

**PAINESVILLE TOWNSHIP LOCAL SCHOOL DISTRICT
LAKE COUNTY**

AUDIT REPORT

FOR THE YEAR ENDED JUNE 30, 2002



**Auditor of State
Betty Montgomery**

88 East Broad Street
P. O. Box 1140
Columbus, Ohio 43216-1140
Telephone 614-466-4514
800-282-0370
Facsimile 614-466-4490
www.auditor.state.oh.us

Board of Education
Painesville Township Local School District
585 Riverside Drive
Painesville, Ohio 44077

We have reviewed the Independent Auditor's Report of the Painesville Township Local School District, Lake County, prepared by James G. Zupka, CPA, Inc., for the audit period July 1, 2001 through June 30, 2002. 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.

Betty Montgomery

BETTY MONTGOMERY
Auditor of State

January 21, 2003

This Page is Intentionally Left Blank.

PAINESVILLE TOWNSHIP LOCAL SCHOOL DISTRICT
LAKE COUNTY
AUDIT REPORT
FOR THE YEAR ENDED JUNE 30, 2002

TABLE OF CONTENTS

	<u>PAGE</u>
Independent Auditor's Report	1-2
General Purpose Financial Statements:	
Combined Balance Sheet - All Fund Types and Account Groups	3-6
Combined Statement of Revenues, Expenditures, and Changes in Fund Balances - All Governmental Fund Types	7
Combined Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget (Non-GAAP Basis) and Actual - All Governmental Fund Types	8-12
Combined Statement of Revenues, Expenses, and Changes in Retained Earnings - All Proprietary Fund Types	13
Combined Statement of Revenues, Expenditures, and Changes in Fund Equity - Budget (Non-GAAP Basis) and Actual - All Proprietary Fund Types	14-16
Combined Statement of Cash Flows - All Proprietary Fund Types	17
Notes to the General Purpose Financial Statements	18-46
Schedule of Expenditures and Federal Awards - Cash	47
Notes to Schedule of Expenditures of Federal Awards - Cash	48
Summary Schedule of Prior Audit Findings	49
Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	50-51
Report on Compliance with Requirements Applicable to Each Major Program and Internal Control Over Compliance in Accordance with OMB Circular A-133	52-53
Schedule of Findings and Questioned Costs	54-55

This Page is Intentionally Left Blank.

JAMES G. ZUPKA, C.P.A., INC.
Certified Public Accountants
5240 East 98th Street
Garfield Hts., Ohio 44125

Member American Institute of Certified Public Accountants

(216) 475 - 6136

Ohio Society of Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

Board of Education
Painesville Township Local School District
Painesville, Ohio 44077

We have audited the accompanying general purpose financial statements of Painesville Township Local School District (the "District"), as of and for the year ended June 30, 2002 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 auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the 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, 2002, 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 November 26, 2002 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 the 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.

November 26, 2002

James G. Zupka
Certified Public Accountant

This Page is Intentionally Left Blank.

PAINESVILLE TOWNSHIP LOCAL SCHOOL DISTRICT
 COMBINED BALANCE SHEET - ALL FUND TYPES AND ACCOUNT GROUPS
 JUNE 30, 2002

	<u>Governmental Fund Types</u>			
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>
<u>Assets and Other Debits</u>				
<u>Assets</u>				
Equity in Pooled Cash and Investments	\$ 3,194,116	\$ 507,392	\$ 241,438	\$ 3,085,092
Restricted Cash	585,565	0	0	0
Cash with Fiscal Agent	709,029	0	0	0
Receivables:				
Taxes	18,225,312	0	890,242	1,256,014
Accounts	27,888	2,272	0	0
Interfund	194,939	0	0	0
Intergovernmental	1,968,996	0	0	0
Materials and Supplies Inventory	204,282	0	0	0
Fixed Assets (Net of Accumulated Depreciation, where Applicable)	0	0	0	0
<u>Other Debits</u>				
Amount to be Provided for Retirement of General Long-Term Debt	0	0	0	0
Amount Available in Debt Service Fund	0	0	0	0
 Total Assets and Other Debits	 \$ 25,110,127	 \$ 509,664	 \$ 1,131,680	 \$ 4,341,106

See the accompanying notes to the general purpose financial statements.

<u>Proprietary Fund Types</u>		<u>Fiduciary Fund Types</u>	<u>Account Groups</u>			<u>Totals (Memorandum Only)</u>
<u>Enterprise</u>	<u>Internal Service</u>	<u>Agency</u>	<u>General Fixed Assets</u>	<u>General Long-Term Debt</u>		
\$ 48,807	\$ 298	\$ 80,512	\$ 0	\$ 0	\$ 7,157,655	
0	0	0	0	0	585,565	
0	0	0	0	0	709,029	
0	0	0	0	0	20,371,568	
30,084	0	0	0	0	60,244	
0	0	0	0	0	194,939	
0	0	0	0	0	1,968,996	
31,573	0	0	0	0	235,855	
93,583	0	0	22,108,937	0	22,202,520	
0	0	0	0	9,981,919	9,981,919	
0	0	0	0	333,967	333,967	
<u>\$ 204,047</u>	<u>\$ 298</u>	<u>\$ 80,512</u>	<u>\$ 22,108,937</u>	<u>\$ 10,315,886</u>	<u>\$ 63,802,257</u>	

(Continued)

PAINESVILLE TOWNSHIP LOCAL SCHOOL DISTRICT
 COMBINED BALANCE SHEET - ALL FUND TYPES AND ACCOUNT GROUPS
 (CONTINUED)
 JUNE 30, 2002

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
<u>Liabilities, Fund Equity and Other Credits</u>				
<u>Liabilities</u>				
Accounts Payable	\$ 80,835	\$ 29,265	\$	\$ 524,977
Accrued Wages and Benefits	2,430,095	96,241	0	0
Interfund Payable	0	171,032	0	0
Due to Students	0	0	0	0
Intergovernmental Payable	219,775	0	0	0
Compensated Absences Payable	6,299	0	0	0
Claims Liability	337,989	0	0	0
Deferred Revenue	16,823,481	0	723,606	1,065,824
General Obligation Bonds Payable	0	0	0	0
Tax Anticipation Notes	0	0	0	3,250,000
Total Liabilities	19,898,474	296,538	723,606	4,840,801
<u>Fund Equity and Other Credits</u>				
Investment in General Fixed Assets	0	0	0	0
Retained Earnings:				
Unreserved	0	0	0	0
Fund Balance:				
Reserved for Encumbrances	518,794	234,328	0	1,445,023
Reserved for Revenue Bond Retirement	0	0	333,967	0
Reserved for Inventory	204,282	0	0	0
Reserved for Budget Stabilization	585,565	0	0	0
Reserved for Property Taxes	1,503,155	0	74,107	103,471
Unreserved, Undesignated (Deficit)	2,399,857	(21,202)	0	(2,048,189)
Total Fund Equity (Deficit) and Other Credits	5,211,653	213,126	408,074	(499,695)
Total Liabilities, Fund Equity and Other Credits	\$ 25,110,127	\$ 509,664	\$ 1,131,680	\$ 4,341,106

See accompanying notes to the general purpose financial statements.

<u>Proprietary Fund Types</u>		<u>Fiduciary Fund Types</u>	<u>Account Groups</u>		<u>Totals</u>
<u>Enterprise</u>	<u>Internal Service</u>	<u>Agency</u>	<u>General Fixed Assets</u>	<u>General Long-Term Debt</u>	<u>(Memorandum Only)</u>
\$ 2,591	\$ 0	\$ 8,424	\$ 0	\$ 0	\$ 646,092
27,389	0	0	0	0	2,553,725
23,907	0	0	0	0	194,939
0	0	72,088	0	0	72,088
0	0	0	0	487,105	706,880
0	0	0	0	1,233,781	1,240,080
0	0	0	0	0	337,989
11,469	0	0	0	0	18,624,380
0	0	0	0	8,595,000	8,595,000
0	0	0	0	0	3,250,000
<u>65,356</u>	<u>0</u>	<u>80,512</u>	<u>0</u>	<u>10,315,886</u>	<u>36,221,173</u>
0	0	0	22,108,937	0	22,108,937
138,691	298	0	0	0	138,989
0	0	0	0	0	2,198,145
0	0	0	0	0	333,967
0	0	0	0	0	204,282
0	0	0	0	0	585,565
0	0	0	0	0	1,680,733
0	0	0	0	0	330,466
<u>138,691</u>	<u>298</u>	<u>0</u>	<u>22,108,937</u>	<u>0</u>	<u>27,581,084</u>
<u>\$ 204,047</u>	<u>\$ 298</u>	<u>\$ 80,512</u>	<u>\$ 22,108,937</u>	<u>\$ 10,315,886</u>	<u>\$ 63,802,257</u>

PAINESVILLE TOWNSHIP LOCAL SCHOOL DISTRICT
 COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND
 CHANGES IN FUND BALANCES - ALL GOVERNMENTAL FUND TYPES
 FOR THE FISCAL YEAR ENDED JUNE 30, 2002

	Governmental Fund Types				Totals (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	
Revenues					
Taxes	\$ 18,839,851	\$ 0	\$ 866,761	\$1,114,004	\$20,820,616
Intergovernmental	7,959,764	803,532	93,696	120,054	8,977,046
Tuition	1,242,726	0	0	0	1,242,726
Transportation Fees	78,670	0	0	0	78,670
Earnings on Investments	215,937	0	0	39,233	255,170
Extracurricular Activities	0	417,748	0	0	417,748
Classroom Materials and Fees	154,640	0	0	0	154,640
Miscellaneous Receipts	112,596	89,213	0	62,000	263,809
Total Revenues	<u>28,604,184</u>	<u>1,310,493</u>	<u>960,457</u>	<u>1,335,291</u>	<u>32,210,425</u>
Expenditures					
Instruction:					
Regular	14,445,316	464,345	0	23,646	14,933,307
Special	1,777,072	344,932	0	0	2,122,004
Other	383,342	0	0	0	383,342
Support Services:					
Pupils	1,206,114	46,093	0	0	1,252,207
Instructional Staff	843,315	130,770	0	3,550	977,635
Board of Education	15,394	0	0	0	15,394
Administration	2,855,701	91,321	0	0	2,947,022
Business	57,027	0	0	0	57,027
Pupil Transportation	3,084,639	51,409	0	286,184	3,422,232
Central	12,926	43,537	0	0	56,463
Fiscal Services	630,082	0	0	0	630,082
Operation and Maintenance of Plant	3,396,752	4,045	0	1,775,842	5,176,639
Non-Instructional Services:					
Food Services	51,249	0	0	0	51,249
Community Services	16,164	15,309	0	0	31,473
Site Improvement	14,040	0	0	0	14,040
Building Improvement	810,262	0	0	108,357	918,619
Extracurricular Activities	392,464	279,148	0	49,954	721,566
Debt Service:					
Principal	0	0	540,000	0	540,000
Interest	0	0	506,050	50,872	556,922
Total Expenditures	<u>29,991,859</u>	<u>1,470,909</u>	<u>1,046,050</u>	<u>2,298,405</u>	<u>34,807,223</u>
Deficiency of Revenues Under Expenditures	<u>(1,387,675)</u>	<u>(160,416)</u>	<u>(85,593)</u>	<u>(963,114)</u>	<u>(2,596,798)</u>
Other Financing Sources (Uses)					
Gain on Sale of Assets	9,486	0	0	0	9,486
Transfer In	0	70,789	148,400	0	219,189
Transfers (Out)	(245,784)	0	0	0	(245,784)
Total Other Financing Sources (Uses)	<u>(236,298)</u>	<u>70,789</u>	<u>148,400</u>	<u>0</u>	<u>(17,109)</u>
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	<u>(1,623,973)</u>	<u>(89,627)</u>	<u>62,807</u>	<u>(963,114)</u>	<u>(2,613,907)</u>
Fund Balances - Beginning of Year	6,848,229	302,753	345,267	463,419	7,959,668
Decrease in Reserve for Inventory	(12,603)	0	0	0	(12,603)
Fund Balances - End of Year	<u>\$ 5,211,653</u>	<u>\$ 213,126</u>	<u>\$ 408,074</u>	<u>\$ (499,695)</u>	<u>\$ 5,333,158</u>

See accompanying notes to the general purpose financial statements.

PAINESVILLE TOWNSHIP LOCAL SCHOOL DISTRICT
 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, 2002

	General Fund		Variance Favorable (Unfavorable)
	Budget	Actual	
Revenues			
Taxes	\$ 18,478,048	\$ 18,889,637	\$ 411,589
Intergovernmental	7,218,914	7,959,764	740,850
Tuition	1,188,000	1,242,726	54,726
Transportation Fees	70,000	77,256	7,256
Earnings on Investments	404,800	215,937	(188,863)
Extracurricular Activities	0	0	0
Classroom Materials and Fees	127,000	156,263	29,263
Miscellaneous Receipts	15,000	89,966	74,966
Total Revenues	<u>27,501,762</u>	<u>28,631,549</u>	<u>1,129,787</u>
Expenditures			
Current:			
Instruction:			
Regular	14,338,749	14,338,749	0
Special	2,062,998	2,062,998	0
Other	383,342	383,342	0
Support Services:			
Pupils	1,276,541	1,276,541	0
Instructional Staff	849,950	849,950	0
Board of Education	15,394	15,394	0
Administration	2,898,998	2,898,998	0
Business	73,096	73,096	0
Pupil Transportation	3,102,565	3,102,565	0
Central	13,946	13,946	0
Fiscal Services	646,904	646,904	0
Operating and Maintenance - Plant	3,468,773	3,468,773	0
Non-Instructional Services:			
Food Services	51,249	51,249	0
Community Services	16,164	16,164	0
Site Improvement	17,614	17,614	0
Building Improvement	841,430	841,430	0
Extracurricular Activities	402,025	402,025	0
Debt Service:			
Principal	0	0	0
Interest	0	0	0
Total Expenditures	<u>30,459,738</u>	<u>30,459,738</u>	<u>0</u>
Deficiency of Revenues Under Expenditures	<u>(2,957,976)</u>	<u>(1,828,189)</u>	<u>1,129,787</u>
Other Financing Sources (Uses)			
Proceeds from Sale of Notes	0	0	0
Premium on Notes Sold	0	0	0
Gain on Sale of Assets	3,000	9,486	6,486
Transfers In	0	0	0
Transfers Out	(245,784)	(245,784)	0
Advances In	0	34,361	34,361
Advances Out	(194,939)	(194,939)	0
Refund of Prior Year's Receipts	0	0	0
Refund of Prior Year's Expenditures	0	730	730
Total Other Financing Sources (Uses)	<u>(437,723)</u>	<u>(396,146)</u>	<u>41,577</u>
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Uses	(3,395,699)	(2,224,335)	1,171,364
Fund Balance - Beginning of Year	4,183,938	4,183,938	0
Prior Year Encumbrances Appropriated	1,220,449	1,220,449	0
Fund Balance - End of Year	<u><u>\$ 2,008,688</u></u>	<u><u>\$ 3,180,052</u></u>	<u><u>\$ 1,171,364</u></u>

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

PAINESVILLE TOWNSHIP LOCAL SCHOOL DISTRICT
 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, 2002
 (CONTINUED)

	Special Revenue Fund		
	Budget	Actual	Variance Favorable (Unfavorable)
Revenues			
Taxes	\$ 0	\$ 0	\$ 0
Intergovernmental	803,532	803,532	0
Tuition	0	0	0
Transportation Fees	0	0	0
Earnings on Investments	0	0	0
Extracurricular Activities	417,748	417,748	0
Classroom Materials and Fees	0	0	0
Miscellaneous Receipts	62,194	62,194	0
Total Revenues	<u>1,283,474</u>	<u>1,283,474</u>	<u>0</u>
Expenditures			
Current:			
Instruction:			
Regular	435,152	431,214	3,938
Special	503,764	486,429	17,335
Other	0	0	0
Support Services:			
Pupils	59,532	56,617	2,915
Instructional Staff	145,544	135,103	10,441
Board of Education	0	0	0
Administration	92,679	92,446	233
Business	0	0	0
Pupil Transportation	53,251	53,243	8
Central	51,337	43,537	7,800
Fiscal Services	0	0	0
Operating and Maintenance - Plant	4,045	4,045	0
Non-Instructional Services:			
Food Services	0	0	0
Community Services	50,055	30,144	19,911
Site Improvement	0	0	0
Building Improvement	0	0	0
Extracurricular Activities	292,242	292,242	0
Debt Service:			
Principal	0	0	0
Interest	0	0	0
Total Expenditures	<u>1,687,601</u>	<u>1,625,020</u>	<u>62,581</u>
Deficiency of Revenues Under Expenditures	<u>(404,127)</u>	<u>(341,546)</u>	<u>62,581</u>
Other Financing Sources (Uses)			
Proceeds from Sale of Notes	0	0	0
Premium on Notes Sold	0	0	0
Gain on Sale of Assets	0	0	0
Transfers In	70,789	70,789	0
Transfers Out	0	0	0
Advances In	171,032	171,032	0
Advances Out	0	0	0
Refund of Prior Year's Receipts	(86,472)	(84,738)	1,734
Refund of Prior Year's Expenditures	28,247	28,247	0
Total Other Financing Sources (Uses)	<u>183,596</u>	<u>185,330</u>	<u>1,734</u>
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Uses	(220,531)	(156,216)	64,315
Fund Balance - Beginning of Year	296,372	296,372	0
Prior Year Encumbrances Appropriated	96,659	96,659	0
Fund Balance - End of Year	<u><u>\$ 172,500</u></u>	<u><u>\$ 236,815</u></u>	<u><u>\$ 64,315</u></u>

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

PAINESVILLE TOWNSHIP LOCAL SCHOOL DISTRICT
 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, 2002
 (CONTINUED)

	Debt Service Fund		Variance Favorable (Unfavorable)
	Budget	Actual	
Revenues			
Taxes	\$ 825,928	\$ 825,928	\$ 0
Intergovernmental	93,696	93,696	0
Tuition	0	0	0
Transportation Fees	0	0	0
Earnings on Investments	0	0	0
Extracurricular Activities	0	0	0
Classroom Materials and Fees	0	0	0
Miscellaneous Receipts	0	0	0
Total Revenues	919,624	919,624	0
Expenditures			
Current:			
Instruction:			
Regular	0	0	0
Special	0	0	0
Other	0	0	0
Support Services:			
Pupils	0	0	0
Instructional Staff	0	0	0
Board of Education	0	0	0
Administration	0	0	0
Business	0	0	0
Pupil Transportation	0	0	0
Central	0	0	0
Fiscal Services	0	0	0
Operating and Maintenance - Plant	0	0	0
Non-Instructional Services:			
Food Services	0	0	0
Community Services	0	0	0
Site Improvement	0	0	0
Building Improvement	0	0	0
Extracurricular Activities	0	0	0
Debt Service:			
Principal	540,000	540,000	0
Interest	506,050	506,050	0
Total Expenditures	1,046,050	1,046,050	0
Deficiency of Revenues Under Expenditures	(126,426)	(126,426)	0
Other Financing Sources (Uses)			
Proceeds from Sale of Notes	0	0	0
Premium on Notes Sold	0	0	0
Gain on Sale of Assets	0	0	0
Transfers In	148,400	148,400	0
Transfers Out	0	0	0
Advances In	0	0	0
Advances Out	0	0	0
Refund of Prior Year's Receipts	0	0	0
Refund of Prior Year's Expenditures	0	0	0
Total Other Financing Sources (Uses)	148,400	148,400	0
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Uses	21,974	21,974	0
Fund Balance - Beginning of Year	219,464	219,464	0
Prior Year Encumbrances Appropriated	0	0	0
Fund Balance - End of Year	\$ 241,438	\$ 241,438	\$ 0

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

PAINESVILLE TOWNSHIP LOCAL SCHOOL DISTRICT
 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, 2002
 (CONTINUED)

	Capital Projects Fund		Variance Favorable (Unfavorable)
	Budget	Actual	
Revenues			
Taxes	\$ 1,089,397	\$ 1,089,397	\$ 0
Intergovernmental	120,054	120,054	0
Tuition	0	0	0
Transportation Fees	0	0	0
Earnings on Investments	39,233	39,233	0
Extracurricular Activities	0	0	0
Classroom Materials and Fees	0	0	0
Miscellaneous Receipts	0	0	0
Total Revenues	<u>1,248,684</u>	<u>1,248,684</u>	<u>0</u>
Expenditures			
Current:			
Instruction:			
Regular	48,177	48,177	0
Special	0	0	0
Other	0	0	0
Support Services:			
Pupils	0	0	0
Instructional Staff	3,550	3,550	0
Board of Education	0	0	0
Administration	0	0	0
Business	0	0	0
Pupil Transportation	286,184	286,184	0
Central	0	0	0
Fiscal Services	0	0	0
Operating and Maintenance - Plant	3,240,137	3,240,137	0
Non-Instructional Services:			
Food Services	0	0	0
Community Services	0	0	0
Site Improvement	110,333	110,333	0
Building Improvement	47,815	47,815	0
Extracurricular Activities	0	0	0
Debt Service:			
Principal	450,000	450,000	0
Interest	55,502	55,502	0
Total Expenditures	<u>4,241,698</u>	<u>4,241,698</u>	<u>0</u>
Deficiency of Revenues Under Expenditures	<u>(2,993,014)</u>	<u>(2,993,014)</u>	<u>0</u>
Other Financing Sources (Uses)			
Proceeds from Sale of Notes	3,250,000	3,250,000	0
Premium on Notes Sold	4,630	4,630	0
Gain on Sale of Assets	0	0	0
Transfers In	0	0	0
Transfers Out	0	0	0
Advances In	0	0	0
Advances Out	0	0	0
Refund of Prior Year's Receipts	0	0	0
Refund of Prior Year's Expenditures	62,000	62,000	0
Total Other Financing Sources (Uses)	<u>3,316,630</u>	<u>3,316,630</u>	<u>0</u>
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Uses	323,616	323,616	0
Fund Balance - Beginning of Year	329,768	329,768	0
Prior Year Encumbrances Appropriated	461,708	461,708	0
Fund Balance - End of Year	<u><u>\$ 1,115,092</u></u>	<u><u>\$ 1,115,092</u></u>	<u><u>\$ 0</u></u>

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

PAINESVILLE TOWNSHIP LOCAL SCHOOL DISTRICT
 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, 2002
 (CONTINUED)

	Totals (Memorandum Only)		
	Budget	Actual	Variance Favorable (Unfavorable)
Revenues			
Taxes	\$20,393,373	\$20,804,962	\$ 411,589
Intergovernmental	8,236,196	8,977,046	740,850
Tuition	1,188,000	1,242,726	54,726
Transportation Fees	70,000	77,256	7,256
Earnings on Investments	444,033	255,170	(188,863)
Extracurricular Activities	417,748	417,748	0
Classroom Materials and Fees	127,000	156,263	29,263
Miscellaneous Receipts	77,194	152,160	74,966
Total Revenues	<u>30,953,544</u>	<u>32,083,331</u>	<u>1,129,787</u>
Expenditures			
Current:			
Instruction:			
Regular	14,822,078	14,818,140	3,938
Special	2,566,762	2,549,427	17,335
Other	383,342	383,342	0
Support Services:			
Pupils	1,336,073	1,333,158	2,915
Instructional Staff	999,044	988,603	10,441
Board of Education	15,394	15,394	0
Administration	2,991,677	2,991,444	233
Business	73,096	73,096	0
Pupil Transportation	3,442,000	3,441,992	8
Central	65,283	57,483	7,800
Fiscal Services	646,904	646,904	0
Operating and Maintenance - Plant	6,712,955	6,712,955	0
Non-Instructional Services:			
Food Services	51,249	51,249	0
Community Services	66,219	46,308	19,911
Site Improvement	127,947	127,947	0
Building Improvement	889,245	889,245	0
Extracurricular Activities	694,267	694,267	0
Debt Service:			
Principal	990,000	990,000	0
Interest	561,552	561,552	0
Total Expenditures	<u>37,435,087</u>	<u>37,372,506</u>	<u>62,581</u>
Deficiency of Revenues Under Expenditures	<u>(6,481,543)</u>	<u>(5,289,175)</u>	<u>1,192,368</u>
Other Financing Sources (Uses)			
Proceeds from Sale of Notes	3,250,000	3,250,000	0
Premium on Notes Sold	4,630	4,630	0
Gain on Sale of Assets	3,000	9,486	6,486
Transfers In	219,189	219,189	0
Transfers Out	(245,784)	(245,784)	0
Advances In	171,032	205,393	34,361
Advances Out	(194,939)	(194,939)	0
Refund of Prior Year's Receipts	(86,472)	(84,738)	1,734
Refund of Prior Year's Expenditures	90,247	90,977	730
Total Other Financing Sources (Uses)	<u>3,210,903</u>	<u>3,254,214</u>	<u>43,311</u>
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Uses	<u>(3,270,640)</u>	<u>(2,034,961)</u>	<u>1,235,679</u>
Fund Balance - Beginning of Year	5,029,542	5,029,542	0
Prior Year Encumbrances Appropriated	1,778,816	1,778,816	0
Fund Balance - End of Year	<u><u>\$ 3,537,718</u></u>	<u><u>\$ 4,773,397</u></u>	<u><u>\$ 1,235,679</u></u>

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

PAINESVILLE TOWNSHIP LOCAL SCHOOL DISTRICT
 COMBINED STATEMENT OF REVENUES, EXPENSES, AND
 CHANGES IN RETAINED EARNINGS
 ALL PROPRIETARY FUND TYPES
 FOR THE YEAR ENDED JUNE 30, 2002

	Enterprise <u>Funds</u>	Internal <u>Service</u>	Totals (Memorandum <u>Only</u>)
<u>Operating Revenues</u>			
Food Services	\$ 876,964	\$ 0	\$ 876,964
Extracurricular Activities	0	6,435	6,435
Interest Income	440	0	440
Miscellaneous Revenue	240,295	0	240,295
Total Operating Revenues	<u>1,117,699</u>	<u>6,435</u>	<u>1,124,134</u>
<u>Operating Expenses</u>			
Salaries and Wages	508,731	0	508,731
Fringe Benefits	147,743	0	147,743
Contractual Services	61,048	0	61,048
Supplies and Materials	541,755	0	541,755
Depreciation	9,764	0	9,764
Other Operating Expenses	0	6,381	6,381
Loss on Asset Disposal	1,612	0	1,612
Total Operating Expenses	<u>1,270,653</u>	<u>6,381</u>	<u>1,277,034</u>
Operating Income (Loss)	<u>(152,954)</u>	<u>54</u>	<u>(152,900)</u>
<u>Non-Operating Revenues (Expenses)</u>			
Transfers In	26,595	0	26,595
Operating Grants	198,623	0	198,623
Total Non-Operating Revenues (Expenses)	<u>225,218</u>	<u>0</u>	<u>225,218</u>
Net Income	<u>72,264</u>	<u>54</u>	<u>72,318</u>
Retained Earnings-Beginning of Year	<u>66,427</u>	<u>244</u>	<u>66,671</u>
Total Retained Earnings - End of Year	<u><u>\$ 138,691</u></u>	<u><u>\$ 298</u></u>	<u><u>\$ 138,989</u></u>

See accompanying notes to the general purpose financial statements.

PAINESVILLE TOWNSHIP LOCAL SCHOOL DISTRICT
 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, 2002
 (CONTINUED)

	Enterprise Fund		Variance Favorable (Unfavorable)
	Budget	Actual	
<u>Operating Revenues</u>			
Food Services	\$ 876,964	\$ 876,964	\$ 0
Extracurricular Activities	3,735	3,735	0
Interest Income	440	440	0
Miscellaneous Revenue	236,549	236,549	0
Total Operating Revenues	1,117,688	1,117,688	0
<u>Operating Expenses</u>			
Salaries and Wages	543,052	507,118	35,934
Fringe Benefits	178,275	178,275	0
Contractual Services	71,749	71,749	0
Supplies and Materials	543,336	543,336	0
Capital Outlay	29,593	29,593	0
Other Operating Expenses	0	0	0
Total Operating Expenses	1,366,005	1,330,071	35,934
Operating Income (Loss)	(248,317)	(212,383)	35,934
<u>Non-Operating Revenue (Expenses)</u>			
Advances In	23,907	23,907	0
Advances Out	(34,361)	(34,361)	0
Transfers In	26,595	26,595	0
Operating Grants	193,793	193,793	0
Refund of Prior Year Expenditures	12	12	0
Total Non-Operating Revenue	209,946	209,946	0
Excess of Revenues Under Expenses, Advances and Operating Transfers	(38,371)	(2,437)	35,934
Fund Equity - Beginning of Year	23,723	23,723	0
Prior Year Encumbrances Appropriated	15,087	15,087	0
Fund Equity - End of Year	\$ 439	\$ 36,373	\$ 35,934

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

PAINESVILLE TOWNSHIP LOCAL SCHOOL DISTRICT
 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, 2002
 (CONTINUED)

	<u>Internal Service Fund</u>		
	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
<u>Operating Revenues</u>			
Food Services	\$ 0	\$ 0	\$ 0
Extracurricular Activities	6,435	6,435	0
Interest Income	0	0	0
Miscellaneous Revenue	0	0	0
Total Operating Revenues	<u>6,435</u>	<u>6,435</u>	<u>0</u>
<u>Operating Expenses</u>			
Salaries and Wages	0	0	0
Fringe Benefits	0	0	0
Contractual Services	0	0	0
Supplies and Materials	0	0	0
Capital Outlay	0	0	0
Other Operating Expenses	6,381	6,381	0
Total Operating Expenses	<u>6,381</u>	<u>6,381</u>	<u>0</u>
Operating Income (Loss)	<u>54</u>	<u>54</u>	<u>0</u>
<u>Non-Operating Revenue</u>			
Advances In	0	0	0
Advances Out	0	0	0
Transfers In	0	0	0
Operating Grants	0	0	0
Refund of Prior Year Expenditures	0	0	0
Total Non-Operating Revenue	<u>0</u>	<u>0</u>	<u>0</u>
Excess of Revenues Over Expenses, Advances and Operating Transfers	54	54	0
Fund Equity - Beginning of Year	244	244	0
Prior Year Encumbrances Appropriated	0	0	0
Fund Equity - End of Year	<u>\$ 298</u>	<u>\$ 298</u>	<u>\$ 0</u>

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

PAINESVILLE TOWNSHIP LOCAL SCHOOL DISTRICT
 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, 2002
 (CONTINUED)

	Totals (Memorandum Only)		
	Budget	Actual	Variance Favorable (Unfavorable)
<u>Operating Revenues</u>			
Food Services	\$ 876,964	\$ 876,964	\$ 0
Extracurricular Activities	10,170	10,170	0
Interest Income	440	440	0
Miscellaneous Revenue	236,549	236,549	0
Total Operating Revenues	<u>1,124,123</u>	<u>1,124,123</u>	<u>0</u>
<u>Operating Expenses</u>			
Salaries and Wages	543,052	507,118	35,934
Fringe Benefits	178,275	178,275	0
Contractual Services	71,749	71,749	0
Supplies and Materials	543,336	543,336	0
Capital Outlay	29,593	29,593	0
Other Operating Expenses	6,381	6,381	0
Total Operating Expenses	<u>1,372,386</u>	<u>1,336,452</u>	<u>35,934</u>
Operating Income (Loss)	<u>(248,263)</u>	<u>(212,329)</u>	<u>35,934</u>
<u>Non-Operating Revenue</u>			
Advances In	23,907	23,907	0
Advances Out	(34,361)	(34,361)	0
Transfers In	26,595	26,595	0
Operating Grants	193,793	193,793	0
Refund of Prior Year Expenditures	12	12	0
Total Non-Operating Revenue	<u>209,946</u>	<u>209,946</u>	<u>0</u>
Excess of Revenues Under Expenses, Advances and Operating Transfers	(38,317)	(2,383)	35,934
Fund Equity - Beginning of Year	23,967	23,967	0
Prior Year Encumbrances Appropriated	15,087	15,087	0
Fund Equity - End of Year	<u>\$ 737</u>	<u>\$ 36,671</u>	<u>\$ 35,934</u>

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

PAINESVILLE TOWNSHIP LOCAL SCHOOL DISTRICT
 COMBINED STATEMENT OF CASH FLOWS -
 ALL PROPRIETARY FUND TYPES
 FOR THE FISCAL YEAR ENDED JUNE 30, 2002

	Enterprise	Internal Service	Totals (Memorandum Only)
<u>Cash Flows from Operating Activities</u>			
Operating Income (Loss)	\$(152,954)	\$ 54	\$(152,900)
<u>Adjustments to Reconcile Operating Loss to Net Cash Used in Operating Activities</u>			
Depreciation	9,764	0	9,764
Loss on Disposal of Equipment	1,612	0	1,612
Net (Increase) Decrease in Assets:			
Accounts Receivable	(4,830)	0	(4,830)
Inventory	7,363	0	7,363
Net Increase (Decrease) in Liabilities:			
Accounts Payable	652	0	652
Interfund Payable	(10,453)	0	(10,453)
Intergovernmental Payable	(12,845)	0	(12,845)
Accrued Wages and Benefits	13,044	0	13,044
Compensated Absences	(29,118)	0	(29,118)
Deferred Revenue	(8,751)	0	(8,751)
Net Cash Provided by Operating Activities	(186,516)	54	(186,462)
<u>Cash Flows from Non-Capital Financing Activities</u>			
Transfers In	26,595	0	26,595
Operating Grants Received	198,623	0	198,623
Net Cash from Non-Capital Financing Activities	225,218	0	225,218
<u>Cash Flows from Investing Activities</u>			
Acquisition of Capital Assets	(28,706)	0	(28,706)
Net Cash from Investing Activities	(28,706)	0	(28,706)
Cash and Cash Equivalents - Beginning of Year	38,811	244	39,055
Cash and Cash Equivalents - End of Year	\$ 48,807	\$ 298	\$ 49,105

See accompanying notes to the general purpose financial statements.

PAINESVILLE TOWNSHIP LOCAL SCHOOL DISTRICT
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002

NOTE 1: **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, 2002 was 3,967. The District employed 267 certificated employees and 251 noncertificated employees. It currently operates six elementary schools, a middle school, a junior high school, and a high school.

NOTE 2: **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 Note 19 to the financial statements.

Basis of Presentation

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

PAINESVILLE TOWNSHIP LOCAL SCHOOL DISTRICT
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002
(CONTINUED)

NOTE 2: **DESCRIPTION OF REPORTING ENTITY, BASIS OF PRESENTATION, AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

Basis of Presentation (Continued)

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.

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 financial 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.

PAINESVILLE TOWNSHIP LOCAL SCHOOL DISTRICT
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002
(CONTINUED)

NOTE 2: **DESCRIPTION OF REPORTING ENTITY, BASIS OF PRESENTATION, AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

Governmental Fund Types (Continued)

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
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002
(CONTINUED)

NOTE 2: **DESCRIPTION OF REPORTING ENTITY, BASIS OF PRESENTATION, AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

Account Groups

Account groups are used to make 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. Government 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.

Non-exchange transactions, in which the School receives value without directly giving equal value in return, include property taxes, grants and donations. Revenue from grants and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied and the revenue is available. Eligibility requirements include timing requirements, which specify the year when use is first permitted and expenditure requirements, in which the resources are provided to the School on reimbursement basis.

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

Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied.

PAINESVILLE TOWNSHIP LOCAL SCHOOL DISTRICT
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002
(CONTINUED)

NOTE 2: **DESCRIPTION OF REPORTING ENTITY, BASIS OF PRESENTATION, AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

Budgetary Basis of Accounting (Continued)

Property taxes for which there is an enforceable legal claim as of June 30, 2002, but which were levied to finance fiscal year 2003 operations, have been recorded as deferred revenue. Grants and entitlements received before eligibility requirements are met are also recorded as deferred revenue. On governmental fund financial statements, receivables that will not be collected within the available period have also been reported as deferred revenue.

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 were 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.

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
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002
(CONTINUED)

NOTE 2: **DESCRIPTION OF REPORTING ENTITY, BASIS OF PRESENTATION, AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

Budgetary Basis of Accounting (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, 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.

PAINESVILLE TOWNSHIP LOCAL SCHOOL DISTRICT
 NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2002
 (CONTINUED)

NOTE 2: **DESCRIPTION OF REPORTING ENTITY, BASIS OF PRESENTATION, AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

Budgetary Basis of Accounting (Continued)

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.

An analysis of the difference in fund balance for all governmental and proprietary fund types at June 30, 2002 as determined under the GAAP basis and budget basis follows:

	General	Special Revenue	Debt	Capital Service	Projects	Internal Enterpr ise Service Fund
	<u>Fund</u>	<u>Fund</u>	<u>Fund</u>	<u>Fund</u>	<u>Fund</u>	<u>Fund</u>
GAAP Basis-Fund Balance	\$ 5,211,653	\$ 213,126	\$ 408,074	\$(499,695)	\$ 138,691	\$ 298
Adjustments for GAAP basis:						
Adjustment for Revenue	0	(6,985)	0	0	0	0
Accrued Revenue/Prepaid						
Expenses at June 30, 2002	(21,330,446)	(2,272)	(890,242)	(1,256,014)	(155,240)	0
Accrued Expenditures/Deferred						
Revenues at June 30, 2002	19,898,474	296,538	723,606	4,840,801	65,356	0
Encumbrances Outstanding at						
June 30, 2002 (Budget Basis)	(599,629)	(263,592)	0	(1,970,000)	(12,434)	0
Budget Basis - Fund Balance	<u>\$ 3,180,052</u>	<u>\$ 236,815</u>	<u>\$ 241,438</u>	<u>\$ 1,115,092</u>	<u>\$ 36,373</u>	<u>\$ 298</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.

PAINESVILLE TOWNSHIP LOCAL SCHOOL DISTRICT
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002
(CONTINUED)

NOTE 2: **DESCRIPTION OF REPORTING ENTITY, BASIS OF PRESENTATION, AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

Cash and Cash Equivalents

To improve cash management, all 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 2002, all investments of the District were limited to STAROhio, 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 invested funds in the State Treasury Assets Reserve (STAROhio) during fiscal year 2002. STAROhio is an investment pool managed by the State Treasurer's Office which allows governments within the state to pool their funds for investment purposes. STAROhio 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 STAROhio are valued at STAROhio's share price, which is the price the investment could be sold for on June 30, 2002.

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, capital projects funds and enterprise fund during fiscal year 2002 amounted to \$215,937, \$39,233 and \$440 respectively, which includes \$111,268 assigned from other District funds.

PAINESVILLE TOWNSHIP LOCAL SCHOOL DISTRICT
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002
(CONTINUED)

NOTE 2: **DESCRIPTION OF REPORTING ENTITY, BASIS OF PRESENTATION, AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

Cash and Cash Equivalents (Continued)

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 3 months that are not made from the pool are considered to be investments.

Restricted Assets

Restricted assets include amounts set aside by the District to create a reserve for budget stabilization. See Note 16 for the calculation of the year end reserve balances.

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 funds 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. Inventories of proprietary funds consists of donated food, purchased food, and school supplies held for resale and are expensed when used.

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.

PAINESVILLE TOWNSHIP LOCAL SCHOOL DISTRICT
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002
(CONTINUED)

NOTE 2: **DESCRIPTION OF REPORTING ENTITY, BASIS OF PRESENTATION, AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

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 purpose 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.

NOTE 3: **COMPLIANCE AND ACCOUNTABILITY**

Fund Deficits

The special levy capital projects fund had a \$499,695 deficit fund balance at June 30, 2002.

This deficit was created by the recognition of expenditures on the modified accrual basis which are greater than expenditures on a cash basis. The general fund is liable for any deficit in this fund and provides operating transfers when cash is required, not when accruals occur.

PAINESVILLE TOWNSHIP LOCAL SCHOOL DISTRICT
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002
(CONTINUED)

NOTE 4: **EQUITY IN POOLED CASH AND INVESTMENTS**

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

Active deposits are public deposits necessary to meet current demands on the treasury. Such monies must be maintained either as cash in the District's 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, by eligible securities pledged by the financial institution as security for repayment, by surety company bonds deposited with the Treasurer by the financial institution, or by a single collateral pool established by the financial institution to secure the repayment of all public monies deposited with the institution.

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

1. United States Treasury 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 Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;

PAINESVILLE TOWNSHIP LOCAL SCHOOL DISTRICT
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002
(CONTINUED)

NOTE 4: **EQUITY IN POOLED CASH AND INVESTMENTS** (Continued)

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 2 percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds or other obligations of the State of Ohio;
5. No-loan money market mutual funds consisting exclusively of obligations described in division (1) or division (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 (STAROhio);
7. Certain bankers' acceptances 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; and
8. Under limited circumstances, corporate debt interests rated in either of the two highest rating classifications by at least two nationally recognized rating agencies.

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

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

PAINESVILLE TOWNSHIP LOCAL SCHOOL DISTRICT
 NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2002
 (CONTINUED)

NOTE 4: **EQUITY IN POOLED CASH AND INVESTMENTS** (Continued)

At June 30, 2002, the District's general fund had a balance of \$709,029 with Lake County Council of Governments Health Care Benefits Program, a claims servicing pool (See Note 20). 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, contact Mr. Jim Metz, Treasurer, Mentor Exempted Village School District, 6451 Center Street, Mentor, Ohio 44060.

Cash on Hand

At fiscal year end, the School District had \$250 in undeposited cash on hand, which is included on the balance sheet of the School District as part of "Equity in Pooled Cash and Cash Equivalents".

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.

Deposits

At year end, the carrying amount of the District's deposits was \$(435,956) and the bank balance was \$524,704. The bank balance is categorized as follows:

Amount insured by the FDIC	\$106,983
Collateralized with securities held by the pledging financial institution's trust department but not in the name of Painesville Township Local School District	\$417,721

PAINESVILLE TOWNSHIP LOCAL SCHOOL DISTRICT
 NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2002
 (CONTINUED)

NOTE 4: **EQUITY IN POOLED CASH AND INVESTMENTS** (Continued)

Investments

Investments made by the District as of June 30, 2002 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.

	<u>Fair Value</u>
Money Market (Category 3)	\$ 44,802
Repurchase Agreement (Category 3)	7,239,320
Investment in STAROhio (Non-Categorized)	894,804
	\$ 8,178,926

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

NOTE 5: **INTERFUND TRANSACTIONS**

Interfund balances at June 30, 2002 consist of the following individual fund receivables and payables:

	<u>Receivables</u>	<u>Payables</u>
General Fund	\$ 194,939	\$ 0
Special Revenue Fund	0	171,032
Enterprise Fund	0	23,907
	\$ 194,939	\$ 194,939

PAINESVILLE TOWNSHIP LOCAL SCHOOL DISTRICT
 NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2002
 (CONTINUED)

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

A summary of interfund transfers made during 2002 by fund is as follows:

	Transferred In	Transferred Out
General Fund	\$ 0	\$ 245,784
Special Revenue Fund	70,789	0
Enterprise Fund	26,595	0
Debt Service Fund	148,400	0
	\$ 245,784	\$ 245,784

NOTE 6: **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 percent 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 percent 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 percent of true value. The assessed value upon which the 2002 taxes were collected was \$708,646,097. Agricultural/residential and other real estate represented 86.8 percent (\$615,100,210) of this total, public utility tangible property 3.2 percent (\$22,988,520), and general tangible property 10.0 percent (\$70,557,367). The general tax rate for operations for the fiscal year ended June 30, 2002 was \$49.10 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.

PAINESVILLE TOWNSHIP LOCAL SCHOOL DISTRICT
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002
(CONTINUED)

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

Accrued property taxes receivable represent delinquent taxes outstanding and real property, personal property, and public utility taxes, which became measurable as of June 30, 2002. 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, 2002 was \$1,503,155 in the general fund, \$74,107 in the debt service fund, and \$103,471 in the capital projects fund.

NOTE 7: **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
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002
(CONTINUED)

NOTE 8: **FIXED ASSETS**

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

	<u>Balance</u> <u>July 1, 2001</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance</u> <u>June 30, 2002</u>
Land and Improvements	\$ 528,701	\$ 0	\$ 0	\$ 528,701
Building and Improvements	13,067,178	490,304	0	13,557,482
Furniture and Equipment	4,346,990	352,687	(41,655)	4,658,022
Vehicles	3,264,711	340,034	(240,012)	3,364,733
Equipment Under Capital Lease	99,611	0	(99,611)	0
Net Fixed Assets	<u>\$ 21,307,191</u>	<u>\$ 1,183,025</u>	<u>\$ (381,278)</u>	<u>\$ 22,108,938</u>

A summary of enterprise fund fixed assets at June 30, 2002, follows:

	<u>Balance</u> <u>July 1, 2001</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance</u> <u>June 30, 2002</u>
Equipment	\$ 220,127	\$ 28,706	\$ (9,180)	\$ 239,653
Accumulated Depreciation	(143,874)	(9,764)	7,568	(146,070)
Net Fixed Assets	<u>\$ 76,253</u>	<u>\$ 18,942</u>	<u>\$ (1,612)</u>	<u>\$ 93,583</u>

Depreciation expense for 2002 was \$9,764 in the enterprise fund.

PAINESVILLE TOWNSHIP LOCAL SCHOOL DISTRICT
 NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2002
 (CONTINUED)

NOTE 9: **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 years 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 Entitlement	Not applicable	Paid upon termination	Paid upon termination

<u>Sick Leave</u>	<u>Certificated</u>	<u>Administrators</u>	<u>Non-Certificated</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 Entitlement	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

According to GASB Statement No. 16, accumulated vacation and sick leave of governmental 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.

NOTE 10: **CHANGES IN GENERAL LONG-TERM DEBT ACCOUNT GROUP**

During the year ended June 30, 2002, 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.

PAINESVILLE TOWNSHIP LOCAL SCHOOL DISTRICT
 NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2002
 (CONTINUED)

NOTE 10: **CHANGES IN GENERAL LONG-TERM DEBT ACCOUNT GROUP** (Continued)

	<u>Balance at</u> <u>June 30, 2001</u>	<u>Increase</u> <u>(Decrease)</u>	<u>Balance at</u> <u>June 30, 2002</u>
General Obligation Bonds	\$ 9,135,000	\$ (540,000)	\$ 8,595,000
Compensated Absences	1,185,983	47,798	1,233,781
Pension Benefit Obligation	447,646	39,459	487,105
Capital Lease Obligations	16,415	(16,415)	0
Total	<u>\$10,785,044</u>	<u>\$ (469,158)</u>	<u>\$10,315,886</u>

NOTE 11: **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, 2002 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	\$ 140,000	\$8,995,000	\$9,135,000
Principal Redemptions During Year	(140,000)	(400,000)	(540,000)
Amount Outstanding End of Year	<u>\$ 0</u>	<u>\$8,595,000</u>	<u>\$8,595,000</u>

PAINESVILLE TOWNSHIP LOCAL SCHOOL DISTRICT
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002
(CONTINUED)

NOTE 11: **LONG-TERM DEBT** (Continued)

B. Future Debt Requirements

The District's future annual debt service requirements are as follows:

<u>Year</u> <u>Ending</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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	855,000	24,154	879,154
Totals	<u>\$ 8,595,000</u>	<u>\$ 3,819,447</u>	<u>\$ 12,414,447</u>

NOTE 12: **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 percent. Balance outstanding at June 30, 2002 was \$0.

During 2001, the voters passed a five year 1.89 mill permanent improvement levy. Tax anticipation notes were issued on February 14, 2002 for \$3,250,000, maturing \$650,000 per year through December 2006 with an average interest rate of 3.588 percent. Balance outstanding at June 30, 2002 was \$3,250,000.

PAINESVILLE TOWNSHIP LOCAL SCHOOL DISTRICT
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002
(CONTINUED)

NOTE 13: **SEGMENT INFORMATION FOR ENTERPRISE FUNDS**

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

	<u>Food Service</u>	<u>Latchkey</u>	<u>Adult Education</u>	<u>Total</u>
Operating Revenues	\$ 877,404	\$ 236,549	\$ 3,746	\$1,117,699
Operating Expenses before Depreciation	1,022,246	235,130	3,513	1,260,889
Depreciation	9,764	0	0	9,764
Operating Income (Loss)	(154,606)	1,419	233	(152,954)
Unrestricted Grants	198,623	0	0	198,623
Transfers In	20,000	6,595	0	26,595
Net Income	64,017	8,014	233	72,264
Net Working Capital	6,477	38,262	147	44,886
Total Assets	155,311	48,367	369	204,047
Total Liabilities	55,251	10,105	0	65,356
Total Retained Earnings	100,060	38,262	369	138,691

NOTE 14: **DEFINED BENEFIT PENSION PLANS**

A. **School Employees Retirement System**

The District contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing multiple-employer defined benefit pension plan. SERS provides 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 an actuarially determined rate. The current District rate is 14 percent. A portion of the District's contribution is used to fund pension obligations, with the remainder being used to fund health care benefits; for fiscal year 2001, 4.2 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS' Retirement Board. The District's required contributions for pension obligations to SERS for the fiscal year ended June 30, 2002, 2001, and 2000 were

PAINESVILLE TOWNSHIP LOCAL SCHOOL DISTRICT
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002
(CONTINUED)

NOTE 14: **DEFINED BENEFIT PENSION PLANS** (Continued)

A. **School Employees Retirement System** (Continued)

\$679,616, \$637,732, and \$583,547, respectively. 28 percent has been contributed for fiscal year 2002 and 100 percent for fiscal years 2001 and 2000. \$487,105, representing the unpaid contribution for fiscal year 2002 is recorded as a liability within the respective funds and the general long-term obligations account group.

B. **State Teachers Retirement System**

The District contributes to the State Teachers Retirement System of Ohio (STRS), a cost-sharing multiple-employer public employee retirement system administered by the State Teachers Retirement Board. STRS provides 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 stand-alone financial report. Copies of STRS Ohio's 2000 Comprehensive Annual Financial Report can be requested by writing to the State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3371 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. 9.5 percent was the portion used to fund pension obligations. Contribution rates are established by STRS, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. The District's required contributions for pension obligation to STRS for the fiscal years ended June 30, 2002, 2001, and 2000 were \$1,917,573, \$1,796,117 and \$1,658,941, respectively. 97 percent has been contributed for fiscal year 2002 and 100 percent for fiscal years 2001 and 2000. \$65,534, representing the unpaid contribution for fiscal year 2002, is recorded as a liability within the respective funds.

NOTE 15: **POSTEMPLOYMENT 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,

PAINESVILLE TOWNSHIP LOCAL SCHOOL DISTRICT
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002
(CONTINUED)

NOTE 15: **POSTEMPLOYMENT BENEFITS** (Continued)

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 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, 2002, the STRS Board allocated employer contributions equal to 4.5 percent of covered payroll to the Health Care Reserve fund. For the District, this amount equaled \$602,686 for fiscal year 2002.

STRS pays health care benefits from the Health Care Reserve Fund. At June 30, 2001 (the latest information available) the balance in the Fund was \$3,256 billion. For the year ended June 30, 2001, net health care costs paid by STRS were \$369,354,000 and STRS had 102,132 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 25 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, 2002, employer contributions to fund health care benefits were 9.80 percent of covered payroll. 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 2002, the minimum pay was established at \$12,400. For the District, the amount contributed to fund health care benefits, including the surcharge, during the 2002 fiscal year equaled \$552,200.

The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund. The target level for the health care reserve is 150 percent of annual health care expenses.

PAINESVILLE TOWNSHIP LOCAL SCHOOL DISTRICT
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002
(CONTINUED)

NOTE 15: **POSTEMPLOYMENT BENEFITS** (Continued)

Expenses for health care for the fiscal year ended June 30, 2001 (the latest information available) were \$161,439,934 and the target level was \$242.2 million. At June 30, 2001, SERS had net assets available for payment of health care benefits of \$315.7 million. SERS has approximately 50,000 participants currently receiving health care benefits.

NOTE 16: **SET-ASIDES**

The District is required by State statute to annually set aside in the general fund an amount based on a statutory formula for the purchase of textbooks and other instructional materials and an equal amount for the acquisition and construction of capital improvements. Amounts not spent by the end of the fiscal year or offset by similarly restricted resources received during the year must be held in cash at year end and carried forward to be used for the same purposes in future years. In prior years, the District was also required to set aside money for budget stabilization. At June 30, 2002, only the unspent portion of certain workers' compensation refunds continue to be a set-aside.

The following cash basis information describes the change in the year end set-aside amounts for textbooks, capital maintenance reserve and budget stabilization reserve. Disclosure of this information is required by State statute.

	<u>Textbook Reserve</u>	<u>Capital Maintenance Reserve</u>	<u>Budget Stabilization Reserve</u>
Set-Aside Reserve Balance as of June 30, 2001	\$ 0	\$ 0	\$ 585,565
Current Year Set-Aside Requirement	493,757	493,757	0
Qualifying Disbursements	(849,956)	(2,199,563)	0
Totals	<u>\$ (356,199)</u>	<u>\$ (1,705,806)</u>	<u>\$ 585,565</u>
Set-Aside Balances Carried Forward to Future Fiscal Years	<u>\$ (356,199)</u>	<u>\$ 0</u>	<u>\$ 585,565</u>
Set-Aside Reserve Balance as of June 30, 2002	<u>\$ (356,199)</u>	<u>\$ 0</u>	<u>\$ 585,565</u>

The District had qualifying disbursements during the fiscal year that reduced the textbooks set-aside amount below zero. This amount may be used to reduce the set-aside requirement of future years. Although the District had qualifying disbursements during the year that reduced the capital improvements set-aside amount below zero, these extra amounts may not be used to reduce the set-aside requirement in future fiscal years.

PAINESVILLE TOWNSHIP LOCAL SCHOOL DISTRICT
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002
(CONTINUED)

NOTE 17: **STATE SCHOOL FUNDING DECISION**

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

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

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

In general, it is expected that the decision would result in an increase in State funding to most Ohio school districts. However, as of November 2, 2001, the Ohio General Assembly is still analyzing the impact this Supreme Court decision will have on funding for individual school districts. The State of Ohio, in a motion filed September 17, 2001, asked the Court to reconsider and clarify the parts of the decision changing the school districts that are used as the basis for determining the base cost support amount and the requirement that changes be made retroactive to July 1, 2001.

On November 2, 2001, the Court granted this motion for reconsideration but also ordered the parties to participate in a settlement conference with a court appointed mediator. On March 21, 2002, the mediator issued his final report indicating that the conference was unable to produce a settlement. The case is now under reconsideration by the Court.

The School District is currently unable to determine what effect, if any, this decision will have on its future State funding and on its financial operations.

PAINESVILLE TOWNSHIP LOCAL SCHOOL DISTRICT
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002
(CONTINUED)

NOTE 18: **CONTINGENCIES**

A. **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, 2002.

B. **Litigation**

The District was named as defendant in several court actions during the period ended June 30, 2002. 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.

C. **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
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002
(CONTINUED)

NOTE 19: **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 upon a per pupil charge. The District contributed \$121,987 to LGCA during fiscal year 2002. 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 to 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, Ohio 44024.

The Ohio Schools' Council Association (Council) is a jointly governed organization among eighty-two school districts. This 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 school 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 2002, the District paid \$2,012 to the Council. Financial information can be obtained by contacting Al Vasek, the Executive Secretary of the Ohio Schools' Council at Rockside Square #2, 6133 Rockside Road, Suite 10, Independence, Ohio 44131.

The District participates in the Council's electric purchasing 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 upon 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 the 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.

PAINESVILLE TOWNSHIP LOCAL SCHOOL DISTRICT
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002
(CONTINUED)

NOTE 20: **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.

NOTE 21: **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 2002, the District contracted with Nationwide Wausau Insurance Company for property and general liability insurance. There is a \$500 deductible with a 90 percent co-insurance limit of \$57,436,100.

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 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-insurance 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 Council of Governments Health Care Benefits Program. The Lake County Council of Governments Health Care Benefits Program has stop loss coverage of 110 percent of expected claims. The claims

PAINESVILLE TOWNSHIP LOCAL SCHOOL DISTRICT
 NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2002
 (CONTINUED)

NOTE 21: **RISK MANAGEMENT** (Continued)

liability of \$337,989 reported in the general fund at June 30, 2002 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 claim liability amount were:

	Balance at Beginning <u>of Year</u>	Current <u>Year Claims</u>	Claims <u>Payments</u>	Balance at <u>End of Year</u>
2001	\$ 208,806	\$2,216,902	\$2,179,711	\$ 245,997
2002	\$ 245,997	\$1,731,190	\$1,639,198	\$ 337,989

NOTE 22: **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 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.

PAINESVILLE TOWNSHIP LOCAL SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - CASH
FOR THE YEAR ENDED JUNE 30, 2002

Federal Grantor/ Pass-Through Grantor/ Program or Cluster Title	Federal CFDA	Pass-Through Grantor Number	Cash Receipts	Cash Disbursements
U.S. Department of Agriculture				
Passed through State Department of Education				
Child Nutrition Cluster				
Food Distribution Program	10.550	Not Available	\$ 34,715	\$ 34,715
School Breakfast Program	10.553	047894-05-PU-2001	2,645	2,645
School Breakfast Program	10.553	047894-05-PU-2002	10,302	10,302
			<u>47,662</u>	<u>47,662</u>
School Lunch Program	10.555	047894-LLP1-2001	16,579	16,579
School Lunch Program	10.555	047894-LLP4-2001	25,517	25,517
School Lunch Program	10.555	047894-LLP4-2002	128,064	128,064
			<u>170,160</u>	<u>170,160</u>
			<u>217,822</u>	<u>217,822</u>
Total U.S. Department of Agriculture				
U.S. Department of Health and Human Services				
Passed through State Department of Education				
Community Alternative Funding System	93.778	Not Available	22,127	22,127
			<u>22,127</u>	<u>22,127</u>
Total U.S. Department of Health and Human Services				
U.S. Department of Education				
Passed through State Department of Education				
Title I School Subsidy	84.010	047894-C1-S1-2001	6,609	50,299
Title I School Subsidy	84.010	047894-C1-S1-2002	232,932	215,074
			<u>239,541</u>	<u>265,373</u>
Drug Free Education	84.186	047894-DR-S1-2000	0	247
Drug Free Education	84.186	047894-DR-S1-2001	2,021	6,722
Drug Free Education	84.186	047894-DR-S1-2002	12,952	11,249
			<u>14,973</u>	<u>18,218</u>
Eisenhower Prof. Development Grant	84.281	047894-MS-S1-2000	(417)	612
Eisenhower Prof. Development Grant	84.281	047894-MS-S1-2001	1,479	9,172
Eisenhower Prof. Development Grant	84.281	047894-MS-S1-2002	17,515	8,667
			<u>18,577</u>	<u>18,451</u>
Innovative Education Program Strategy	84.298	047894-C2-S1-2001	0	13,089
Innovative Education Program Strategy	84.298	047894-C2-S1-2002	12,520	8,840
			<u>12,520</u>	<u>21,929</u>
Class Size Reduction Subsidy	84.340	047894-CR-S1-2001	12,021	19,570
Class Size Reduction Subsidy	84.340	047894-CR-S1-2002	88,955	88,955
			<u>100,976</u>	<u>108,525</u>
Special Education Cluster				
Title VI-B	84.027	047894-6B-SF-2001	28,694	101,484
Title VI-B	84.027	047894-6B-SF-2002	69,649	56,266
			<u>98,343</u>	<u>157,750</u>
Preschool Subsidy	84.173	047894-PG-S1-2002	23,918	23,918
			<u>23,918</u>	<u>23,918</u>
Total Special Education Cluster			<u>122,261</u>	<u>181,668</u>
Total U.S. Department of Education			<u>508,848</u>	<u>614,164</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u>\$ 748,797</u>	<u>\$ 854,113</u>

See accompanying notes to Supplemental Schedule of Expenditures of Federal Awards - Cash

PAINESVILLE TOWNSHIP LOCAL SCHOOL DISTRICT
NOTES TO THE SUPPLEMENTAL SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - CASH
JUNE 30, 2002

NOTE 1: **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.

NOTE 2: **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
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2002

The prior audit report included no reportable conditions, citations, or management letter recommendations.

JAMES G. ZUPKA, C.P.A., INC.
Certified Public Accountants
5240 East 98th Street
Garfield Hts., Ohio 44125

Member American Institute of Certified Public Accountants

(216) 475 - 6136

Ohio Society of Certified Public Accountants

**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
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, 2002, and have issued our report thereon dated November 26, 2002. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted an immaterial instance of noncompliance which we have reported to the management of the District in a separate letter dated November 26, 2002.

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. However, we noted an instance involving the internal control over financial reporting that we have reported to the management of the District in a separate letter dated November 26, 2002.

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.

November 26, 2002

James G. Zupka
Certified Public Accountant

JAMES G. ZUPKA, C.P.A., INC.
Certified Public Accountants
5240 East 98th Street
Garfield Hts., Ohio 44125

Member American Institute of Certified Public Accountants

(216) 475 - 6136

Ohio Society of Certified Public Accountants

**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
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, 2002. 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 auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance 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, 2002.

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. However, we noted an instance involving the internal control over financial reporting that we have reported to the management of the District in a separate letter dated November 26, 2002.

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.

November 26, 2002

James G. Zupka
Certified Public Accountant

PAINESVILLE TOWNSHIP LOCAL SCHOOL DISTRICT
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 OMB CIRCULAR A-133 & .505
 JUNE 30, 2002

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

2002(i)	Type of Financial Statement Opinion	Unqualified
2002(ii)	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
2002(ii)	Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?	No
2002(iii)	Was there any reported noncompliance at the financial statement level (GAGAS)?	No
2002(iv)	Were there any material internal control weakness conditions reported for major federal programs?	No
2002(iv)	Were there any other reportable internal control weakness conditions reported for major federal programs?	No
2002(v)	Type of Major Program's Compliance Opinion	Unqualified
2002(vi)	Are there any reportable findings under .510?	No
2002(vii)	Major Programs (list):	Child Nutrition Cluster Title I School Subsidy
2002(viii)	Dollar Threshold: Type A\B Program	Type A: \$300,000 or more Type B: All others less than \$300,000
2002(ix)	Low Risk Auditee?	Yes

PAINESVILLE TOWNSHIP LOCAL SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A-133 & .505
JUNE 30, 2002

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

None.

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

None.



**Auditor of State
Betty Montgomery**

88 East Broad Street
P.O. Box 1140
Columbus, Ohio 43216-1140

Telephone 614-466-4514
800-282-0370

Facsimile 614-466-4490

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
FEBRUARY 4, 2003**