

**PAINESVILLE TOWNSHIP LOCAL SCHOOL DISTRICT
LAKE COUNTY**

PAINESVILLE TOWNSHIP, OHIO

GENERAL PURPOSE FINANCIAL STATEMENTS

JUNE 30, 1999

SNODGRASS
Certified Public Accountants and Consultants



**PAINESVILLE TOWNSHIP LOCAL SCHOOL DISTRICT
LAKE COUNTY
GENERAL PURPOSE FINANCIAL STATEMENTS**

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**PAINESVILLE TOWNSHIP LOCAL SCHOOL DISTRICT
LAKE COUNTY**

PAINESVILLE TOWNSHIP, OHIO

GENERAL PURPOSE FINANCIAL STATEMENTS

JUNE 30, 1999



STATE OF OHIO
OFFICE OF THE AUDITOR
JIM PETRO, AUDITOR OF STATE

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Board of Education
Painesville Township Local School District
Painesville, Ohio

We have reviewed the Independent Auditor's Report of the Painesville Township Local School District, Lake County, prepared by Snodgrass CPAs, for the audit period July 1, 1998 through June 30, 1999. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Painesville Township Local School District is responsible for compliance with these laws and regulations.




JIM PETRO
Auditor of State

January 10, 2000

SNODGRASS

Certified Public Accountants and Consultants

Independent Auditors' Report



Board of Education
Painesville Township Local School District - Lake County
Painesville Township, Ohio

We have audited the accompanying general purpose financial statements of Painesville Township Local School District - Lake County (the "District"), as of and for the year ended June 30, 1999 as listed in the table of contents. These general purpose financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards 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 general purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall general purpose financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the District, as of June 30, 1999, and the results of its operations and the cash flows of its proprietary fund types for the year then ended in conformity with generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued a report dated December 9, 1999 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.

Our audit was performed for the purpose of forming an opinion on the general purpose financial statements taken as a whole. The accompanying schedule of expenditures of federal awards - cash is presented for purposes of 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 not a required part of the general purpose financial statements. Such information has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the general purpose financial statements taken as a whole.

S.R. Snodgrass A.C.

Mentor, Ohio
December 9, 1999

PAINESVILLE TOWNSHIP LOCAL SCHOOL DISTRICT - LAKE COUNTY
 COMBINED BALANCE SHEET
 ALL FUND TYPES AND ACCOUNT GROUPS
 JUNE 30, 1988

	Governmental Fund Types				Proprietary Fund Types			Fiduciary Fund Types			Account Groups			Totals (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	Enterprise	Internal Service	Agency	General Assets	Fixed	Long-term Debt	General	Long-term Debt	Totals	
ASSETS AND OTHER DEBITS:														
Assets:														
Equity in pooled cash and investments	\$ 5,145,982	\$ 369,621	\$ 313,208	\$ 833,278	\$ 48,829	\$ 1,044	\$ 54,908	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 6,796,870
Restricted cash	319,849	-	-	-	-	-	-	-	-	-	-	-	-	319,849
Cash with fiscal agent	562,936	-	-	-	-	-	-	-	-	-	-	-	-	562,936
Receivables:														
Taxes	14,249,156	-	876,012	878,942	-	-	-	-	-	-	-	-	-	16,004,110
Accounts	11,896	-	-	-	-	-	-	-	-	-	-	-	-	11,896
Interfund	43,878	-	-	-	-	-	-	-	-	-	-	-	-	43,878
Intergovernmental	920,421	-	4,640	5,315	-	-	-	-	-	-	-	-	-	930,376
Materials and supplies inventory	215,732	-	-	-	40,209	-	-	-	-	-	-	-	-	255,941
Fixed assets - net of accumulated depreciation (where applicable)	-	-	-	-	59,981	-	-	-	20,580,639	-	-	-	-	20,640,630
Other Debits:														
Amount to be provided for retirement of general long-term debt	-	-	-	-	-	-	-	-	-	-	11,738,762	-	-	11,738,762
Amount available in Debt Service Fund	-	-	-	-	-	-	-	-	-	-	373,621	-	-	373,621
Total assets and other debits	\$ 21,469,850	\$ 399,621	\$ 1,193,860	\$ 1,717,535	\$ 149,029	\$ 1,044	\$ 54,908	\$ 20,580,639	\$ 12,112,383	\$ -	\$ 12,112,383	\$ -	\$ 57,678,869	

The accompanying notes are an integral part of the financial statements.

PAINESVILLE TOWNSHIP LOCAL SCHOOL DISTRICT - LAKE COUNTY
 COMBINED BALANCE SHEET (CONTINUED)
 ALL FUND TYPES AND ACCOUNT GROUPS
 JUNE 30, 1999

	Governmental Fund Types					Proprietary Fund Types			Fiduciary Fund Types			Account Groups		Totals (Memorandum Only)	
	General	Special Revenue	Debt Service	Capital Projects	Enterprise	Internal Service	Agency	General Fixed Assets	Long-term Debt	General					
										General	Fixed Assets				
LIABILITIES, FUND EQUITY AND OTHER CREDITS:															
Liabilities:															
Accounts payable	\$ 119,124	\$ 1,056	-	\$ 114,285	\$ 953	-	2,803	\$ -	\$ -	\$ -				\$ 238,221	
Accrued wages and benefits	2,346,768	70,744	-	-	4,328	-	-	-	-	-				2,421,840	
Interfund payable	-	-	-	-	43,878	-	-	-	-	-				43,878	
Due to students	-	-	-	-	-	-	52,105	-	-	-				52,105	
Retirement benefits	55,796	-	-	-	-	-	-	-	-	-				55,796	
Compensated absences payable	-	-	-	-	25,791	-	-	-	-	1,612,156				1,637,947	
Claims liability	188,500	-	-	-	-	-	-	-	-	-				188,500	
Deferred revenue	14,333,390	-	820,239	825,357	-	-	-	-	-	-				15,978,986	
Deferred revenue - government	93,420	-	-	-	21,631	-	-	-	-	-				21,631	
Pension benefit obligation	-	-	-	-	-	-	-	-	296,745	-				390,165	
General obligation bonds payable	-	-	-	-	-	-	-	-	10,145,000	-				10,145,000	
Capital lease obligations	-	-	-	-	-	-	-	-	58,482	-				58,482	
Tax anticipation notes	-	-	-	1,350,000	-	-	-	-	-	-				1,350,000	
Total liabilities	17,136,998	71,800	820,239	2,269,642	96,581	-	54,908	-	12,112,383	-				32,582,551	
Fund Equity and Other Credits:															
Investment in general fixed assets	-	-	-	-	-	-	-	20,580,639	-	-					20,580,639
Retained earnings:															
Unreserved	-	-	-	-	52,448	1,044	-	-	-	-					53,492
Fund balances:															
Reserved for encumbrances	373,946	125,016	-	286,773	-	-	-	-	-	-					785,735
Reserved for revenue bond retirement	-	-	373,621	-	-	-	-	-	-	-					373,621
Reserved for inventory	215,732	-	-	-	-	-	-	-	-	-					215,732
Budget stabilization reserve	319,849	-	-	-	-	-	-	-	-	-					319,849
Unreserved, undesignated	3,423,325	202,805	-	(858,880)	-	-	-	-	-	-					2,767,250
Total fund equity and other credits	4,332,852	327,821	373,621	(572,107)	52,448	1,044	-	20,580,639	-	-				25,096,318	
Total liabilities, fund equity and other credits	\$ 21,469,850	\$ 399,621	\$ 1,193,860	\$ 1,717,535	\$ 149,029	\$ 1,044	\$ 54,908	\$ 20,580,639	\$ 12,112,383	\$ -				\$ 57,678,869	

The accompanying notes are an integral part of the financial statements.

PAINESVILLE TOWNSHIP LOCAL SCHOOL DISTRICT - LAKE COUNTY
 COMBINED STATEMENT OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCES
 ALL GOVERNMENTAL FUND TYPES
 FOR THE YEAR ENDED JUNE 30, 1999

	Governmental Fund Types				Totals (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	
REVENUES:					
Revenue from local sources:					
Taxes	\$ 16,952,714	-	\$ 874,027	\$ 883,737	\$ 18,710,478
Tuition	569,651	660	-	-	570,311
Transportation fees	39,095	2,735	-	-	41,830
Earnings on investments	323,995	-	-	65,399	389,394
Extracurricular activities	-	381,130	-	-	381,130
Classroom materials and fees	114,736	-	-	-	114,736
Miscellaneous receipts - local sources	48,104	17,586	-	-	65,690
Revenue from intermediate sources:					
Restricted grants-in-aid	-	12,672	-	-	12,672
Revenue from state sources:					
Unrestricted grants-in-aid	6,834,457	25,000	97,036	95,321	7,051,814
Restricted grants-in-aid	69,101	134,857	-	115,746	319,704
Revenue from federal sources:					
Restricted grants-in-aid	-	544,822	-	-	544,822
Total revenue	<u>24,951,853</u>	<u>1,119,462</u>	<u>971,063</u>	<u>1,160,203</u>	<u>28,202,581</u>
EXPENDITURES:					
Instruction:					
Regular	11,247,778	163,309	-	326,181	11,737,268
Special	1,634,151	293,742	-	-	1,927,893
Other	456,575	-	-	-	456,575

Supporting services:								
Pupils	812,473	86,576	-	-	-	-	899,049	
Instructional staff	493,213	114,164	-	11,372	-	-	618,749	
Board of Education	24,998	107,284	-	-	-	-	132,282	
Administration	2,400,695	-	-	-	-	-	2,400,695	
Business	78,482	-	-	-	-	-	78,482	
Pupil transportation	2,470,396	44,439	-	265,789	-	-	2,780,624	
Central	8,145	7,503	-	-	-	-	15,648	
Fiscal services	515,295	-	-	-	-	-	515,295	
Operating and maintenance - plant	2,909,107	-	-	1,260,413	-	-	4,169,520	
Non-instructional services:								
Food services	21,875	-	-	-	-	-	21,875	
Community services	-	31,424	-	-	-	-	31,424	
Extracurricular activities:								
Academic and subject oriented activities	33,914	27,199	-	-	-	-	61,113	
Sports oriented activities	196,652	118,777	-	-	-	-	315,429	
Co-curricular activities	21,255	70,191	-	-	-	-	91,446	
Debt service:								
Principal	-	-	475,000	-	-	-	475,000	
Interest	-	-	598,565	83,340	-	-	681,905	
Total expenditures	<u>23,325,004</u>	<u>1,064,608</u>	<u>1,073,565</u>	<u>1,947,095</u>	<u>27,410,272</u>			
Excess (deficiency) of revenues over (under) expenditures	1,626,849	54,854	(102,502)	(786,892)			792,309	
OTHER FINANCING SOURCES (USES):								
Sale and gain of assets	11,795	-	-	-	-	-	11,795	
Transfers in	-	33,586	172,970	-	-	-	206,556	
Refund of prior year's expenditures	14,483	4,198	-	-	-	-	18,681	
Transfers out	(206,556)	-	-	-	-	-	(206,556)	
Total other financing sources (uses)	<u>(180,278)</u>	<u>37,784</u>	<u>172,970</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>30,476</u>	
Excess (deficiency) of revenues and other sources over (under) expenditures and other uses	1,446,571	92,638	70,468	(786,892)			822,785	
BEGINNING FUND BALANCE	3,017,535	235,183	303,153	214,785			3,770,656	
DECREASE IN RESERVE FOR INVENTORY	(131,254)	-	-	-			(131,254)	
ENDING FUND BALANCE	<u>\$ 4,332,852</u>	<u>\$ 327,821</u>	<u>\$ 373,621</u>	<u>\$ (572,107)</u>			<u>\$ 4,462,187</u>	

The accompanying notes are an integral part of the financial statements.

PAINESVILLE TOWNSHIP LOCAL SCHOOL DISTRICT - LAKE COUNTY
 COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 BUDGET (NON-GAAP BASIS) AND ACTUAL
 ALL GOVERNMENTAL FUND TYPES
 FOR THE YEAR ENDED JUNE 30, 1999

	General Fund		Variance Favorable (Unfavorable)
	Budget	Actual	
REVENUES			
Taxes	\$ 17,021,096	\$ 17,021,096	\$ -
Tuition	569,651	569,651	-
Transportation fees	50,730	50,730	-
Interest	354,298	354,298	-
Classroom materials and fees	114,736	114,736	-
Extracurricular activities	-	-	-
Miscellaneous	36,208	36,208	-
Revenue from intermediate sources	-	-	-
Revenue from state sources	6,903,558	6,903,558	-
Revenue from federal sources	-	-	-
Total revenues	<u>25,050,277</u>	<u>25,050,277</u>	<u>-</u>
EXPENDITURES			
Current			
Instruction:			
Regular	12,009,322	12,009,322	-
Special	1,575,000	1,575,000	-
Other	456,729	456,729	-
Support services:			
Pupil	702,284	702,284	-
Instructional staff	475,794	475,794	-
Board of Education	24,998	24,998	-
Administration	2,401,777	2,401,777	-
Fiscal services	547,473	547,473	-
Business	97,816	97,816	-
Operation and maintenance of plant	2,866,065	2,866,065	-
Pupil transportation	2,298,436	2,298,436	-
Central	8,205	8,205	-
Non-instructional services:			
Food services	21,875	21,875	-
Community services	-	-	-
Extracurricular activities	232,835	232,835	-
Debt service:			
Repayment of debt	-	-	-
Total expenditures	<u>23,718,609</u>	<u>23,718,609</u>	<u>-</u>
Excess (deficiency) of revenue over (under) expenditures	<u>1,331,668</u>	<u>1,331,668</u>	<u>-</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	202,508	202,508	-
Transfers out	(409,050)	(409,050)	-
Advances in	37,004	37,004	-
Advances out	(44,992)	(44,992)	-
Refund of prior year expenditures	14,469	14,469	-
Sale and gain of assets	11,795	11,795	-
Total other financing (uses)	<u>(188,266)</u>	<u>(188,266)</u>	<u>-</u>
Excess of revenues and other financing sources over (under) expenditures and other financing uses	<u>1,143,402</u>	<u>1,143,402</u>	<u>-</u>
FUND BALANCES - BEGINNING OF YEAR	<u>3,610,980</u>	<u>3,610,980</u>	<u>-</u>
PRIOR YEAR ENCUMBRANCES - APPROPRIATED	<u>240,066</u>	<u>240,066</u>	<u>-</u>
FUND BALANCES - END OF YEAR	<u>\$ 4,994,448</u>	<u>\$ 4,994,448</u>	<u>\$ -</u>

The accompanying notes are an integral part of the financial statements

Special Revenue Fund			Debt Service Fund			Capital Projects Fund		
Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
\$ -	\$ -	\$ -	\$ 878,689	\$ 878,689	\$ -	\$ 888,847	\$ 888,847	\$ -
660	660	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
2,735	2,735	-	-	-	-	65,399	65,399	-
-	-	-	-	-	-	-	-	-
381,130	381,130	-	-	-	-	-	-	-
14,913	14,913	-	-	-	-	-	-	-
12,672	12,672	-	-	-	-	-	-	-
159,857	159,857	-	97,036	97,036	-	211,067	211,067	-
544,822	544,822	-	-	-	-	-	-	-
<u>1,116,789</u>	<u>1,116,789</u>	<u>-</u>	<u>975,725</u>	<u>975,725</u>	<u>-</u>	<u>1,165,313</u>	<u>1,165,313</u>	<u>-</u>
295,822	242,037	53,785	-	-	-	418,238	389,593	28,645
324,019	312,963	11,056	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
96,982	80,484	16,498	-	-	-	-	-	-
125,716	110,082	15,634	-	-	-	20,452	11,372	9,080
-	-	-	-	-	-	-	-	-
135,972	110,791	25,181	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
400	-	400	-	-	-	1,678,976	1,678,962	14
39,127	39,079	48	-	-	-	281,110	265,789	15,321
19,576	7,503	12,073	-	-	-	-	-	-
-	-	-	-	-	-	11,735	11,735	-
54,507	36,279	18,228	-	-	-	-	-	-
310,207	240,013	70,194	-	-	-	25,585	5,299	20,286
-	-	-	1,606,905	1,606,905	-	-	-	-
<u>1,402,328</u>	<u>1,179,231</u>	<u>223,097</u>	<u>1,606,905</u>	<u>1,606,905</u>	<u>-</u>	<u>2,436,096</u>	<u>2,362,750</u>	<u>73,346</u>
<u>(285,539)</u>	<u>(62,442)</u>	<u>223,097</u>	<u>(631,180)</u>	<u>(631,180)</u>	<u>-</u>	<u>(1,270,783)</u>	<u>(1,197,437)</u>	<u>73,346</u>
50,231	50,231	-	706,310	706,310	-	-	-	-
(16,645)	(16,645)	-	-	-	-	(533,340)	(533,340)	-
-	-	-	-	-	-	-	-	-
4,982	4,982	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
<u>36,568</u>	<u>36,568</u>	<u>-</u>	<u>706,310</u>	<u>706,310</u>	<u>-</u>	<u>(533,340)</u>	<u>(533,340)</u>	<u>-</u>
(246,971)	(23,874)	223,097	75,130	75,130	-	(1,804,123)	(1,730,777)	73,346
264,443	264,443	-	238,078	238,078	-	848,418	848,418	-
30,489	30,489	-	-	-	-	1,366,161	1,366,161	-
<u>\$ 47,961</u>	<u>\$ 271,058</u>	<u>\$ 223,097</u>	<u>\$ 313,208</u>	<u>\$ 313,208</u>	<u>\$ -</u>	<u>\$ 410,456</u>	<u>\$ 483,802</u>	<u>\$ 73,346</u>

PAINESVILLE TOWNSHIP LOCAL SCHOOL DISTRICT - LAKE COUNTY
COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET (NON-GAAP BASIS) AND ACTUAL
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED JUNE 30, 1999

	Totals (Memorandum Only)		
	Budget	Actual	Variance Favorable (Unfavorable)
REVENUES			
Taxes	\$ 18,788,632	\$ 18,788,632	\$ -
Tuition	570,311	570,311	-
Transportation fees	50,730	50,730	-
Interest	422,432	422,432	-
Classroom materials and fees	114,736	114,736	-
Extracurricular activities	381,130	381,130	-
Miscellaneous	51,121	51,121	-
Revenue from intermediate sources	12,672	12,672	-
Revenue from state sources	7,371,518	7,371,518	-
Revenue from federal sources	544,822	544,822	-
Total revenues	28,308,104	28,308,104	-
EXPENDITURES			
Current			
Instruction:			
Regular	12,723,382	12,640,952	82,430
Special	1,899,019	1,887,963	11,056
Other	456,729	456,729	-
Support services:			
Pupil	799,266	782,768	16,498
Instructional staff	621,862	597,248	24,714
Board of Education	24,998	24,998	-
Administration	2,537,749	2,512,568	25,181
Fiscal services	547,473	547,473	-
Business	97,816	97,816	-
Operation and maintenance of plant	4,545,441	4,545,027	414
Pupil transportation	2,618,673	2,603,304	15,369
Central	27,781	15,708	12,073
Non-instructional services:			
Food services	33,610	33,610	-
Community services	54,507	36,279	18,228
Extracurricular activities	568,627	478,147	90,480
Debt service:			
Repayment of debt	1,606,905	1,606,905	-
Total expenditures	29,163,938	28,867,495	296,443
Excess (deficiency) of revenue over (under) expenditures	(855,834)	(559,391)	296,443
OTHER FINANCING SOURCES (USES)			
Transfers in	959,049	959,049	-
Transfers out	(959,035)	(959,035)	-
Advances in	37,004	37,004	-
Advances out	(44,992)	(44,992)	-
Refund of prior year expenditures	19,451	19,451	-
Sale and gain of assets	11,795	11,795	-
Total other financing (uses)	23,272	23,272	-
Excess of revenues and other financing sources over (under) expenditures and other financing uses	(832,562)	(536,119)	296,443
FUND BALANCES - BEGINNING OF YEAR	4,961,919	4,961,919	-
PRIOR YEAR ENCUMBRANCES - APPROPRIATED	1,636,716	1,636,716	-
FUND BALANCES - END OF YEAR	\$ 5,766,073	\$ 6,062,516	\$ 296,443

The accompanying notes are an integral part of the financial statements

PAINESVILLE TOWNSHIP LOCAL SCHOOL DISTRICT - LAKE COUNTY
COMBINED STATEMENT OF REVENUES, EXPENSES AND CHANGES IN RETAINED EARNINGS
ALL PROPRIETARY FUND TYPES
FOR THE YEAR ENDED JUNE 30, 1999

	Enterprise Funds	Internal Service Funds	Totals (Memorandum Only)
OPERATING REVENUES:			
Food services	\$ 780,049	\$ -	\$ 780,049
Extracurricular activities	50	10,335	10,385
Miscellaneous revenue	190,079	-	190,079
Total operating revenues	<u>970,178</u>	<u>10,335</u>	<u>980,513</u>
OPERATING EXPENSES:			
Salaries and wages	445,155	-	445,155
Fringe benefits	156,008	-	156,008
Purchased services	41,097	-	41,097
Supplies and materials	540,727	-	540,727
Depreciation	4,704	-	4,704
Other objects	14	10,843	10,857
Total operating expenses	<u>1,187,705</u>	<u>10,843</u>	<u>1,198,548</u>
Operating loss	<u>(217,527)</u>	<u>(508)</u>	<u>(218,035)</u>
NON-OPERATING REVENUES AND EXPENSES:			
State sources:			
Unrestricted grants-in-aid	6,817	-	6,817
Federal sources:			
Unrestricted grants-in-aid	<u>202,294</u>	<u>-</u>	<u>202,294</u>
Total non-operating revenues	<u>209,111</u>	<u>-</u>	<u>209,111</u>
Net loss	(8,416)	(508)	(8,924)
BEGINNING RETAINED EARNINGS	<u>60,864</u>	<u>1,552</u>	<u>62,416</u>
ENDING RETAINED EARNINGS	<u>\$ 52,448</u>	<u>\$ 1,044</u>	<u>\$ 53,492</u>

The accompanying notes are an integral part of the financial statements.

PAINESVILLE TOWNSHIP LOCAL SCHOOL DISTRICT - LAKE COUNTY
COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND EQUITY
BUDGET (NON-GAAP BASIS) AND ACTUAL
ALL PROPRIETARY FUND TYPES
FOR THE YEAR ENDED JUNE 30, 1999

	Enterprise Fund			Internal Service Fund			Totals (Memorandum Only)		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
OPERATING REVENUES									
Food service	\$ 780,049	\$ 780,049	\$ -	\$ -	\$ -	\$ -	\$ 780,049	\$ 780,049	\$ -
Extracurricular activities	-	-	-	10,335	10,335	-	10,335	10,335	-
Total operating revenues	780,049	780,049	-	10,335	10,335	-	790,384	790,384	-
OPERATING EXPENSES									
Salaries and wages	447,150	447,150	-	-	-	-	447,150	447,150	-
Fringe benefits	155,975	155,975	-	-	-	-	155,975	155,975	-
Contractual services	45,230	43,341	1,889	-	-	-	45,230	43,341	1,889
Supplies and materials	493,165	492,165	1,000	-	-	-	493,165	492,165	1,000
Capital outlay	236	-	236	-	-	-	236	-	236
Other operating expenses	-	-	-	30,000	10,911	19,089	30,000	10,911	19,089
Total operating expenses	1,141,756	1,138,631	3,125	30,000	10,911	19,089	1,171,756	1,149,542	22,214
Operating gain (loss)	(361,707)	(358,582)	3,125	(19,665)	(576)	19,089	(381,372)	(359,158)	22,214
NON-OPERATING REVENUE									
Miscellaneous	190,079	190,079	-	-	-	-	190,079	190,079	-
Operating grants	158,848	158,848	-	-	-	-	158,848	158,848	-
Refund of prior year expenditures	50	50	-	-	-	-	50	50	-
Total non-operating revenues	348,977	348,977	-	-	-	-	348,977	348,977	-
Excess of revenues over (under) expenses, advances and operating transfers	(12,730)	(9,805)	3,125	(19,665)	(576)	19,089	(32,395)	(10,181)	22,214
FUND EQUITY - BEGINNING OF YEAR	47,260	47,260	-	1,552	1,552	-	48,812	48,812	-
PRIOR YEAR ENCUMBRANCE - APPROPRIATED	7,974	7,974	-	-	-	-	7,974	7,974	-
FUND EQUITY - END OF YEAR	\$ 42,504	\$ 45,629	\$ 3,125	\$ (18,113)	\$ 976	\$ 19,089	\$ 24,391	\$ 46,605	\$ 22,214

The accompanying notes are an integral part of the financial statements.

**PAINESVILLE TOWNSHIP LOCAL SCHOOL DISTRICT - LAKE COUNTY
 COMBINED STATEMENT OF CASH FLOWS
 ALL PROPRIETARY FUND TYPES
 FOR THE YEAR ENDED JUNE 30, 1999**

	Enterprise Funds	Internal Service Funds	Totals (Memorandum Only)
CASH FLOWS FROM OPERATING ACTIVITIES:			
Operating loss	\$ (217,527)	\$ (508)	\$ (218,035)
ADJUSTMENTS TO RECONCILE OPERATING LOSS TO NET CASH USED IN OPERATING ACTIVITIES:			
Depreciation	4,704	-	4,704
Donated consumables	50,263	-	50,263
Net increase in assets:			
Inventory	(4,812)	-	(4,812)
Net increase (decrease) in liabilities:			
Accounts payable	(96)	-	(96)
Interfund payable	7,988	-	7,988
Accrued wages and benefits	(2,419)	-	(2,419)
Compensated absences	457	-	457
Deferred revenue	4,163	-	4,163
Total adjustments	60,248	-	60,248
Net cash used in operating activities	(157,279)	(508)	(157,787)
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES			
Operating grants received	158,848	-	158,848
Net increase (decrease) in cash and cash equivalents	1,569	(508)	1,061
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	47,260	1,552	48,812
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 48,829	\$ 1,044	\$ 49,873

The accompanying notes are an integral part of the financial statements.

**PAINESVILLE TOWNSHIP LOCAL SCHOOL DISTRICT
LAKE COUNTY
NOTES TO FINANCIAL STATEMENTS**

DESCRIPTION OF THE DISTRICT

The Painesville Township Local School District (the "District") is a body politic and corporate established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The District is a local district as defined by Section 3311.03 of the Ohio Revised Code. The District operates under a five-member elected Board of Education and is responsible for the provision of public education to residents of the District.

The District is located in Lake County.

Average daily membership (ADM) as of June 1, 1999 was 3,812. The District employed 241 certificated employees and 228 noncertificated employees. It currently operates six elementary schools, a middle school, a junior high school and a high school.

DESCRIPTION OF REPORTING ENTITY, BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

FINANCIAL REPORTING ENTITY

In accordance with Governmental Accounting Standards Board (GASB) Statement No. 14, the financial reporting entity consists of a primary government and its component units. The District is a primary government because it is a special-purpose government that has a separately elected governing body, is legally separate and is fiscally independent of other state and local governments. Furthermore, there are no component units combined with the District for financial statement presentation purposes, and it is not included in any other governmental reporting entity. Consequently, the District's financial statements include only the funds and account groups of those organizational entities for which its elected governing body is financially accountable. The District's major operations include education, pupil transportation, food service and maintenance of District facilities.

The District participates in two jointly governed organizations that are further described in the notes to the financial statements.

BASIS OF PRESENTATION

The accounting policies of the District conform to generally accepted accounting principles (GAAP) as applicable to governments.

The financial transactions of the District are recorded in individual funds and account groups. The various funds and account groups are reported by type in the general purpose financial statements. Amounts in the "totals - memorandum only" columns in the general purpose financial statements represent a summation of the combined financial statement line items of the fund types and account groups and are presented only for analytical purposes. The summation includes fund types and account groups that use different bases of accounting, interfund transactions that have not been eliminated, and the caption "amounts to be provided", which does not represent an asset. Consequently, amounts shown in the "totals - memorandum only" columns are not comparable to a consolidation and do not represent the total resources available or total revenues and expenditures/expenses of the District.

**PAINESVILLE TOWNSHIP LOCAL SCHOOL DISTRICT
LAKE COUNTY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

DESCRIPTION OF REPORTING ENTITY, BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The District uses the following fund categories, fund types and account groups:

Governmental Fund Types

Governmental Fund Types are accounted for on a flow of current financial resources measurement focus. Only current assets and current liabilities are generally included on their balance sheets. Their operating statements present sources (revenues and other financing sources) and uses (expenditures and other financing uses) of "available spendable resources" during a period.

General Fund - The general operating fund of the District is used to account for all revenues and expenditures except those required to be accounted for in another fund.

Special Revenue Funds - Special revenue funds are used to account for revenue from specific sources (other than expendable trust or major capital projects) which require separate accounting because of legal restrictions requiring that expenditures be for specified purposes.

Debt Service Fund - The debt service fund is used to account for the accumulation of resources for, and the payment of, general long-term debt principal and interest and related cost; and for the payment of interest on general obligation notes payable, as required by Ohio Law.

Capital Projects Fund - The capital projects fund is used to account for revenues and expenditures related to the acquisition or construction of major capital facilities (other than those financed by proprietary funds).

Proprietary Fund Types

Proprietary Fund Types are accounted for on a flow of economic resources measurement focus. All assets and all liabilities (whether current or noncurrent) associated with their activity are included on their balance sheets. Proprietary fund measurement focus is based upon determination of net income, financial position and cash flows.

Enterprise Funds - Enterprise funds are used to account for operations where the intention is to finance such operations primarily through user charges or to where the District has decided that the periodic determination of revenues, expenses and net income is appropriate. Food service and latchkey fees represent the major operations included in the Enterprise Fund.

Internal Service Funds - Internal service funds are used to account for the financing of goods or services provided by one department or agency to other departments or agencies of the District, or to other governments on a cost-reimbursement basis. Extracurricular activities represent the operations included in the Internal Service Funds.

Fiduciary Fund Types

Agency Fund - Student activities fund accounts are for the resources that belong to the student bodies of the various schools, accounting for sales and other revenue generating activities. Expenditures are primarily for educational supplies, materials and testing. Agency funds are custodial in nature and do not involve measurement of results of operations.

**PAINESVILLE TOWNSHIP LOCAL SCHOOL DISTRICT
LAKE COUNTY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

DESCRIPTION OF REPORTING ENTITY, BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Account Groups

Account groups are used to establish accounting control and accountability for the District's general fixed assets and general long-term debt.

General Fixed Assets – General fixed assets are used to account for capital assets used in general government operations with a useful life of greater than one year (other than those accounted for in Proprietary Funds).

General Long-Term Debt - General long-term debt is used to account for all long-term obligations of the District, except for those accounted for in Proprietary Funds. These obligations are secured by the credit of the District as a whole and are payable from general government resources or assessments against property owners.

BASIS OF ACCOUNTING

Governmental and Fiduciary Fund Types are accounted for on the modified accrual basis of accounting. Governmental revenues are recognized when they become measurable and available to finance expenditures of the current period. Revenue items, which are susceptible to accrual and therefore are recorded as receivables, include property taxes and reimbursable-type grants. Expenditures are recognized when the related fund liability is incurred, with the exception of accumulated unpaid employee compensation, which is not payable from current expendable financial resources.

Proprietary Fund Types are accounted for on the accrual basis of accounting. Their revenues are recognized in the period earned and expenses are recognized in the period incurred. There was no unbilled service charges receivable at year end.

Pursuant to GASB Statement No. 20, "Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that Use Proprietary Fund Accounting", the District follows GASB guidance as applicable to proprietary funds and FASB Statements and Interpretations, Accounting Principles Board Opinions and Accounting Research Bulletins issued on or before November 30, 1989 that do not conflict with or contradict GASB pronouncements.

BUDGETARY BASIS OF ACCOUNTING

The District is required by State statute to adopt an annual appropriated budget for all fund types except agency funds. The specific timetable is as follows:

1. Prior to January 15 of the preceding fiscal year, the Treasurer submits to the Board of Education a proposed operating budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing for all funds. Public hearings are publicized and conducted to obtain taxpayers' comments. The express purpose of this budget document is to reflect the need for existing (or increased) tax rates.
2. By no later than January 20, the board-adopted budget is filed with the Lake County Budget Commission (the "Commission") for tax rate determination.

**PAINESVILLE TOWNSHIP LOCAL SCHOOL DISTRICT
LAKE COUNTY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

DESCRIPTION OF REPORTING ENTITY, BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3. *Prior to March 15, the Board of Education accepts, by formal resolution, the tax rates as determined by the Commission and receives the Commission's certificate of estimated resources, which states the projected revenue of each fund. Prior to June 30, the District must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the certificate of estimated resources. The revised budget then serves as a basis for the appropriation measure. On or about July 1, the certificate of estimated resources is amended to include any unencumbered balances from the preceding year as reported by the District Treasurer. The certificate may be further amended during the year if the District Treasurer identifies projected increases or decreases in revenue.*
4. *By July 1, the annual appropriation resolution is legally enacted by the Board of Education at the fund, function and object level of expenditures, which are the legal levels of budgetary control. State statute permits a temporary appropriation to be effective until no later than October 1 of each year. Resolution appropriations by fund must be within the estimated resources as certified by the Commission and the total of expenditures and encumbrances may not exceed the appropriation totals.*
5. *Any revisions that alter the total of any fund appropriation or alter total function appropriations within a fund, or alter object appropriations within functions must be approved by the Board of Education.*
6. *Formal budgetary integration is to be employed as a management control device during the year for all funds consistent with statutory provision.*
7. *Appropriation amounts are amended by the Board of Education through the year by supplemental appropriations, which either reallocate or increase the original appropriated amounts.*
8. *Unencumbered appropriations lapse at year-end. Encumbered appropriations are carried forward to the succeeding fiscal year and need not be reappropriated. Expenditures plus encumbrances may not legally exceed budgeted appropriations at the fund, function and/or object level.*

The District's budget (budget basis) accounts for certain transactions on a basis, which differs from generally accepted accounting principles (GAAP basis). The major differences between the budget basis and the GAAP basis are that:

1. *Revenues are recorded when received in cash for budget purposes as opposed to when susceptible to accrual for GAAP purposes.*
2. *Expenditures are recorded when paid in cash or encumbered for budget purposes as opposed to when the liability is susceptible to accrual for GAAP purposes.*

**PAINESVILLE TOWNSHIP LOCAL SCHOOL DISTRICT
LAKE COUNTY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

DESCRIPTION OF REPORTING ENTITY, BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

An analysis of the difference in fund balance for all governmental and proprietary fund types at June 30, 1999 as determined under the GAAP basis and budget basis follows:

	General Fund	Special Revenue Fund	Debt Service Fund	Capital Projects Fund	Enter- prise Fund	Internal Service Fund
GAAP basis-fund balance	\$ 4,332,852	\$ 327,821	\$ 373,621	\$ (572,107)	\$ 52,448	\$ 1,044
Adjustments for GAAP basis:						
Adjustment for revenue	-	(3,275)	-	-	-	-
Accrued revenue/prepaid expenses at June 30, 1999	(16,004,018)	-	(880,652)	(884,257)	(100,201)	-
Accrued expenditures/deferred revenues at June 30, 1999	17,136,998	71,800	820,239	2,289,642	96,581	-
Encumbrances outstanding at June 30, 1999 (budget basis)	(471,384)	(125,288)	-	(349,476)	(3,199)	(68)
Budget basis - fund balance	<u>\$ 4,994,448</u>	<u>\$ 271,058</u>	<u>\$ 313,208</u>	<u>\$ 483,802</u>	<u>\$ 45,629</u>	<u>\$ 976</u>

ENCUMBRANCES

Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is employed as an extension of formal budgetary control. Encumbrances are reported as a reservation of fund balance in all Governmental and Fiduciary Fund Types.

CASH AND CASH EQUIVALENTS

To improve cash management, cash received by the District is pooled. Monies for all funds, including proprietary funds, are maintained in this pool. Individual fund integrity is maintained through District records. Each fund's interest in the pool is presented as "equity in pooled cash and investments" on the balance sheet.

During fiscal year 1999, all investments of the District were limited to Star Ohio repurchase agreements and treasury money markets. Except for nonparticipating investment contracts, investments are reported at fair value, which is based on quoted market prices. Nonparticipating investment contracts such as repurchase agreements are reported at cost.

The District has invested funds in the State Treasury Assets Reserve (STAR Ohio) during fiscal year 1999. 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 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, 1999.

Following Ohio statutes, the Board of Education has, by resolution, identified the funds to receive an allocation of interest. Interest revenue credited to the general fund during fiscal year 1999 amounted to \$ 323,995.

For purposes of the combined statement of cash flows and for presentation on the combined balance sheet, 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 District are considered to be cash equivalents. Investments with an original maturity of more than three months that are not made from the pool are considered to be investments.

**PAINESVILLE TOWNSHIP LOCAL SCHOOL DISTRICT
LAKE COUNTY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

**DESCRIPTION OF REPORTING ENTITY, BASIS OF PRESENTATION AND SUMMARY OF
SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

RESTRICTED CASH

Restricted assets in the general fund represent cash and cash equivalents set aside to establish a budget stabilization reserve. This reserve is required by State statute and can be used only after receiving approval from the State. A fund balance reserve has also been established.

INVENTORY

Inventories are valued at cost, which approximates market, using the first-in, first-out method (FIFO) and are determined by physical count. Inventory in Governmental Fund Types consists of expendable supplies held for consumption. The cost of inventory items is recognized as an expenditure when used (consumption method). Reported inventories in the general fund are equally offset by a fund balance reserve, which indicates they are unavailable for appropriation.

FIXED ASSETS AND DEPRECIATION

General Fixed Assets Account Group – General fixed assets are capitalized at cost (or estimated historical cost) and updated for the cost of additions and retirements during the year in the General Fixed Assets Account Group. Donated fixed assets are recorded at their fair market values as of the date donated. The District follows the policy of not capitalizing assets with a cost of less than \$ 500 and a useful life of less than one year. No depreciation is recognized for assets in the General Fixed Assets Account Group.

Proprietary Funds - Equipment reflected in the Proprietary Funds is stated at historical cost (or estimated historical cost) and updated for the cost of additions and retirements during the year. Contributed equipment is recorded at its fair market value as of the date donated. Depreciation has been provided on a straight-line basis for equipment over a 10-year useful life.

INTERFUND TRANSACTIONS

During the course of normal operations, the District has numerous transactions between funds, including expenditures and transfers of resources to provide services and improve assets. Operating subsidies are recorded as operating transfers. The classification of amounts recorded as subsidies, advances or equity contributions is based on the intent of the District at the time of the transaction.

FUND BALANCE RESERVES

Reserved fund balances indicate that portion of fund equity, which is not available for current appropriation or is legally segregated for a specific use. Fund balances are reserved for materials and supplies inventory, revenue bond retirement, statutory reserves and encumbrances. The unreserved portions of fund equity reflected for the Governmental Fund Types are available for use within the specific purposes of those funds.

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.

**PAINESVILLE TOWNSHIP LOCAL SCHOOL DISTRICT
LAKE COUNTY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

DEFICIT FUND BALANCE

Fund balances at June 30, 1999 included the following individual fund deficits:

	Deficit Fund Balance
<u>Capital Projects Fund</u>	\$ (572,107)
<u>Special Revenue Funds</u>	
Title VIB	\$ (229)
Title I	\$ (35,762)
Preschool grant	\$ (7,782)
<u>Fiduciary Funds</u>	
Leroy School Activity Fund	\$ (1,787)
RHS Band Fund	\$ (62)

The deficit in the capital projects fund results from recording tax anticipation notes. The District expects to receive tax revenue as the notes become payable.

The deficits in the above-mentioned special revenue and fiduciary funds are due to timing difference in the recording of revenues and paying expenditures.

EQUITY IN POOLED CASH AND CASH INVESTMENTS

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

Active deposits are public deposits necessary to meet current demands on the treasury. Such monies must be maintained either as cash in the 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 that the District's Board of Education has identified as not required for use within the current two-year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

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

Protection of the District's deposits is provided by the Federal Deposit Insurance Corporation, but 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 deposits with the institution. Interim monies may be deposited or invested in the following securities:

1. United States Treasury Notes, Bills, Bonds or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;

**PAINESVILLE TOWNSHIP LOCAL SCHOOL DISTRICT
LAKE COUNTY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

EQUITY IN POOLED CASH AND CASH INVESTMENTS (CONTINUED)

2. *Bonds, notes, debentures, or other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;*
3. *Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked-to-market daily, and that the term of the agreement must not exceed thirty days;*
4. *Bonds and other obligations of the State of Ohio;*
5. *No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;*
6. *The State Treasurer's investment pool (STAR Ohio); and*
7. *Certain banker's acceptance and commercial paper notes for a period not to exceed 180 days in an amount not to exceed 25 percent of the interim monies available for investment at any one time.*

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

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

At June 30, 1999, the District's general fund had a balance of \$ 562,936 with Lake County Council of Governments Health Care Benefits Program, a claims servicing pool (See Note). The money is held by the claims servicer in a pooled account which is representative of numerous entities and, therefore, cannot be classified by risk under GASB No. 3. The classification of cash and cash equivalents and investments for the Lake County Council of Governments Health Care Benefits Program Self-Insurance Plan as a whole may be obtained from the Plan's fiscal agent, the Mentor Exempted Village School District. To obtain financial information, write to Mr. Jim Metz, Treasurer, Mentor Exempted Village School District, 6451 Center Street, Mentor, OH 44060.

GASB Statement No. 3, "Deposits with Financial Institutions, Investments (including Repurchase Agreements), and Reverse Repurchase Agreements", requires disclosures to help assess actual and potential future deposit and investment market and credit risks. The following information regarding deposits and investments is presented using the categories of risk identified in GASB Statement No. 3.

**PAINESVILLE TOWNSHIP LOCAL SCHOOL DISTRICT
LAKE COUNTY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

EQUITY IN POOLED CASH AND INVESTMENTS (CONTINUED)

- (a) Deposits - At year end, the carrying amount of the District's deposits was \$ 137,278 and the bank balance was \$ 494,498. The bank balance is categorized as follows:

Amount insured by the FDIC	\$ 103,275
Collateralized with securities held by the pledging financial institution's trust department but not in the name of Painesville Township Local Schools	\$ 391,223

- (b) Investments - Investments made by the District as of June 30, 1999 are summarized below. The investments that are represented by specific identifiable investment securities are classified as to credit risk by the three categories described below:

- Category 1 Insured or registered, or investments held by the District or its agents in the District's name.
- Category 2 Uninsured and unregistered, with investments held by the counterparty's trust department or agent in the District's name.
- Category 3 Uninsured and unregistered, with investments held by the counterparty, or by its trust department or agent but not in the District's name.

	Carrying Value	Fair Value	Unrealized Appreciation
Treasury money market (Category 1)	\$ 63,772	\$ 63,772	\$ -
Corporate cash (Category 3)	443,446	443,446	-
Investment in STAR Ohio	6,472,223	6,472,223	-
	<u>\$ 6,979,441</u>	<u>\$ 6,979,441</u>	<u>\$ -</u>

STAR Ohio is an unclassified investment since it is not evidenced by securities that exist in physical or book entry form.

INTERFUND TRANSACTIONS

Interfund balances at June 30, 1999 consist of the following individual fund receivables and payables:

	<u>Receivables</u>	<u>Payables</u>
General fund	\$ 43,878	\$ -
Enterprise fund	-	43,878
	<u>\$ 43,878</u>	<u>\$ 43,878</u>

A summary of interfund transfers made during 1999 by fund is as follows:

	Transferred To	Transferred From
General fund	\$ -	\$ 206,556
Special revenue fund	33,586	-
Debt service fund	172,970	-
	<u>\$ 206,556</u>	<u>\$ 206,556</u>

**PAINESVILLE TOWNSHIP LOCAL SCHOOL DISTRICT
LAKE COUNTY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

PROPERTY TAXES

Property taxes include amounts levied against all real, public utility and tangible (used in business) property located in the District. Real property taxes and public utility taxes are levied after April 1 on the assessed value listed as of the prior January 1, the lien date. Assessed values are established by state law at 35% of appraised market value. Public utility property taxes are assessed on tangible personal property, as well as land and improvements, at true value (normally 50% of cost). Tangible personal property taxes attach as a lien and are levied on January 1 of the current year. Tangible personal property assessments are 25% of true value. The assessed value upon which the 1999 taxes were collected was \$ 597,198,425. Agricultural/residential and other real estate represented 83.4% (\$ 498,068,630) of this total; public utility tangible property 5.5% (\$ 32,704,850) and general tangible property 11.1% (\$ 66,424,945). The general tax rate for operations for the fiscal year ended June 30, 1999 was \$ 49.49 per \$ 1,000 of assessed valuation.

Real property taxes are payable annually or semi-annually. If paid annually, payment is due January 20; if paid semi-annually, the first payment is due January 20 with the remainder payable by June 20. Under certain circumstances, state statute permits earlier or later payment dates to be established.

The Lake County Treasurer remits portions of the taxes collected to all taxing Districts with periodic settlements of real and public utility property taxes in February and August and tangible personal property taxes in June and October. The District records billed but uncollected property taxes as receivables at their estimated net realizable value.

Accrued property taxes receivable represent delinquent taxes outstanding and real property, personal property and public utility taxes, which became measurable as of June 30, 1999. 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 year operations. The receivable is, therefore, 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 is recognized as revenue. The amount available to the District as an advance at June 30, 1999 was \$ 836,188 in the General Fund, \$ 60,413 in the Debt Service Fund and \$ 58,900 in the Capital Projects Fund.

LAKE COUNTY SCHOOL FINANCING DISTRICT

The Board of Education of the Lake County School District has, by a resolution adopted February 6, 1990, pursuant to Section 3311.50 of the Revised Code, created a county school financing district known as the Lake County School Financing District (the "Financing District") for the purpose of levying taxes for the provision of the following specified educational programs and services by the school districts that are part of the Financing District: the provision of necessary personnel, materials, supplies and transportation for instruction in language arts, social studies, mathematics, fine and practical arts, health and physical education, science and business education.

The Board of Education of the Lake County School District acts as the taxing authority of the Financing District pursuant to Section 3311.50 of the Revised Code. The Financing District receives settlements of taxes levied and distributes within ten days to each of the Member Districts (including Painesville Township Local School District) each of such Member District's proportionate share of that tax settlement. Each Member District's proportionate share is a fraction, the numerator being Member District's total pupil population and the denominator being the aggregate pupil population of all Member Districts as of that date.

**PAINESVILLE TOWNSHIP LOCAL SCHOOL DISTRICT
LAKE COUNTY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

LAKE COUNTY SCHOOL FINANCING DISTRICT (CONTINUED)

Taxes collected by the Financing District available to the District at June 30 are recorded as receivables and revenue for the current fiscal year. Uncollected taxes outstanding received by the Financing District within 60 days after the fiscal year are recorded as a receivable and deferred revenue for they are measurable but not available to the District. The receivable is included in the account "Receivables - Intergovernmental."

FIXED ASSETS

A summary of changes in the General Fixed Assets Account Group is as follows:

	Balance July 1, 1998	Additions	Disposals	Balance June 30, 1999
Land and improvements	\$ 528,701	\$ --	\$ --	\$ 528,701
Building and improvements	12,992,239	104,214	29,275	13,067,178
Furniture and equipment	3,754,474	244,140	10,357	3,988,257
Vehicles	2,349,705	710,575	163,388	2,896,892
Equipment under capital lease	99,611	--	--	99,611
Net fixed assets	<u>\$ 19,724,730</u>	<u>\$ 1,058,929</u>	<u>\$ 203,020</u>	<u>\$ 20,580,639</u>

A summary of Enterprise Fund fixed assets at June 30, 1999 follows:

	Balance July 1, 1998	Additions	Disposals	Balance June 30, 1999
Equipment	\$ 192,593	\$ --	\$ --	\$ 192,593
Accumulated depreciation	(127,898)	(4,704)	--	(132,602)
Net fixed assets	<u>\$ 64,695</u>	<u>\$ (4,704)</u>	<u>\$ --</u>	<u>\$ 59,991</u>

Depreciation expense for 1999 was \$ 4,704 in the Enterprise Fund.

COMPENSATED ABSENCES

The criteria for determining vesting vacation and sick leave components are derived from negotiating agreements and state laws. In summary, the components of vesting are as follows:

<u>Vacation</u>	<u>Certificated</u>	<u>Administrators</u>	<u>Non-Certificated</u>
How earned	Not eligible	Per contract	1-9 days for each month worked for less than 1 year of service 10-25 day depending on length of service after year of service
Maximum Accumulation	Not applicable	60 days	10 days
Vested	Not applicable	As earned	As earned
Termination	Not applicable	Paid upon termination	Paid upon termination
Entitlement			
<u>Sick Leave</u>			
How earned	1-1/4 days per month of employment (15 days per year)	1-1/4 days per month of employment (15 days per year)	1-1/4 days per month of employment (15 days per year)
Maximum Accumulation	240 days	240 days	210 days
Vested	As earned	As earned	As earned
Termination	1/4 of accumulated sick leave up to 45 days	1/4 of accumulated sick leave up to 48.75 days	1/4 of accumulated sick leave up to 45 days
Entitlement			

**PAINESVILLE TOWNSHIP LOCAL SCHOOL DISTRICT
LAKE COUNTY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

COMPENSATED ABSENCES (CONTINUED)

According to GASB Statement No. 16, accumulated vacation and sick leave of Government Fund type employees meeting the eligibility requirements have been recorded in the appropriate Governmental Funds as a current liability to the extent that the amounts are expected to be payable within the current period. The balance of the liability is recorded in the General Long-Term Debt Account Group. Vacation and sick leave for employees paid from the Proprietary Fund is recorded as an expense when earned or accrued. The District calculates sick leave using the vesting method based on accumulated benefits.

CHANGES IN GENERAL LONG-TERM DEBT ACCOUNT GROUP

During the year ended June 30, 1999, the following changes occurred in liabilities reported in the General Long-Term Debt Account Group. Compensated absences will be paid from the fund from which the employee is paid.

	<u>Balance at June 30, 1998</u>	<u>Increase (Decrease)</u>	<u>Balance at June 30, 1999</u>
General obligation bonds	\$ 10,620,000	\$ (475,000)	\$ 10,145,000
Compensated absences	1,081,937	530,219	1,612,156
Pension benefit obligation	280,748	15,997	296,745
Capital lease obligations	<u>77,198</u>	<u>(18,716)</u>	<u>58,482</u>
Total	<u>\$ 12,059,883</u>	<u>\$ 52,500</u>	<u>\$ 12,112,383</u>

LONG-TERM DEBT

A. Bonds Payable - All bonds outstanding are general obligations of the District for which the full faith and credit of the District is pledged for repayment. Accordingly, such unmatured obligations of the District are accounted for in the general long-term debt account group. Payments of principal and interest relating to these liabilities are recorded as expenditures in the debt service fund. The source of payment is derived from a current 1.65 mill bonded-debt tax levy, and from savings resulting from energy conservation measures in accordance with Ohio House Bill 264.

The following is a schedule of bonds outstanding at June 30, 1999 for the District:

	<u>House Bill 264 Energy Conservation Bonds</u>	<u>Permanent Improvement Bonds</u>	<u>Total</u>
Interest rate	3.15 - 6.00%	5.30 - 6.20%	
Issue date	09/01/92	06/01/93	
Maturity date	06/01/02	12/01/15	
Amount outstanding beginning of year	\$ 560,000	\$ 10,060,000	\$ 10,620,000
Principal redemptions during year	<u>(140,000)</u>	<u>(335,000)</u>	<u>(475,000)</u>
Amount outstanding end of year	<u>\$ 420,000</u>	<u>\$ 9,725,000</u>	<u>\$ 10,145,000</u>

**PAINESVILLE TOWNSHIP LOCAL SCHOOL DISTRICT
LAKE COUNTY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

LONG-TERM DEBT (CONTINUED)

B. Future Debt Requirements - The District's future annual debt service requirements is as follows:

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2000	\$ 495,000	\$ 569,125	\$ 1,064,125
2001	515,000	538,305	1,053,305
2002	540,000	506,050	1,046,050
2003	420,000	472,435	892,435
2004	445,000	447,728	892,728
2005	470,000	422,716	892,716
2006	495,000	395,576	890,576
2007	525,000	366,888	891,888
2008	550,000	338,654	886,654
2009	585,000	304,732	889,732
2010	615,000	270,982	885,982
2011	650,000	235,323	885,323
2012	685,000	197,609	882,609
2013	725,000	157,776	882,776
2014	765,000	115,684	880,684
2015	810,000	71,190	881,190
2016	<u>855,000</u>	<u>24,154</u>	<u>879,154</u>
Totals	<u>\$ 10,145,000</u>	<u>\$ 5,432,927</u>	<u>\$ 15,577,927</u>

TAX ANTICIPATION NOTES

During 1996, the voters passed a five-year 1.89 mill permanent improvement levy. Tax anticipation notes were issued on January 14, 1997 for \$ 2,250,000, maturing \$ 450,000 per year through December 2001 with an interest rate of 4.63%. Balance outstanding at June 30, 1999 was \$ 1,350,000.

CAPITAL LEASE OBLIGATIONS

The District has entered into several capital leases for the acquisition of equipment. The terms of the agreements provide ownership of the equipment. The leases meet the criteria of capital leases 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 at the conclusion of the lease term.

The following is a schedule of future minimum lease payments required under the capital leases and the present value of the minimum lease payments as of June 30, 1999:

<u>Year Ending June 30,</u>				
2000				\$ 24,119
2001				24,119
2002				<u>16,987</u>
Total payments				65,225
Less: Amount representing interest				<u>6,743</u>
Present value of minimum lease payments				<u>\$ 58,482</u>
	Balance			Balance
	June 30,			June 30,
	<u>1998</u>	<u>Additions</u>	<u>Deletions</u>	<u>1999</u>
Leasing obligations	\$ 77,198	\$ --	\$ 18,716	\$ 58,482

**PAINESVILLE TOWNSHIP LOCAL SCHOOL DISTRICT
LAKE COUNTY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

SEGMENT INFORMATION FOR ENTERPRISE FUNDS

The District maintains two enterprise funds to account for food service operations and the latchkey program. The more significant financial information for those funds is as follows:

	Food Service	Latchkey	Total
Operating revenues	\$ 780,049	\$ 190,129	\$ 970,178
Operating expenses before depreciation	\$ 1,001,105	\$ 181,896	\$ 1,183,001
Depreciation	\$ 4,704	\$ -	\$ 4,704
Operating income (loss)	\$ (225,760)	\$ 8,233	\$ (217,527)
Unrestricted grants	\$ 209,111	\$ -	\$ 209,111
Net income (loss)	\$ (16,649)	\$ 8,233	\$ (8,416)
Net working capital	\$ (38,476)	\$ 30,934	\$ (7,542)
Total assets	\$ 114,926	\$ 34,103	\$ 149,029
Total liabilities	\$ 93,412	\$ 3,169	\$ 96,581
Total retained earnings	\$ 21,514	\$ 30,934	\$ 52,448

DEFINED BENEFIT PENSION PLANS

School Employees Retirement System - The District contributes to the School Employees Retirement System of Ohio (SERS), a cost sharing, multiple employer public employee retirement system administered by the School Employees Retirement Board. SERS provides basic retirement benefits, disability, survivor and health care benefits based on eligible service credit to members and beneficiaries. Chapter 3309 of the Ohio Revised Code establishes benefits. SERS issues a publicly available financial report that includes financial statements and required supplementary information for SERS. The report may be obtained by writing to the School Employees Retirement System, 45 North Fourth Street, Columbus, Ohio 43215 or by calling (614) 222-5853.

Plan members are required to contribute 9 percent of their annual covered salary and the District is required to contribute at an actuarially determined rate. The current rate is 14 percent. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS' Retirement Board. The District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 1999, 1998 and 1997 were \$ 549,808, \$ 524,163 and \$ 489,165, respectively, equal to the required contributions for each year.

State Teachers Retirement System - The District contributes to the State Teachers Retirement System of Ohio (STRS), a cost sharing, multiple employer public employee retirement system administered by the State Teachers Retirement Board. STRS provides basic retirement benefits, disability, survivor and health care benefits based on eligible service credit 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 for STRS. The report may be obtained by writing to the State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 43215 or by calling (614) 227-4090.

Plan members are required to contribute 9.3 percent of their annual covered salary and the District is required to contribute 14 percent. 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 District's required contributions for pension obligation to STRS for the fiscal years ended June 30, 1999, 1998 and 1997 were \$ 1,583,334, \$ 1,531,062 and \$ 1,472,886, respectively; equal to the required contributions for each year.

**PAINESVILLE TOWNSHIP LOCAL SCHOOL DISTRICT
LAKE COUNTY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

POST EMPLOYMENT BENEFITS

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

The State Teachers Retirement Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium. By Ohio law, the cost of coverage paid from STRS funds shall be included in the employer contribution rate, currently 14 percent of covered payroll. Through June 30, 1999, the Board allocated employer contributions equal to 8.0 percent of covered payroll to the Health Care Reserve Fund. For the District, this amount equaled \$ 395,833.

STRS pays health care benefits from the Health Care Reserve Fund. The balance in the fund was \$ 2,156 million at June 30, 1998. For the year ended June 30, 1998, net health care costs paid to STRS were \$ 219,224,000 and STRS had 91,999 eligible benefit recipients.

For SERS, coverage is made available to service retirees with ten or more years of qualifying service credit, 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 this fiscal year, employer contributions to fund health care benefits were 6.3 percent of covered payroll. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between minimum pay and the member's pay, prorated for partial service credit. For fiscal year 1999, the minimum pay has been established at \$ 12,400. The surcharge rate 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 125 percent of annual health care expenses. Expenses for health care at June 30, 1998, were \$ 111,900,575 and the target level was \$ 139.9 million. At June 30, 1998, SERS had net assets available for payment of health care benefits of \$ 160.3 million. SERS has approximately 50,000 participants currently receiving health care benefits. For the District, the amount to fund health care benefits, including surcharge, equaled \$ 288,632 during the 1999 fiscal year.

STATUTORY RESERVES

The District is required by state law to set aside certain general fund revenue amounts, as defined, into various reserves. During the fiscal year ended June 30, 1999, the reserve activities were as follows:

	Textbook Reserve	Capital Maintenance Reserve	Budget Stabilization Reserve	Total
Balance July 1, 1998	\$ —	\$ —	\$ 119,849	\$ 119,849
Required set-aside	384,185	384,185	200,000	968,370
Offset credits	(55,546)	(384,185)	—	(439,731)
Qualifying expenditures	<u>(328,639)</u>	<u>—</u>	<u>—</u>	<u>(328,639)</u>
Balance June 30, 1999	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 319,849</u>	<u>\$ 319,849</u>

**PAINESVILLE TOWNSHIP LOCAL SCHOOL DISTRICT
LAKE COUNTY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

STATUTORY RESERVES (CONTINUED)

Expenditures for textbooks and capital activity during the year were \$ 528,424 and \$ 2,354,339, respectively, which exceeded the required set-aside and the reserve balance.

STATE SCHOOL FUNDING DECISION

On March 24, 1997, the Ohio Supreme Court rendered a decision declaring certain portions of the Ohio school-funding plan unconstitutional. The Court stayed the effect of its ruling for one year to allow the Ohio General Assembly to design a plan to remedy the perceived defects in the system. Declared unconstitutional was the State's "school foundation program", which provides significant amounts of monetary support to the District. During the fiscal year ended June 30, 1999, the District received \$ 5,198,904 of school foundation support for its general fund.

Since the Supreme Court ruling, numerous pieces of legislation have been passed by the Ohio General Assembly in an attempt to address the issues identified by the Court. The Court of Common Pleas in Perry County has reviewed the new laws and, in a decision issued on February 26, 1999, determined they are not sufficiently responsive to the constitutional issues raised under the "thorough and efficient" clause of the Ohio Constitution. The State has appealed the decision made by the Court of Common Pleas to the Ohio Supreme Court. At this time, the Ohio Supreme Court has not rendered an opinion on this issue. The decision of the Court of Common Pleas in Perry County has been stayed by the Ohio Supreme Court, and, as such, school districts are still operating under the laws that the Common Pleas Court declared unconstitutional.

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

CONTINGENCIES

Grants - The District receives financial assistance from numerous federal, state and local agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material effect on any of the financial statements of the individual fund types included herein or on the overall financial position of the District at June 30, 1999.

Litigation - The District was named as defendant in several court actions during the period ended June 30, 1999. Management does not believe that the ultimate resolution of these cases will have a material impact on the general-purpose financial statements of the District.

Property Tax Refunds - On November 6, 1998, the Ohio Board of Tax Appeals issued its decision in the case of Duquesne Light Company, an electric utility and part owner of the Perry Nuclear Power Plant. The decision ordered personal property refunds based on reductions in taxable value of about \$ 145 million. This decision was immediately appealed to the Ohio Supreme Court.

The implications raised by Duquesne are far reaching and can result in refund claims for 1988-1993 and additional claims being filed by other electric companies and other utilities. As of the date of these financial statements, the District is unable to determine what effect, if any, this decision will have on tax revenue or possible payments of tax refunds.

**PAINESVILLE TOWNSHIP LOCAL SCHOOL DISTRICT
LAKE COUNTY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

JOINTLY GOVERNED ORGANIZATIONS

The Lake Geauga Computer Association (LGCA) is a jointly governed organization among two county consortium of Ohio school districts. The jointly governed 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 districts. Each of the governments of these schools supports LGCA based on a per pupil charge. The District contributed \$ 52,015 to LGCA during fiscal year 1999. LGCA is governed by an Assembly consisting of two representatives from each participating school district. The degree of control exercised by any participating school district is limited to its representation on the Assembly. Financial information can be obtained by contacting the Treasurer at the Geauga County Educational Service Center, who serves as the fiscal agent, at 470 Center Street, Chardon, OH 44024.

The Ohio Schools Council Association (Council) is a jointly governed organization among eighty-two school districts. The jointly governed organization was formed to bring quality products and services at the lowest possible cost to the member districts. The Council's Board consists of seven superintendents of the participating districts whose terms rotate every year. The degree of control exercised by any school district is limited to its representation on the Board. In fiscal year 1999, the District paid \$ 750 to the Council. Financial information can be obtained by contacting Joseph Lesak, the Executive Secretary of the Ohio Schools Council at 155 Center Road, Bedord, OH 44146.

The District participates in the Council's electric purchase program, which was implemented during fiscal year 1998. This program allows school districts to purchase electricity at reduced rates, if the school districts will commit to participating for an eight-year period. The participants make monthly payments based on estimated usage. Each June these estimated payments are compared to their actual usage for the year and any necessary adjustments are made.

Energy Acquisition Corporation, a non-profit corporation with a self-appointing board, issued \$ 119,140,000 in debt to prepurchase eight years of electricity from Cleveland Electric Illuminating (CEI) for the participants. The participating school districts are not obligated in any manner for this debt. If a participating school district terminates their agreement, they are required to repay the savings to CEI and CEI will refund the remaining prepayment related to that participant to Energy Acquisition Corporation.

CLAIMS SERVICING POOL

Lake County Council of Governments Health Care Benefits Program (HCBP) Self Insurance Program – The District participates in Lake County Council of Governments Health Care Benefits Program (HCBP) Self Insurance Program, a claims servicing pool, comprised of eleven members. Each member pays an administrative fee to the pool. The Plan's business and affairs are conducted by a five-member Board of Directors elected from the HCBP's assembly. All participating members retain their risk and the Plan acts as the claims servicing agent.

RISK MANAGEMENT

The 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 1999, the District contracted with Nationwide Wausau Insurance Company for property and general liability insurance. There is a \$ 500 deductible with a 90% co-insurance limit of \$ 57,221,300.

**PAINESVILLE TOWNSHIP LOCAL SCHOOL DISTRICT
LAKE COUNTY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

RISK MANAGEMENT (CONTINUED)

Commercial umbrella liability is protected by Nationwide Wausau Insurance Company with a \$ 2,000,000 single and aggregate occurrence limit with a \$ 10,000 deductible. Vehicles are also covered by Nationwide Wausau Insurance Company and have a \$ 250 deductible for comprehensive collision. Automobile liability has a \$ 1,000,000 combined single limit of liability. Settled claims have not exceeded this commercial coverage in any of the past three years.

The District has elected to provide medical coverage through a self-insured program. The District uses the general fund to account for and finance its uninsured risks of loss in this program. The claims are serviced through the Lake County Council of Governments Health Care Benefits Program. The Lake County Council of Governments Health Care Benefits Program has stop loss coverage of 110% of expected claims. The claims liability of \$ 188,500 reported in the general fund at June 30, 1999 is based on the requirements of Governmental Accounting Standards Board Statement No. 10, which requires that a liability for unpaid claim costs, including estimates of costs relating to incurred but not reported claims, be reported. The estimate was not affected by incremental claim adjustment expenses and does not include other allocated or unallocated claim adjustment expenses. Changes in the fund's claims liability amount in 1999 was:

	<u>Balance at Beginning of Year</u>	<u>Current Year Claims</u>	<u>Claim Payments</u>	<u>Balance at End of Year</u>
1999	\$ 175,719	\$ 1,983,907	\$ 1,971,126	\$ 188,500

OSBA GROUP RATING PROGRAM

The District participates in the Ohio School Boards Association Workers' Compensation Group Rating Program (GRP), 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 Ohio School Boards Association. The Executive Director of the OSBA, or his designee, serves as coordinator of the program. Each year, the participating school districts pay an enrollment fee to the GRP to cover the costs of administering the program.

The intent of the GRP is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the GRP. The workers compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts 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 school districts that can meet the GRP's selection criteria. The firm of Gates McDonald & Co. provides administrative, cost control and actuarial services to the GRP.

YEAR 2000 ISSUE

The year 2000 issue is the result of shortcomings in many electronic data processing systems and other equipment that may adversely affect the District's operations.

**PAINESVILLE TOWNSHIP LOCAL SCHOOL DISTRICT
LAKE COUNTY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

YEAR 2000 ISSUE (CONTINUED)

The District has completed an inventory of computer systems and other equipment necessary to conducting District operations and has identified such systems as being financial reporting, payroll and employee benefits, and educational statistics reporting (through the State's Education Management and Information System (EMIS)). The District has eight school buildings with power systems, which have extensive efficiency utilization measures within the systems.

The District uses the State of Ohio Uniform School Accounting System software for its financial reporting, and the State of Ohio Uniform Staff Payroll System software for its payroll and employee benefits. The State is responsible for remediating these systems.


The State of Ohio distributes a substantial sum of money to the District in the form of "Foundation" and federal and state grant payments. Further, the State processes a significant amount of financial and non-financial information about the District through EMIS. The State is responsible for remediating these systems.

Lake County collects property taxes for distribution to the District. Lake County is responsible for remediating its tax collection system.

Because of the unprecedented nature of the Year 2000 issue, its effects and the success of related remediation efforts will not be fully determinable until the year 2000 and thereafter. Management cannot assure that the District is or will be Year 2000 ready, that the District's remediation efforts will be successful in whole or in part, or that parties with whom the District does business will be year 2000 ready.

SNODGRASS

Certified Public Accountants and Consultants



**Report on Compliance and on Internal Control over Financial Reporting
Based on an Audit of Financial Statements Performed in Accordance with
Government Auditing Standards**

Board of Education
Painesville Township Local School District – Lake County
Painesville Township, Ohio

We have audited the financial statements of Painesville Township Local School District (the "District") as of and for the year ended June 30, 1999, and have issued our report thereon dated December 9, 1999. We conducted our audit in accordance with generally accepted auditing standards 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 a material weakness.

This report is intended solely for the information and use of 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.

S. R. Snodgrass A.C.

Mentor, Ohio
December 9, 1999

SNODGRASS

Certified Public Accountants and Consultants



Report on Compliance with Requirements Applicable to Each Major Program And Internal Control over Compliance in Accordance with OMB Circular A-133

Board of Education
Painesville Township Local School District – Lake County
Painesville Township, Ohio

Compliance

We have audited the compliance of Painesville Township Local School District (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, 1999. The District's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. 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 generally accepted auditing standards; 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 with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. 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, Painesville Township Local School 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, 1999.

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.

S.R. Snodgrass, A.C.

5840 Heisley Road Mentor, OH 44060-1856 Phone: 440-352-3949/440-951-2451 Facsimile: 440-352-9314

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 solely for the information and use of management, federal awarding agencies and pass-through entities and is not intended and should not be used by anyone other than these specified parties.

J. R. Hodgson A.C.

Mentor, Ohio
December 9, 1999

**PAINESVILLE TOWNSHIP LOCAL SCHOOL DISTRICT – LAKE COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 1999**

Section I – Summary of Auditors' Results

Financial Statements

Type of auditors' report issued:	Unqualified
Internal control over financial reporting:	
• Material weaknesses identified?	No
• Reportable conditions identified that are not considered to be material weaknesses?	None Reported
Noncompliance material to financial statements noted?	No

Federal Awards

Internal control over major programs:	
• Material weaknesses identified?	No
• Reportable conditions identified that are not considered to be material weaknesses?	None Reported
Type of Auditors' report issued on compliance for major programs?	Unqualified
Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133?	No

Identification of major program:

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
84.010	Title I School Subsidy
84.027, 84.173	Special Education Cluster

Dollar threshold used to distinguish between type A and type B programs:	\$ 300,000
Auditee qualified as low-risk auditee?	Yes

Section II - Financial Statement Findings

None

Section III - Federal Award Findings and Questioned Costs

None

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - CASH
FOR THE YEAR ENDED JUNE 30, 1999**

FEDERAL GRANTOR/PASS-THROUGH GRANTOR/PROGRAM OR CLUSTER TITLE U.S. DEPARTMENT OF AGRICULTURE:	Federal CFDA Number	Pass-Through Grants' Number	Cash Receipts	Other Receipts	Cash Disbursements	Other Disbursements
Passed Through State Department of Education: Child Nutrition Cluster			\$ -	\$ 50,263	\$ -	\$ 50,263
Food Distribution Program	10.550	N/A				
School Breakfast Program	10.553	047894-05-PU-99	3,833	-	3,833	-
School Lunch Program	10.555	047894-03-PU-98	6,249	-	6,249	-
	10.555	047894-03-PU-99	38,083	-	38,083	-
	10.555	047894-04-PU-98	14,203	-	14,203	-
	10.555	047894-04-PU-99	89,664	-	89,664	-
			148,199	-	148,199	-
Total U.S. Department of Agriculture - Child Nutrition Cluster			152,032	50,263	152,032	50,263
U.S. DEPARTMENT OF EDUCATION: Passed Through State Department of Education: Title I School Subsidy						
Drug-Free Education	84.010	047894-C1-S1-98	59,433	-	59,225	-
	84.010	047894-C1-S1-98C	20,097	-	18,779	-
	84.010	047894-C1-S1-99	175,154	-	167,866	-
			254,684	-	245,870	-
	84.186	047894-DR-S1-98	6,091	-	11,596	-
	84.186	047894-DR-S1-98C	8,271	-	6,811	-
	84.186	047894-DR-S1-97C	(346)	-	13,232	-
	84.186	047894-DR-S1-99	48,788	-	34,656	-
			62,804	-	66,295	-
	84.281	047894-MS-S1-99	14,212	-	7,428	-
	84.281	047894-MS-S1-98C	-	-	5,010	-
	84.281	047894-MS-S1-98	-	-	2,662	-
	84.281	047894-MS-S1-97C	-	-	6,651	-
			14,212	-	21,751	-
	84.298	047894-C2-S1-99	14,646	-	9,410	-
	84.298	047894-C2-S1-98C	-	-	3,424	-
	84.298	047894-C2-S1-98	-	-	7,726	-
	84.298	047894-C2-S1-97C	-	-	1,236	-
			14,646	-	21,796	-
	84.276	047894-G2-S2-99	15,000	-	-	-
Goals 2000 Subsidy Special Education Cluster: Title VI-B						
Preschool Subsidy	84.027	047894-6B-SF-98	20,643	-	30,108	-
Total Special Education Cluster	84.027	047894-6B-SF-99	140,178	-	124,136	-
Total U.S. Department of Education			160,821	-	154,244	-
Total Expenditures of Federal Awards	84.173	047894-PG-S1-99	22,308	-	22,308	-
			183,129	-	176,552	-
			544,475	-	532,264	-
			\$ 696,507	\$ 50,263	\$ 684,296	\$ 50,263

See accompanying notes to schedule of expenditures of federal awards - cash.

**PAINESVILLE TOWNSHIP LOCAL SCHOOL DISTRICT – LAKE COUNTY
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - CASH**

BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards - cash includes the federal grant activity of Painesville Township Local School District and is presented on the cash basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the general purpose financial statements.

NONCASH SUPPORT

The District receives noncash support in the form of food subsidies from the National School Lunch Program (NSLP), CFDA 10.550. The value of the food subsidies is determined by using the fair market value of the food items as quoted by local food suppliers.

**PAINESVILLE TOWNSHIP LOCAL SCHOOL DISTRICT – LAKE COUNTY
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 1999**

None



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

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PAINESVILLE TOWNSHIP LOCAL SCHOOL DISTRICT
LAKE 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.

By: Susan Babbitt

Date: JAN 18 2000