



**PLEASANT LOCAL SCHOOL DISTRICT
MARION COUNTY**

SINGLE AUDIT

FOR THE YEAR ENDED JUNE 30, 2001



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

**PLEASANT LOCAL SCHOOL DISTRICT
MARION COUNTY**

TABLE OF CONTENTS

Report of Independent Accountants	1
General Purpose External Financial Statements:	
Management's Discussion and Analysis	3
Basic Financial Statements:	
Government-Wide Financial Statements:	
Statement of Net Assets	12
Statement of Activities	14
Fund Financial Statements:	
Balance Sheet - Governmental Funds	16
Reconciliation of Total Governmental Fund Balances to Net Assets of Governmental Activities	17
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds.	18
Reconciliation of Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	19
Statement of Revenues, Expenditures and Changes in Fund Balances - Budget (Non-GAAP Basis) and Actual - General Fund	20
Statement of Fund Net Assets - Enterprise Funds	21
Statement of Revenues, Expenses, and Changes in Net Assets - Enterprise Funds	22
Statement of Cash Flows - Enterprise Funds	24
Statement of Fiduciary Net Assets - Fiduciary Funds	26
Statement of Changes in Fiduciary Net Assets - Fiduciary Funds	27
Notes to the Basic Financial Statements	29
Schedule of Federal Awards Receipts and Expenditures	59
Notes to the Schedule of Federal Awards Receipts and Expenditures	60
Report of Independent Accountants on Compliance and on Internal Control Required by <i>Government Auditing Standards</i>	61
Report of Independent Accountants on Compliance with Requirements Applicable to Major Federal Programs and Internal Control over Compliance in Accordance with OMB Circular A-133	63
Schedule of Findings	65

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REPORT OF INDEPENDENT ACCOUNTANTS

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

To the Board of Education:

We have audited the accompanying basic financial statements of Pleasant Local School District, Marion County, Ohio, (the District) as of and for the year ended June 30, 2001, as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of Pleasant Local School District, Marion County, as of June 30, 2001, and the results of its operations and the cash flows of its proprietary funds for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 3, during the year ended June 30, 2001, the District adopted Governmental Accounting Standards Board Statements 34 and 38 and changed its capitalization threshold for capital assets.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 29, 2002, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

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

We performed our audit to form an opinion on the basic financial statements of the District taken as a whole. The schedule of federal awards receipts and expenditures is presented for additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements. We subjected this information to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

JIM PETRO
Auditor of State

March 29, 2002

Pleasant Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2001
Unaudited

The discussion and analysis of Pleasant Local School District's financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2001. The intent of this discussion and analysis is to look at the School District's financial performance as a whole; readers should also review the basic financial statements and notes to enhance their understanding of the School District's financial performance.

Financial Highlights

Key financial highlights for fiscal year 2001 are as follows:

- ❑ In total, net assets increased \$906 thousand. Net assets of governmental activities increased \$843 thousand, which represents a 16 percent increase from fiscal year 2000. Net assets of business-type activities, which represents food service and uniform school supplies, increased \$63 thousand or 134 percent from fiscal year 2000.
- ❑ General revenues accounted for \$7,420 thousand in revenue or 76 percent of all revenues. Program specific revenues, in the form of charges for services and sales, grants, and contributions, accounted for \$2,406 thousand or 24 percent of total revenues of \$9,826 thousand.
- ❑ Total assets of governmental activities increased \$782 thousand primarily from capital assets at the end of the fiscal year.
- ❑ The School District had \$8,468 thousand in expenses related to governmental activities; only \$1,924 thousand of these expenses were offset by program specific charges for services and sales, grants, and contributions. General revenues (primarily property taxes, grants and entitlements, and interest) of \$7,417 thousand were adequate to provide for these programs.

Using the Basic Financial Statements

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

The statement of net assets and statement of activities provide information about the activities of the whole School District, presenting both an aggregate view of the School District's finances and a longer-term view of those finances. Fund financial statements provide 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 School District's most significant funds with all other nonmajor funds presented in total in a single column. For Pleasant Local School District, the General Fund is the most significant fund.

Pleasant Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2001
Unaudited

Reporting the School District as a Whole

Statement of Net Assets and Statement of Activities

While this report contains the large number of funds used by the School District to provide programs and activities, the view of the School District as a whole looks at all financial transactions and asks the question, "How did we do financially during fiscal year 2001?" The statement of net assets and the statement of activities answer this question. These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting system used by most private sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash was received or paid.

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

In the statement of net assets and the statement of activities, the School District is divided into two distinct kinds of activities:

- Governmental Activities - Most of the School District's programs and services are reported here including instruction, support services, operation and maintenance of plant, pupil transportation, non-instructional services, extracurricular activities, and intergovernmental.
- Business-Type Activities - These services are provided on a charge for goods or services basis to recover all of the expenses of the goods or services provided. The Food Service and Uniform School Supplies enterprise funds are reported as business-type activities.

Reporting the School District's Most Significant Funds

Fund Financial Statements

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

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

The relationship, or differences, between governmental activities reported in the statement of net assets and the statement of activities and the governmental funds is reconciled in the financial statements.

Pleasant Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2001
Unaudited

Enterprise Funds - The enterprise funds use the same basis of accounting as business-type activities; therefore, these statements are essentially the same.

The School District as a Whole

The perspective of the statement of net assets is of the School District as a whole. Table 1 provides a summary of the School District's net assets for 2001 compared to 2000:

Table 1
Net Assets
(In Thousands)

	Governmental Activities		Business-Type Activities		Total	
	2001	2000	2001	2000	2001	2000
<u>Assets:</u>						
Current and Other Assets	\$7,439	\$7,446	\$104	\$88	\$7,543	\$7,534
Capital Assets, Net	6,687	5,898	41	30	6,728	5,928
Total Assets	<u>14,126</u>	<u>13,344</u>	<u>145</u>	<u>118</u>	<u>14,271</u>	<u>13,462</u>
<u>Liabilities:</u>						
Current and Other Liabilities	3,464	3,342	30	68	3,494	3,410
Long-Term Liabilities	4,579	4,762	5	3	4,584	4,765
Total Liabilities	<u>8,043</u>	<u>8,104</u>	<u>35</u>	<u>71</u>	<u>8,078</u>	<u>8,175</u>
<u>Net Assets:</u>						
Invested in Capital Assets Net of Related Debt	2,571	1,548	41	30	2,612	1,578
Restricted	692	820	0	0	692	820
Unrestricted	2,820	2,872	69	17	2,889	2,889
Total Net Assets	<u>\$6,083</u>	<u>\$5,240</u>	<u>\$110</u>	<u>\$47</u>	<u>\$6,193</u>	<u>\$5,287</u>

Total assets increased \$809 thousand. Equity in pooled cash and cash equivalents increased \$25 thousand. Property taxes receivable increased \$19 thousand; of the fiscal year 2001 property taxes receivable, \$158 thousand is offset by deferred revenue.

Net assets of the School District's governmental activities increased \$843 thousand. The net assets of the School District's business-type activities increased \$63 thousand.

Pleasant Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2001
Unaudited

Table 2 shows the changes in net assets for fiscal year 2001. Since this is the first year the School District has prepared financial statements following GASB Statement No. 34, revenue and expense comparisons to fiscal year 2000 are not available. In future years, when prior fiscal year information is available, a comparative analysis of government-wide data will be presented.

Table 2
Change in Net Assets
(In Thousands)

	Governmental Activities 2001	Business-Type Activities 2001	Total 2001
<u>Revenues</u>			
Program Revenues:			
Charges for Services and Sales	\$1,461	\$382	\$1,843
Operating Grants and Contributions	422	100	522
Capital Grants and Contributions	41	0	41
Total Program Revenues	1,924	482	2,406
General Revenues:			
Property Taxes	3,875	0	3,875
Grants and Entitlements	3,195	0	3,195
Interest	245	3	248
Gifts and Donations	7	0	7
Miscellaneous	95	0	95
Total General Revenues	7,417	3	7,420
Total Revenues	9,341	485	9,826
Transfers	(30)	30	0
Total Revenues and Transfers	9,311	515	9,826
<u>Program Expenses</u>			
Instruction	5,355	0	5,355
Support Services:			
Pupils and Instructional Staff	617	0	617
Board of Education, Administration, and Fiscal	871	0	871
Operation and Maintenance of Plant	636	0	636
Pupil Transportation	323	0	323
Non-Instructional Services	1	0	1

(continued)

Pleasant Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2001
Unaudited

Table 2
Change in Net Assets
(In Thousands)
(continued)

	Governmental Activities 2001	Business-Type Activity 2001	Total 2001
<u>Program Expenses:</u> (continued)			
Extracurricular Activities	\$367	\$0	\$367
Intergovernmental	5	0	5
Interest and Fiscal Charges	222	0	222
Loss on Disposal of Capital Assets	71	0	71
Food Service	0	386	386
Uniform School Supplies	0	66	66
Total Expenses	8,468	452	8,920
Increase in Net Assets	\$843	\$63	\$906

Governmental Activities

The statement of activities reflects the cost of program services and the charges for services and sales, grants, and contributions offsetting those services. Table 3, for government activities, indicates the total cost of services and the net cost of services. It identifies the cost of these services supported by tax revenues and unrestricted state entitlements. Comparisons to 2000 have not been made since they are not available.

Table 3
Governmental Activities
(In Thousands)

	Total Cost of Services 2001	Net Cost of Services 2001
Instruction	\$5,355	\$3,738
Support Services:		
Pupils and Instructional Staff	617	530
Board of Education, Administration, and Fiscal	871	871
Operation and Maintenance of Plant	636	636
Pupil Transportation	323	294
Non-Instructional Services	1	0

(continued)

Pleasant Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2001
Unaudited

Table 3
Governmental Activities
(In Thousands)
(continued)

	Total cost of Services 2001	Net Cost of Services 2001
Extracurricular Activities	\$367	\$177
Intergovernmental	5	5
Interest and Fiscal Charges	222	222
Loss on Disposal of Capital Assets	71	71
Total Expenses	\$8,468	\$6,544

The dependence upon tax revenues for governmental activities is apparent. Over 69 percent of instruction activities are supported through taxes and other general revenues. For all governmental activities general revenues support is 77 percent. The community, as a whole, is the primary support for Pleasant Local School District students.

Business-Type Activities

The business-type activities of the School District are the food service and uniform school supplies operations. These programs had revenues and transfers of \$515 thousand and expenses of \$452 thousand for fiscal year 2001. Expenses continue to rise in the food service operation due to increases in salaries and benefits and the cost of food. The School Board continues to monitor this fund and will encourage cost-savings measures, but intends to increase lunch prices within the next two years. The uniform school supplies operation is financially stable due to cost covering charges of fees and a good collection policy. Business activities receive no support from tax revenues.

The School District's Funds

The School District's governmental funds are accounted for using the modified accrual basis of accounting. Total governmental funds had revenues and other financing sources of \$9,377 thousand and expenditures and other financing uses of \$9,520 thousand. The School District does not feel the negative change in fund balance for the year reflects the inability to meet current costs, since less than 4 percent of the prior year's fund balance was used to cover net expenditures of the current fiscal year.

General Fund Budgeting Highlights

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

Pleasant Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2001
Unaudited

During the course of fiscal 2001, the School District amended its General Fund budget as needed. The School District uses a site-based budget. The budgeting systems are designed to tightly control total site budgets, but provide flexibility for site management.

For the General Fund, final budgeted revenues and other financing sources, in the amount of \$8,293 thousand, were above original budgeted revenues and other financing sources, in the amount of \$7,199 thousand. Of this \$1,094 thousand difference, most was due to a change in accounting practices from the prior fiscal year for the recording, at gross rather than net, the state foundation monies for special education and open enrollment.

Expenditures and other financing uses were budgeted at \$9,817 thousand while actual expenditures were \$9,185 thousand. The \$632 thousand difference primarily comes from budgeting salaries and benefits at the full cost of current contracts through August, but actual expenditures are through June. The School District originally budgeted psychology, speech, and hearing services in the General Fund but paid them from the Title VI-B special revenue fund. The School District also anticipated more bus maintenance and repairs than actually occurred during the fiscal year.

General Fund revenues and other financing sources were less than expenditures and other financing uses by approximately \$801 thousand. The difference is due to the recording of encumbrances for the energy conservation note outstanding and paving appropriated but completed after June 30, 2001. Although expenditures exceeded revenues, the School Board feels the financial position of the School District is strong and there will not be a need for additional tax dollars in the immediate future.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2001, the School District had \$6,728 thousand invested in capital assets, \$6,687 thousand in governmental activities.

Pleasant Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2001
Unaudited

Table 4 reflects fiscal year 2001 balances compared to fiscal year 2000:

Table 4
Capital Assets at June 30
(Net of Depreciation, in Thousands)

	Governmental Activities		Business-Type Activities		Total	
	2001	2000	2001	2000	2001	2000
Land	\$417	\$45	\$0	\$0	\$417	\$45
Construction in Progress	58	94	0	0	58	94
Land Improvements	883	610	0	0	883	610
Buildings and Building Improvements	4,604	4,628	12	12	4,616	4,640
Furniture, Fixtures and Equipment	299	252	29	18	328	270
Vehicles	342	269	0	0	342	269
Infrastructure	84	0	0	0	84	0
Totals	<u>\$6,687</u>	<u>\$5,898</u>	<u>\$41</u>	<u>\$30</u>	<u>\$6,728</u>	<u>\$5,928</u>

The primary increase in capital assets for governmental activities is the result of several additions, including the purchase of land for the future site of a new high school building as well as expanding the athletic campus with additional football practice fields, soccer fields, band practice fields, baseball and softball diamonds, and an additional entrance to the campus. The School District also purchased three new buses, installed a water line to access city water, and made routine computer and computer related purchases. The installation of the water line was based on future cost savings as a result of eliminating the need to maintain and inspect well water. The increase in capital assets for business-type activities was due to the purchase of two walk in freezers.

Debt

At June 30, 2001, the School District had \$480 thousand in an outstanding energy conservation loan for a project that originated in 1999. The loan is being paid from the General Fund over a ten year period, with final maturity on April 7, 2009.

At June 30, 2001, the School District had \$3,635 thousand in school improvement general obligation bonds for building improvements that originated in 1993. The bonds are being retired through the Bond Retirement debt service fund. The bonds were issued for a twenty-six year period, with final maturity on December 1, 2018.

At June 30, 2001, the School District had an outstanding capital lease, in the amount of \$1 thousand. The lease is being paid from the General Fund in three annual payments beginning in fiscal year 2001, with final maturity in fiscal year 2003.

Pleasant Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2001
Unaudited

At June 30, 2001, the School District's overall legal debt margin was \$9,233,978 with an unvoted debt margin of \$138,205.

Current Issues

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

Over the past several years, the School District has remained in good financial position. In 1996, the School District passed a three-year emergency levy to generate \$495,000 and has renewed it twice. This levy provides a continuous source of funds for a financial cushion. The School District has also been able to benefit from open enrollment from other school districts. The School District has generated approximately \$500,000 from open enrollment during the last two fiscal years.

During fiscal year 2001, the School District purchased an additional 64 acres of adjoining property, for a total of 100 acres for a school campus, making it unique that all buildings and facilities will be on one campus. The long range plan is to build a new high school and convert the old high school into a middle school.

On part of the property purchased in fiscal year 2001, the School District is creating a land lab to be used for biology classes to study the natural habitat of plant and animal life.

Contacting the School District's Financial Management

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

Pleasant Local School District
Statement of Net Assets
June 30, 2001

	Governmental Activities	Business-Type Activities	Total
<u>Assets:</u>			
Equity in Pooled Cash and Cash Equivalents	\$3,471,710	\$75,880	\$3,547,590
Cash and Cash Equivalents with Fiscal Agent	383	0	383
Accounts Receivable	8,819	9,158	17,977
Accrued Interest Receivable	13,622	0	13,622
Intergovernmental Receivable	32,347	8,050	40,397
Prepaid Items	52,095	1,405	53,500
Inventory Held for Resale	0	8,190	8,190
Materials and Supplies Inventory	39,764	606	40,370
Property Taxes Receivable	3,820,324	0	3,820,324
Non-Depreciable Capital Assets	475,393	0	475,393
Depreciable Capital Assets, Net	6,211,882	41,226	6,253,108
Total Assets	<u>14,126,339</u>	<u>144,515</u>	<u>14,270,854</u>
<u>Liabilities:</u>			
Accounts Payable	61,901	55	61,956
Contracts Payable	101,746	0	101,746
Accrued Wages and Benefits Payable	546,988	13,814	560,802
Intergovernmental Payable	179,056	16,265	195,321
Retainage Payable	13,090	0	13,090
Matured Compensated Absences Payable	15,197	0	15,197
Deferred Revenue	2,497,761	0	2,497,761
Accrued Interest Payable	20,597	0	20,597
Special Termination Benefits Payable	27,651	0	27,651
Long-Term Liabilities:			
Due Within One Year	291,792	0	291,792
Due in More Than One Year	4,287,721	4,517	4,292,238
Total Liabilities	<u>8,043,500</u>	<u>34,651</u>	<u>8,078,151</u>
<u>Net Assets:</u>			
Invested in Capital Assets, Net of Related Debt	2,570,780	41,226	2,612,006
Restricted For:			
Set Asides	36,620	0	36,620
Debt Service	424,052	0	424,052
Capital Projects	25,669	0	25,669
Other Purposes	206,048	0	206,048
Unrestricted	2,819,670	68,638	2,888,308
Total Net Assets	<u>\$6,082,839</u>	<u>\$109,864</u>	<u>\$6,192,703</u>

See Accompanying Notes to the Basic Financial Statements

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Pleasant Local School District
Statement of Activities
For the Fiscal Year Ended June 30, 2001

	Program Revenues			
	Expenses	Charges for Services and Sales	Operating Grants and Contributions	
<u>Governmental Activities:</u>				
Instruction:				
Regular	\$4,550,624	\$1,257,292	\$63,462	\$0
Special	726,063	0	283,400	0
Vocational	64,591	3,993	8,550	0
Adult/Continuing	1,100	0	1,100	0
Other	13,180	0	0	0
Support Services:				
Pupils	300,647	5,457	49,533	0
Instructional Staff	316,472	0	14,381	18,000
Board of Education	68,980	0	0	0
Administration	579,407	0	231	0
Fiscal	222,623	0	0	0
Operation and Maintenance of Plant	636,262	0	0	0
Pupil Transportation	322,721	5,000	313	22,975
Non-Instructional Services	500	0	472	0
Extracurricular Activities	367,118	189,654	0	0
Intergovernmental	5,060	0	0	0
Interest and Fiscal Charges	221,510	0	0	0
Loss on Disposal of Capital Assets	71,015	0	0	0
Total Governmental Activities	<u>8,467,873</u>	<u>1,461,396</u>	<u>421,442</u>	<u>40,975</u>
<u>Business-Type Activities:</u>				
Food Service	386,122	316,064	100,059	0
Uniform School Supplies	65,502	65,909	0	0
Total Business-Type Activities	<u>451,624</u>	<u>381,973</u>	<u>100,059</u>	<u>0</u>
Total	<u>\$8,919,497</u>	<u>\$1,843,369</u>	<u>\$521,501</u>	<u>\$40,975</u>

General Revenues:

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

Transfers

Total General Revenues and Transfers

Change in Net Assets

Net Assets Beginning of Year (Restated Note 3)

Net Assets End of Year

See Accompanying Notes to the Basic Financial Statements

Net (Expense) Revenue
and Changes in Net Assets

Governmental Activities	Business-Type Activities	Total
(\$3,229,870)	\$0	(\$3,229,870)
(442,663)	0	(442,663)
(52,048)	0	(52,048)
0	0	0
(13,180)	0	(13,180)
(245,657)	0	(245,657)
(284,091)	0	(284,091)
(68,980)	0	(68,980)
(579,176)	0	(579,176)
(222,623)	0	(222,623)
(636,262)	0	(636,262)
(294,433)	0	(294,433)
(28)	0	(28)
(177,464)	0	(177,464)
(5,060)	0	(5,060)
(221,510)	0	(221,510)
(71,015)	0	(71,015)
<u>(6,544,060)</u>	<u>0</u>	<u>(6,544,060)</u>
0	30,001	30,001
<u>0</u>	<u>407</u>	<u>407</u>
<u>0</u>	<u>30,408</u>	<u>30,408</u>
<u>(6,544,060)</u>	<u>30,408</u>	<u>(6,513,652)</u>
3,875,254	0	3,875,254
3,195,330	0	3,195,330
245,317	2,663	247,980
6,618	0	6,618
<u>94,388</u>	<u>0</u>	<u>94,388</u>
<u>7,416,907</u>	<u>2,663</u>	<u>7,419,570</u>
(30,000)	30,000	0
<u>7,386,907</u>	<u>32,663</u>	<u>7,419,570</u>
842,847	63,071	905,918
<u>5,239,992</u>	<u>46,793</u>	<u>5,286,785</u>
<u>\$6,082,839</u>	<u>\$109,864</u>	<u>\$6,192,703</u>

Pleasant Local School District
Balance Sheet
Governmental Funds
June 30, 2001

	General	Other Governmental Funds	Total Governmental Funds
<u>Assets:</u>			
Equity in Pooled Cash and Cash Equivalents	\$2,812,169	\$622,921	\$3,435,090
Cash and Cash Equivalents with Fiscal Agent	0	383	383
Accounts Receivable	2,783	6,036	8,819
Accrued Interest Receivable	13,622	0	13,622
Intergovernmental Receivable	32,347	0	32,347
Prepaid Items	51,306	789	52,095
Materials and Supplies Inventory	39,764	0	39,764
Restricted Assets:			
Equity in Pooled Cash and Cash Equivalents	36,620	0	36,620
Property Taxes Receivable	3,497,006	323,318	3,820,324
Total Assets	<u>\$6,485,617</u>	<u>\$953,447</u>	<u>\$7,439,064</u>
<u>Liabilities and Fund Balances:</u>			
<u>Liabilities:</u>			
Accounts Payable	\$59,498	\$2,403	\$61,901
Contracts Payable	53,846	47,900	101,746
Accrued Wages and Benefits Payable	533,369	13,619	546,988
Intergovernmental Payable	125,002	3,831	128,833
Retainage Payable	13,090	0	13,090
Matured Compensated Absences Payable	14,559	638	15,197
Deferred Revenue	2,458,323	218,019	2,676,342
Total Liabilities	<u>3,257,687</u>	<u>286,410</u>	<u>3,544,097</u>
<u>Fund Balances:</u>			
Reserved for Property Taxes	1,058,866	105,769	1,164,635
Reserved for Budget Stabilization	36,620	0	36,620
Reserved for Encumbrances	712,487	16,434	728,921
Designated for Budget Stabilization	52,563	0	52,563
Unreserved Undesignated, Reported in:			
General Fund	1,367,394	0	1,367,394
Special Revenue Funds	0	194,936	194,936
Debt Service Fund	0	324,727	324,727
Capital Projects Funds	0	25,171	25,171
Total Fund Balances	<u>3,227,930</u>	<u>667,037</u>	<u>3,894,967</u>
Total Liabilities and Fund Balances	<u>\$6,485,617</u>	<u>\$953,447</u>	<u>\$7,439,064</u>

See Accompanying Notes to the Basic Financial Statements

Pleasant Local School District
 Reconciliation of Total Governmental Fund Balances
 to Net Assets of Governmental Activities
 June 30, 2001

Total Governmental Fund Balances \$3,894,967

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

Capital assets used in governmental activities are not financial
 resources and, therefore, are not reported in the funds. 6,687,275

Other long-term assets are not available to pay for current
 period expenditures and, therefore, are deferred in the funds:

Accounts Receivable	1,344	
Intergovernmental Receivable	9,484	
Accrued Interest Receivable	9,825	
Property Taxes Receivable	<u>157,928</u>	
		178,581

Intergovernmental payable includes contractually required
 pension contributions not expected to be paid with
 available expendable resources and, therefore, are not
 reported in the funds (50,223)

Long-term liabilities are not due and payable in the current
 period and, therefore, are not reported in the funds:

Accrued Interest Payable	(20,597)	
Special Termination Benefits Payable	(27,651)	
Energy Conservation Loan Payable	(480,000)	
General Obligation Bonds Payable	(3,635,000)	
Capital Lease Payable	(1,495)	
Compensated Absences Payable	<u>(463,018)</u>	
		<u>(4,627,761)</u>

Net Assets of Governmental Activities \$6,082,839

See Accompanying Notes to the Basic Financial Statements

Pleasant Local School District
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2001

	General	Other Governmental Funds	Total Governmental Funds
<u>Revenues:</u>			
Property Taxes	\$3,507,526	\$314,209	\$3,821,735
Intergovernmental	3,343,983	317,357	3,661,340
Interest	250,094	208	250,302
Tuition and Fees	1,180,251	0	1,180,251
Extracurricular Activities	8,869	274,837	283,706
Gifts and Donations	0	6,618	6,618
Miscellaneous	103,252	0	103,252
Total Revenues	<u>8,393,975</u>	<u>913,229</u>	<u>9,307,204</u>
<u>Expenditures:</u>			
Current:			
Instruction:			
Regular	4,010,738	174,863	4,185,601
Special	568,561	140,179	708,740
Vocational	62,928	0	62,928
Adult/Continuing	1,100	0	1,100
Other	13,180	0	13,180
Support Services:			
Pupils	251,761	49,771	301,532
Instructional Staff	301,669	23,473	325,142
Board of Education	68,980	0	68,980
Administration	567,905	232	568,137
Fiscal	208,574	7,063	215,637
Operation and Maintenance of Plant	702,324	0	702,324
Pupil Transportation	470,178	314	470,492
Non-Instructional Services	0	17,295	17,295
Extracurricular Activities	209,033	128,426	337,459
Capital Outlay	887,445	102,498	989,943
Intergovernmental	0	5,060	5,060
Debt Service:			
Principal Retirement	60,663	175,000	235,663
Interest and Fiscal Charges	25,491	197,190	222,681
Total Expenditures	<u>8,410,530</u>	<u>1,021,364</u>	<u>9,431,894</u>
Excess of Revenues Under Expenditures	<u>(16,555)</u>	<u>(108,135)</u>	<u>(124,690)</u>
<u>Other Financing Sources (Uses):</u>			
Proceeds from Sale of Capital Assets	10,000	0	10,000
Inception of Capital Lease	2,158	0	2,158
Transfers In	0	58,125	58,125
Transfers Out	(88,125)	0	(88,125)
Total Other Financing Sources (Uses)	<u>(75,967)</u>	<u>58,125</u>	<u>(17,842)</u>
Net Change in Fund Balances	(92,522)	(50,010)	(142,532)
Fund Balances at Beginning of Year (Restated Note 3)	<u>3,320,452</u>	<u>717,047</u>	<u>4,037,499</u>
Fund Balances at End of Year	<u>\$3,227,930</u>	<u>\$667,037</u>	<u>\$3,894,967</u>

See Accompanying Notes to the Basic Financial Statements

Pleasant Local School District
 Reconciliation of Statement of Revenues, Expenditures, and Changes in Fund Balances
 of Governmental Funds to the Statement of Activities
 For the Fiscal Year Ended June 30, 2001

Net Change in Fund Balances - Total Governmental Funds (\$142,532)

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

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

Capital Assets	1,083,196	
Depreciation	<u>(212,532)</u>	
		870,664

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

Proceeds from Sale of Capital Assets	(10,000)	
Loss on Disposal of Capital Assets	<u>(71,015)</u>	
		(81,015)

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

Property Taxes	53,519	
Intergovernmental	(100)	
Interest	(4,985)	
Tuition and Fees	(16,920)	
Extracurricular Activities	(91)	
Miscellaneous	<u>2,093</u>	
		33,516

Repayment of principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities on the statement of activities. 235,663

Interest is reported as an expenditure when due in the governmental funds, but is accrued on outstanding debt on the statement of activities. 1,171

The inception of capital lease is an other financing source in governmental funds, but increases long-term liabilities in the statement of net assets. (2,158)

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

Intergovernmental Payable	(2,524)	
Compensated Absences Payable	(51,077)	
Special Termination Benefits Payable	<u>(18,861)</u>	
		<u>(72,462)</u>

Change in Net Assets of Governmental Activities \$842,847

See Accompanying Notes to the Basic Financial Statements

Pleasant Local School District
Statement of Revenues, Expenditures, and Changes in Fund Balance
Budget (Non-GAAP Basis) and Actual
General Fund
For the Fiscal Year Ended June 30, 2001

	Budgeted Amounts		Actual	Variance with Final Budget Over (Under)
	Original	Final		
<u>Revenues:</u>				
Property Taxes	\$3,764,337	\$3,520,556	\$3,520,556	\$0
Intergovernmental	3,135,000	3,277,851	3,331,250	53,399
Interest	200,000	250,607	250,607	0
Tuition and Fees	56,415	1,159,150	1,159,150	0
Extracurricular Activities	8,100	8,869	8,869	0
Miscellaneous	2,500	29,084	67,084	38,000
Total Revenues	<u>7,166,352</u>	<u>8,246,117</u>	<u>8,337,516</u>	<u>91,399</u>
<u>Expenditures:</u>				
Current:				
Instruction:				
Regular	4,370,295	4,215,543	3,988,102	227,441
Special	510,411	603,372	565,784	37,588
Vocational	63,642	78,279	62,915	15,364
Adult/Continuing	1,000	1,100	1,100	0
Other	15,000	23,000	21,494	1,506
Support Services:				
Pupils	290,119	312,642	249,379	63,263
Instructional Staff	302,411	368,685	334,669	34,016
Board of Education	64,226	69,500	67,956	1,544
Administration	597,434	619,436	576,358	43,078
Fiscal	208,034	230,796	219,604	11,192
Operation and Maintenance of Plant	738,862	806,938	766,083	40,855
Pupil Transportation	466,933	535,127	474,779	60,348
Central	1,475	1,475	0	1,475
Extracurricular Activities	209,233	213,931	208,747	5,184
Capital Outlay	630,664	1,089,073	1,049,549	39,524
Debt Service:				
Principal Retirement	0	514,914	514,914	0
Interest and Fiscal Charges	0	25,377	25,377	0
Total Expenditures	<u>8,469,739</u>	<u>9,709,188</u>	<u>9,126,810</u>	<u>582,378</u>
Excess of Revenues				
Under Expenditures	<u>(1,303,387)</u>	<u>(1,463,071)</u>	<u>(789,294)</u>	<u>673,777</u>
<u>Other Financing Sources (Uses):</u>				
Refund of Prior Year Expenditures	20,000	27,582	27,582	0
Other Financing Sources	0	9,285	9,285	0
Proceeds from Sale of Capital Assets	13,000	10,000	10,000	0
Advances Out	(50,000)	(33,000)	0	33,000
Transfers Out	(75,000)	(75,000)	(58,125)	16,875
Total Other Financing Sources (Uses)	<u>(92,000)</u>	<u>(61,133)</u>	<u>(11,258)</u>	<u>49,875</u>
Net Change in Fund Balance	(1,395,387)	(1,524,204)	(800,552)	723,652
Fund Balance at Beginning of Year	1,700,987	1,700,987	1,700,987	0
Prior Year Encumbrances Appropriated	1,150,132	1,150,132	1,150,132	0
Fund Balance at End of Year	<u>\$1,455,732</u>	<u>\$1,326,915</u>	<u>\$2,050,567</u>	<u>\$723,652</u>

See Accompanying Notes to the Basic Financial Statements

Pleasant Local School District
Statement of Fund Net Assets
Enterprise Funds
June 30, 2001

	Food Service	Uniform School Supplies	Total
<u>Assets:</u>			
<u>Current Assets:</u>			
Equity in Pooled Cash and Cash Equivalents	\$57,711	\$18,169	\$75,880
Accounts Receivable	16	9,142	9,158
Intergovernmental Receivable	8,050	0	8,050
Prepaid Items	1,405	0	1,405
Inventory Held for Resale	8,190	0	8,190
Materials and Supplies Inventory	606	0	606
Total Current Assets	75,978	27,311	103,289
 <u>Non-Current Assets:</u>			
Capital Assets, Net	41,226	0	41,226
Total Assets	117,204	27,311	144,515
 <u>Liabilities:</u>			
<u>Current Liabilities:</u>			
Accounts Payable	55	0	55
Accrued Wages and Benefits Payable	13,814	0	13,814
Intergovernmental Payable	16,265	0	16,265
Total Current Liabilities	30,134	0	30,134
 <u>Long-Term Liabilities:</u>			
Compensated Absences Payable	4,517	0	4,517
Total Liabilities	34,651	0	34,651
 <u>Net Assets:</u>			
Invested in Capital Assets	41,226	0	41,226
Unrestricted	41,327	27,311	68,638
Total Net Assets	\$82,553	\$27,311	\$109,864

See Accompanying Notes to the Basic Financial Statements

Pleasant Local School District
Statement of Revenues, Expenses, and Changes in Fund Net Assets
Enterprise Funds
For the Fiscal Year Ended June 30, 2001

	Food Service	Uniform School Supplies	Total
<u>Operating Revenues:</u>			
Sales	\$316,064	\$65,909	\$381,973
<u>Operating Expenses:</u>			
Salaries	136,746	0	136,746
Fringe Benefits	33,103	0	33,103
Purchased Services	3,816	0	3,816
Materials and Supplies	14,625	0	14,625
Cost of Sales	195,353	65,502	260,855
Depreciation	1,915	0	1,915
Other Operating Expenses	564	0	564
Total Operating Expenses	<u>386,122</u>	<u>65,502</u>	<u>451,624</u>
Operating Loss	<u>(70,058)</u>	<u>407</u>	<u>(69,651)</u>
<u>Non-Operating Revenues:</u>			
Federal Donated Commodities	32,126	0	32,126
Operating Grants	67,933	0	67,933
Interest	2,663	0	2,663
Total Non-Operating Revenues	<u>102,722</u>	<u>0</u>	<u>102,722</u>
Income (Loss) Before Transfers	32,664	407	33,071
Transfers In	<u>30,000</u>	<u>0</u>	<u>30,000</u>
Change in Net Assets	62,664	407	63,071
Net Assets at Beginning of Year (Restated Note 3)	<u>19,889</u>	<u>26,904</u>	<u>46,793</u>
Net Assets at End of Year	<u>\$82,553</u>	<u>\$27,311</u>	<u>\$109,864</u>

See Accompanying Notes to the Basic Financial Statements

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Pleasant Local School District
Statement of Cash Flows
Enterprise Funds
For the Fiscal Year Ended June 30, 2001

	Food Service	Uniform School Supplies	Total
<u>Increase (Decrease) in Cash and Cash Equivalents</u>			
<u>Cash Flows from Operating Activities:</u>			
Cash Received from Customers	\$316,119	\$65,738	\$381,857
Cash Payments for Salaries	(134,691)	0	(134,691)
Cash Payments for Fringe Benefits	(41,011)	0	(41,011)
Cash Payments for Goods and Services	(184,290)	(65,502)	(249,792)
Cash Payments for Other Expenses	(564)	0	(564)
Net Cash Provided by (Used for) Operating Activities	(44,437)	236	(44,201)
<u>Cash Flows from Noncapital Financing Activities:</u>			
Cash Received from Operating Grants	67,849	0	67,849
<u>Cash Flows from Capital and Related Financing Activities:</u>			
Cash Payments for Capital Assets	(13,214)	0	(13,214)
<u>Cash Flows from Investing Activities:</u>			
Cash Received from Interest	2,663	0	2,663
Net Increase in Cash and Cash Equivalents	12,861	236	13,097
Cash and Cash Equivalents at Beginning of Year	44,850	17,933	62,783
Cash and Cash Equivalents at End of Year	\$57,711	\$18,169	\$75,880

(continued)

Pleasant Local School District
Statement of Cash Flows
Enterprise Funds
For the Fiscal Year Ended June 30, 2001
(continued)

	Food Service	Uniform School Supplies	Total
<u>Reconciliation of Operating Income (Loss)</u> <u>to Net Cash Provided by (Used for) Operating Activities:</u>			
Operating Income (Loss)	(\$70,058)	\$407	(\$69,651)
 <u>Adjustments to Reconcile Operating Loss</u> <u>to Net Cash Provided by (Used for) Operating Activities:</u>			
Depreciation	1,915	0	1,915
Donated Commodities Received During Year	32,126	0	32,126
<u>Changes in Assets and Liabilities:</u>			
(Increase) Decrease in Accounts Receivable	55	(1,776)	(1,721)
Decrease in Interfund Receivable	0	1,605	1,605
Increase in Prepaid Items	(308)	0	(308)
Increase in Inventory Held for Resale	(1,343)	0	(1,343)
Decrease in Materials and Supplies Inventory	55	0	55
Decrease in Accounts Payable	(1,334)	0	(1,334)
Increase in Accrued Wages and Benefits Payable	1,568	0	1,568
Decrease in Intergovernmental Payable	(8,217)	0	(8,217)
Increase in Compensated Absences Payable	1,104	0	1,104
Net Cash Provided by (Used for) Operating Activities	(\$44,437)	\$236	(\$44,201)

Non-Cash Transactions:

During fiscal year 2001, the School District received donated commodities, in the amount of \$32,126.

See Accompanying Notes to the Basic Financial Statements

Pleasant Local School District
Statement of Fiduciary Net Assets
Fiduciary Funds
June 30, 2001

	Private Purpose Trust Scholarship Fund	Agency
<u>Assets:</u>		
Equity in Pooled Cash and Cash Equivalents	\$46,481	\$17,659
<u>Liabilities:</u>		
Due to Students	0	\$17,659
<u>Net Assets:</u>		
Held in Trust for Students	\$46,481	

See Accompanying Notes to the Basic Financial Statements

Pleasant Local School District
Statement of Changes in Fiduciary Net Assets
Fiduciary Fund
For the Fiscal Year Ended June 30, 2001

	Private Purpose Trust
	Scholarship Fund
<u>Additions:</u>	
Interest	\$2,647
Contributions and Donations	24,400
Total Additions	27,047
 <u>Deductions:</u>	
Non-Instructional Services	15,214
 Change in Net Assets	 11,833
Net Assets at Beginning of Year	34,648
Net Assets at End of Year	\$46,481

See Accompanying Notes to the Basic Financial Statements

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Pleasant Local School District
Basic Financial Statements
For the Fiscal Year Ended June 30, 2001

Note 1 - Description of the School District and Reporting Entity

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

The School District was established in 1916. The School District serves an area of approximately thirty-six square miles. It is located in Marion County and includes all of Pleasant Township, portions of Marion and Richland Townships, and a portion of the City of Marion. The School District is the 419th largest in the State of Ohio (among 613 school districts) in terms of enrollment. It is staffed by fifty-six classified employees, eighty-five certified teaching personnel, and five administrative employees who provide services to 1,339 students and other community members. The School District currently operates three instructional buildings.

Reporting Entity

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

Component units are legally separate organizations for which the School District is financially accountable. The School District is financially accountable for an organization if the School District appoints a voting majority of the organization’s governing board and (1) the School District is able to significantly influence the programs or services performed or provided by the organization; or (2) the School District is legally entitled to or can otherwise access the organization’s resources; the School District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the School District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the School District in that the School District approves the budget, the issuance of debt, or the levying of taxes. There are no component units of the Pleasant Local School District.

The School District participates in six jointly governed organizations and two insurance pools. These organizations are the Tri-Rivers Educational Computer Association (TRECA); Tri-Rivers Joint Vocational School; North Central Regional Professional Development Center; North Central Ohio Special Education Regional Resource Center; Northwestern Ohio Educational Research Council, Inc.; Metropolitan Educational Council; Ohio School Boards Association Workers’ Compensation Group Rating Plan; and the Champaign, Delaware, Marion, Union School Employee Welfare Benefit Association Trust. These organizations are presented in Notes 19 and 20 to the basic financial statements.

Pleasant Local School District
Basic Financial Statements
For the Fiscal Year Ended June 30, 2001

Note 2 - Summary of Significant Accounting Policies

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

A. Basis of Presentation

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

Government-Wide Financial Statements

The statement of net assets and the statement of activities display information about the School District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The statements distinguish between those activities of the School District that are governmental in nature and those that are considered business-type activities.

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

Fund Financial Statements

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

Pleasant Local School District
Basic Financial Statements
For the Fiscal Year Ended June 30, 2001

Note 2 - Summary of Significant Accounting Policies (continued)

B. Fund Accounting

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

Governmental Funds

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

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

The other governmental funds of the School District account for grants and other resources whose use are restricted to a particular purpose; the accumulation of resources for, and the payment of debt; and the acquisition or construction of major capital facilities.

Proprietary Funds

Proprietary fund reporting focuses on the determination of operating income, changes in net assets, financial position, and cash flows. The following are the School District's proprietary funds:

Enterprise Funds - The enterprise funds may be used to account for any activity for which a fee is charged to external users for goods or services. Both of the School District's enterprise funds are reported as major funds:

Food Service - The Food Service enterprise fund accounts for the food service operations of the School District.

Uniform School Supplies - The Uniform School Supplies enterprise fund accounts for the purchase and sale of school supplies.

Fiduciary Funds

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

Pleasant Local School District
Basic Financial Statements
For the Fiscal Year Ended June 30, 2001

Note 2 - Summary of Significant Accounting Policies (continued)

C. Measurement Focus

Government-Wide Financial Statements

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

Fund Financial Statements

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

Like the government-wide financial statements, the enterprise funds are accounted for using a flow of economic resources measurement focus. All assets and all liabilities associated with the operation of these funds are included on the statement of net assets. The statement of changes in revenues, expenses, and changes in fund net assets presents increases (e.g., revenues) and decreases (e.g., expenses) in total net assets. The statement of cash flows reflects how the School District finances and meets the cash flow needs of its enterprise funds.

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

D. Basis of Accounting

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

Revenues - Exchange and Nonexchange Transactions

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

Pleasant Local School District
Basic Financial Statements
For the Fiscal Year Ended June 30, 2001

Note 2 - Summary of Significant Accounting Policies (continued)

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

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

Deferred Revenues

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

Property taxes for which there was an enforceable legal claim as of June 30, 2001, but which were levied to finance fiscal year 2002 operations, are recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

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

Expenses/Expenditures

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

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

E. Budgetary Process

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

Pleasant Local School District
Basic Financial Statements
For the Fiscal Year Ended June 30, 2001

Note 2 - Summary of Significant Accounting Policies (continued)

The certificate of estimated resources may be amended during the year if projected increases or decreases in revenue are identified by the Treasurer. The amounts reported as the original budgeted amounts on the budgetary statements reflect the amounts on the certificate of estimated resources when the original appropriations were adopted. The amounts reported as the final budgeted amounts on the budgetary statements reflect the amounts on the final amended certificate of estimated resources issued during fiscal year 2001.

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

F. Cash and Investments

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

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

During fiscal year 2001, investments were limited to nonnegotiable certificates of deposit, which are reported at cost, and STAR Ohio. STAR Ohio is an investment pool, managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price, which is the price the investment could be sold for on June 30, 2001.

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the General Fund during fiscal year 2001 was \$250,094, which includes \$45,581 assigned from other School District funds.

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

G. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2001, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of purchase and an expenditure/expense is reported in the year which services are consumed.

Pleasant Local School District
Basic Financial Statements
For the Fiscal Year Ended June 30, 2001

Note 2 - Summary of Significant Accounting Policies (continued)

H. Inventory

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

Inventory in the governmental funds consists of administrative supplies, and in the enterprise funds of donated and purchased food.

I. Restricted Assets

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

J. Capital Assets

General capital assets are those assets not specifically related to activities reported in the enterprise funds. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column on the government-wide statement of net assets but are not reported on the fund financial statements. Capital assets used by the enterprise funds are reported in both the business-type activities column on the government-wide statement of net assets and in the fund financial statements.

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

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

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

Pleasant Local School District
Basic Financial Statements
For the Fiscal Year Ended June 30, 2001

Note 2 - Summary of Significant Accounting Policies (continued)

K. Compensated Absences

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

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

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

On governmental fund financial statements, compensated absences are recognized as liabilities and expenditures to the extent payments come due each period upon the occurrence of employee resignations and retirements. These amounts are recorded in the account "Matured Compensated Absences Payable" in the fund from which the employees who have accumulated unpaid leave are paid. For the enterprise funds, the entire amount of compensated absences is reported as a fund liability.

L. Accrued Liabilities and Long-Term Obligations

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

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

M. Net Assets

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

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

Pleasant Local School District
Basic Financial Statements
For the Fiscal Year Ended June 30, 2001

Note 2 - Summary of Significant Accounting Policies (continued)

N. Fund Balance Reserves and Designation

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

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

O. Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the enterprise funds. For the School District, these revenues are sales for food service and uniform school supplies. Operating expenses are necessary costs incurred to provide the service that is the primary activity of the enterprise funds.

P. Interfund Transactions

Transfers between governmental and business-type activities on the government-wide financial statements are reported in the same manner as general revenues.

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

Q. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of management and are either unusual in nature or infrequent in occurrence. Neither of these types of transactions occurred during the fiscal year.

R. Estimates

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

Pleasant Local School District
Basic Financial Statements
For the Fiscal Year Ended June 30, 2001

Note 3 - Change in Accounting Principles and Restatement of Fund Equity

A. Change in Accounting Principles

For fiscal year 2001, the School District has implemented Governmental Accounting Standards Board (GASB) Statement No. 33, "Accounting and Financial Reporting for Nonexchange Transactions"; GASB Statement No. 34, "Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments"; GASB Statement No. 36, "Recipient Reporting for Certain Shared Nonexchange Revenues"; GASB Statement No. 37, "Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments: Omnibus"; Statement No. 38, "Certain Financial Statement Note Disclosures"; and Interpretation No. 6, "Recognition and Measurement Focus of Certain Liabilities and Expenditures in Governmental Fund Financial Statements".

GASB Statements No. 33 and 36 establish accounting and financial reporting standards for nonexchange transactions involving financial or capital resources. The timing for the recognition of assets, liabilities, and expenditures/expenses resulting from nonexchange transactions will be the same whether the accrual or the modified accrual basis of accounting is required. However, for revenue recognition to occur on the modified accrual basis, the criteria established for accrual basis revenue recognition must be met and the revenues must be available.

GASB Statement No. 34 creates new basic financial statements for reporting on the School District's financial activities. The financial statements include government-wide financial statements prepared on the accrual basis of accounting and fund financial statements which present information for individual major funds rather than by fund type. Nonmajor funds are aggregated and presented in total in a single column. Fiduciary funds are reported by type.

The government-wide financial statements split the School District's programs between governmental activities and business-type activities. The beginning net asset amount for governmental programs reflects the change in fund balance for governmental funds at June 30, 2000, caused by the conversion to the accrual basis of accounting. Except for the restatement explained below, the beginning net asset amount for the business-type activities equals fund equity of the enterprise funds from the prior fiscal year.

GASB Statement No. 37 makes certain clarifications regarding escheat property and GASB Statement No. 38 modifies several provisions of GASB Statement No. 34, including the Management's Discussion and Analysis, and modifies, establishes, and rescinds certain financial statement disclosure requirements.

GASB Interpretation No. 6 clarifies the application of standards for modified accrual recognition of certain liabilities and expenditures in areas where differences have arisen, or potentially could arise, in interpretation and practice.

For 2001, The District changed the capitalization threshold for capital assets from \$500 to \$2,000. The effect of this change was to reduce general fixed assets as previously reported by \$1,763,716. (These assets are referred to as general capital assets in the current year.)

B. Restatement of Fund Equity

The restatement due to the implementation of the above statements and interpretation had the following effect on fund equity of the major and nonmajor funds of the School District as they were previously reported.

Pleasant Local School District
Basic Financial Statements
For the Fiscal Year Ended June 30, 2001

Note 3 - Change in Accounting Principles and Restatement of Fund Equity (continued)

The restatement from governmental fund balance to net assets of governmental activities:

	General	Other Governmental	Total Governmental Activities
Fund Balance June 30, 2000	\$3,315,239	\$729,259	\$4,044,498
GASB Statement No. 33/36 Adjustment:			
Intergovernmental Receivable	0	(561)	(561)
GASB Statement No. 34 Adjustment:			
Change in Fund Structure	11,651	(11,651)	0
Deferred Revenue	(14,810)	0	(14,810)
Retainage Payable	8,372	0	8,372
Adjusted Fund Balance	\$3,320,452	\$717,047	4,037,499
GASB Statement No. 34 Adjustment:			
Accounts Receivable			561
Accrued Interest Receivable			14,810
Intergovernmental Receivable			25,285
Property Taxes Receivable			104,409
Capital Assets			5,897,626
Intergovernmental Payable			(47,699)
Special Termination Benefits Payable			(8,790)
Energy Conservation Loan			(540,000)
School Improvement Bonds			(3,810,000)
Accrued Interest Payable			(21,768)
Compensated Absences Payable			(411,941)
Governmental Activities Net Assets at June 30, 2000			\$5,239,992

Pleasant Local School District
Basic Financial Statements
For the Fiscal Year Ended June 30, 2001

Note 3 - Change in Accounting Principles and Restatement of Fund Equity (continued)

The restatement of the business-type activities:

	Food Service	Uniform School Supplies	Total Business-Type Activities
Fund Equity June 30, 2000	\$3,690	\$26,904	\$30,594
GASB Statement No. 33/36 Adjustment:			
Change in Accounting Principle Related to Materials and Supplies Inventory	(13,728)	0	(13,728)
Capital Assets Threshold	29,927	0	29,927
Adjusted Net Assets at June 30, 2000	\$19,889	\$26,904	\$46,793

Note 4 - Accountability

At June 30, 2001, the Education Management Information System and Title VI-R special revenue funds had deficit fund balances, in the amount of \$638 and \$149, respectively. These deficits resulted from adjustments for accrued liabilities. The General Fund provides transfers to cover deficit balances; however, this is done when cash is needed rather than when accruals occur.

Note 5 - Budgetary Basis of Accounting

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

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

Pleasant Local School District
 Basic Financial Statements
 For the Fiscal Year Ended June 30, 2001

Note 5 - Budgetary Basis of Accounting (continued)

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

Net Change in Fund Balance	
GAAP Basis	(\$92,522)
<u>Increase (Decrease) Due To:</u>	
Revenue Accruals:	
Accrued FY 2000, Received in Cash FY 2001	1,062,282
Accrued FY 2001, Not Yet Received in Cash	(1,086,184)
Expenditure Accruals:	
Accrued FY 2000, Paid in Cash FY 2001	(713,702)
Accrued FY 2001, Not Yet Paid in Cash	796,613
Cash Adjustments:	
Unrecorded Activity FY 2000	14,754
Unrecorded Activity FY 2001	(10,444)
Prepaid Items	(5,989)
Materials and Supplies Inventory	(7,582)
Transfers Out	30,000
Encumbrances Outstanding at Year End (Budget Basis)	<u>(787,778)</u>
Budget Basis	<u><u>(\$800,552)</u></u>

Note 6 - Deposits and Investments

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

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

Inactive deposits are public deposits the Board of Education has identified as not required for use within the current 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.

Pleasant Local School District
Basic Financial Statements
For the Fiscal Year Ended June 30, 2001

Note 6 - Deposits and Investments (continued)

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

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

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

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

Investments in stripped principal or interest obligations, reverse repurchase agreements, and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage, and short selling are also prohibited. An investment must mature within five years from the date of purchase, unless matched to a specific obligation or debt of the School District, and must be purchased with the expectation that it will be held to maturity.

Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the Treasurer or qualified trustee or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

Pleasant Local School District
Basic Financial Statements
For the Fiscal Year Ended June 30, 2001

Note 6 - Deposits and Investments (continued)

At fiscal year end, the School District had \$100 in undeposited cash on hand which is included on the balance sheet of the School District as part of "Equity in Pooled Cash and Cash Equivalents". The School District had \$383 in cash and cash equivalents held by the North Central Ohio Educational Service Center which is included on the balance sheet as "Cash and Cash Equivalents with Fiscal Agent". The Educational Service Center holds this flow through grant money for the School District together with that of other school districts, and therefore, the School District cannot classify this money by risk under GASB Statement No. 3.

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

At fiscal year end, the carrying amount of the School District's deposits was \$710,945 and the bank balance was \$804,899. Of the bank balance, \$200,000 was covered by federal depository insurance and \$604,899 was uninsured and uncollateralized. Although all State statutory requirements for the deposit of money had been followed, non-compliance with federal requirements could potentially subject the School District to a successful claim by the FDIC.

The School District's investments are categorized to give an indication of the level of risk assumed by the School District at fiscal year end. Category 1 includes investments that are insured or registered for which the securities are held by the School District or its agent in the School District's name. Category 2 includes uninsured and unregistered investments for which the securities are held by the counterparty's trust department or agent in the School District's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty, or by its trust department or agent but not in the School District's name. STAR Ohio is an unclassified investment since it is not evidenced by securities that exist in physical or book entry form. At June 30, 2001, the fair value of funds on deposit with STAR Ohio was \$2,900,685.

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

	Cash and Cash Equivalents/ Deposits	Investments
GASB Statement No. 9	\$3,612,113	\$0
Cash on Hand	(100)	0
Cash and Cash Equivalents with Educational Service Center	(383)	0
Investments:		
STAR Ohio	(2,900,685)	2,900,685
GASB Statement No. 3	\$710,945	\$2,900,685

Pleasant Local School District
Basic Financial Statements
For the Fiscal Year Ended June 30, 2001

Note 7 - Receivables

Receivables at June 30, 2001, consisted of accounts (student fees), accrued interest, intergovernmental, and property taxes. All receivables are considered collectible within one year and 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 intergovernmental receivables follows:

	<u>Amount</u>
Governmental Activities	
General Fund	
Urbana City School District	\$1,934
Marion City School District	22,825
River Valley Local School District	7,550
North Central Ohio Educational Service Center	38
Total Governmental Activities	<u>32,347</u>
Business-Type Activities	
Food Service	8,050
Total Intergovernmental Receivables	<u><u>\$40,397</u></u>

Note 8 - Property Taxes

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

Property taxes include amounts levied against all real property, public utility property, and tangible personal (used in business) property located in the School District. Real and public utility property tax revenues received in calendar year 2001 represent the collection of calendar year 2000 taxes. Real property taxes received in calendar year 2001 were levied after April 1, 2000, on the assessed values as of January 1, 2000, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility real and tangible personal property taxes received in calendar year 2001 were levied after April 1, 2000, on the assessed values as of December 31, 1999, the lien date. Public utility real property is assessed at 35 percent of true value; tangible personal property is currently assessed at varying percentages of true value. Public utility property taxes are payable on the same dates as real property taxes described previously.

Pleasant Local School District
 Basic Financial Statements
 For the Fiscal Year Ended June 30, 2001

Note 8 - Property Taxes (continued)

Tangible personal property tax revenues received in calendar year 2001 (other than public utility property) represent the collection of calendar year 2001 taxes. Tangible personal property taxes received in calendar year 2001 were levied after April 1, 2000, on the value as of December 31, 2000. Tangible personal property is currently assessed at 25 percent of true value. Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20.

The School District receives property taxes from Marion County. The County Auditor periodically advances to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2001, are available to finance fiscal year 2001 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable represents delinquent taxes outstanding and real property, public utility property, and tangible personal property taxes which were measurable as of June 30, 2001, and for which there was an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount available as an advance at June 30 is intended to finance current fiscal year operations and is reflected as revenue at fiscal year end. The receivable is offset by a credit to deferred revenue for that portion not intended to finance current year operations. The amount available as an advance at June 30, 2001, was \$1,058,866 in the General Fund and \$105,769 in the Bond Retirement debt service fund. The amount available as an advance at June 30, 2000, was \$1,071,896 in the General Fund and \$128,970 in the Bond Retirement debt service fund.

The assessed values upon which the fiscal year 2001 taxes were collected are:

	2000 Second- Half Collections		2001 First- Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential	\$96,961,570	71.99%	\$100,496,670	72.72%
Industrial/Commercial	17,627,740	13.09	18,526,230	13.40
Public Utility	10,334,940	7.67	10,044,570	7.27
Tangible Personal	9,755,370	7.25	9,137,890	6.61
Total Assessed Value	<u>\$134,679,620</u>	<u>100.00%</u>	<u>\$138,205,360</u>	<u>100.00%</u>
Tax rate per \$1,000 of assessed valuation	\$49.52		\$49.01	

Pleasant Local School District
Basic Financial Statements
For the Fiscal Year Ended June 30, 2001

Note 9 - Capital Assets

Capital asset activity for the fiscal year ended June 30, 2001, was as follows:

	Balance at 6/30/00	Additions	Reductions	Balance at 6/30/01
Governmental Activities				
Non-Depreciable Capital Assets				
Land	\$45,164	\$371,833	\$0	\$416,997
Construction in Progress	94,088	58,396	(94,088)	58,396
Total Non-Depreciable Capital Assets	<u>139,252</u>	<u>430,229</u>	<u>(94,088)</u>	<u>475,393</u>
Depreciable Capital Assets				
Land Improvements	827,895	335,909	0	1,163,804
Buildings and Building Improvements	5,407,810	43,824	0	5,451,634
Furniture, Fixtures, and Equipment	520,298	110,717	(41,218)	589,797
Vehicles	772,410	171,605	(117,680)	826,335
Infrastructure	0	85,000	0	85,000
Total Depreciable Capital Assets	<u>7,528,413</u>	<u>747,055</u>	<u>(158,898)</u>	<u>8,116,570</u>
Total Capital Assets at Historical Cost	<u>7,667,665</u>	<u>1,177,284</u>	<u>(252,986)</u>	<u>8,591,963</u>
Less Accumulated Depreciation				
Land Improvements	(218,051)	(62,824)	0	(280,875)
Buildings and Building Improvements	(780,180)	(67,097)	0	(847,277)
Furniture, Fixtures, and Equipment	(268,071)	(45,051)	22,459	(290,663)
Vehicles	(503,737)	(36,285)	55,424	(484,598)
Infrastructure	0	(1,275)	0	(1,275)
Total Accumulated Depreciation	<u>(1,770,039)</u>	<u>(212,532)</u>	<u>77,883</u>	<u>(1,904,688)</u>
Depreciable Capital Assets, Net	<u>5,758,374</u>	<u>534,523</u>	<u>(81,015)</u>	<u>6,211,882</u>
Governmental Activities Capital Assets, Net	<u>\$5,897,626</u>	<u>\$964,752</u>	<u>(\$175,103)</u>	<u>\$6,687,275</u>

Pleasant Local School District
Basic Financial Statements
For the Fiscal Year Ended June 30, 2001

Note 9 - Capital Assets (continued)

	Balance at 6/30/00	Additions	Reductions	Balance at 6/30/01
Business-Type Activities				
Depreciable Capital Assets				
Buildings and Building Improvements	\$25,941	\$0	\$0	\$25,941
Furniture, Fixtures, and Equipment	77,709	13,214	0	90,923
Total Depreciable Capital Assets at Historical Cost	103,650	13,214	0	116,864
Less Accumulated Depreciation				
Buildings and Building Improvements	(13,540)	(259)	0	(13,799)
Furniture, Fixtures, and Equipment	(60,183)	(1,656)	0	(61,839)
Total Accumulated Depreciation	(73,723)	(1,915)	0	(75,638)
Business-Type Activities Capital Assets, Net	\$29,927	\$11,299	\$0	\$41,226

Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$71,288
Special	392
Vocational	156
Support Services:	
Pupils	757
Instructional Staff	2,213
Administration	450
Fiscal	1,195
Operation and Maintenance of Plant	74,194
Pupil Transportation	34,791
Extracurricular Activities	27,096
Total Depreciation Expense	<u>\$212,532</u>

Pleasant Local School District
Basic Financial Statements
For the Fiscal Year Ended June 30, 2001

Note 10 - Risk Management

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2001, the School District contracted with Nationwide Insurance for the following insurance coverage:

Buildings and Contents - replacement cost (\$1,000 deductible)	\$23,621,900
Electronic Data Processing (\$1,000 deductible)	510,329
Musical Instruments (\$100 deductible)	176,000
Employee Dishonesty - per loss	20,000
Medical Payments - per person	5,000
Automobile Liability	1,000,000
Uninsured Motorists	500,000
General School District Liability	
Per Occurrence	2,000,000
Total per Year	5,000,000

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

For fiscal year 2001, the School District participated in the Ohio School Boards Association Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool. The intent of the GRP is to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participants is calculated as one experience and a common premium rate is applied to all participants in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of the GRP.

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

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

Pleasant Local School District
Basic Financial Statements
For the Fiscal Year Ended June 30, 2001

Note 11 - Significant Contractual Commitment

At June 30, 2001, the School District had a contract for services, in the amount of \$116,000, with Vasco Asphalt.

Note 12 - Defined Benefit Pension Plans

A. State Teachers Retirement System

The School District contributes to the State Teachers Retirement System of Ohio (STRS), a cost-sharing multiple employer public employee retirement system administered by the State Teachers Retirement Board. STRS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to members and beneficiaries. Benefits are established by Chapter 3307 of the Ohio Revised Code. STRS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to the State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3771.

Plan members are required to contribute 9.3 percent of their annual covered salary and the School District is required to contribute 14 percent; 9.5 percent was the portion used to fund pension obligations for fiscal year 2001. For fiscal year 2000, 6 percent was the portion used to fund pension obligations. Contribution rates are established by STRS, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. The School District's required contribution for pension obligations to STRS for the fiscal years ended June 30, 2001, 2000, and 1999, were \$358,568, \$201,628, and \$193,074, respectively; 83 percent has been contributed for fiscal year 2001 and 100 percent for fiscal years 2000 and 1999. The unpaid contribution for fiscal year 2001, in the amount of \$58,973, is recorded as a liability.

B. School Employees Retirement System

The School District contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing multiple employer defined benefit pension plan administered by the School Employees Retirement Board. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to the School Employees Retirement System, 45 North Fourth Street, Columbus, Ohio 43215-3634.

Plan members are required to contribute 9 percent of their annual covered salary and the School District is required to contribute an actuarially determined rate. The current rate is 14 percent of annual covered payroll; 4.2 percent was the portion used to fund pension obligations for fiscal year 2001. For fiscal year 2000, 5.5 percent 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 School District's required contribution for pension obligations to SERS for the fiscal years ended June 30, 2001, 2000, and 1999, were \$33,679, \$41,257, and \$51,905, respectively; 37 percent has been contributed for fiscal year 2001 and 100 percent for fiscal years 2000 and 1999. The unpaid contribution for fiscal year 2001, in the amount of \$21,211, is recorded as a liability.

Pleasant Local School District
Basic Financial Statements
For the Fiscal Year Ended June 30, 2001

Note 12 - Defined Benefit Pension Plans (continued)

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the State Teachers Retirement System or the School Employees Retirement System have an option to choose Social Security or the State Teachers Retirement System/School Employees Retirement System. As of June 30, 2001, none of the Board of Education members have elected Social Security. The Board's liability is 6.2 percent of wages paid.

Note 13 - Postemployment Benefits

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

The State Teachers Retirement Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS funds shall be included in the employer contribution rate, currently 14 percent of covered payroll. For fiscal year 2001, the Board allocated employer contributions equal to 4.5 percent of covered payroll to the Health Care Reserve Fund. For the School District, this amount equaled \$169,848.

STRS pays health care benefits from the Health Care Reserve Fund. The balance in the Fund was \$3,419 million at June 30, 2000 (the latest information available). For the fiscal year ended June 30, 2000, net health care costs paid by STRS were \$283,137,000, and STRS had 99,011 eligible benefit recipients.

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

For the fiscal year ended June 30, 2001, employer contributions to fund health care benefits were 9.8 percent of covered payroll, an increase of 1.3 percent from fiscal year 2000. 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 2001, the minimum pay was established at \$12,400. For the School District, the amount to fund health care benefits, including the surcharge, was \$94,621 for fiscal year 2001.

The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund. The target level for the health care reserve is 150 percent of annual health care expenses. Expenses for health care for the fiscal year ended June 30, 2000 (the latest information available), were \$140,696,340, and the target level was \$211 million. At June 30, 2000, SERS had net assets available for payment of health care benefits of \$252.3 million. SERS has approximately 50,000 participants currently receiving health care benefits.

Note 14 - Employee Benefits

A. Compensated Absences

The criteria for determining vacation and sick leave benefits is derived from negotiated agreements and State laws. Classified employees earn ten to twenty 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 a rate of one and one-fourth days per month. Sick leave may be accumulated up to a maximum of two hundred forty days for all personnel. Upon retirement, payment is made for one-fourth of accrued, but unused sick leave credit to a maximum of forty days for all employees.

B. Health Care Benefits

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

C. Special Termination Benefits

Employees who retired in fiscal year 2001 were offered a special termination benefit. STRS employees were offered a one time retirement incentive in addition to severance benefits and STRS pension benefits. The retirement incentive, in the amount of \$3,000 per \$10,000 of annual salary, is offered in the first year of retirement eligibility. The employee has the opportunity to accept or reject the retirement incentive opportunity. The benefit may be paid directly to the employee and taxed as income, placed in a retirement account of the employee's choosing, or the employee may have the payment delayed until the following calendar year. At June 30, 2001, the liability for special termination benefits was \$27,651. The current special termination benefit program expires in August 2003.

Pleasant Local School District
Basic Financial Statements
For the Fiscal Year Ended June 30, 2001

Note 15 - Long-Term Obligations

Changes in the School District's long-term obligations during fiscal year 2001 were as follows:

	Balance at 6/30/00	Additions	Reductions	Balance at 6/30/01	Amounts Due Within One Year
Governmental Activities					
General Long-Term Obligations					
Energy Conservation Loan FY 1999 4.635%	\$540,000	\$0	\$60,000	\$480,000	\$60,000
School Improvement Bonds FY 1993 5.045%	3,810,000	0	175,000	3,635,000	180,000
Total General Long-Term Obligations	4,350,000	0	235,000	4,115,000	240,000
Other Long-Term Obligations					
Compensated Absences	411,941	56,960	5,883	463,018	51,075
Capital Lease	0	2,158	663	1,495	717
Total Other Long-Term Obligations	411,941	59,118	6,546	464,513	51,792
Total Governmental Activities Long-Term Obligations	<u>\$4,761,941</u>	<u>\$59,118</u>	<u>\$241,546</u>	<u>\$4,579,513</u>	<u>\$291,792</u>
Business-Type Activities					
Compensated Absences	<u>\$3,413</u>	<u>\$1,104</u>	<u>\$0</u>	<u>\$4,517</u>	<u>\$0</u>

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

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

Compensated absences will be paid from the General Fund and the Food Service enterprise fund. The capital lease will be paid from the General Fund.

The School District's overall debt margin was \$9,233,978 with an unvoted debt margin of \$138,205 at June 30, 2001.

Pleasant Local School District
 Basic Financial Statements
 For the Fiscal Year Ended June 30, 2001

Note 15 - Long-Term Obligations (continued)

Principal and interest requirements to retire general obligation debt outstanding at June 30, 2001, were as follows:

<u>Fiscal Year Ending</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2002	\$240,000	\$232,160	\$472,160
2003	245,000	212,605	457,605
2004	255,000	192,498	447,498
2005	260,000	174,858	434,858
2006	270,000	160,094	430,094
2007-2011	1,225,000	568,510	1,793,510
2012-2016	935,000	295,222	1,230,222
2017-2019	685,000	53,678	738,678
Totals	<u>\$4,115,000</u>	<u>\$1,889,625</u>	<u>\$6,004,625</u>

Note 16 - Capitalized Lease - Lessee Disclosure

The School District has entered into a capitalized lease for equipment. The lease meets the criteria of a capital lease as defined by Statement of Financial Accounting Standards No. 13, "Accounting for Leases", which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee. New capital leases are reflected in the accounts "Capital Outlay" and "Inception of Capital Lease" in the funds which will be making the lease payments. Capital lease payments are reflected as debt service expenditures on the statement of revenues, expenditures, and changes in fund balances for the governmental funds. Assets, consisting of equipment, have been capitalized, in the amount of \$2,158, in the governmental funds. This amount represents the present value of the minimum lease payments at the time of acquisition. Principal payments in 2001 were \$663 in the governmental funds.

	<u>Governmental Activities</u>
Property under Capital Lease	\$2,158
Less Accumulated Depreciation	(36)
Total June 30, 2001	<u>\$2,122</u>

Pleasant Local School District
Basic Financial Statements
For the Fiscal Year Ended June 30, 2001

Note 16 - Capitalized Lease - Lessee Disclosure (continued)

The following is a schedule of the future minimum lease payments required under the capital lease and the present value of the minimum lease payments as of June 30, 2001.

Year	Governmental Activities
2002	\$777
2003	778
Total	1,555
Less Amount Representing Interest	(60)
Present Value of Net Minimum Lease Payments	\$1,495

Note 17 - Set Asides

The School District is required by State statute to annually set aside, in the General Fund, an amount based on a statutory formula for the purchase of textbooks and other instructional materials, and an equal amount for the acquisition and construction of capital improvements. Amounts not spent by the end of the fiscal year or offset by similarly restricted resources received during the year must be held in cash at year end. These amounts must be carried forward and used for the same purposes in future years. In prior years, the School District was also required to set aside money for budget stabilization. At June 30, 2001, only the unspent portion of certain workers' compensation refunds continues to be set aside.

The following cash basis information identifies the changes in the fund balance reserves for textbooks, capital improvements, and budget stabilization during fiscal year 2001.

	Textbooks	Capital Improvements	Budget Stabilization
Balance June 30, 2000	(\$9,028)	\$0	\$89,183
Current Year Set Aside Requirement	164,863	164,863	0
Legislative Reduction	0	0	(52,563)
Qualifying Expenditures	(166,483)	(164,863)	0
Balance June 30, 2001	(\$10,648)	\$0	\$36,620
Amount Carried Forward to Fiscal Year 2002	\$0	\$0	\$36,620

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

Pleasant Local School District
Basic Financial Statements
For the Fiscal Year Ended June 30, 2001

Note 18 - Interfund Transfers

During fiscal year 2001, the General Fund made transfers to the other governmental funds, in the amount of \$20,956, to move receipts to the debt service fund as debt payments became due. By Board resolution, monies are transferred annually from the General Fund to the Athletics and Music special revenue fund. For fiscal year 2001, this amount was \$37,169. The General Fund also made transfers, in the amount of \$30,000, to the Food Service enterprise fund which were used to support the operation of food service activities.

Note 19 - Jointly Governed Organizations

A. Tri-Rivers Educational Computer Association

The School District is a participant in the Tri-Rivers Educational Computer Association (TRECA), which is a computer consortium. TRECA is an association of public school districts within the boundaries of Delaware, Knox, Marion, Morrow, Muskingum, and Wyandot Counties. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member school districts. The governing board of TRECA consists of one representative from each county elected by majority vote of all charter member school districts within each county, one representative from the city school districts, and the superintendent from Tri-Rivers Joint Vocational School. During fiscal year 2001, the School District paid \$41,742 to TRECA for various services. Financial information can be obtained from Mike Carder, who serves as Director, 2222 Marion Mt. Gilead Road, Marion, Ohio 43302.

B. Tri-Rivers Joint Vocational School

The Tri-Rivers Joint Vocational School (JVS) is a distinct political subdivision of the State of Ohio which provides vocational education. The JVS operates under the direction of a Board consisting of one representative from each of the ten participating school districts' Board of Education. The degree of control exercised by the School District is limited to its representation on the Board. The Board possesses its own budgeting and taxing authority. During fiscal year 2001, the School District paid \$355 to the JVS for various services. Financial information can be obtained from Terril Martin, who serves as Treasurer, 2222 Marion Mt. Gilead Road, Marion, Ohio 43302.

C. North Central Regional Professional Development Center

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

Note 19 - Jointly Governed Organizations (continued)

D. North Central Ohio Special Education Regional Resource Center

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

E. Northwestern Ohio Educational Research Council, Inc.

The Northwestern Ohio Educational Research Council, Inc. (NOERC) is a jointly governed organization formed to bring educational entities into a better understanding of their common educational problems, facilitate and conduct practical educational research, coordinate educational research among members, provide a means for evaluating and disseminating the results of research, serve as a repository for research and legislative materials, and provide opportunities for training. The NOERC serves a twenty-five county area in Northwest Ohio. The Board of Directors consists of superintendents from two educational service centers, two exempted village school districts, five local school districts, and five city school districts, as well as representatives from two private or parochial schools and three institutions of higher education. Each active member is entitled to one vote on all issues addressed by the Board of Directors. During fiscal year 2001, the School District paid \$150 to the NOERC for various services. Financial information can be obtained from the Northwestern Ohio Educational Research Council, Inc., Box 456, Ashland, Ohio 44805.

F. Metropolitan Educational Council

The Metropolitan Educational Council (MEC) is a purchasing cooperative made up of one hundred forty-two school districts, libraries, and related agencies in twenty-seven counties. The purpose of the MEC is to obtain prices for quality merchandise and services commonly used by school districts. The governing board of the MEC consists of one representative from each member school district. All member school districts must pay all fees, charges, or other assessments as established by the MEC. During fiscal year 2001, the School District paid \$534 to the MEC for various services. Financial information can be obtained from the Metropolitan Educational Council, Elmo Kallner, who serves as Director, 6100 Channingway Boulevard, Suite 604, Columbus, Ohio 43232.

Note 20 - Insurance Pools

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

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

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

Pleasant Local School District
Basic Financial Statements
For the Fiscal Year Ended June 30, 2001

Note 20 - Insurance Pools (continued)

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

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

Each participant decides which plans offered by the Administrative Committee will be extended to its employees. Participation in the Trust is by written application subject to acceptance by the Administrative Committee and payment of the monthly premiums. Financial information can be obtained from Karin Moone, who serves as Director, Huntington Center HC1142, Columbus, Ohio 43287.

Note 21 - Contingencies

A. Grants

The School District received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 2001.

B. Litigation

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

Note 22 - State School Funding Decision

On September 6, 2001, the Ohio Supreme Court issued its latest opinion regarding the State's school funding plan. The decision identified aspects of the current plan that require modification if the plan is to be considered constitutional, including:

- ▶ A change in the school districts that are used as the basis for determining the base cost support amount. Any change in the amount of funds distributed to school districts as a result of this change must be retroactive to July 1, 2001, although a time line for distribution was not specified.
- ▶ Fully funding parity aid no later than the beginning of fiscal year 2004 rather than fiscal year 2006.

The Supreme Court relinquished jurisdiction over the case based on anticipated compliance with its order.

Pleasant Local School District
Basic Financial Statements
For the Fiscal Year Ended June 30, 2001

Note 22 - State School Funding Decision (continued)

In general, it is expected that the decision will result in an increase in State funding for most Ohio school districts. However, as of March 7, 2002, the Ohio General Assembly is still analyzing the impact this Supreme Court decision will have on funding for individual school districts. Further, the State of Ohio, in a motion filed September 17, 2001, asked the Court to reconsider and clarify the parts of the decision changing the school districts that are used as the basis for determining the base cost support amount and the requirement that changes be made retroactive to July 1, 2001.

On November 2, 2001, the Supreme Court granted this motion for reconsideration. The Court may re-examine and redetermine any issue upon such reconsideration.

As of the date of these financial statements, the School District is unable to determine what effect, if any, this decision and the reconsideration will have on its future State funding and on its financial operations.

PLEASANT LOCAL SCHOOL DISTRICT
MARION COUNTY

SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
FOR THE YEAR ENDING JUNE 30, 2001

Federal Grantor/ Pass Through Grantor Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Non-Cash Receipts	Disbursements	Non-Cash Disbursements
U.S. DEPARTMENT OF AGRICULTURE						
<i>Passed Through Ohio Department of Education</i>						
Nutrition Cluster:						
Food Distribution	048421-LL-P1-00/01	10.550	\$0	\$32,126	\$0	\$31,663
National School Lunch Program	048421-LL-P1/P4-00/01	10.555	64,963	0	64,963	0
Special Milk Program for Children	48,421	10.556	335	0	335	0
Total U.S. Department of Agriculture - Nutrition Cluster			<u>65,298</u>	<u>32,126</u>	<u>65,298</u>	<u>31,663</u>
U.S. DEPARTMENT OF EDUCATION						
<i>Passed Through Ohio Department of Education</i>						
Special Education Grants to States	048421-6B-SF-2001	84.027	60,931	0	60,931	0
Safe and Drug Free Schools & Communities State Grant	048421-DR-S1-00/01	84.186	5,530	0	6,607	0
Title I Grants to Local Educational Agencies	048421-C1-S1-00/01	84.010	123,064	0	107,845	0
Innovative Educational Program Strategies	048421-C2-S1-00/01	84.298	6,600	0	7,826	0
Eisenhower Professional Development State Grant	048421-MS-S1-00/01	84.281	5,332	0	10,378	0
Class - Size Reduction Program	048421-CR-S1-2001	84.340	25,949	0	50,125	0
Goals 2001-State and Local Education System Improvement	048421-G2-S2-2001	84.276	0	0	3,115	0
Total U.S. Department of Education			<u>227,406</u>	<u>0</u>	<u>246,827</u>	<u>0</u>
INSTITUTE OF MUSEUM AND LIBRARY SERVICES						
<i>Passed Through State Library of Ohio Agency:</i>						
State Library Program	31-6400880	45.310	100	0	2,556	0
Total Institute of Museum and Library Services			<u>100</u>	<u>0</u>	<u>2,556</u>	<u>0</u>
Total Federal Awards			<u>\$292,804</u>	<u>\$32,126</u>	<u>\$314,681</u>	<u>\$31,663</u>

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

**PLEASANT LOCAL SCHOOL DISTRICT
MARION COUNTY**

JUNE 30, 2001

NOTES TO THE SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES

NOTE A--SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B--FOOD DISTRIBUTION

Nonmonetary assistance, such as food received from the U.S. Department of Agriculture, is reported in the Schedule at the fair market value of the commodities received and consumed. Cash receipts from the U.S. Department of Agriculture are commingled with State grants. It is assumed federal monies are expended first.



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

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

To the Board of Education:

We have audited the basic financial statements of Pleasant Local School District, Marion County, Ohio, (the District) as of and for the year ended June 30, 2001, wherein we noted the District adopted Governmental Accounting Standards Board Statements 34 and 38 and changed its capitalization threshold for fixed assets, and have issued our report thereon dated March 29, 2002. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted a matter involving the internal control over financial reporting that does not require inclusion in this report, that we have reported to management of the District in a separate letter dated March 29, 2002.

Pleasant Local School District
Marion County
Report of Independent Accountants on Compliance and on Internal
Control Required by *Government Auditing Standards*
Page 2

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

JIM PETRO
Auditor of State

March 29, 2002



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

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

To the Board of Education:

Compliance

We have audited the compliance of Pleasant Local School District, Marion County, Ohio, (the District) with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2001. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

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

In our opinion, the District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2001.

Internal Control Over Compliance

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

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

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

JIM PETRO
Auditor of State

March 29, 2002

**PLEASANT LOCAL SCHOOL DISTRICT
MARION COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 2001**

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	Type of Financial Statement Opinion	Unqualified
(d)(1)(ii)	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
(d)(1)(iv)	Were there any material internal control weakness conditions reported for major federal programs?	No
(d)(1)(iv)	Were there any other reportable internal control weakness conditions reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unqualified
(d)(1)(vi)	Are there any reportable findings under §.510?	No
(d)(1)(vii)	Major Programs (list):	CFDA # 10.550 - Food Distribution; CFDA # 10.555 - National School Lunch Program; CFDA # 10.556 - Special Milk Program for Children; CFDA # 84.010 - Grants to Local Educational Agencies (ESEA Title 1)
(d)(1)(viii)	Dollar Threshold: Type A\B Programs	Type A: > \$ 300,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	No

**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



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PLEASANT LOCAL SCHOOL DISTRICT

MARION COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
APRIL 18, 2002**