

**PAINESVILLE TOWNSHIP LOCAL SCHOOL DISTRICT
LAKE COUNTY**

PAINESVILLE TOWNSHIP, OHIO

GENERAL PURPOSE FINANCIAL STATEMENTS

JUNE 30, 2000



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

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Board of Education
Painesville Township Local School District

We have reviewed the Independent Auditor's Report of the Painesville Township Local School District, Lake County, prepared by S.R. Snodgrass A.C. for the audit period July 1, 1999 through June 30, 2000. Based upon this review, we have accepted this report 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 12, 2001

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

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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, 2000 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, 2000, 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 5, 2000 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

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.

J. L. Snodgrass A.C.

Mentor, Ohio
December 5, 2000

PAINESVILLE TOWNSHIP LOCAL SCHOOL DISTRICT - LAKE COUNTY
 COMBINED BALANCE SHEET
 ALL FUND TYPES AND ACCOUNT GROUPS
 JUNE 30, 2000

	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		Long-term Debt	Totals			
								Fixed Assets	Debt		General	Long-term Debt		
ASSETS AND OTHER DEBITS:														
Assets:														
Equity in pooled cash and investments	\$5,850,452	\$372,291	\$310,380	\$850,890	\$48,008	\$16	\$56,182	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$7,486,219
Restricted cash	519,849	-	-	-	-	-	-	-	-	-	-	-	-	519,849
Cash with fiscal agent	668,149	-	-	-	-	-	-	-	-	-	-	-	-	668,149
Receivables:														
Taxes	14,558,298	-	674,412	900,817	-	-	-	-	-	-	-	-	-	16,133,527
Accounts	2,453	-	-	19,639	-	-	-	-	-	-	-	-	-	22,092
Interfund	9,343	-	-	-	-	-	-	-	-	-	-	-	-	9,343
Intergovernmental	878,064	-	3,605	5,450	-	-	-	-	-	-	-	-	-	887,119
Materials and supplies inventory	201,715	-	-	-	36,787	-	-	-	-	-	-	-	-	238,502
Fixed assets - net of accumulated depreciation (where applicable)	-	-	-	-	55,349	-	-	-	20,622,085	-	-	-	-	20,677,434
Other Debits:														
Amount to be provided for retirement of general long-term debt	-	-	-	-	-	-	-	-	-	-	-	-	11,521,128	11,521,128
Amount available in Debt Service Fund	-	-	-	-	-	-	-	-	-	-	-	-	375,784	375,784
Total assets and other debits	\$22,688,323	\$372,291	\$988,397	\$1,776,796	\$140,144	\$16	\$56,182	\$20,622,085	\$11,896,912	\$11,896,912	\$58,541,146			

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, 2000**

	Governmental Fund Types				Totals (MEMORANDUM) Only)
	General	Special Revenue	Debt Service	Capital Projects	
REVENUES:					
Revenue from local sources:					
Taxes	\$18,001,988	\$ -	\$813,457	\$945,130	\$19,760,575
Tuition	981,788	855	-	-	982,643
Transportation fees	64,643	-	-	-	64,643
Earnings on investments	464,709	234	-	36,749	501,692
Extracurricular activities	-	393,621	-	-	393,621
Classroom materials and fees	144,795	-	-	-	144,795
Miscellaneous receipts - local sources	15,068	48,138	-	-	63,206
Revenue from intermediate sources:					
Restricted grants-in-aid	-	25,082	-	-	25,082
Revenue from state sources:					
Unrestricted grants-in-aid	6,459,773	25,000	87,911	97,803	6,670,487
Restricted grants-in-aid	68,533	124,792	-	-	193,325
Revenue from federal sources:					
Restricted grants-in-aid	-	480,606	-	-	480,606
Total revenue	26,201,297	1,098,328	901,368	1,079,682	29,280,675

EXPENDITURES:					
Instruction:					
Regular	12,242,545	247,771	-	91,628	12,581,944
Special	1,362,743	237,001	-	-	1,599,744
Other	319,656	-	-	-	319,656
Supporting services:					
Pupils	847,307	61,402	-	-	908,709
Instructional staff	657,905	107,479	-	6,282	771,666
Board of Education	14,980	-	-	-	14,980
Administration	2,518,459	124,677	-	-	2,643,136
Business	55,095	-	-	-	55,095
Pupil transportation	2,404,626	39,373	-	153,304	2,597,303
Central	8,240	36,322	-	-	44,562
Fiscal services	540,868	-	-	-	540,868
Operating and maintenance - plant	3,076,743	4,044	-	157,249	3,238,036

Non-instructional services:									
Food services	21,409	-	-	2,361					23,770
Community services	-	12,206	-	-					12,206
Extracurricular activities:									
Academic and subject oriented activities	33,775	37,875	-	5,585					77,235
Sports oriented activities	184,732	169,392	-	18,506					372,630
Co-curricular activities	19,747	92,022	-	-					111,769
Debt service:									
Principal	-	-	495,000	-					495,000
Interest	-	-	569,125	6,2505					631,630
Total expenditures	<u>24,308,830</u>	<u>1,169,564</u>	<u>1,064,125</u>	<u>497,420</u>					<u>27,039,939</u>
Excess (deficiency) of revenues over (under) expenditure	1,892,467	(71,236)	(162,757)	582,262					2,240,736
OTHER FINANCING SOURCES (USES):									
Sale and gain of assets	7,516	-	-	-					7,516
Transfers in	-	39,699	164,920	-					204,619
Advances in	-	-	-	-					0
Refund of prior year's expenditures	2,748	779	-	41,647					45,174
Transfers out	(299,484)	-	-	-					(299,484)
Advances out	-	-	-	-					0
Refund of prior year's receipts	-	(18,811)	-	-					(18,811)
Total other financing sources (uses)	<u>(289,220)</u>	<u>21,667</u>	<u>164,920</u>	<u>41,647</u>					<u>(60,986)</u>
Excess (deficiency) of revenues and other sources over (under) expenditures and other uses	1,603,247	(49,569)	2,163	623,909					2,179,750
BEGINNING FUND BALANCE	4,332,852	327,821	373,621	(572,107)					4,462,187
DECREASE IN RESERVE FOR INVENTORY	(14,017)	-	-	-					(14,017)
ENDING FUND BALANCE	<u>\$5,922,082</u>	<u>\$278,252</u>	<u>\$375,784</u>	<u>\$51,802</u>					<u>\$6,627,920</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, 2000

	General Fund		Variance Favorable (Unfavorable)
	Budget	Actual	
REVENUES			
Taxes	\$17,613,963	\$17,613,963	\$ -
Tuition	981,788	981,788	-
Transportation fees	64,643	64,643	-
Interest	464,709	464,709	-
Classroom materials and fees	144,795	144,795	-
Extracurricular activities	-	-	-
Miscellaneous receipts	24,511	24,511	-
Revenue from intermediate sources	-	-	-
Revenue from state sources	6,528,306	6,528,306	-
Revenue from federal sources	-	-	-
Total revenues	<u>25,822,715</u>	<u>25,822,715</u>	<u>-</u>
EXPENDITURES:			
Current			
Instruction:			
Regular	12,641,209	12,641,209	-
Special	1,774,164	1,774,164	-
Other	320,481	320,481	-
Supporting services:			
Pupils	977,487	977,487	-
Instructional staff	658,262	658,262	-
Board of Education	14,980	14,980	-
Administration	2,651,172	2,651,172	-
Business	69,366	69,366	-
Pupil transportation	2,533,634	2,533,634	-
Central	10,930	10,930	-
Fiscal services	573,968	573,968	-
Operating and maintenance - plant	3,126,789	3,126,789	-
Non-instructional services:			
Food services	21,409	21,409	-
Community services	-	-	-
Extracurricular activities	235,188	235,188	-
Debt service			
Repayment of debt	-	-	-
Total expenditures	<u>25,609,039</u>	<u>25,609,039</u>	<u>-</u>
Excess (deficiency) of revenues over (under) expenditures	<u>213,676</u>	<u>213,676</u>	<u>-</u>
OTHER FINANCING SOURCES (USES):			
Sale and gain of assets	7,516	7,516	-
Transfers in	200,000	200,000	-
Refund of prior year's expenditures	2,748	2,748	-
Transfers out	(499,484)	(499,484)	-
Advances in	56,354	56,354	-
Advances out	(21,819)	(21,819)	-
Total other financing sources (uses)	<u>(254,685)</u>	<u>(254,685)</u>	<u>-</u>
Excess (deficiency) of revenues and other sources over (under) expenditures and other uses	<u>(41,009)</u>	<u>(41,009)</u>	<u>-</u>
FUND BALANCES - BEGINNING OF YEAR	<u>4,994,448</u>	<u>4,994,448</u>	<u>-</u>
PRIOR YEARS ENCUMBRANCES - APPROPRIATED	<u>471,384</u>	<u>471,384</u>	<u>-</u>
FUND BALANCES - END OF YEAR	<u>\$5,424,823</u>	<u>\$5,424,823</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)
\$ -	\$ -	\$ -	\$808,466	\$808,466	\$ -	\$919,947	\$919,947	\$ -
855	855	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
234	234	-	-	-	-	35,257	35,257	-
-	-	-	-	-	-	-	-	-
393,620	393,620	-	-	-	-	-	-	-
48,138	48,138	-	-	-	-	-	-	-
25,082	25,082	-	-	-	-	-	-	-
149,792	149,792	-	87,911	87,911	-	97,803	97,803	-
480,606	480,606	-	-	-	-	-	-	-
1,098,327	1,098,327	-	896,377	896,377	-	1,053,007	1,053,007	-
250,348	250,348	-	-	-	-	121,388	121,388	-
231,523	231,523	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
70,102	70,102	-	-	-	-	-	-	-
110,661	110,661	-	-	-	-	6,282	6,282	-
-	-	-	-	-	-	-	-	-
134,516	134,516	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
38,045	38,045	-	-	-	-	391,730	391,730	-
36,322	36,322	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
4,044	4,044	-	-	-	-	345,566	345,566	-
-	-	-	-	-	-	2,361	2,361	-
12,206	12,206	-	-	-	-	-	-	-
300,602	300,602	-	-	-	-	24,091	24,091	-
-	-	-	1,576,630	1,576,630	-	-	-	-
1,188,369	1,188,369	-	1,576,630	1,576,630	-	891,418	891,418	-
(90,042)	(90,042)	-	(680,253)	(680,253)	-	161,589	161,589	-
-	-	-	-	-	-	-	-	-
64,687	64,687	-	677,425	677,425	-	-	-	-
(18,032)	(18,032)	-	-	-	-	23,500	23,500	-
(24,988)	(24,988)	-	-	-	-	(512,505)	(512,505)	-
9,343	9,343	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
31,010	31,010	-	677,425	677,425	-	(489,005)	(489,005)	-
(59,032)	(59,032)	-	(2,828)	(2,828)	-	(327,416)	(327,416)	-
271,058	271,058	-	313,208	313,208	-	483,802	483,802	-
125,288	125,288	-	-	-	-	349,476	349,476	-
\$337,314	\$337,314	\$ -	\$310,380	\$310,380	\$ -	\$505,862	\$505,862	\$ -

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, 2000

	Totals (Memorandum Only)		
	Budget	Actual	Variance Favorable (Unfavorable)
REVENUES			
Taxes	\$19,342,376	\$19,342,376	\$ -
Tuition	982,643	982,643	-
Transportation fees	64,643	64,643	-
Interest	500,200	500,200	-
Classroom materials and fees	144,795	144,795	-
Extracurricular activities	393,620	393,620	-
Miscellaneous receipts	72,649	72,649	-
Revenue from intermediate sources	25,082	25,082	-
Revenue from state sources	6,863,812	6,863,812	-
Revenue from federal sources	-	-	-
Total revenues	<u>28,870,426</u>	<u>28,870,426</u>	<u>-</u>
EXPENDITURES:			
Current			
Instruction:			
Regular	13,012,945	13,012,945	-
Special	2,005,687	2,005,687	-
Other	320,481	320,481	-
Supporting services:			
Pupils	1,047,589	1,047,589	-
Instructional staff	775,205	775,205	-
Board of Education	14,980	14,980	-
Administration	2,785,688	2,785,688	-
Business	69,366	69,366	-
Pupil transportation	2,963,409	2,963,409	-
Central	47,252	47,252	-
Fiscal services	573,968	573,968	-
Operating and maintenance - plant	3,476,399	3,476,399	-
Non-instructional services:			
Food services	23,770	23,770	-
Community services	12,206	12,206	-
Extracurricular activities	559,881	559,881	-
Debt service			
Repayment of debt	1,576,630	1,576,630	-
Total expenditures	<u>29,265,456</u>	<u>29,265,456</u>	<u>-</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(395,030)</u>	<u>(395,030)</u>	<u>-</u>
OTHER FINANCING SOURCES (USES):			
Sale and gain of assets	7,516	7,516	-
Transfers in	942,112	942,112	-
Refund of prior year's expenditures	8,216	8,216	-
Transfers out	(1,036,977)	(1,036,977)	-
Advances in	65,697	65,697	-
Advances out	(21,819)	(21,819)	-
Total other financing sources (uses)	<u>(35,255)</u>	<u>(35,255)</u>	<u>-</u>
Excess (deficiency) of revenues and other sources over (under) expenditures and other uses	<u>(430,285)</u>	<u>(430,285)</u>	<u>-</u>
FUND BALANCES - BEGINNING OF YEAR	6,062,516	6,062,516	-
PRIOR YEARS ENCUMBRANCES - APPROPRIATED	<u>946,148</u>	<u>946,148</u>	<u>-</u>
FUND BALANCES - END OF YEAR	<u>\$6,578,379</u>	<u>\$6,578,379</u>	<u>\$ -</u>

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, 2000

	Enterprise Funds	Internal Service Funds	Totals (Memorandum only)
OPERATING REVENUES:			
Food services	\$829,195	-	\$829,195
Extracurricular	-	8,116	8,116
Miscellaneous revenue	217,165	-	217,165
Total operating revenues	1,046,360	8,116	1,054,476
OPERATING EXPENSES:			
Salaries and wages	498,488	-	498,488
Fringe benefits	184,570	-	184,570
Purchased services	43,671	-	43,671
Supplies and materials	610,919	-	610,919
Depreciation	4,642	-	4,642
Other objects	7	9,144	9,151
Total operating expenses	1,342,297	9,144	1,351,441
Operating loss	(295,937)	(1,028)	(296,965)
NON-OPERATING REVENUES AND EXPENSES			
Transfers in	94,865	-	94,865
State sources:			
Unrestricted grants-in-aid	6,830	-	6,830
Federal sources:			
Unrestricted grants-in-aid	219,414	-	219,414
Total non-operating revenues	321,109	-	321,109
Net income (loss)	25,172	(1,028)	24,144
BEGINNING RETAINED EARNINGS	52,448	1,044	53,492
ENDING RETAINED EARNINGS	\$77,620	\$16	\$77,636

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, 2000

	Enterprise Fund		Internal Service Fund		Totals (Memorandum Only)		Variance Favorable (Unfavorable)
	Budget	Actual	Budget	Actual	Budget	Actual	
OPERATING REVENUES							
Tuition	\$9,794	\$9,794	\$ -	\$ -	\$9,794	\$9,794	\$ -
Food Service	829,195	829,195	-	-	829,195	829,195	-
Extracurricular activities	-	-	8,116	8,116	8,116	8,116	-
Total operating revenues	838,989	838,989	8,116	8,116	847,105	847,105	-
OPERATING EXPENSES							
Salaries and wages	492,074	492,074	-	-	492,074	492,074	-
Fringe benefits	183,973	183,973	-	-	183,973	183,973	-
Contractual services	42,228	49,033	(6,805)	-	42,228	49,033	(6,805)
Supplies and materials	545,951	554,169	(8,218)	-	545,951	554,169	(8,218)
Capital outlay	4,153	4,153	-	-	4,153	4,153	-
Other operating expenses	-	-	9,144	9,144	9,144	9,144	-
Total operating expenses	1,268,379	1,283,402	(15,023)	9,144	1,277,523	1,292,546	(15,023)
Operating loss	(429,390)	(444,413)	(15,023)	(1,028)	(430,418)	(445,441)	(15,023)
NON-OPERATING REVENUE							
Miscellaneous	258,339	258,339	-	-	258,339	258,339	-
Operating grants	170,231	170,231	-	-	170,231	170,231	-
Refund of prior year's expenditures	-	-	-	-	-	-	-
Total non-operating revenues	428,570	428,570	0	0	428,570	428,570	-
Excess of revenues under expenses, advances and operating transfers	(820)	(15,843)	(15,023)	(1,028)	(1,848)	(16,871)	(15,023)
FUND EQUITY - BEGINNING OF YEAR	45,629	45,629	-	976	46,605	46,605	-
PRIOR YEAR ENCUMBRANCE - APPROPRIATED	3,199	3,199	-	68	3,267	3,267	-
FUND EQUITY - END OF YEAR	\$48,008	\$32,985	(\$15,023)	\$16	\$48,024	\$33,001	(\$15,023)

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, 2000

	Enterprise Funds	Internal Service Funds	Totals (Memorandum Only)
CASH FLOWS FROM OPERATING ACTIVITIES:			
Operating loss	(\$295,937)	(\$1,028)	(\$296,965)
ADJUSTMENTS TO RECONCILE OPERATING LOSS TO NET CASH USED IN OPERATING ACTIVITIES:			
Depreciation	4,642	-	4,642
Net decrease in assets:			
Inventory	3,422	-	3,422
Net increase (decrease) in liabilities:			
Accounts payable	2,070	-	2,070
Interfund payable	(43,877)	-	(43,877)
Accrued wages and benefits	1,116	-	1,116
Compensated absences	5,895	-	5,895
Deferred revenue	739	-	739
Total adjustments	(25,993)	-	(25,993)
Net cash used in operating activities	(321,930)	(1,028)	(322,958)
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES			
Transfers in	94,865	-	94,865
Operating grants received	226,244	-	226,244
Net cash flows from non-capital financing activities	321,109	-	321,109
Net decrease in cash and cash equivalents	(821)	(1,028)	(1,849)
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	48,829	1,044	49,873
CASH AND CASH EQUIVALENTS - END OF YEAR	\$48,008	\$16	\$48,024

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, 2000 was 3,705. The District employed 246 certificated employees and 220 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, latchkey and adult education fees represent the major operations included in the Enterprise Funds.

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, 2000 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	\$ 5,922,082	\$ 278,252	\$ 375,784	\$ 51,802	\$ 77,620	\$ 16
Adjustments for GAAP basis:						
Adjustment for revenue	--	(2,418)	--	--	--	--
Accrued revenue/prepaid expenses at June 30, 2000	(16,318,022)	--	(678,017)	(925,906)	(92,136)	--
Accrued expenditures/deferred revenues at June 30, 2000	16,766,241	94,039	612,613	1,724,994	62,524	--
Encumbrances outstanding at June 30, 2000 (budget basis)	(945,478)	(32,559)	--	(345,028)	(15,023)	--
Budget basis - fund balance	<u>\$ 5,424,823</u>	<u>\$ 337,314</u>	<u>\$ 310,380</u>	<u>\$ 505,862</u>	<u>\$ 32,985</u>	<u>\$ 16</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 2000, 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 2000. 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, 2000.

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 2000 amounted to \$ 464,709.

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 BALANCES

Fund balances at June 30, 2000 included the following individual fund deficits:

	Deficit Fund Balance
<u>Special Revenue Funds</u>	
Title VIB	\$ (8,845)
Title I	\$ (13,694)
Preschool grant	\$ (5,482)
 <u>Fiduciary Funds</u>	
RHS Drama Fund	\$ (2,003)
RHS Class of 2000 Fund	\$ (194)

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;
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

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

EQUITY IN POOLED CASH AND CASH INVESTMENTS (CONTINUED)

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, 2000, the District's general fund had a balance of \$ 668,149 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.

- (a) Deposits - At year end, the carrying amount of the District's deposits was (\$154,646) and the bank balance was \$ 549,774. The bank balance is categorized as follows:

Amount insured by the FDIC	\$ 140,150
Collateralized with securities held by the pledging financial institution's trust department but not in the name of Painesville Township Local Schools	\$ 409,624

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

EQUITY IN POOLED CASH AND CASH INVESTMENTS (CONTINUED)

(b) Investments - Investments made by the District as of June 30, 2000 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)	\$ 4,959	\$ 4,959	\$ --
Corporate cash (Category 3)	297,327	297,327	--
Investment in STAR Ohio	7,860,428	7,860,428	--
	<u>\$ 8,162,714</u>	<u>\$ 8,162,714</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, 2000 consist of the following individual fund receivables and payables:

	Receivables	Payables
General fund	\$ 9,343	\$ --
Special Revenue fund	--	9,343
	<u>\$ 9,343</u>	<u>\$ 9,343</u>

A summary of interfund transfers made during 2000 by fund is as follows:

	Transferred To	Transferred From
General fund	\$ --	\$ 299,484
Special revenue fund	39,699	--
Enterprise fund	94,865	
Debt service fund	164,920	--
	<u>\$ 299,484</u>	<u>\$ 299,484</u>

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 2000 taxes were collected was \$ 616,926,866. Agricultural/residential and other real estate represented 83.6% (\$ 515,339,470) of this total; public utility tangible property 5.3% (\$ 32,838,830) and general tangible

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

PROPERTY TAXES (CONTINUED)

property 11.1% (\$ 68,748,566). The general tax rate for operations for the fiscal year ended June 30, 2000 was \$ 49.37 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, 2000. 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, 2000 was \$ 1,224,213 in the General Fund, \$ 65,404 in the Debt Service Fund and \$ 84,082 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.

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."

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

FIXED ASSETS

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

	Balance July 1, 1999	Additions	Disposals	Balance June 30, 2000
Land and improvements	\$ 528,701	\$ --	\$ --	\$ 528,701
Building and improvements	13,067,178	--	--	13,067,178
Furniture and equipment	3,988,257	220,217	54,669	4,153,805
Vehicles	2,896,892	78,250	202,352	2,772,790
Equipment under capital lease	99,611	--	--	99,611
Net fixed assets	<u>\$ 20,580,639</u>	<u>\$ 298,467</u>	<u>\$ 257,021</u>	<u>\$ 20,622,085</u>

A summary of Enterprise Fund fixed assets at June 30, 2000 follows:

	Balance July 1, 1999	Additions	Disposals	Balance June 30, 2000
Equipment	\$ 192,593	\$ --	\$ --	\$ 192,593
Accumulated depreciation	(132,602)	(4,642)	--	(137,244)
Net fixed assets	<u>\$ 59,991</u>	<u>\$ (4,642)</u>	<u>\$ --</u>	<u>\$ 55,349</u>

Depreciation expense for 2000 was \$ 4,642 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 days depending on length of service after 1 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	215 days
Vested	As earned	As earned	As earned
Termination	1/4 of accumulated sick leave up to 45.00 days	1/4 of accumulated sick leave up to 48.75 days	1/4 of accumulated sick leave up to 45.00 days
Entitlement			

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.

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

CHANGES IN GENERAL LONG-TERM DEBT ACCOUNT GROUP

During the year ended June 30, 2000, 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.

	Balance at <u>June 30, 1999</u>	Increase (Decrease)	Balance at <u>June 30, 2000</u>
General obligation bonds	\$ 10,145,000	\$ (495,000)	\$ 9,650,000
Compensated absences	1,612,156	149,693	1,761,849
Pension benefit obligation	296,745	150,055	446,800
Capital lease obligations	<u>58,482</u>	<u>(20,219)</u>	<u>38,263</u>
Total	<u>\$ 12,112,383</u>	<u>\$ (215,471)</u>	<u>\$ 11,896,912</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 1.25 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, 2000 for the District:

	House Bill 264 Energy Conservation Bonds	Permanent Improvement Bonds	<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	420,000	\$ 9,725,000	\$ 10,145,000
Principal redemptions during year	<u>(140,000)</u>	<u>(355,000)</u>	<u>(495,000)</u>
Amount outstanding end of year	<u>\$ 280,000</u>	<u>\$ 9,370,000</u>	<u>\$ 9,650,000</u>

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>
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	336,654	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>\$ 9,650,000</u>	<u>\$ 4,863,802</u>	<u>\$ 14,513,802</u>

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

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, 2000 was \$ 900,000.

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, 2000:

<u>Year Ending June 30,</u>			
2001			\$ 24,119
2002			<u>16,987</u>
Total payments			41,106
Less: Amount representing interest			<u>2,843</u>
Present value of minimum lease payments			<u>\$ 38,263</u>
	Balance		Balance
	June 30,		June 30,
	<u>1999</u>	<u>Additions</u>	<u>Deletions</u>
Leasing obligations	\$ 58,482	\$ --	\$ 20,219
			<u>\$ 38,263</u>

SEGMENT INFORMATION FOR ENTERPRISE FUNDS

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

	Food Service	Latchkey	Adult Education	Total
Operating revenues	\$ 829,196	\$ 207,370	\$ 9,794	\$ 1,046,360
Operating expenses before depreciation	\$ 1,125,766	\$ 205,230	\$ 6,659	\$ 1,337,655
Depreciation	\$ 4,642	\$ ---	\$ ---	\$ 4,642
Operating income (loss)	\$ (301,212)	\$ 2,140	\$ 3,135	\$ (295,937)
Unrestricted grants	\$ 226,244	\$ ---	\$ ---	\$ 226,244
Transfer in	\$ 92,211	\$ 2,654	\$ ---	\$ 94,865
Net income	\$ 17,243	\$ 4,794	\$ 3,135	\$ 25,172
Net working capital	\$ (16,591)	\$ 35,727	\$ 3,135	\$ 22,271
Total assets	\$ 92,207	\$ 44,802	\$ 3,135	\$ 140,144
Total liabilities	\$ 53,449	\$ 9,075	\$ ---	\$ 62,524
Total retained earnings	\$ 38,758	\$ 35,727	\$ 3,135	\$ 77,620

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

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

DEFINED BENEFIT PENSION PLANS (CONTINUED)

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, 2000, 1999 and 1998 were \$ 583,547, \$ 549,808 and \$ 524,163, 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, 2000, 1999 and 1998 were \$ 1,658,941, \$ 1,583,334 and \$ 1,531,062, respectively; equal to the required contributions for each year.

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.

All STRS benefit recipients and sponsored dependents are eligible for health care coverage. The STRS Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS funds is included in the employer contribution rate, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2000, the STRS Board allocated employer contributions equal to 8 percent of the covered payroll to the Health Care Reserve Fund. For the District, this amount equaled \$947,966 for fiscal year 2000.

STRS pays health care benefits from the Health Care Reserve Fund. At June 30, 1999, (the latest information available) the balance in the Fund was \$ 2,783 million. For the year ended June 30, 1999, net health care costs paid by STRS were \$ 249,929,000 and STRS had 95,796 eligible benefit recipients.

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

POST EMPLOYMENT BENEFITS (CONTINUED)

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.

After the allocation for basic benefits, the remainder of the employer's 14 percent contribution is allocated to providing health care benefits. For the fiscal year ended June 30, 2000, employer contributions to fund health care benefits were 8.5 percent of covered payroll, an increase from 6.3 percent for fiscal year 1999. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2000, the minimum pay was established at \$ 12,400. For the District, the amount contributed to fund health care benefits, including the surcharge, during the 2000 fiscal year equaled \$436,239.

The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund. The target level for the health care reserve is 150 percent of the annual health care expenses. Expenses for health care for the fiscal year ended June 30, 1999 (the latest information available), were \$ 126,380,984 and the target level was \$ 189.6 million. At June 30, 1999, SERS had net assets available for payment of health care benefits of \$188.0 million. SERS has approximately 51,000 participants currently receiving health care benefits.

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, 2000, the reserve activities were as follows:

	<u>Textbook Reserve</u>	<u>Capital Maintenance Reserve</u>	<u>Budget Stabilization Reserve</u>	<u>Total</u>
Balance July 1, 1999	\$ ---	\$ ---	\$ 319,849	\$ 319,849
Required set-asides	542,731	542,731	180,910	1,266,372
Offset credits	---	---	(119,849)	(119,849)
Qualifying expenditures	<u>(720,108)</u>	<u>(1,328,988)</u>	<u>---</u>	<u>(2,049,096)</u>
Total	<u>\$ (177,377)</u>	<u>\$ (786,257)</u>	<u>\$ 380,910</u>	<u>\$ (582,724)</u>
Reserve balance, June 30, 2000	\$ ---	\$ ---	\$ 380,910	\$ 380,910
Designation Balance, June 30, 2000	<u>---</u>	<u>---</u>	<u>138,939</u>	<u>138,939</u>
Restricted Cash	<u>\$ ---</u>	<u>\$ ---</u>	<u>\$ 519,849</u>	<u>\$ 519,849</u>

Although the District had qualifying expenditures during the year that reduced the set-aside amounts to below zero, only the excess expenditures for the textbook reserve can be carried forward to the next fiscal year.

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 State's legislature 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 School District. During the fiscal year ended June 30, 2000, the School

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

STATE SCHOOL FUNDING DECISION (CONTINUED)

District received \$ 5,024,863 of school foundation support for its general fund.

Since the Supreme Court ruling, numerous pieces of legislation have been passed by the State General Assembly in an attempt to address the issues identified by the Court. The Court of Common Pleas in Perry County 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 appealed the decision made by the Court of Common Pleas to the Ohio Supreme Court. On May 11, 2000, the Ohio Supreme Court rendered an opinion on this issue. The Court concluded, "...the mandate of the [Ohio] Constitution has not been fulfilled." The Court's majority recognized efforts by the Ohio General Assembly taken in response to the Court's March 24, 1997, decision, however, it found seven "...major areas warrant further attention, study, and development by the General Assembly..." including the State's reliance on local property tax funding, the state's basic aid formula, the school foundation program, as discussed above, the mechanism for, and adequacy of, funding for school facilities, and the existence of the State's School Solvency Assistance Fund, which the Court found took the place of the unconstitutional emergency school loan assistance program.

The Court decided to maintain jurisdiction over these issues and continued the case at least until June 15, 2001.

As of the date of these financial statements, the School 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, 2000.

Litigation - The District was named as defendant in several court actions during the period ended June 30, 2000. 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 \$ 87,727 to LGCA during fiscal year 2000. 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 2000, the District paid \$ 750 to the Council. Financial information can be obtained by contacting Al Vasek, the Executive Secretary of the Ohio Schools Council at 155 Center Road, Bedford, 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 2000, 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 \$ 59,510,000.

Commercial umbrella liability is protected by Nationwide Wausau Insurance Company with a \$ 3,000,000 single and aggregate occurrence limit with a \$ 10,000 deductible. Vehicles are also

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

RISK MANAGEMENT (CONTINUED)

covered by Nationwide Wausau Insurance Company and have a \$ 250 deductible for comprehensive collision. Automobile liability has a \$ 2,000,000 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 \$ 208,806 reported in the general fund at June 30, 2000 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 was:

	Balance at Beginning <u>of Year</u>	Current <u>Year Claims</u>	Claim <u>Payments</u>	Balance at End <u>of Year</u>
2000	\$ 188,500	\$2,174,236	\$2,153,930	\$ 208,806
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.

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, 2000, and have issued our report thereon dated December 5, 2000. 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. Sivolgess A. C.

Mentor, Ohio
December 5, 2000

**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, 2000. 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, 2000.

Internal Control Over Compliance

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

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

This report is intended 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.

S.R. Ludgess A.C.

Mentor, Ohio
December 5, 2000

**PAINESVILLE TOWNSHIP LOCAL SCHOOL DISTRICT – LAKE COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2000**

Section I – Summary of Auditors’ Results

Financial Statements

Type of auditors’ report issued:	Unqualified
Internal control over financial reporting:	
<ul style="list-style-type: none"> • 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:					
<ul style="list-style-type: none"> • 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:					
<table style="margin-left: auto; margin-right: auto; border-collapse: collapse;"> <tr> <td style="text-align: center; border-bottom: 1px solid black; padding: 0 20px;">CFDA Numbers</td> <td style="text-align: center; border-bottom: 1px solid black; padding: 0 20px;">Name of Federal Program or Cluster</td> </tr> <tr> <td style="text-align: center; padding: 0 20px;">84.010</td> <td style="text-align: center; padding: 0 20px;">Title I School Subsidy</td> </tr> </table>	CFDA Numbers	Name of Federal Program or Cluster	84.010	Title I School Subsidy	
CFDA Numbers	Name of Federal Program or Cluster				
84.010	Title I School Subsidy				
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

PAINESVILLE TOWNSHIP LOCAL SCHOOL DISTRICT - LAKE COUNTY
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - CASH
 FOR THE YEAR ENDED JUNE 30, 2000

FEDERAL GRANTOR/PASS-THROUGH GRANTOR/PROGRAM OR CLUSTER TITLE	Federal CFDA Number	Pass-Through Grantors' Number	Cash Receipts	Other Receipts	Cash Disbursements	Other Disbursements
U.S. DEPARTMENT OF AGRICULTURE:			\$	\$	\$	\$
Passed Through State Department of Education:						
Child Nutrition Cluster						
Food Distribution Program	10.550	N/A	-	56,026	-	56,026
School Breakfast Program	10.553	047894-05-PU-2000	6,799	-	6,799	-
School Lunch Program	10.555	047894-03-PU-1999	7,562	-	7,562	-
	10.555	047894-03-PU-2000	42,779	-	42,779	-
	10.555	047894-04-PU-1999	15,875	-	15,875	-
	10.555	047894-04-PU-2000	90,374	-	90,374	-
			156,590	56,026	156,590	56,026
Total U.S. Department of Agriculture - Child Nutrition Cluster						
U.S. DEPARTMENT OF EDUCATION			163,389	-	163,389	-
Passed Through State Department of Education:						
Title I School Subsidy						
	84.010	047894-C1-S1-1998C	-	-	3,641	-
	84.010	047894-C1-S1-1999C	-	-	10,618	-
	84.010	047894-C1-S1-1999	61,194	-	57,864	-
	84.010	047894-C1-S1-2000	184,078	-	146,516	-
			245,272	-	218,639	-
Drug-Free Education						
	84.186	047894-DR-S1-98	-	-	3,086	-
	84.186	047894-DR-S1-99C	506	-	8,318	-
	84.186	047894-DR-S1-1999	17,422	-	3,814	-
	84.186	047894-DR-S1-2000	17,928	-	15,218	-
			-	-	5,706	-
	84.281	047894-MS-S1-99C	(32)	-	2,416	-
	84.281	047894-MS-S1-98C	-	-	(418)	-
	84.281	047894-MS-S1-1999	15,201	-	5,695	-
	84.281	047894-MS-S1-2000	15,169	-	13,399	-
			-	-	4,388	-
	84.298	047894-C2-S1-1999	-	-	9,188	-
	84.298	047894-C2-S1-2000	-	-	940	-
	84.298	047894-C2-S1-98C	(7)	-	2,328	-
	84.298	047894-C2-S1-99C	2,583	-	16,844	-
			2576	-	21,876	-
			31,274	-	14,490	-
			-	-	-	-
Class Size Reduction Subsidy						
Goals 2000 Subsidy	84.340	047894-CR-S1-2000	414	-	16,456	-
Special Education Cluster:	84.027	047894-6B-SF-1999	144,639	-	73,749	-
Title VI-B	84.027	047894-6B-SF-2000	145,053	-	90,205	-
			23,296	-	20,920	-
			-	-	7,984	-
			23,296	-	28,904	-
			168,349	-	119,109	-
			480,568	-	419,575	-
			643,957	56,026	582,964	56,026
Preschool Subsidy						
	84.173	047894-PG-S1-2000	-	-	-	-
	84.173	047894-PG-S1-1999	-	-	-	-
Total Special Education Cluster						
Total U.S. Department of Education			163,389	-	163,389	-
Total Expenditures of Federal Awards			643,957	56,026	582,964	56,026

See accompanying notes to supplemental 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, 2000**

None



STATE OF OHIO
OFFICE OF THE AUDITOR

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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.

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
JANUARY 30, 2001**