

Mary Taylor, CPA
Auditor of State

PLAIN LOCAL SCHOOL DISTRICT
STARK COUNTY

TABLE OF CONTENTS

TITLE	PAGE
Independent Accountants' Report.....	1
Management's Discussion and Analysis.....	3
Basic Financial Statements:	
Government-Wide Financial Statements:	
Statement of Net Assets.....	15
Statement of Activities.....	16
Fund Financial Statements:	
Balance Sheet	
Governmental Funds	17
Reconciliation of Total Governmental Fund Balances to	
Net Assets of Governmental Activities.....	18
Statement of Revenues, Expenditures and Changes in Fund Balances	
Governmental Funds	19
Reconciliation of the Statement of Revenues, Expenditures	
and changes in Fund Balances of Governmental Funds	
to the Statement of Activities	20
Statement of Revenues, Expenditures and Changes in	
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)	
General Fund.....	21
Statement of Fiduciary Net Assets	
Fiduciary Funds	22
Statement of Changes in Fiduciary Net Assets	
Fiduciary Funds	23
Notes to the Basic Financial Statements	25
Federal Awards Receipts and Expenditures Schedule.....	55
Notes to the Federal Awards Receipts and Expenditures Schedule	56
Independent Accountants' Report on Internal Control Over	
Financial Reporting and on Compliance and Other Matters	
Required by <i>Government Auditing Standards</i>	57
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	59
Schedule of Findings.....	61

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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

Plain Local School District
Stark County
901 44th 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 remaining fund information of the Plain Local School District, Stark County, Ohio, (the District) as of and for the year ended June 30, 2007, which collectively comprise the District's basic financial statements as listed in the Table of Contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated February 29, 2008, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

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

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

A handwritten signature in cursive script that reads "Mary Taylor".

Mary Taylor, CPA
Auditor of State

February 29, 2008

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(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, 2007. 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 2007 are as follows:

- In total, net assets of governmental activities decreased \$1,510,149 which represents a 5.99% decrease from 2006.
- General revenues accounted for \$45,698,928 in revenue or 82.94% of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$9,396,875 or 17.06% of total revenues of \$55,095,803.
- The District had \$56,917,981 in expenses related to governmental activities; \$9,396,875 of these expenses was offset by program specific charges for services, grants or contributions. General revenues supporting governmental activities (primarily taxes and unrestricted grants and entitlements) were not adequate to provide for these programs.
- The District's major governmental funds had \$48,649,328 in revenues and other financing sources and \$64,208,288 in expenditures and other financing uses. The fund balance of the major governmental funds decreased from \$26,720,589 to \$11,159,993.

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, 2007
(Unaudited)

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 2007?" 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 15-16 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 9. 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 17-21 of this report.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(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 22 and 23. 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 2007 and 2006.

	Net Assets	
	Governmental Activities 2007	Governmental Activities 2006
<u>Assets</u>		
Current and other assets	\$ 49,275,673	\$ 66,067,616
Capital assets	<u>72,540,204</u>	<u>59,902,852</u>
Total assets	<u>121,815,877</u>	<u>125,970,468</u>
<u>Liabilities</u>		
Current liabilities	34,468,200	35,996,566
Long-term liabilities	<u>63,656,002</u>	<u>64,772,078</u>
Total liabilities	<u>98,124,202</u>	<u>100,768,644</u>
<u>Net Assets</u>		
Invested in capital assets, net of related debt	14,347,610	8,875,821
Restricted	3,727,908	7,106,174
Unrestricted	<u>5,616,157</u>	<u>9,219,829</u>
Total net assets	<u>\$ 23,691,675</u>	<u>\$ 25,201,824</u>

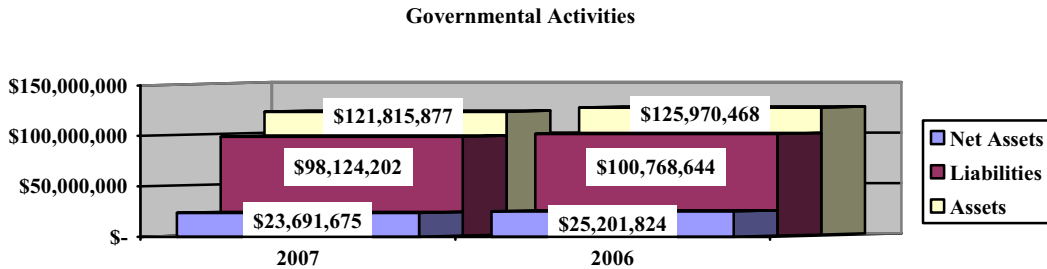
Over time, net assets can serve as a useful indicator of a government's financial position. At June 30, 2007, the District's assets exceeded liabilities by \$23,691,675.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(Unaudited)

At year-end, capital assets represented 59.55% of total assets. Capital assets include land, land improvements, buildings and improvements, furniture and equipment and vehicles. Capital assets, net of related debt to acquire the assets at June 30, 2007, were \$14,347,610. 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, \$3,727,908, 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 2007 and 2006.

	Change in Net Assets	
	Governmental Activities 2007	Governmental Activities 2006
	<hr/>	<hr/>
<u>Revenues</u>		
Program revenues:		
Charges for services and sales	\$ 2,953,785	\$ 2,521,488
Operating grants and contributions	6,243,012	4,371,669
Capital grants and contributions	200,078	443,393
General revenues:		
Property taxes	25,525,158	25,744,783
Grants and entitlements	18,751,369	19,683,022
Investment earnings	1,376,482	2,051,870
Other	45,919	72,376
	<hr/>	<hr/>
Total revenues	55,095,803	54,888,601
	<hr/>	<hr/>

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(Unaudited)

Change in Net Assets

	Governmental Activities <u>2007</u>	Governmental Activities <u>2006</u>
<u>Expenses</u>		
Program expenses:		
Instruction:		
Regular	\$ 23,098,194	\$ 22,698,487
Special	4,797,701	4,312,663
Vocational	2,017,397	1,953,276
Adult/continuing	68,876	58,417
Other	604,733	583,877
Support services:		
Pupil	3,004,801	2,632,045
Instructional staff	3,534,060	3,024,520
Board of education	81,238	86,988
Administration	3,760,829	3,573,557
Fiscal	880,316	790,675
Business	239,556	158,790
Operations and maintenance	5,407,314	4,040,340
Pupil transportation	2,516,365	2,931,177
Central	265,227	178,866
Food service operations	2,260,949	1,855,593
Operations of non-instructional services	89,104	84,757
Extracurricular activities	1,121,760	1,330,852
Intergovernmental-pass through	501,434	558,965
Interest and fiscal charges	<u>2,668,127</u>	<u>2,702,715</u>
Total	56,917,981	53,556,560
Special item:		
Gain on sale of land and building	<u>312,029</u>	<u>-</u>
Change in net assets	(1,510,149)	1,332,041
Net assets at beginning of year	<u>25,201,824</u>	<u>23,869,783</u>
Net assets at end of year	<u>\$ 23,691,675</u>	<u>\$ 25,201,824</u>

Governmental Activities

Net assets of the District's governmental activities decreased \$1,510,149. Total governmental expenses of \$56,917,981 were offset by program revenues of \$9,396,875 and general revenues of \$45,698,928. Program revenues supported 16.51% of the total governmental expenses.

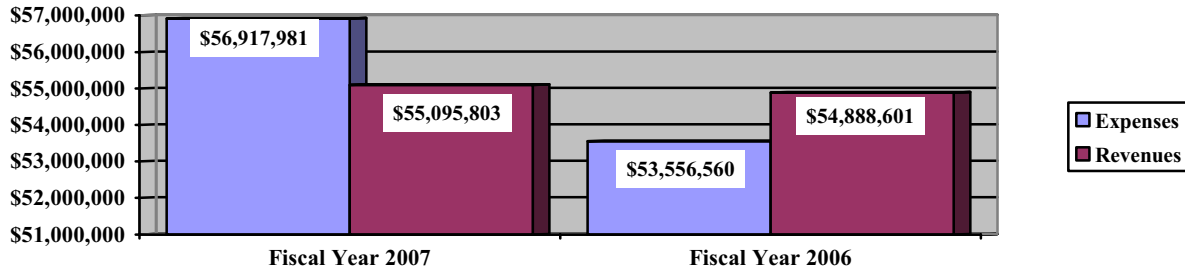
The primary sources of revenue for governmental activities are derived from property taxes, and grants and entitlements. These two revenue sources represent 80.36% and 82.76% of total governmental revenue in 2007 and 2006, respectively. Real estate property is reappraised every six years and updated every three years. As a result of the latest reappraisal by Stark County in 2003, the District's tax valuation increased by 8.95% that year.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(Unaudited)

The graph below presents the District's governmental activities revenue and expenses for fiscal years 2007 and 2006.

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.

Governmental Activities

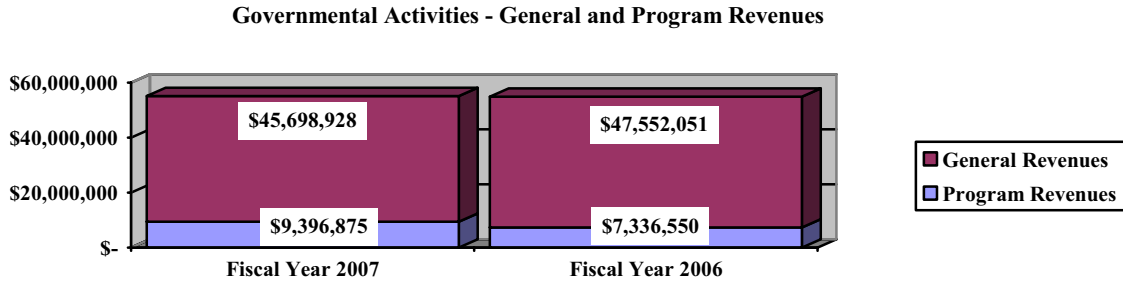
	Total Cost of Services <u>2007</u>	Net Cost of Services <u>2007</u>	Total Cost of Services <u>2006</u>	Net Cost of Services <u>2006</u>
Program expenses				
Instruction:				
Regular	\$ 23,098,194	\$ 22,676,709	\$ 22,698,487	\$ 22,260,564
Special	4,797,701	2,926,887	4,312,663	2,760,794
Vocational	2,017,397	712,845	1,953,276	1,801,526
Adult/continuing	68,876	67,223	58,417	56,434
Other	604,733	225,712	583,877	325,177
Support services:				
Pupil	3,004,801	2,707,404	2,632,045	2,353,043
Instructional staff	3,534,060	2,686,613	3,024,520	2,202,761
Board of education	81,238	81,238	86,988	86,988
Administration	3,760,829	3,660,051	3,573,557	3,451,943
Fiscal	880,316	847,210	790,675	759,078
Business	239,556	239,556	158,790	158,790
Operations and maintenance	5,407,314	5,257,537	4,040,340	3,988,406
Pupil transportation	2,516,365	2,357,260	2,931,177	2,931,177
Central	265,227	259,021	178,866	172,754
Food service operations	2,260,949	70,972	1,855,593	(94,909)
Operations of non-instructional services	89,104	(125,797)	84,757	(443,903)
Extracurricular activities	1,121,760	216,328	1,330,852	712,848
Intergovernmental pass-through	501,434	(13,790)	558,965	33,824
Interest and fiscal charges	2,668,127	2,668,127	2,702,715	2,702,715
Total	<u>\$ 56,917,981</u>	<u>\$ 47,521,106</u>	<u>\$ 53,556,560</u>	<u>\$ 46,220,010</u>

The dependence upon tax and other general revenues for governmental activities is apparent, 87.00% of instruction activities are supported through taxes and other general revenues. For all governmental activities, general revenue support is 83.49%. The District's taxpayers, as a whole, are by far the primary support for District students.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(Unaudited)

The graph below presents the District's governmental activities revenue for fiscal years 2007 and 2006.



The District's Funds

The District's governmental funds (as presented on the balance sheet on page 17) reported a combined fund balance of \$12,880,955, which is lower than last year's total of \$27,967,099. The schedule below indicates the fund balance and the total change in fund balance as of June 30, 2007 and 2006.

	Fund Balance June 30, 2007	Fund Balance June 30, 2006	Increase (Decrease)
General	\$ 8,953,236	\$ 11,276,023	\$ (2,322,787)
Debt Service	1,607,620	1,821,161	(213,541)
Building	599,137	13,623,405	(13,024,268)
Other Governmental	<u>1,720,962</u>	<u>1,246,510</u>	<u>474,452</u>
Total	<u>\$ 12,880,955</u>	<u>\$ 27,967,099</u>	<u>\$ (15,086,144)</u>

General Fund

During fiscal year 2007, the District's general fund balance decreased by \$2,322,787. The expenditures of the general fund increased faster than the increasing revenues.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(Unaudited)

The table that follows assists in illustrating the financial activities of the general fund.

	<u>2007</u> <u>Amount</u>	<u>2006</u> <u>Amount</u>	<u>Increase</u> <u>(Decrease)</u>
<u>Revenues</u>			
Taxes	\$ 21,837,412	\$ 21,796,754	\$ 40,658
Tuition	505,592	500,921	4,671
Earnings on investments	1,035,681	797,982	237,699
Intergovernmental	19,946,367	19,201,634	744,733
Other revenues	<u>763,551</u>	<u>321,052</u>	<u>442,499</u>
Total	<u>\$ 44,088,603</u>	<u>\$ 42,618,343</u>	<u>\$ 1,470,260</u>
<u>Expenditures</u>			
Instruction	\$ 28,187,047	\$ 27,134,044	\$ 1,053,003
Support services	17,586,769	15,968,235	1,618,534
Extracurricular activities	<u>560,207</u>	<u>609,695</u>	<u>(49,488)</u>
Total	<u>\$ 46,334,023</u>	<u>\$ 43,711,974</u>	<u>\$ 2,622,049</u>

Debt Service

During fiscal year 2007, the District's debt service fund balance decreased \$213,541, due to revenues decreasing faster than slightly decreased expenditures in 2007. The table that follows assists in illustrating the financial activities of the debt service fund

	<u>2007</u> <u>Amount</u>	<u>2006</u> <u>Amount</u>	<u>Increase</u> <u>(Decrease)</u>
<u>Revenues</u>			
Taxes	\$ 3,690,926	\$ 3,963,339	\$ (272,413)
Intergovernmental	<u>422,286</u>	<u>481,388</u>	<u>(59,102)</u>
Total	<u>\$ 4,113,212</u>	<u>\$ 4,444,727</u>	<u>\$ (331,515)</u>
<u>Expenditures</u>			
Fiscal	\$ 56,349	\$ 60,154	\$ (3,805)
Debt Service:			
Principal	1,665,000	1,625,000	40,000
Interest	<u>2,605,404</u>	<u>2,642,324</u>	<u>(36,920)</u>
Total	<u>\$ 4,326,753</u>	<u>\$ 4,327,478</u>	<u>\$ (725)</u>

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(Unaudited)

Building

During fiscal year 2007, the District's building fund balance decreased \$13,024,268 due to the costs related to the construction projects. The table that follows assists in illustrating the financial activities of the building fund:

	<u>2007</u> <u>Amount</u>	<u>2006</u> <u>Amount</u>	<u>Increase</u>
<u>Revenues</u>			
Earnings on investments	\$ 289,242	\$ 1,275,351	\$ (986,109)
Gifts and contributions	<u>153,852</u>	<u>443,393</u>	<u>(289,541)</u>
Total	<u>\$ 443,094</u>	<u>\$ 1,718,744</u>	<u>\$ (1,275,650)</u>
<u>Expenditures</u>			
Regular instruction	\$ 552,589	\$ 194,774	\$ 357,815
Administration	-	30	(30)
Operations and maintenance	-	1,391	(1,391)
Facilities acquisition and construction	<u>12,914,773</u>	<u>34,579,547</u>	<u>(21,664,774)</u>
Total	<u>\$13,467,362</u>	<u>\$34,775,742</u>	<u>\$ (21,308,380)</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 2007, the District amended its general fund budget several times. For the general fund, actual and final budgeted revenues and other financing sources of \$45,007,107 were \$1,328,751 higher than the original budgeted revenues estimate of \$43,678,356.

General fund original appropriations (appropriated expenditures plus other financing uses) of \$49,350,016 were decreased \$215,993 to \$49,134,023 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.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(Unaudited)

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2007, the District had \$72,540,204 invested in land, land improvements, buildings and improvements, furniture and equipment and vehicles. During 2007 the District restated capital assets as described in Note 8. This entire amount is reported in governmental activities. The following table shows fiscal 2007 balances compared to 2006:

	Capital Assets at June 30	
	(Net of Depreciation)	
	Governmental Activities	
	2007	Restated 2006
Land	\$ 2,370,360	\$ 2,372,760
Land improvements	2,147,751	770,475
Buildings and improvements	63,341,518	3,204,013
Furniture and equipment	4,158,771	2,429,208
Vehicles	521,804	746,441
Construction in progress	-	50,379,955
Total	\$ 72,540,204	\$ 59,902,852

The primary increase occurred because of the construction in progress being completed. Total additions to capital assets for 2007 were \$14,524,323 and depreciation expenses were \$1,864,039.

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, 2007
(Unaudited)

Debt Administration

At June 30, 2007, the District had \$59,043,653 in general obligation bonds outstanding. Of this total, \$1,570,000 is due within one year and \$57,473,653 is due within greater than one year. The following table summarizes the bonds outstanding.

Outstanding Debt, at Year End

	Governmental Activities <u>2007</u>	Governmental Activities <u>2006</u>
General Obligation Bonds:		
Energy Conservation	\$ -	\$ 125,000
School Improvement	<u>59,043,653</u>	<u>60,516,550</u>
Total	<u>\$ 59,043,653</u>	<u>\$ 60,641,550</u>

The energy conservation bonds were issued in fiscal year 1997. These bonds matured in fiscal 2007. Payment of principal and interest on the bonds was 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, 2007, the District's overall legal debt margin was \$31,480,305 with an unvoted debt margin of \$987,959. 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 11 years, the District has been financially strong due to extremely conservative spending as well as revenue growth in the first five years. As the preceding information demonstrates, 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 2007 due to increased tax valuation and the elimination of the rollback for commercial/industrial properties. The District will have the funds necessary to meet commitments in the 2008 fiscal year due to its cash balance which has been closely guarded in order to extend the life cycle of the District.

The District's financial condition is declining primarily due to the lack of growth in revenue. The reality for Plain Local is that the State funding formula for basic aid has lead to a decline in funding in State basic aid for the District. In the 2001-2002 school year, basic aid from the State (SF-3 funding) was \$16,116,683. In the following four years, aid dropped to a low of \$15,514,509 at the same time that enrollment was increasing. Only in the 2006-2007 school year did the District receive the dollar amount of State funding it had received in 2001-2002. With all sources of revenue combined, the District receives over \$2,200 less per pupil in revenue than the State average. Due to lack of funding from the State, the district is asking voters for additional local operating revenue.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(Unaudited)

The District has been conservative when spending funds. The District has always planned well in advance for revenue shortfalls and has made reductions over the last five years to already conservative spending.

In the first three years in planned spending cuts, the District eliminated nearly \$2.2 million. In the 2006-2007 school year alone, the District implemented planned expenditure reductions and savings of over \$2 million. These reductions have been accomplished through the elimination of administrative, certified, and classified positions. The District has also lowered planned purchased services, supplies, and capital outlay. Another \$2 million will be reduced from the fiscal year 2008 projected five year forecast.

The District had 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 education funding system. One that was neither "adequate" nor "equitable." Currently associations throughout the State are working on a proposed funding solution either through legislative action or a constitutional amendment. Without a solution, the District does not anticipate inflationary growth in State revenue. District officials and residents will continue to work diligently to try and find a solution to the flawed system of school funding in Ohio.

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 44th Street, NW, Canton, Ohio 44709-1699.

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

STATEMENT OF NET ASSETS
JUNE 30, 2007

	<u>Governmental Activities</u>
Assets:	
Equity in pooled cash and cash equivalents.	\$ 19,877,424
Receivables:	
Taxes	27,362,895
Accounts	12,080
Intergovernmental	1,082,765
Accrued interest	180,329
Prepayments	30,421
Materials and supplies inventory	142,440
Unamortized bond issue costs	587,319
Capital assets:	
Land	2,370,360
Depreciable capital assets, net	70,169,844
Capital assets, net.	<u>72,540,204</u>
 Total assets.	 <u>121,815,877</u>
Liabilities:	
Accounts payable.	231,758
Contracts payable.	383,594
Accrued wages and benefits	5,456,562
Pension obligation payable.	1,271,727
Intergovernmental payable	273,571
Unearned revenue.	26,643,883
Accrued interest payable	207,105
Long-term liabilities:	
Due within one year.	2,184,832
Due within more than one year	<u>61,471,170</u>
 Total liabilities	 <u>98,124,202</u>
Net Assets:	
Invested in capital assets, net of related debt.	14,347,610
Restricted for:	
Capital projects	1,369,267
Debt service.	1,514,575
BWC refunds	203,450
School bus purchases	46,226
State funded programs	120,215
Federally funded programs	153,632
Student activities	136,396
Public school support.	184,147
Unrestricted	<u>5,616,157</u>
 Total net assets	 <u>\$ 23,691,675</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, 2007

		Program Revenues			Net (Expense) and Changes in Net Assets
	Expenses	Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
Governmental Activities:					
Instruction:					
Regular	\$ 23,098,194	\$ 386,836	\$ 34,649	\$ -	\$ (22,676,709)
Special	4,797,701	254,414	1,616,400	-	(2,926,887)
Vocational	2,017,397	93,654	1,210,898	-	(712,845)
Adult/continuing.	68,876	-	1,653	-	(67,223)
Other	604,733	-	379,021	-	(225,712)
Support services:					
Pupil	3,004,801	-	297,397	-	(2,707,404)
Instructional staff	3,534,060	-	847,447	-	(2,686,613)
Board of education	81,238	-	-	-	(81,238)
Administration.	3,760,829	-	100,778	-	(3,660,051)
Fiscal.	880,316	-	33,106	-	(847,210)
Business.	239,556	-	-	-	(239,556)
Operations and maintenance	5,407,314	116,777	33,000	-	(5,257,537)
Pupil transportation	2,516,365	6,094	106,785	46,226	(2,357,260)
Central	265,227	-	6,206	-	(259,021)
Operation of non-instructional services:					
Food service operations	2,260,949	1,202,427	987,550	-	(70,972)
Other non-instructional services	89,104	-	61,049	153,852	125,797
Extracurricular activities.	1,121,760	893,583	11,849	-	(216,328)
Intergovernmental pass-through	501,434	-	515,224	-	13,790
Interest and fiscal charges	2,668,127	-	-	-	(2,668,127)
Total governmental activities	\$ 56,917,981	\$ 2,953,785	\$ 6,243,012	\$ 200,078	(47,521,106)
General Revenues:					
Property taxes levied for:					
General purposes					21,838,872
Debt service.					3,686,286
Grants and entitlements not restricted to specific programs.					18,751,369
Investment earnings					1,376,482
Miscellaneous					45,919
Total general revenues					45,698,928
Special item:					
Gain on sale of land and building.					312,029
Change in net assets.					(1,510,149)
Net assets at beginning of year					25,201,824
Net assets at end of year.					\$ 23,691,675

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2007

	<u>General</u>	<u>Debt Service</u>	<u>Building</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets:					
Equity in pooled cash and cash equivalents	\$ 14,103,209	\$ 1,422,350	\$ 2,367,399	\$ 1,734,790	\$ 19,627,748
Receivables:					
Taxes.	23,198,835	4,164,060	-	-	27,362,895
Accounts	10,777	-	-	1,303	12,080
Intergovernmental	-	-	-	1,082,765	1,082,765
Accrued interest	180,329	-	-	-	180,329
Interfund loans	378,965	-	-	-	378,965
Prepayments.	30,421	-	-	-	30,421
Materials and supplies inventory	72,470	-	-	69,970	142,440
Restricted assets:					
Equity in pooled cash and cash equivalents	249,676	-	-	-	249,676
Total assets	<u>\$ 38,224,682</u>	<u>\$ 5,586,410</u>	<u>\$ 2,367,399</u>	<u>\$ 2,888,828</u>	<u>\$ 49,067,319</u>
Liabilities:					
Accounts payable	\$ 183,020	\$ -	\$ -	\$ 48,738	\$ 231,758
Contracts payable	-	-	383,594	-	383,594
Accrued wages and benefits	5,089,344	-	-	367,218	5,456,562
Compensated absences payable	185,804	-	-	-	185,804
Early retirement incentive payable	210,000	-	-	-	210,000
Pension obligation payable.	1,133,166	-	-	138,561	1,271,727
Intergovernmental payable.	234,946	-	-	38,625	273,571
Interfund loan payable	-	-	-	378,965	378,965
Deferred revenue.	840,681	114,060	-	195,759	1,150,500
Unearned revenue	21,394,485	3,864,730	1,384,668	-	26,643,883
Total liabilities	<u>29,271,446</u>	<u>3,978,790</u>	<u>1,768,262</u>	<u>1,167,866</u>	<u>36,186,364</u>
Fund Balances:					
Reserved for encumbrances	2,180,144	-	1,379,928	341,896	3,901,968
Reserved for materials and supplies inventory.	72,470	-	-	69,970	142,440
Reserved for prepayments	30,421	-	-	-	30,421
Reserved for property tax unavailable for appropriation	1,060,860	185,270	-	-	1,246,130
Reserved for BWC refunds	203,450	-	-	-	203,450
Reserved for school bus purchases	46,226	-	-	-	46,226
Unreserved:					
Designation for budget stabilization	1,341,904	-	-	-	1,341,904
Undesignated (deficit), reported in:					
General fund	4,017,761	-	-	-	4,017,761
Special revenue funds.	-	-	-	538,966	538,966
Debt service fund	-	1,422,350	-	-	1,422,350
Capital projects funds.	-	-	(780,791)	770,130	(10,661)
Total fund balances	<u>8,953,236</u>	<u>1,607,620</u>	<u>599,137</u>	<u>1,720,962</u>	<u>12,880,955</u>
Total liabilities and fund balances	<u>\$ 38,224,682</u>	<u>\$ 5,586,410</u>	<u>\$ 2,367,399</u>	<u>\$ 2,888,828</u>	<u>\$ 49,067,319</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, 2007

Total governmental fund balances		\$ 12,880,955
<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.		72,540,204
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.		
Taxes	\$ 886,250	
Intergovernmental revenue	195,759	
Accrued interest	68,491	
Total	1,150,500	1,150,500
In the statement of activities interest is accrued on outstanding bonds, whereas in governmental funds, interest expenditures are reported when due.		(207,105)
Unamortized premiums on bond issuance is not recognized in the funds.		(589,832)
Unamortized bond issuance costs are not recognized in the funds.		587,319
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	(3,626,713)	
General obligation bonds payable	(59,043,653)	
Total	(62,670,366)	(62,670,366)
Net assets of governmental activities		\$ 23,691,675

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, 2007

	General	Debt Service	Building	Other Governmental Funds	Total Governmental Funds
Revenues:					
From local sources:					
Taxes	\$ 21,837,412	\$ 3,690,926	\$ -	\$ -	\$ 25,528,338
Tuition	505,592	-	-	953	506,545
Transportation fees	6,094	-	-	-	6,094
Charges for services	-	-	-	1,202,427	1,202,427
Earnings on investments	1,035,681	-	289,242	75,441	1,400,364
Extracurricular	365,449	-	-	528,134	893,583
Classroom materials and fees	211,945	-	-	-	211,945
Gifts and contributions	-	-	153,852	-	153,852
Other local revenues	180,063	-	-	-	180,063
Other revenue	-	-	-	3,500	3,500
Intergovernmental - State	19,941,727	422,286	-	1,022,580	21,386,593
Intergovernmental - Federal	4,640	-	-	3,786,870	3,791,510
Total revenue	<u>44,088,603</u>	<u>4,113,212</u>	<u>443,094</u>	<u>6,619,905</u>	<u>55,264,814</u>
Expenditures:					
Current:					
Instruction:					
Regular	22,637,030	-	552,589	29,761	23,219,380
Special	3,336,427	-	-	1,395,198	4,731,625
Vocational	1,925,712	-	-	49,767	1,975,479
Adult/continuing	67,412	-	-	1,464	68,876
Other	220,466	-	-	381,583	602,049
Support services:					
Pupil	2,660,612	-	-	291,201	2,951,813
Instructional staff	2,536,196	-	-	914,762	3,450,958
Board of education	81,198	-	-	40	81,238
Administration	3,512,036	-	-	119,179	3,631,215
Fiscal	784,684	56,349	-	34,291	875,324
Business	204,382	-	-	-	204,382
Operations and maintenance	5,260,131	-	-	33,000	5,293,131
Pupil transportation	2,289,911	-	-	-	2,289,911
Central	257,619	-	-	6,206	263,825
Operation of non-instructional services:					
Food service operations	-	-	-	2,141,061	2,141,061
Other non-instructional services	-	-	-	59,345	59,345
Extracurricular activities	560,207	-	-	586,115	1,146,322
Intergovernmental pass-through	-	-	-	501,434	501,434
Facilities acquisition and construction	-	-	12,914,773	-	12,914,773
Debt service:					
Principal retirement	-	1,665,000	-	-	1,665,000
Interest and fiscal charges	-	2,605,404	-	-	2,605,404
Total expenditures	<u>46,334,023</u>	<u>4,326,753</u>	<u>13,467,362</u>	<u>6,544,407</u>	<u>70,672,545</u>
Excess of revenues over (under) expenditures	<u>(2,245,420)</u>	<u>(213,541)</u>	<u>(13,024,268)</u>	<u>75,498</u>	<u>(15,407,731)</u>
Other financing sources (uses):					
Sale of capital assets	4,419	-	-	-	4,419
Transfers in	-	-	-	80,150	80,150
Transfers (out)	<u>(80,150)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(80,150)</u>
Total other financing sources (uses)	<u>(75,731)</u>	<u>-</u>	<u>-</u>	<u>80,150</u>	<u>4,419</u>
Special item:					
Sale of land and building	-	-	-	314,429	314,429
Net change in fund balances	(2,321,151)	(213,541)	(13,024,268)	470,077	(15,088,883)
Fund balances at beginning of year	11,276,023	1,821,161	13,623,405	1,246,510	27,967,099
Increase (decrease) in reserve for inventory	(1,636)	-	-	4,375	2,739
Fund balances at end of year	<u>\$ 8,953,236</u>	<u>\$ 1,607,620</u>	<u>\$ 599,137</u>	<u>\$ 1,720,962</u>	<u>\$ 12,880,955</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, 2007

Net change in fund balances - total governmental funds \$ (15,088,883)

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

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	\$	14,524,323	
Current year depreciation		(1,864,039)	
Total			12,660,284

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. (22,932)

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

Taxes		(3,180)	
Intergovernmental revenue		(189,938)	
Accrued interest		24,107	
Total			(169,011)

In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, interest is expensed when due.

Accrued interest		4,277	
Accreted interest on capital appreciation bonds		(67,103)	
Bond premium		24,157	
Bond issuance costs		(24,054)	
Total			(62,723)

Governmental funds report expenditures for inventory when purchased. However, in the statement of activities, they are reported as an expense when consumed. 2,739

Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. 1,665,000

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. (494,623)

Change in net assets of governmental activities \$ (1,510,149)

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, 2007

	<u>Budgeted Amounts</u>			Variance with Final Budget Over (Under)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues:				
From local sources:				
Taxes	\$ 21,724,883	\$ 22,385,782	\$ 22,385,782	\$ -
Tuition.	503,403	518,717	518,717	-
Transportation fees	2,499	2,575	2,575	-
Earnings on investments.	947,451	976,274	976,274	-
Extracurricular.	354,660	365,449	365,449	-
Classroom materials and fees	205,501	211,753	211,753	-
Other local revenues.	174,629	179,941	179,941	-
Intergovernmental - State	19,352,985	19,941,727	19,941,727	-
Intergovernmental - Federal.	4,503	4,640	4,640	-
Total revenue	<u>43,270,514</u>	<u>44,586,858</u>	<u>44,586,858</u>	<u>-</u>
Expenditures:				
Current:				
Instruction:				
Regular	23,502,944	22,757,222	22,757,222	-
Special.	4,930,316	4,528,092	4,528,092	-
Vocational.	2,077,538	1,983,260	1,983,260	-
Adult/continuing.	60,629	69,921	69,921	-
Other.	236,854	234,064	234,064	-
Support services:				
Pupil.	2,693,158	2,927,467	2,927,467	-
Instructional staff	2,407,332	2,505,112	2,505,112	-
Board of education	110,770	93,175	93,175	-
Administration.	3,328,225	3,537,255	3,537,255	-
Fiscal	711,733	821,364	821,364	-
Business	154,183	208,677	208,677	-
Operations and maintenance.	5,377,980	5,743,341	5,743,341	-
Pupil transportation	2,617,509	2,363,937	2,363,937	-
Central.	178,040	246,874	246,874	-
Extracurricular activities.	603,480	545,664	545,664	-
Total expenditures	<u>48,990,691</u>	<u>48,565,425</u>	<u>48,565,425</u>	<u>-</u>
Excess of revenues under expenditures.	<u>(5,720,177)</u>	<u>(3,978,567)</u>	<u>(3,978,567)</u>	<u>-</u>
Other financing sources (uses):				
Refund of prior year expenditure.	51,005	52,557	52,557	-
Transfers (out)	(100,925)	(96,150)	(96,150)	-
Advances in.	352,548	363,273	363,273	-
Advances (out)	(258,400)	(472,448)	(472,448)	-
Sale of capital assets	4,289	4,419	4,419	-
Total other financing sources (uses)	<u>48,517</u>	<u>(148,349)</u>	<u>(148,349)</u>	<u>-</u>
Net change in fund balance	(5,671,660)	(4,126,916)	(4,126,916)	-
Fund balance at beginning of year.	13,521,202	13,521,202	13,521,202	-
Prior year encumbrances appropriated	2,602,090	2,602,090	2,602,090	-
Fund balance at end of year	<u>\$ 10,451,632</u>	<u>\$ 11,996,376</u>	<u>\$ 11,996,376</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, 2007

	Private Purpose Trust	
	Scholarship	Agency
Assets:		
Equity in pooled cash and cash equivalents	\$ 2,504	\$ 229,524
Receivables:		
Accounts	-	155
Total assets.	\$ 2,504	\$ 229,679
Liabilities:		
Accounts payable.	\$ -	\$ 3,551
Intergovernmental payable	-	108,816
Due to students	-	117,312
Total liabilities	-	\$ 229,679
Net Assets:		
Held in trust for scholarships	2,504	
Total net assets	\$ 2,504	

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

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

	Private Purpose Trust
	Scholarship
Additions:	
Interest	\$ 126
Total additions.	126
Change in net assets	126
Net assets at beginning of year.	2,378
Net assets at end of year	\$ 2,504

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

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

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 43rd largest by total enrollment among the 876 public and community schools in the State, and 2nd largest in Stark County. The District employs 268 non-certified and 421 certified employees to provide services to 6,361 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 organization's governing board and (1) the District is able to significantly influence the programs or services performed or provided by the organization; or (2) the District is legally entitled to or can otherwise access the organization's resources; the District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the District in that the District approves the budget, the issuance of debt or the levying of taxes. Based upon the application of this criteria, the District has no 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, 2007
(Continued)

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 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, 2007
(Continued)

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, 2007
(Continued)

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.

Unearned Revenue and Deferred Revenue - Unearned revenue and deferred revenue arise 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, 2007, but which were levied to finance fiscal year 2008 operations, and other revenues received in advance of the fiscal year for which they are intended to finance, have been recorded as unearned revenue. Grants and entitlements received before the eligibility requirements are met and delinquent property taxes due at June 30, 2007 are recorded as deferred revenue.

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

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

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

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

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.

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

E. 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, 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. On October 25, 2005, the Stark County Budget Commission voted to waive the requirement that school districts adopt a tax budget as required by Section 5705.28 of the Ohio Revised Code, by January 15th and the filing by January 20th. The Budget Commission now requires an alternate tax budget be submitted by January 20th, which no longer requires specific Board approval.
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 of Estimated Resources is amended to include any unencumbered balances from the preceding year as reported by the District Treasurer. The Certificate of Estimated Resources 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 original and final Certificate of Estimated Resources issued for fiscal year 2007.
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.

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

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

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

6. Formal budgetary integration is employed as a management control device during the year for all funds consistent with the general obligation bond indenture and other statutory provisions. All funds completed the year within the amount of their legally authorized cash basis appropriation.
7. Appropriation amounts are as originally adopted, or as amended by the Board of Education through the year by supplemental appropriations which either reallocated or increased the original appropriated amounts. All supplemental appropriations were legally enacted by the Board during fiscal 2007. All amounts reported in the budgetary statement reflect the original and final appropriations plus all modifications legally enacted by the Board.

Although the legal level of budgetary control was established at the fund level of expenditures, the budgetary statements present comparisons at the fund and function level of expenditures as elected by the District Treasurer.

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 2007, investments were limited to 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 2007. STAR Ohio is an investment pool managed by the State Treasurer's Office, which allows governments within the state to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price which is the price the investment could be sold for on June 30, 2007.

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 2007 amounted to \$1,035,681, which includes \$307,857 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.

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

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

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

An analysis of the District'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 received. Inventories are accounted for using the purchase method on the fund statements and using the consumption method on the government-wide statements.

On the fund financial statements, reported material and supplies inventory is equally offset by a fund balance reserve in the governmental funds which indicates that it does not constitute available spendable resources even though it is a component of net current assets.

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 increased the capitalization threshold from \$2,500 to \$5,000 during fiscal year 2007. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not.

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

<u>Description</u>	<u>Governmental Activities Estimated Lives</u>
Land improvements	15 - 20 years
Buildings and improvements	25 - 40 years
Furniture and equipment	5 - 20 years
Vehicles	8 - 12 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.

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

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

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

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.

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, 2007, 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, 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.

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

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

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

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, Bureau of Workers' Compensation (BWC) refunds, and school bus purchases. 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 Board of Education for budget stabilization is reported as a designation of fund balance in the general fund.

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 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.

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

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

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

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. 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. Unamortized Bond Issuance Costs and Bond Premium

On government-wide financial statements, bond issuance costs are deferred and amortized over the term of the bonds using the straight line method, which approximates the effective interest method. Unamortized bond issuance costs are recorded as an asset on the financial statements.

Bond premiums are deferred and accreted over the term of the bonds. Bond premiums are presented as an addition to the face amount of the bonds. Capital appreciation bond discounts are accreted over the term of the bonds.

On the governmental fund financial statements, issuance costs and bond premiums are recognized in the current period.

S. 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 Country 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.

T. 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. The District sold the Pleasant View school building and land during fiscal year 2007. The net gain on the sale in the amount of \$312,029 is reported as a special item on the statement of activities.

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

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

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

Deficit Fund Balances

Fund balances at June 30, 2007 included the following individual fund deficit:

<u>Nonmajor Fund</u>	<u>Deficit</u>
Poverty Aid	\$ 66,447

The general fund is liable for any deficit in this fund and provides transfers when cash is required, not when accruals occur. The deficit fund balance resulted 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.

Interim monies are 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;

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

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

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

5. No-load money market mutual funds consisting exclusively of obligations described in items (1) and (2) above and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State 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.

Protection of the District's deposits is provided by the Federal Deposit Insurance Corporation (FDIC), by eligible securities pledged by the financial institution as security for repayment, by surety company bonds deposited with the District 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.

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, 2007, the carrying amount of all District deposits was \$3,338,260. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of June 30, 2007, \$3,932,029 of the District's bank balance of \$4,132,029 was exposed to custodial risk as discussed below, while \$200,000 was covered by the 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, 2007
(Continued)

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

B. Investments

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

<u>Investment type</u>	<u>Fair Value</u>	<u>Investment Maturities</u>	
		<u>6 months or less</u>	<u>7 to 12 months</u>
Federal Home Loan Bank	\$ 490,326	\$ -	\$ 490,326
Federal National Mortgage Association	1,959,722	1,959,722	-
Federal National Mortgage Association Discount Note	4,884,334	4,884,334	-
Federal Home Loan Mortgage Corporation Discount Note	4,859,096	4,859,096	-
STAR Ohio	4,577,714	4,577,714	-
	<u>\$ 16,771,192</u>	<u>\$ 16,280,866</u>	<u>\$ 490,326</u>

The weighted average maturity of investments is .17 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 investments or collateral securities that are in the possession of an outside party. The federal agency securities are exposed to custodial credit risk in that 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 risk beyond the requirement in State statute that prohibits payment for investments prior to the delivery of the securities representing such investments to the treasurer or qualified trustee.

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, 2007:

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

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

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

<u>Investment type</u>	<u>Fair Value</u>	<u>% of Total</u>
Federal Home Loan Bank	\$ 490,326	2.92%
Federal Home Loan Mortgage Association	1,959,722	11.69%
Federal Home Loan Mortgage Association Discount Note	4,884,334	29.12%
Federal Home Loan Mortgage Corporation Discount Note	4,859,096	28.97%
STAR Ohio	<u>4,577,714</u>	<u>27.30%</u>
	<u>\$ 16,771,192</u>	<u>100.00%</u>

C. Reconciliation of Cash and Investments 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, 2007:

<u>Cash and Investments per footnote</u>		
Carrying amount of deposits	\$ 3,338,260	
Investments	<u>16,771,192</u>	
Total	<u>\$ 20,109,452</u>	
 <u>Cash and investments per Financial Statements</u>		
Governmental activities	\$ 19,877,424	
Private purpose trust fund	2,504	
Fiduciary funds	<u>229,524</u>	
Total	<u>\$ 20,109,452</u>	

NOTE 5 - INTERFUND TRANSACTIONS

- A. Interfund balances at June 30, 2007 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	\$ 378,965

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

Interfund balances between governmental funds are eliminated on the government-wide financial statements; therefore, no internal balances at June 30, 2007 are reported on 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, 2007
(Continued)

NOTE 5 - INTERFUND TRANSACTIONS - (Continued)

- B.** Interfund transfers for the year ended June 30, 2007, consisted of the following, as reported on the fund financial statements:

<u>Transfers to Nonmajor Governmental funds from:</u>	<u>Amount</u>
General Fund	\$ 80,150

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 authorization.

All transfers were made in compliance with Ohio Revised Code Sections 5705.14, 5705.15 and 5705.16.

Interfund transfers between governmental funds are eliminated on the government-wide financial statements; therefore, no transfers are reported on the statement of activities.

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 2007 represents collections of calendar year 2006 taxes. Real property taxes received in calendar year 2007 were levied after April 1, 2006, on the assessed value listed as of January 1, 2006, 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 2007 represents collections of calendar year 2006 taxes. Public utility real and tangible personal property taxes received in calendar year 2007 became a lien December 31, 2005, were levied after April 1, 2006 and are collected in 2007 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 2007 (other than public utility property) represents the collection of 2007 taxes. Tangible personal property taxes received in calendar year 2007 were levied after April 1, 2007, on the value as of December 31, 2006. For 2006, tangible personal property is assessed at 18.75% for property including inventory. This percentage will be reduced to 12.5% for 2007, 6.25% for 2008 and zero for 2009. 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, 2007
(Continued)

NOTE 6 - PROPERTY TAXES - (Continued)

House Bill No. 66 was signed into law on June 30, 2005. House Bill No. 66 phases out the tax on tangible personal property of general businesses, telephone and telecommunications companies, and railroads. The tax on general business and railroad property will be eliminated by calendar year 2009, and the tax on telephone and telecommunications property will be eliminated by calendar year 2011. The tax is phased out by reducing the assessment rate on the property each year. The bill replaces the revenue lost by the District due to the phasing out of the tax. In calendar years 2006-2010, the District will be fully reimbursed for the lost revenue. In calendar years 2011-2017, the reimbursements will be phased out.

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, 2007, are available to finance fiscal year 2007 operations. The amount available as an advance at June 30, 2007 was \$1,060,860 in the general fund and \$185,270 in the debt service fund. The amount that was available for advance at June 30, 2006 was \$1,609,230 in the general fund and \$300,410 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, 2007 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 unearned 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 2007 taxes were collected are:

	2006 Second Half Collections		2007 First Half Collections	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/Residential and Other Real Estate	\$ 882,719,180	95.63	\$ 966,478,040	96.47
Public Utility Personal	22,841,330	2.47	23,920,990	2.39
Tangible Personal Property	<u>17,552,319</u>	<u>1.90</u>	<u>11,416,981</u>	<u>1.14</u>
Total	<u>\$ 923,112,829</u>	<u>100.00%</u>	<u>\$ 1,001,816,011</u>	<u>100.00%</u>

Tax rate per \$1,000 of
assessed valuation:

Operations	\$52.60	\$52.60
Debt service	4.50	4.00

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

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

NOTE 7 - RECEIVABLES

Receivables at June 30, 2007 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:

Governmental Activities

Property taxes	\$ 27,362,895
Accounts	12,080
Intergovernmental	1,082,765
Accrued interest	<u>180,329</u>
Total	<u>\$ 28,638,069</u>

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

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

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

NOTE 8 - CAPITAL ASSETS

- A. Capital asset balances were restated at June 30, 2006, due to a reappraisal of the District's capital assets, the increase of the capitalization threshold to \$5,000, and the District's policy to not capitalize textbooks. This restatement did not have an effect on net assets reported at the beginning of the year. The effect of the restatement on capital assets balances as previously reported are as follows:

	Balance at <u>06/30/06</u>	Adjustment	Restated Balance at <u>06/30/06</u>
Governmental Activities:			
<i>Capital assets, not being depreciated:</i>			
Land	\$ 2,376,460	\$ (3,700)	\$ 2,372,760
Construction in progress	<u>50,379,955</u>	<u>-</u>	<u>50,379,955</u>
Total capital assets, not being depreciated	<u>52,756,415</u>	<u>(3,700)</u>	<u>52,752,715</u>
<i>Capital assets, being depreciated:</i>			
Land improvements	1,852,733	125,934	1,978,667
Buildings and improvements	14,574,203	1,256,136	15,830,339
Furniture and equipment	5,191,715	(898,075)	4,293,640
Vehicles	3,746,350	(9,860)	3,736,490
Textbooks	2,525,194	(2,525,194)	-
Infrastructure	<u>77,183</u>	<u>(77,183)</u>	<u>-</u>
Total capital assets, being depreciated	<u>27,967,378</u>	<u>(2,128,242)</u>	<u>25,839,136</u>
<i>Less: accumulated depreciation:</i>			
Land improvements	(1,505,133)	296,941	(1,208,192)
Buildings and improvements	(9,981,232)	(2,645,094)	(12,626,326)
Furniture and equipment	(3,812,632)	1,948,200	(1,864,432)
Vehicles	(2,919,567)	(70,482)	(2,990,049)
Textbooks	(2,525,194)	2,525,194	-
Infrastructure	<u>(77,183)</u>	<u>77,183</u>	<u>-</u>
Total accumulated depreciation	<u>(20,820,941)</u>	<u>2,131,942</u>	<u>(18,688,999)</u>
Governmental activities capital assets, net	<u>\$ 59,902,852</u>	<u>\$ -</u>	<u>\$ 59,902,852</u>

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

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

NOTE 8 - CAPITAL ASSETS - (Continued)

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

	Restated Balance			Balance
	<u>06/30/06</u>	<u>Additions</u>	<u>Deductions</u>	<u>06/30/07</u>
<i>Capital assets, not being depreciated:</i>				
Land	\$ 2,372,760	\$ -	\$ (2,400)	\$ 2,370,360
Construction in progress	<u>50,379,955</u>	<u>10,579,167</u>	<u>(60,959,122)</u>	<u>-</u>
Total capital assets, not being depreciated	<u>52,752,715</u>	<u>10,579,167</u>	<u>(60,961,522)</u>	<u>2,370,360</u>
<i>Capital assets, being depreciated:</i>				
Land improvements	1,978,667	1,526,240	(41,016)	3,463,891
Buildings and improvements	15,830,339	60,959,122	(254,754)	76,534,707
Furniture and equipment	4,293,640	2,385,537	(166,295)	6,512,882
Vehicles	<u>3,736,490</u>	<u>33,379</u>	<u>(45,086)</u>	<u>3,724,783</u>
Total capital assets, being depreciated	<u>25,839,136</u>	<u>64,904,278</u>	<u>(507,151)</u>	<u>90,236,263</u>
<i>Less: accumulated depreciation</i>				
Land improvements	(1,208,192)	(148,964)	41,016	(1,316,140)
Buildings and improvements	(12,626,326)	(821,617)	254,754	(13,193,189)
Furniture and equipment	(1,864,432)	(635,442)	145,763	(2,354,111)
Vehicles	<u>(2,990,049)</u>	<u>(258,016)</u>	<u>45,086</u>	<u>(3,202,979)</u>
Total accumulated depreciation	<u>(18,688,999)</u>	<u>(1,864,039)</u>	<u>486,619</u>	<u>(20,066,419)</u>
Governmental activities capital assets, net	<u>\$ 59,902,852</u>	<u>\$ 73,619,406</u>	<u>\$ (60,982,054)</u>	<u>\$ 72,540,204</u>

Depreciation expense was charged to governmental functions as follows:

Instruction:

Regular	\$ 1,254,855
Special	37,862
Vocational	10,428

Support Services:

Pupil	21,382
Instructional staff	59,619
Administration	59,987
Operations and maintenance	45,576
Pupil transportation	255,668
Noninstructional services	1,683
Extracurricular activities	908
Food service operations	<u>116,071</u>

Total depreciation expense \$ 1,864,039

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

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

NOTE 9 - LONG-TERM OBLIGATIONS

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

	Average Interest Rate	Balance Outstanding 06/30/06	Additions	Reductions	Balance Outstanding 06/30/07	Amounts Due in One Year
Governmental Activities:						
<u>General Obligation Bonds:</u>						
Energy conservation bonds	5.35%	\$ 125,000	\$ -	\$ (125,000)	\$ -	\$ -
School improvements bonds	4.583	60,516,550	67,103	(1,540,000)	59,043,653	1,570,000
Total general obligation bonds payable		<u>\$ 60,641,550</u>	<u>\$ 67,103</u>	<u>\$ (1,665,000)</u>	<u>\$ 59,043,653</u>	<u>\$ 1,570,000</u>
<u>Other Long-Term Obligations:</u>						
Early retirement incentive		\$ 120,000	\$ 210,000	\$ (120,000)	\$ 210,000	\$ 210,000
Compensated absences		3,396,539	849,810	(433,832)	3,812,517	404,832
Total other long-term obligations		<u>\$ 3,516,539</u>	<u>\$ 1,059,810</u>	<u>\$ (553,832)</u>	<u>\$ 4,022,517</u>	<u>\$ 614,832</u>
Total governmental activities		64,158,089	<u>\$ 1,126,913</u>	<u>\$ (2,218,832)</u>	63,066,170	<u>\$ 2,184,832</u>
Add: Unamortized premium on bond issue		613,989			589,832	
Total on statement of net assets		<u>\$ 64,772,078</u>			<u>\$ 63,656,002</u>	

Compensated Absences/Early Retirement Incentive: Compensated absences and early retirement incentives will be paid from the fund from which the employee's salaries are paid, which primarily consist of the general fund and the following nonmajor governmental funds: Food Service, Auxiliary Services, Poverty Aid, Title VI-B, Title I and Miscellaneous Federal Grants.

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 expenditures 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 redemption price equal to 100% of the principal, plus accrued interest to the redemption date. The accreted value at maturity for the capital appreciation bonds is \$1,745,000. A total of \$263,740 in accreted interest on the capital appreciation bonds has been included in the statement of net assets at June 30, 2007.

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

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

NOTE 9 - LONG-TERM OBLIGATIONS - (Continued)

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 2007 on the general obligation bonds:

	Balance <u>06/30/06</u>	<u>Additions</u>	<u>Reductions</u>	Balance <u>06/30/07</u>
Current interest bonds	\$ 59,185,000	\$ -	\$ (1,540,000)	\$ 57,645,000
Capital appreciation bonds	1,134,913	-	-	1,134,913
Accreted interest	<u>196,637</u>	<u>67,103</u>	<u>-</u>	<u>263,740</u>
Total G.O. bonds	<u>\$ 60,516,550</u>	<u>\$ 67,103</u>	<u>\$ (1,540,000)</u>	<u>\$ 59,043,653</u>

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
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	1,690,000	2,440,390	4,130,390	-	-	-
2012	-	2,413,350	2,413,350	1,134,913	610,087	1,745,000
2013 - 2017	9,490,000	11,095,004	20,585,004	-	-	-
2018 - 2022	11,930,000	8,577,151	20,507,151	-	-	-
2023 - 2027	14,975,000	5,471,157	20,446,157	-	-	-
2028 - 2031	<u>14,740,000</u>	<u>1,519,000</u>	<u>16,259,000</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 57,645,000</u>	<u>\$ 39,113,493</u>	<u>\$ 96,758,493</u>	<u>\$ 1,134,913</u>	<u>\$ 610,087</u>	<u>\$ 1,745,000</u>

- 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 following is a description of the District's energy conservation bonds outstanding as of June 30, 2007:

	Interest <u>Rate</u>	Issue <u>Date</u>	Bonds Outstanding <u>06/30/06</u>	Bonds Issued in 2007 <u>in 2007</u>	Bonds Retired in 2007 <u>in 2007</u>	Bonds Outstanding <u>06/30/07</u>
Energy conservation bonds	5.35%	11/01/97	<u>\$ 125,000</u>	<u>\$ -</u>	<u>\$ (125,000)</u>	<u>\$ -</u>

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

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

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 code additionally states that unvoted indebtedness related to energy conservation debt shall not exceed 9/10 of 1% of the property valuation of the District. The assessed valuation used in determining the District's legal debt margin has been modified by House Bill 530 which became effective March 30, 2006. In accordance with House Bill 530, the assessed valuation used in the District's legal debt margin calculation excluded tangible personal property used in business, telephone or telegraph property, interexchange telecommunications company property, and personal property owned or leased by a railroad company and used in railroad operations. The effects of these debt limitations at June 30, 2007, are a voted debt margin of \$31,480,305 (including available funds of \$1,607,620) and an unvoted debt margin of \$987,959.

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 55 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 Ohio) employees who become first time eligible for retirement or reach 30 years of service under STRS Ohio 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 - 2006. 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. Eight (8) employees took advantage of the early retirement incentive in fiscal year 2007. These one-time cash payments will be made in January 2008. 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, 2007
(Continued)

NOTE 10 - EMPLOYEE BENEFITS (Continued)

The District also provides an early retirement incentive plan for the School Employees Retirement System (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 - 2006. 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. Five (5) employees took advantage of the \$10,000 early retirement incentive in fiscal year 2007. These one-time cash payments will be made in January 2008. A liability for the early retirement incentive payments has been recorded in the fund financial statements and the statement of net assets.

NOTE 11 - RISK MANAGEMENT

A. Comprehensive

The District maintains comprehensive insurance coverage with private carriers for liability, real property, building contents, vehicles, and builder's risk. Vehicle policies include liability coverage for bodily injury and property damage. In addition, real property contents are 100% 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	135,894,240	10,000
Fleet:	Indiana Insurance		
Comprehensive		Actual Cash Value	250
Collision		Actual Cash Value	500
Liability		1,000,000	
Umbrella liability	Indiana Insurance	5,000,000	10,000

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

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

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

NOTE 11 - RISK MANAGEMENT - (Continued)

B. Shared Risk Pool

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

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

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 - PENSION PLANS

a) School Employees Retirement System

The District contributes to the School Employees Retirement System (SERS), a cost-sharing multiple employer defined benefit pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746 or by calling (800) 878-5853. It is also posted on SERS' website, www.ohsers.org, under Forms and Publications.

Plan members are required to contribute 10 percent of their annual covered salary and the District is required to contribute at an actuarially determined rate. The current District rate is 14 percent 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 2007, 10.68 percent of annual covered salary was the portion used to fund pension obligations. For fiscal year 2006, 10.58 percent of annual covered salary was the portion used to fund pension obligations. For fiscal year 2005, 10.57 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS' Retirement Board.

The District's required contribution for pension obligations to SERS for fiscal years ended 2007, 2006, and 2005 were \$786,866, \$693,664, and \$651,249, 46.17 percent has been contributed for fiscal year 2007 and 100 percent for fiscal years 2006 and 2005. \$423,550 represents the unpaid pension contribution for fiscal year 2007 and is recorded as a liability.

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

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

NOTE 12 - PENSION PLANS - (Continued)

b) State Teachers Retirement System of Ohio

The District participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple-employer public employee retirement system. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a stand-alone financial report that may be obtained by writing to STRS Ohio, 275 E. Broad St., Columbus, OH 43215-3371 or by calling (614) 227-4090, or by visiting the STRS Ohio website at 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 percent of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. DC and Combined Plan members will transfer to the Defined Benefit Plan during their fifth year of membership unless they permanently select the DC or Combined Plan. Existing members with less than five years of service credit as of June 30, 2001, were given the option of making a one time irrevocable decision to transfer their account balances from the existing DB Plan into the DC Plan or the Combined Plan. This option expired on December 31, 2001. Benefits are established by Chapter 3307 of the Ohio Revised Code.

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

For the fiscal year ended June 30, 2007, plan members were required to contribute 10 percent of their annual covered salaries. The District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. For fiscal years 2006 and 2005, the portion used to fund pension obligations was also 13 percent. Contribution rates are established by the State Teachers Retirement Board, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions. The District's required contributions for fund pension obligations to STRS Ohio for the fiscal years ended June 30, 2007, 2006, and 2005 were \$3,097,975, \$3,055,512 and \$3,006,070; 82.95 percent has been contributed for fiscal year 2007 and 100 percent for fiscal years 2006 and 2005. \$528,346 represents the unpaid pension contribution for fiscal year 2007 and is recorded as a liability. Contributions to the DC and Combined Plans for fiscal year 2007 were \$24,307 made by the District and \$57,682 made by plan members.

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

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

NOTE 12 - PENSION PLANS - (Continued)

c) Social Security System

Effective July 1, 1991, all employees not otherwise covered by the SERS or the STRS Ohio have an option to choose Social Security or the SERS/STRS Ohio. As of June 30, 2007, 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 the State Teachers Retirement System of Ohio (STRS Ohio), and to retired non-certified employees and their dependents through the School Employees Retirement System (SERS). Benefits include hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare premiums. Benefit provisions and the obligations to contribute are established by the Systems based on authority granted by State statute. Both systems are funded on a pay-as-you-go basis.

STRS Ohio retirees who participated in the DB or combined plans and their dependents are eligible for health care coverage. The STRS Ohio Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. All benefit recipients pay a portion of health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS Ohio funds is included in the employer contribution rate, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2007, the STRS Ohio Board allocated employer contributions equal to 1 percent of covered payroll to the Health Care Reserve Fund. For the District, this amount equaled \$238,306 for fiscal year 2007.

STRS Ohio pays health care benefits from the Health Care Stabilization Fund. At June 30, 2006 (the latest information available), the balance in the Health Care Stabilization Fund was \$3.5 billion. For the fiscal year ended June 30, 2006 (the latest information available), net health care costs paid by STRS Ohio were \$282.743 million and STRS Ohio had 119,184 eligible benefit recipients.

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

After the allocation for basic benefits, the remainder of the employer's 14 percent contribution is allocated to providing health care benefits. For the fiscal year ended June 30, 2007, employer contributions to fund health care benefits were 3.32 percent of covered payroll, a decrease of .10 percent from fiscal year 2006. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2007, the minimum pay was established at \$35,800. Total surcharge is capped at 2 percent of each employer's SERS salaries. For the 2007 fiscal year, District paid \$380,698 to fund health care benefits, including the surcharge.

The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund. The target level for the health care reserve is 150 percent of the projected claims less premium contributions for the next fiscal year. Expenses for health care for the fiscal year ended June 30, 2006 (the latest information available) were \$158.751 million. At June 30, 2006 (the latest information available), SERS had net assets available for payment of health care benefits of \$295.6 million. At June 30, 2006 (the latest information available), SERS had 59,492 participants currently receiving health care benefits.

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

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

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	\$ (4,126,916)
Net adjustment for revenue accruals	(498,255)
Net adjustment for expenditure accruals	(182,241)
Net adjustment for other sources/uses	72,618
Adjustment for encumbrances	2,413,643
GAAP basis	\$ (2,321,151)

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.

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

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

NOTE 15 – CONTINGENCIES - (Continued)

B. Litigation

The District is not a party to legal proceeding.

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, 2005 through June 30, 2007. 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 \$1,152 per pupil for a minimum of 20% of its 11th and 12th grade enrollment as certified to the State Department of Education the first full week of October each year. Payment to each district will be based on the percentage of students in each district's program. Lake also pays North Canton, Jackson and Plain \$636 for each pupil above the minimum.

NOTE 17 - STATUTORY RESERVES

The District is required by State law to set-aside certain general fund revenue amounts, as defined by statute, into various reserves. These reserves are calculated and presented on a cash basis. During the fiscal year ended June 30, 2007, the reserve activity was as follows:

	<u>Textbooks</u>	<u>Capital Acquisition</u>	<u>BWC Refunds</u>
Set-aside balance as of June 30, 2006	\$ (972,470)	\$ -	\$ 203,450
Current year set-aside requirement	927,212	927,212	-
Qualifying disbursements	<u>(1,192,458)</u>	<u>(996,643)</u>	<u>-</u>
Total	<u>\$ (1,237,716)</u>	<u>\$ (69,431)</u>	<u>\$ 203,450</u>
Balance carried forward to FY 2008	<u>\$ (1,237,716)</u>	<u>\$ -</u>	<u>\$ 203,450</u>

Monies representing BWC refunds that were received prior to April 10, 2001, have been shown as a restricted asset and reserved fund balance in the general fund since allowable expenditures are restricted by State statute. Monies set-aside by the Board of Education for budget stabilization is reported as a designation of fund balance in the general fund. The balance in the budget stabilization designation at June 30, 2007 was \$1,341,904.

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. The District also has monies restricted for school bus purchases.

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

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

NOTE 17 - STATUTORY RESERVES - (Continued)

A schedule of the restricted assets at June 30, 2007 follows:

Amount restricted for BWC refunds	\$ 203,450
Amount restricted for school bus purchases	<u>46,226</u>
Total restricted cash	<u>\$ 249,676</u>

NOTE 18 - CONTRACTUAL COMMITMENTS

As of June 30, 2007, 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, 2007</u>
AW Farrell & Son	\$ 2,332,172	\$ 2,236,974	\$ 95,198
Central Allied Enterprises	931,231	902,105	29,126
Feinman Mechanical	5,515,392	5,480,240	35,152
Joseph A. Jeffries Co.	1,130,900	837,377	293,523
Kilroy Steel	7,089,786	6,914,856	174,930
Knoch Corporation	679,415	622,049	57,366
Ricciuti Balog & Partners	3,697,691	3,609,137	88,554
RP Carbone Construction	3,247,193	3,214,627	32,566
Ruhlin Construction	7,138,376	6,855,196	283,180
United Glass & Panel	<u>1,381,005</u>	<u>1,357,000</u>	<u>24,005</u>
Total	<u>\$ 33,143,161</u>	<u>\$ 32,029,561</u>	<u>\$ 1,113,600</u>

NOTE 19 - OPERATING LEASE - LESSOR DISLCOSURE

On June 30, 2005, the District and the Stark County Public Library (the "Library") entered into an agreement in which the Library would lease a 12,000 square foot area which is part of the new library facility constructed at Glen Oak High School. During fiscal year 2006 the Library contributed \$1,716,913 to the District towards the construction of the new library. Included in this contribution is a \$1,538,520 one-time lease payment/construction payment for the term of ten years. There shall be no termination by either party during the first five years of the lease term, which commenced on June 30, 2006. After five years, the District may terminate the lease agreement at its sole discretion. If terminated, the District shall pay the Library a sum of \$153,852 times the remaining years on the lease, prorated from the date of termination. At June 30, 2007, payment of \$1,384,668 has been recorded as unearned revenue on the financial statements. Revenue from the lease will be recognized each year it is earned.

The Library will pay operating costs of \$5.50 per square foot on 12,000 square feet of the library facility during fiscal year 2007. The square footage rate will then be adjusted annually based on actual operating costs for the 10 year lease term.

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

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

NOTE 19 - OPERATING LEASE - LESSOR DISLCOSURE - (Continued)

After ten years the Library has the option to renew the lease for three additional terms of five years each. The renewal rate shall equal a base cost of \$12.82 per square foot of the 12,000 square foot for the leased premises or the fair market value of leased space in the surrounding area. The Library will also be obligated to pay operating expenses as set forth

PLAIN LOCAL SCHOOL DISTRICT
STARK COUNTY

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

Federal Grantor/ Pass Through Grantor/ Program Title	Pass Through Grantor Number	Federal CFDA Number	Receipts	Non-Cash Receipts	Expenditures	Non-Cash Expenditures
U.S. DEPARTMENT OF EDUCATION						
<i>(Passed Through Ohio Department of Education)</i>						
Title I Grants to Local Educational Agencies	C1-S1-2006	84.010	\$24,692		\$96,557	
	C1-S1-2007		540,914		502,924	
<i>Total Title I Grants to Local Educational Agencies</i>			<u>565,606</u>		<u>599,481</u>	
Special Education Cluster:						
Special Education - Grants to States (IDEA Part B)	6B-SF-2006	84.027	276,124		175,832	
	6B-SF-2007		1,248,810		1,501,820	
	6B-SD-2006P		4,113		0	
<i>Total Special Education - Grants to States (IDEA Part B)</i>			<u>1,529,047</u>		<u>1,677,652</u>	
Special Education - Preschool Grants	PG-S1-2007	84.173	30,960		30,960	
<i>Total Special Education Cluster</i>			<u>1,560,007</u>		<u>1,708,612</u>	
Vocational Education - Basic Grants to States	20-A0-2005	84.048	4,595		3,547	
	20-C1-2006		13,286		9,581	
	20-C1-2007		217,759		216,819	
<i>Total Vocational Education - Basic Grants to States</i>			<u>235,640</u>		<u>229,947</u>	
Safe and Drug Free Schools and Communities State Grants	DR-S1-2006	84.186	0		495	
	DR-S1-2007		22,586		22,126	
<i>Total Safe and Drug Free Schools and Communities State Grants</i>			<u>22,586</u>		<u>22,621</u>	
State Grants for Innovative Programs	C2-S1-2007	84.298	10,063		9,502	
Education Technology State Grants	TJ-S1-2007	84.318	6,875		6,392	
Improving Teacher Quality State Grants	TR-S1-2006	84.367	22,381		41,468	
	TR-S1-2007		209,833		188,444	
<i>Total Improving Teacher Quality State Grants</i>			<u>232,214</u>		<u>229,912</u>	
Total U.S. Department of Education			<u>2,632,991</u>		<u>2,806,467</u>	
U.S. DEPARTMENT OF AGRICULTURE						
<i>(Passed Through Ohio Department of Education)</i>						
Food Donation	N/A	10.550		\$80,196		\$80,196
Child Nutrition Cluster:						
National School Breakfast Program	N/A	10.553	101,368		101,368	
National School Lunch Program	N/A	10.555	436,195		436,195	
<i>Total Child Nutrition Cluster</i>			<u>537,563</u>		<u>537,563</u>	
Total U.S. Department of Agriculture			<u>537,563</u>	<u>80,196</u>	<u>537,563</u>	<u>80,196</u>
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES						
<i>(Passed Through the Ohio Department of Mental Retardation and Developmental Disabilities)</i>						
Medical Assistance Program	N/A	93.778	4,640		4,640	
<i>(Passed Through the Stark County Educational Service Center)</i>						
Temporary Assistance for Needy Families (TANF)	N/A	93.558	93,388		93,388	
Total U.S. Department of Health and Human Services			<u>98,028</u>		<u>98,028</u>	
Total			<u>\$3,268,582</u>	<u>\$80,196</u>	<u>\$3,442,058</u>	<u>\$80,196</u>

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
FISCAL YEAR ENDED JUNE 30, 2007**

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 – FOOD DONATION PROGRAM

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

NOTE C - CHILD NUTRITION CLUSTER

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



Mary Taylor, CPA

Auditor of State

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

Plain Local School District
Stark County
901 44th Street N.W.
Canton, Ohio 44709

To the Board of Education:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Plain Local School District, Stark County, Ohio, (the District) as of and for the year ended June 30, 2007, which collectively comprise the District's basic financial statements and have issued our report thereon dated February 29, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

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

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

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

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

Compliance and Other Matters

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

We intend this report solely for the information and use of the 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 "Mary Taylor". The signature is written in a cursive, flowing style.

Mary Taylor, CPA
Auditor of State

February 29, 2008



Mary Taylor, CPA

Auditor of State

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 44th Street N.W.
Canton, Ohio 44709

To the Board of Education:

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

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

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

Internal Control Over Compliance

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

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

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

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

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

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

Mary Taylor, CPA
Auditor of State

February 29, 2008

**PLAIN LOCAL SCHOOL DISTRICT
STARK COUNTY**

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

1. SUMMARY OF AUDITOR'S RESULTS

<i>(d)(1)(i)</i>	Type of Financial Statement Opinion	Unqualified
<i>(d)(1)(ii)</i>	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(ii)</i>	Were there any other significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(iii)</i>	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
<i>(d)(1)(iv)</i>	Were there any material internal control weaknesses reported for major federal programs?	No
<i>(d)(1)(iv)</i>	Were there any other significant deficiencies in internal control reported for major federal programs?	No
<i>(d)(1)(v)</i>	Type of Major Programs' Compliance Opinion	Unqualified
<i>(d)(1)(vi)</i>	Are there any reportable findings under § .510?	No
<i>(d)(1)(vii)</i>	Major Programs (list):	Special Education Cluster: (CFDA 84.027 Special Education – Grants to States and CFDA 84.173 Special Education – Preschool Grants)
<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



Mary Taylor, CPA
Auditor of State

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 27, 2008**