board of Education and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during fiscal 2005.

**NOTE 3 - CHANGE IN ACCOUNTING PRINCIPLES**

**A. Prior Period Adjustment**

For fiscal year 2005, the District has implemented GASB Statement No. 40, "Deposit and Investment Risk Disclosures" and GASB Technical Bulletin 2004-2, "Recognition of Pension and Other Postemployment Benefit Expenditures/Expenses and Liabilities by Cost-Sharing Employers".

GASB Statement No. 40 establishes and modified disclosure requirements related to investment risks: credit risk (including custodial credit risk and concentrations of credit risk) and interest rate risk. This statement also establishes and modified disclosure requirements for custodial credit risk on deposits.

GASB Technical Bulletin No. 2004-2 addresses the amount that should be recognized as expenditure/expense and as a liability each period by employers participating in a cost-sharing multiple-employer pension and other postemployment benefit (OPEB) plans.

The implementation of GASB Statement No. 40 did not have an effect on the financial statements of the District, however additional note disclosure can be found in Note 4. The implementation of GASB Technical Bulletin No. 2004-2 had the following effect on the fund balances of the major and non-major funds of the District as they were previously reported as of June 30, 2004:

	<u>General</u>	<u>Nonmajor</u>
Fund Balances, June 30, 2004	\$ 13,247,116	\$ 1,170,607
GASB Technical Bulletin No. 2004-2	<u>(366,461)</u>	<u>(80,803)</u>
Restated Fund Balance, June 30, 2004	<u>\$ 12,880,655</u>	<u>\$ 1,089,804</u>

**B. Deficit Fund Balances**

Fund balances at June 30, 2005 included the following individual fund deficits:

	<u>Deficit</u>
<u>Nonmajor Funds</u>	
Disadvantaged Pupil Impact Aid	\$ 713
Career Education	1,047

**PLAIN LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

**NOTE 3 - CHANGE IN ACCOUNTING PRINCIPLES - (Continued)**

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

**NOTE 4 - DEPOSITS AND INVESTMENTS**

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

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

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

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

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

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

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;

**PLAIN LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

**NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)**

6. The State Treasurer's investment pool (STAR Ohio);
7. Certain banker's acceptance and commercial paper notes for a period not to exceed one hundred eighty days from the purchase date in an amount not to exceed twenty-five percent of the interim monies available for investment at any one time: and,
8. Under limited circumstances, corporate debt interests rated in either of the two highest classifications by at least two nationally recognized rating agencies.

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

**A. Deposits with Financial Institutions**

At June 30, 2005, the carrying amount of all District deposits was \$2,900,877. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of June 30, 2005, \$3,111,701 of the District's bank balance of \$3,497,688 was exposed to custodial risk as discussed below, while \$385,987 was covered by Federal Deposit Insurance Corporation.

Custodial credit risk is the risk that, in the event of bank failure, the District's deposits may not be returned. All deposits are collateralized with eligible securities in amounts equal to at least 105% of the carrying value of the deposits. Such collateral, as permitted by the Ohio revised Code, is held in single financial institution collateral pools at Federal Reserve Banks, or at member banks of the federal reserve system, in the name of the respective depository bank and pledged as a pool of collateral against all of the public deposits it holds or as specific collateral held at the Federal Reserve Bank in the name of the District.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

**NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)**

**B. Investments**

As of June 30, 2005, the District had the following investments and maturities:

Investment type	Balance at Fair Value	Investment Maturities			
		6 months or less	7 to 12 months	13 to 18 months	19 to 24 months
Federal Home Loan Bank	\$ 17,046,027	\$ 5,951,598	\$ 6,915,591	\$ 4,178,838	\$ -
Federal Home Loan Bank Discount Note	6,674,366	6,674,366	-	-	-
Federal Farm Credit Banks	1,486,875	-	1,486,875	-	-
Federal Farm Credit Banks Discount Note	487,495	-	487,495	-	-
Federal Home Loan Mortgage Corporation	20,510,862	9,502,385	11,008,477	-	-
Federal Home Loan Mortgage Corporation Discount Note	3,943,691	3,456,278	487,413	-	-
Fannie Mae Discount Note	7,448,659	7,448,659	-	-	-
Fannie Mae	2,990,389	2,484,764	505,625	-	-
STAR Ohio	7,402,300	7,402,300	-	-	-
	<u>\$ 67,990,664</u>	<u>\$ 42,920,350</u>	<u>\$ 20,891,476</u>	<u>\$ 4,178,838</u>	<u>\$ -</u>

The weighted average maturity of investments is .39 years.

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

*Credit Risk:* The District's investments, except for STAR Ohio, were rated AAA and Aaa by Standard & Poor's and Moody's Investor Services, respectively. Standard & Poor's has assigned STAR Ohio an AAAM money market rating. The District has no investment policy dealing with investment credit risk beyond the requirements in state statutes. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service.

*Custodial Credit Risk:* For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. The Federal Agency Securities are exposed to custodial credit risk as they are uninsured, unregistered, and held by the counterparty's trust department or agent but not in the District's name. The District has no investment policy dealing with investment custodial credit risk beyond the requirements in Ohio Revised Code 135.14(M)(2) which states "Payment for investments shall be made only upon the delivery of securities representing such investments to the treasurer, investing authority, or qualified trustee. If the securities transferred are not represented by a certificate, payment shall be made only upon receipt of confirmation of transfer from the custodian by the treasurer, governing board, or qualified trustee."

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

**NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)**

*Concentration of Credit Risk:* The District places no limit on the amount that may be invested in any one issuer. The following table includes the percentage of each investment type held by the District at June 30, 2005:

<u>Investment type</u>	<u>Fair Value</u>	<u>% to Total</u>
Federal Home Loan Bank	\$ 17,046,027	25.07%
Federal Home Loan Bank Discount Note	6,674,366	9.82%
Federal Farm Credit Banks	1,486,875	2.19%
Federal Farm Credit Banks Discount Note	487,495	0.72%
Federal Home Loan Mortgage Corporation	20,510,862	30.17%
Federal Home Loan Mortgage Corporation Discount Note	3,943,691	10.96%
Fannie Mae Discount Note	7,448,659	
Fannie Mae	2,990,389	4.40%
STAR Ohio	7,402,300	10.89%
	<u>\$ 67,990,664</u>	<u>100.00%</u>

**C. Reconciliation of Cash and Investment to the Statement of Net Assets**

The following is a reconciliation of cash and investments as reported in the footnote above to cash and investments as reported on the statement of net assets as of June 30, 2005:

<u>Cash and Investments per footnote</u>	
Carrying amount of deposits	\$ 2,900,877
Investments	<u>67,990,664</u>
Total	<u>\$ 70,891,541</u>
 <u>Cash and investments per Financial Statements</u>	
Governmental activities	\$ 70,618,239
Fiduciary funds	<u>273,302</u>
Total	<u>\$ 70,891,541</u>

**NOTE 5 - INTERFUND TRANSACTIONS**

- A. Interfund balances at June 30, 2005 as reported on the fund statements, consist of the following individual interfund loans receivable and payable:

<u>Receivable Fund</u>	<u>Payable Funds</u>	<u>Amount</u>
General	Nonmajor governmental	\$ 245,035

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

**NOTE 5 - INTERFUND TRANSACTIONS - (Continued)**

Interfund balances between governmental funds are eliminated on the government-wide financial statements; therefore, no internal balances at June 30, 2005 are reported on the Statement of Net Assets.

- B.** Interfund transfers for the year ended June 30, 2005, consisted of the following, as reported on the fund financial statements:

<u>Transfers to Nonmajor Governmental funds from:</u>	<u>Amount</u>
General Fund	\$ 131,650

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

**NOTE 6 - PROPERTY TAXES**

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

Property taxes include amounts levied against all real, public utility and tangible personal property (used in business) located in the District. Real property tax revenue received in calendar 2005 represents collections of calendar year 2004 taxes. Real property taxes received in calendar year 2005 were levied after April 1, 2004, on the assessed value listed as of January 1, 2004, the lien date. Assessed values for real property taxes are established by State law at thirty-five percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenue received in calendar 2005 represents collections of calendar year 2004 taxes. Public utility real and tangible personal property taxes received in calendar year 2005 became a lien December 31, 2003, were levied after April 1, 2004 and are collected in 2005 with real property taxes. Public utility real property is assessed at thirty-five percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

Tangible personal property tax revenue received during calendar 2005 (other than public utility property) represents the collection of 2005 taxes. Tangible personal property taxes received in calendar year 2005 were levied after April 1, 2004, on the value as of December 31, 2003. Tangible personal property is currently assessed at twenty-five percent of true value for capital assets and twenty-four percent of true value for inventory. Payments by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the District prior to June 30.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

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

The District receives property taxes from Stark County. The County Auditor periodically advances to the District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2005, are available to finance fiscal year 2005 operations. The amount available as an advance at June 30, 2005 was \$1,584,590 in the general fund and \$325,670 in the debt service fund. The amount available for advance at June 30, 2004 was \$1,614,250 in the general fund and \$334,930 in the debt service fund. The amount of second-half real property taxes available for advance at fiscal year-end can vary depending upon when the tax bills are sent by the County Auditor.

Accrued property taxes receivable includes real property, public utility property and tangible personal property taxes which are measurable as of June 30, 2005 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reported as revenue at fiscal year end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deterred revenue.

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

The assessed values upon which the fiscal year 2005 taxes were collected are:

	2004 Second Half Collections		2005 First Half Collections	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/Residential and Other Real Estate	\$ 843,273,220	94.08	\$ 862,194,230	94.34
Public Utility Personal	22,685,110	2.53	22,972,480	2.52
Tangible Personal Property	<u>30,362,250</u>	<u>3.39</u>	<u>28,721,144</u>	<u>3.14</u>
Total	<u>\$ 896,320,580</u>	<u>100.00</u>	<u>\$ 913,887,854</u>	<u>100.00</u>
Tax rate per \$1,000 of assessed valuation:				
Operations	\$52.60		\$52.60	
Debt service	5.10		5.10	

**NOTE 7 - RECEIVABLES**

Receivables at June 30, 2005 consisted of taxes, accounts (billings for user charged services and student fees), accrued interest, and intergovernmental grants and entitlements. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of state programs and the current year guarantee of federal funds. A summary of the principal items of receivables reported on the Statement of Net Assets follows:

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

**NOTE 7 – RECEIVABLES - (Continued)**

**Governmental Activities**

Property taxes	\$ 26,705,776
Accounts	7,247
Intergovernmental	535,108
Accrued interest	<u>286,224</u>
Total	<u>\$ 27,534,355</u>

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

**NOTE 8 - CAPITAL ASSETS**

Capital asset activity for the fiscal year ended June 30, 2005, was as follows:

	<u>Balance 06/30/04</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance 06/30/05</u>
<i>Capital assets, not being depreciated:</i>				
Land	\$ 2,376,460	\$ -	\$ -	\$ 2,376,460
Construction in progress	<u>4,874,500</u>	<u>13,999,086</u>	<u>(2,942,270)</u>	<u>15,931,316</u>
Total capital assets, not being depreciated	<u>7,250,960</u>	<u>13,999,086</u>	<u>(2,942,270)</u>	<u>18,307,776</u>
<i>Capital assets, being depreciated:</i>				
Land improvements	1,828,088	24,645	-	1,852,733
Buildings and improvements	11,631,933	2,942,270	-	14,574,203
Furniture and equipment	4,685,492	125,485	(32,977)	4,778,000
Vehicles	3,819,381	42,473	(130,317)	3,731,537
Textbooks	2,525,194	-	-	2,525,194
Infrastructure	<u>77,183</u>	<u>-</u>	<u>-</u>	<u>77,183</u>
Total capital assets, being depreciated	<u>24,567,271</u>	<u>3,134,873</u>	<u>(163,294)</u>	<u>27,538,850</u>
<i>Less: accumulated depreciation</i>				
Land improvements	(1,446,909)	(29,112)	-	(1,476,021)
Buildings and improvements	(9,502,567)	(211,659)	-	(9,714,226)
Furniture and equipment	(3,340,725)	(253,542)	27,786	(3,566,481)
Vehicles	(2,552,550)	(342,896)	130,317	(2,765,129)
Textbooks	(2,525,194)	-	-	(2,525,194)
Infrastructure	<u>(77,183)</u>	<u>-</u>	<u>-</u>	<u>(77,183)</u>
Total accumulated depreciation	<u>(19,445,128)</u>	<u>(837,209)</u>	<u>158,103</u>	<u>(20,124,234)</u>
Governmental activities capital assets, net	<u>\$ 12,373,103</u>	<u>\$ 16,296,750</u>	<u>\$ (2,947,461)</u>	<u>\$ 25,722,392</u>



**PLAIN LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

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

Depreciation expense was charged to governmental functions as follows:

<u>Instruction:</u>	
Regular	\$ 291,988
Special	6,503
Vocational	34,095
 <u>Support Services:</u>	
Pupil	2,609
Instructional staff	20,851
Administration	33,196
Fiscal	870
Operations and maintenance	31,705
Pupil transportation	342,021
Noninstructional services	10,550
Extracurricular activities	3,945
Food service operations	<u>58,876</u>
 Total depreciation expense	 <u><u>\$ 837,209</u></u>

**NOTE 9 - LONG-TERM OBLIGATIONS**

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

	Average Interest Rate	Balance Outstanding 06/30/04	Additions	Reductions	Balance Outstanding 06/30/05	Amounts Due in One Year
<b>Governmental Activities:</b>						
<u>General Obligation Bonds:</u>						
Energy conservation bonds	5.35%	\$ 350,000	\$ -	\$ (110,000)	\$ 240,000	\$ 115,000
School improvements bonds	4.583	<u>63,381,849</u>	<u>60,818</u>	<u>(1,480,000)</u>	<u>61,962,667</u>	<u>1,510,000</u>
Total general obligation bonds payable		<u>\$ 63,731,849</u>	<u>\$ 60,818</u>	<u>\$ (1,590,000)</u>	<u>\$ 62,202,667</u>	<u>\$ 1,625,000</u>
<u>Other Long-Term Obligations:</u>						
Early retirement incentive		\$ 225,000	\$ 180,000	\$ (225,000)	\$ 180,000	\$ 180,000
Compensated absences		<u>3,147,950</u>	<u>296,943</u>	<u>(311,184)</u>	<u>3,133,709</u>	<u>443,942</u>
Total other long-term obligations		<u>\$ 3,372,950</u>	<u>\$ 476,943</u>	<u>\$ (536,184)</u>	<u>\$ 3,313,709</u>	<u>\$ 623,942</u>
Total governmental activities		<u>\$ 67,104,799</u>	<u>\$ 537,761</u>	<u>\$ (2,126,184)</u>	<u>\$ 65,516,376</u>	<u>\$ 2,248,942</u>
Add: Unamortized premium on bond issue					<u>638,146</u>	
Total on statement of net assets					<u><u>\$ 66,154,522</u></u>	

**PLAIN LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

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

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

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

This issue is comprised of both current interest bonds, par value \$63,765,000, and capital appreciation bonds, par value \$1,134,913. The interest rates on the current interest bonds range from 2.00% to 5.25%. The capital appreciation bonds mature on December 1, 2011 (effective interest 5.039%), at a redemption price equal to 100% of the principal, plus accrued interest to the redemption date. The present value reported in the Statement of Net Assets at June 30, 2005, was \$1,267,667. A total of \$132,754 in accreted interest on the capital appreciation bonds has been included in the Statement of Net Assets at June 30, 2005.

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

The following is a schedule of activity for fiscal 2005 on the general obligation bonds:

	<u>Balance</u> <u>06/30/04</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>06/30/05</u>
Current interest bonds	\$ 62,175,000	\$ -	\$ (1,480,000)	\$ 60,695,000
Capital appreciation bonds	1,134,913	-	-	1,134,913
Accreted interest	<u>71,936</u>	<u>60,818</u>	<u>-</u>	<u>132,754</u>
Total G.O. bonds	<u>\$ 63,381,849</u>	<u>\$ 60,818</u>	<u>\$ (1,480,000)</u>	<u>\$ 61,962,667</u>

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

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

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

Year Ended	Current Interest Bonds			Capital Appreciation Bonds		
	Principal	Interest	Total	Principal	Interest	Total
2006	\$ 1,510,000	\$ 2,632,560	\$ 4,142,560	\$ -	\$ -	\$ -
2007	1,540,000	2,602,060	4,142,060	-	-	-
2008	1,570,000	2,570,960	4,140,960	-	-	-
2009	1,605,000	2,535,198	4,140,198	-	-	-
2010	1,645,000	2,491,283	4,136,283	-	-	-
2011 - 2015	7,125,000	11,782,040	18,907,040	1,134,913	610,087	1,745,000
2016 - 2020	10,860,000	9,665,442	20,525,442	-	-	-
2021 - 2025	13,705,000	6,776,448	20,481,448	-	-	-
2026 - 2030	17,175,000	3,193,122	20,368,122	-	-	-
2031	3,960,000	99,000	4,059,000	-	-	-
<b>Total</b>	<b>\$ 60,695,000</b>	<b>\$ 44,348,113</b>	<b>\$ 105,043,113</b>	<b>\$ 1,134,913</b>	<b>\$ 610,087</b>	<b>\$ 1,745,000</b>

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

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

The following is a description of the District's energy conservation bonds outstanding as of June 30, 2005:

	Interest Rate	Issue Date	Bonds Outstanding 06/30/04	Bonds Issued in 2005	Bonds Retired in 2005	Bonds Outstanding 06/30/05
Energy conservation bonds	5.35%	11/01/97	\$ 350,000	\$ -	\$ (110,000)	\$ 240,000

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

Fiscal Year Ending	Principal on Bonds	Interest on Bonds	Total
2006	\$ 115,000	\$ 9,764	\$ 124,764
2007	125,000	3,344	128,344
<b>Total</b>	<b>\$ 240,000</b>	<b>\$ 13,108</b>	<b>\$ 253,108</b>

**PLAIN LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

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

**D. Legal Debt Margin**

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

The effects of these debt limitations at June 30, 2005 are a voted debt margin of \$21,991,152 (including available funds of \$1,703,912) and an unvoted debt margin of \$913,888.

**NOTE 10 - EMPLOYEE BENEFITS**

**A. Compensated Absences**

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

Teachers, administrators and classified employees earn sick leave at the rate of one and one-fourth days per month or 15 days for each completed year of service. Sick leave may be accumulated up to a maximum of 320 days for all personnel. Upon retirement, payment is made for one-fourth of the accrued, but unused, sick leave balance to a maximum of 54 days for all employees, except for administrators, who receive a maximum of 60 days. An additional \$10 per day shall be paid for sick leave accumulated between 200 and 250 days and an additional \$20 per day shall be paid for sick leave accumulated over 250 days.

**B. Early Retirement Incentive**

The District provides an early retirement incentive plan for State Teacher's Retirement System of Ohio (STRS) employees who become first time eligible for retirement or reach 30 years of service under STRS guidelines and retire effective at the end of the school year in which they qualify. This is a one time opportunity for those eligible in fiscal years 2002 - 2005. Employees who enroll in the early retirement incentive plan must submit written notification to the Board on or before the April 1 of the year of retirement. The one time cash payment of \$20,000 shall be made within 30 days of the retirement date in January of the following year. Nine employees took advantage of the early retirement incentive in fiscal year 2005. These one-time cash payments of \$20,000 each will be made in January 2006. A liability for the early retirement incentive payments has been recorded in the fund financial statements and the Statement of Net Assets.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

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

The District also provides an early retirement incentive plan for the State Employees Retirement System of Ohio (SERS) employees who become first time eligible for retirement or reach 30 years of service under SERS guidelines and retire effective at the end of the school year in which they qualify. This is a one-time opportunity for those eligible in fiscal years 2002 - 2005. Employees who enroll in the early retirement incentive plan must submit written notification to the Board on or before the April 1 of the year of retirement. The employee must have at least 10 years of service with the District. The one-time cash payment of \$10,000, for employees that have contracted for six hours or more, and \$5,000, for employees that have contracted for less than six hours, will be made in January of the following year. There were no employees that took advantage of the early retirement incentive in fiscal year 2005.

**NOTE 11 - RISK MANAGEMENT**

**A. Comprehensive**

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

<u>Coverage</u>	<u>Insurer</u>	<u>Limits of Coverage</u>	<u>Deductible</u>
General liability:	Indiana Insurance		
Each occurrence		\$ 1,000,000	\$ 0
Aggregate		2,000,000	0
Building and contents	Indiana Insurance	83,695,380	10,000
Fleet:	Indiana Insurance		
Comprehensive		Cash Value	250
Collision		Cash Value	500
Liability		1,000,000	
Umbrella liability	Indiana Insurance	5,000,000	10,000
Builder's Risk:			
Renovation projects	St. Paul Travelers	4,041,000	10,000
New building site	The Hartford	40,204,826	5,000

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

**B. Shared Risk Pool**

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

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

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

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

**NOTE 12 - DEFINED BENEFIT PENSION PLANS**

**A. School Employees Retirement System**

The District contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing, multiple-employer defined benefit pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. The report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746, or by calling (614) 222-5853.

Plan members are required to contribute 10% of their annual covered salary and the District is required to contribute at an actuarially determined rate. The current District rate is 14% of annual covered payroll. A portion of the District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits. For fiscal year 2005, 10.57% of annual covered salary was the portion used to fund pension obligations. For fiscal year 2004, 9.09% of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to a statutory maximum amount, by the SERS' Retirement Board. The adequacy of the contribution rates is determined annually. The District's required contributions to SERS for the fiscal years ended June 30, 2005, 2004, and 2003 were \$862,581, \$809,832, and \$797,286, respectively; 42.22% has been contributed for fiscal year 2005 and 100% for the fiscal years 2004 and 2003. \$498,360 represents the unpaid contribution for fiscal year 2005.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

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

**B. State Teachers Retirement System**

The District contributes to the State Teachers Retirement System of Ohio (STRS), a cost-sharing, multiple-employer public employee retirement system administered by the State Teachers Retirement Board. STRS provides retirement and disability benefits, annual cost-of-living adjustments, and death and survivor benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3307 of the Ohio Revised Code. STRS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. The report may be obtained by writing to the State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3371, by calling (614) 227-4090, or by visiting the STRS website at [www.strsoh.org](http://www.strsoh.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% 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. Benefits are established by Chapter 3307 of the Ohio Revised Code.

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

Plan members are required to contribute 10% of their annual covered salary and the District is required to contribute at an actuarially determined rate. The current District rate is 14% of annual covered payroll. A portion of the District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits. For fiscal years 2005 and 2004, 13% of annual covered salary was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10% for members and 14% for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employee contributions. The District's required contributions to STRS for the fiscal years ended June 30, 2005, 2004, and 2003 were \$3,237,306, \$3,158,266, and \$3,150,988, respectively; 82.22% has been contributed for fiscal year 2005 and 100% for the fiscal years 2004 and 2003. \$575,522 represents the unpaid contribution for fiscal year 2005. Contributions to the DC and Combined Plans for fiscal year 2005 were \$22,820 made by the District and \$59,462 made by plan members.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

**NOTE 12 - 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 have an option to choose Social Security or the School Employees Retirement Systems/State Teachers Retirement System. As of June 30, 2005, certain members of the Board of Education have elected Social Security. The District's liability is 6.2% of wages paid.

**NOTE 13 - POSTEMPLOYMENT BENEFITS**

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

The State Teachers Retirement Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium. By Ohio law, the cost of coverage paid from STRS funds shall be included in the employer contribution rate, currently 14% of covered payroll. For fiscal year 2005, the State Teachers Retirement Board allocated employer contributions equal to 1% of covered payroll to the Health Care Stabilization Fund. For the District, this amount equaled \$231,236 during fiscal 2005.

STRS pays health care benefits from the Health Care Stabilization Fund. The balance in the Health Care Stabilization Fund was \$3.1 billion at June 30, 2004 (the latest information available). For the fiscal year ended June 30, 2004 (the latest information available), net health care costs paid by STRS were \$268.739 million and STRS had 111,853 eligible benefit recipients.

For SERS, coverage is made available to service retirees with 10 or more years of qualifying service credit, and disability and survivor benefit recipients. Effective January 1, 2004, 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. A safety net is in place for retirees whose household income falls below federal poverty levels. Premiums are reduced by 50% for those who apply.

For fiscal year 2005, employer contributions to fund health care benefits were 3.43% of covered payroll. In addition, SERS levies a surcharge to fund health care benefits equal to 14% of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2005, the minimum pay has been established at \$27,400. The surcharge, added to the unallocated portion of the 14% employer contribution rate, provides for maintenance of the asset target level for the health care fund.

The target level for the health care reserve is 150% of annual health care expenses, before premium deduction. Gross expenses for health care at June 30, 2004 (the latest information available) were \$223.444 million and the target level was \$335.2 million. At June 30, 2004, (the latest information available) SERS had net assets available for payment of health care benefits of \$300.8 million and SERS had approximately 62,000 participants receiving health care benefits. For the District, the amount to fund health care benefits, including surcharge, equaled \$332,276 during the 2005 fiscal year.



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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

**NOTE 14 - BUDGETARY BASIS OF ACCOUNTING**

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

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

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

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

**Net Change in Fund Balance**

	<u>General Fund</u>
Budget basis	\$ (2,955,815)
Net adjustment for revenue accruals	(48,489)
Net adjustment for expenditure accruals	41,425
Net adjustment for other sources/uses	242,993
Adjustment for encumbrances	<u>2,316,361</u>
GAAP basis	<u>\$ (403,525)</u>

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

**NOTE 15 - CONTINGENCIES**

**A. Grants**

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

**B. Litigation**

The District is not a party to legal proceeding.

**C. State School Funding Decision**

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

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

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

Vocational Agreement

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

**NOTE 17 - STATUTORY RESERVES**

The District is required by state law to set-aside certain general fund revenue amounts, as defined by statute, into various reserves. These reserves are calculated and presented on a cash basis. During the fiscal year ended June 30, 2005, the reserve activity was as follows:

	<u>Textbooks</u>	<u>Capital Acquisition</u>	<u>BWC Refunds</u>
Set-aside cash balance as of June 30, 2004	\$ (1,026,425)	\$ -	\$ 203,450
Current year set-aside requirement	877,169	877,169	-
Current year offsets	-	-	-
Qualifying disbursements	<u>(906,238)</u>	<u>(881,205)</u>	<u>-</u>
Total	<u>\$ (1,055,494)</u>	<u>\$ (4,036)</u>	<u>\$ 203,450</u>
Cash balance carried forward to FY 2006	<u>\$ (1,055,494)</u>	<u>\$ -</u>	

Monies representing BWC refunds that were received prior to April 10, 2001, have been shown as a restricted asset and reserved fund balance in the general fund since allowable expenditures are restricted by state statute. Monies set-aside by the School Board for budget stabilization are reported as a designation of fund balance in the general fund. The balance in the budget stabilization designation at June 30, 2005 was \$1,258,500.

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

A schedule of the restricted assets at June 30, 2005 follows:

Amount restricted for BWC refunds	\$ 203,450
Reserved for school bus purchases	<u>50,056</u>
Total restricted cash	<u>\$ 253,506</u>

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

**NOTE 18 - CONTRACTUAL COMMITMENTS**

As of June 30, 2005, The District had the following contractual commitments outstanding related to the completion of bond issue projects throughout the District and construction of a new high school. A summary of the primary contractual commitments follows:

<u>Project Vendor</u>	<u>Total Contract</u>	<u>Amount Paid</u>	<u>Remaining Commitment at June 30, 2005</u>
R.P. Carbone Construction	\$ 2,848,969	\$ (1,614,916)	\$ 1,234,053
Ricciuti Balog & Partners	3,385,524	(2,258,719)	1,126,805
Eduplex	410,000	(231,500)	178,500
Northern Valley Contractors	1,487,388	(1,280,608)	206,780
Central Allied Enterprises	897,918	(362,060)	535,858
Professional Services	75,520	(69,352)	6,168
CT Taylor Company	3,102,771	(1,872,769)	1,230,002
Giambrone Masonry	2,182,557	(339,976)	1,842,581
Kilroy Steel	6,866,700	(1,653,250)	5,213,450
Ruhlin Construction	6,756,970	(251,812)	6,505,158
AW Farrell & Son	2,398,198	(307,269)	2,090,929
United Glass & Panel	1,355,687	(27,290)	1,328,397
Ladd Painting & Decorating	355,000	-	355,000
The Knoch Corporation	731,000	-	731,000
Republic Storage Systems	273,600	-	273,600
Beck Studios	195,661	-	195,661
SS Kemp & Company	435,634	-	435,634
Stone Creek Interior	665,800	(11,498)	654,302
Custom Fabricators	103,214	(1,033)	102,181
Service Supply Ltd.	249,000	-	249,000
Fire Foe Corporation	737,460	(42,956)	694,504
Golub Mechanical	1,974,439	(489,863)	1,484,576
Feinman Mechanical	6,010,747	(996,681)	5,014,066
Hilscher-Clark Electric	3,131,937	(323,329)	2,808,608
Hummell Construction	2,422,160	-	2,422,160
RT Hampton Plumbing & Heating	163,373	-	163,373
Soehlen Piping	524,911	-	524,911
Standard Plumbing & Heating	416,500	-	416,500
Wood Electric	222,470	-	222,470
Abbott Electric	267,597	-	267,597
<b>Total</b>	<b><u>\$ 50,648,705</u></b>	<b><u>\$ (12,134,881)</u></b>	<b><u>\$ 38,513,824</u></b>

**PLAIN LOCAL SCHOOL DISTRICT  
STARK COUNTY**

**FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE  
FOR THE YEAR ENDED JUNE 30, 2005**

Federal Grantor/ Pass Through Grantor/ Program Title	Pass Through Grantor Number	Federal CFDA Number	Receipts	Non-Cash Receipts	Expenditures	Non-Cash Expenditures
<b>U.S. DEPARTMENT OF EDUCATION</b>						
<i>(Passed Through Ohio Department of Education)</i>						
Title I Grants to Local Educational Agencies	C1-S1-2004	84.010	\$57,140		\$132,726	
	C1-S1-2005		638,074		570,647	
<i>Total Title I Grants to Local Educational Agencies</i>			<b>695,214</b>		<b>703,373</b>	
<b>Special Education Cluster:</b>						
Special Education - Grants to States (IDEA Part B)	6B-SF-2004	84.027	24,387		79,688	
	6B-SF-2005		1,030,907		947,478	
	6B-SD-2004P		15,000		23,743	
	6B-SD-2005P		9,866		14,042	
<i>Total Special Education - Grants to States (IDEA Part B)</i>			<b>1,080,160</b>		<b>1,064,951</b>	
Special Education - Preschool Grants	PG-S1-2004	84.173	2,564			
	PG-S1-2005		31,621		31,621	
			<b>34,185</b>		<b>31,621</b>	
<b>Total Special Education Cluster</b>			<b>1,114,345</b>		<b>1,096,572</b>	
Vocational Education - Basic Grants to States	20-C1-2005	84.048	189,488		210,834	
Safe and Drug Free Schools and Communities State Grants	DR-S1-2004	84.186	2,609			
	DR-S1-2005		25,876		25,876	
			<b>28,485</b>		<b>25,876</b>	
Innovative Education Program Strategies	C2-S1-2004	84.298			811	
	C2-S1-2005		30,735		27,771	
<i>Total Innovative Education Program Strategies</i>			<b>30,735</b>		<b>28,582</b>	
Technology Literacy Challenge Fund Grants	TJ-S1-2005	84.318	18,251		18,251	
Improving Teacher Quality State Grants	TR-S1-2004	84.367	7,607		43,048	
	TR-S1-2005		219,422		200,253	
<i>Total Improving Teacher Quality State Grants</i>			<b>227,029</b>		<b>243,301</b>	
<b>Total U.S. Department of Education</b>			<b>2,303,547</b>		<b>2,326,789</b>	
<b>U.S. DEPARTMENT OF AGRICULTURE</b>						
<i>(Passed Through Ohio Department of Education)</i>						
<b>Child Nutrition Cluster:</b>						
Food Distribution	N/A	10.550		\$89,182		\$89,182
National School Breakfast Program	N/A	10.553	123,362		125,612	
National School Lunch Program	N/A	10.555	556,347		556,347	
Team Nutrition Grants	N/A	10.574			2,000	
<b>Total U.S. Department of Agriculture - Child Nutrition Cluster</b>			<b>679,709</b>	<b>89,182</b>	<b>683,959</b>	<b>89,182</b>
<b>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>						
<i>(Passed Through the Ohio Department of Mental Retardation and Developmental Disabilities)</i>						
State Children's Health Insurance Program (SCHIP)	N/A	93.767	608		608	
Medical Assistance Program	N/A	93.778	54,117		54,117	
<b>Total U.S. Department of Health and Human Services</b>			<b>54,725</b>		<b>54,725</b>	
<b>Total</b>			<b>\$3,037,981</b>	<b>\$89,182</b>	<b>\$3,065,473</b>	<b>\$89,182</b>

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

**PLAIN LOCAL SCHOOL DISTRICT  
STARK COUNTY**

**NOTES TO THE FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE  
FOR THE YEAR ENDED JUNE 30, 2005**

**NOTE A - SIGNIFICANT ACCOUNTING POLICIES**

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

**NOTE B - CHILD NUTRITION CLUSTER**

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

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



**Auditor of State  
Betty Montgomery**

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

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

To the Board of Education:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate discretely presented component unit and remaining fund information of the Plain Local School District, Stark County, Ohio, (the District) as of and for the year ended June 30, 2005, which collectively comprise the District's basic financial statements and have issued our report thereon dated January 27, 2006 wherein the District implemented Governmental Accounting Standards Board Technical Bulletin 2004-2. 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 to determine our auditing procedures in order to express our opinions on the financial statements and not to opine on the internal control over financial reporting. Our consideration of the internal control would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts material to the financial statements we audited may occur and not be timely detected by employees when performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider material weaknesses.

**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*.

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

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.

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

**Betty Montgomery**  
Auditor of State

January 27, 2006





## Auditor of State Betty Montgomery

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

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

To the Board of Education:

#### Compliance

We have audited the compliance of the Plain Local School District, Stark County, Ohio, (the District) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement that apply to its major federal program for the year ended June 30, 2005. 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 each major federal program. Our responsibility is to express an opinion on the District's compliance based on our audit.

The District's basic financial statements include the operations of the Plain Local Academy of Technology, Golden Eagle Digital Academy and the Little Eagle Kindergarten Program, which received \$106,710, \$125,778 and \$67,300, respectively, in federal awards which is not included in the Federal Awards Receipts and Expenditures Schedule for the year ended June 30, 2005. Our audit of Federal awards, described below, did not include the operation of the aforementioned component units because each component unit expended less than \$500,000 of Federal awards for the year ended June 30, 2005 and were not subject to OMB Circular A-133 audit requirements.

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, the Plain Local School District, Stark 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, 2005.

### Internal Control Over Compliance

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

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

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.



**Betty Montgomery**  
Auditor of State

January 27, 2006

**PLAIN LOCAL SCHOOL DISTRICT  
STARK COUNTY**

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A -133 § .505  
JUNE 30, 2005**

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

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

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

None.

**3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS**

None.





**Auditor of State  
Betty Montgomery**

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**PLAIN LOCAL SCHOOL DISTRICT**

**STARK COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
MARCH 14, 2006**