

**PAINESVILLE TOWNSHIP LOCAL SCHOOL DISTRICT  
LAKE COUNTY**

**AUDIT REPORT**

**FOR THE YEAR ENDED JUNE 30, 2001**





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

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](http://www.auditor.state.oh.us)

Board of Education  
Painesville Township Local School District  
585 Riverside Dr.  
Painesville, OH 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, 2000 through June 30, 2001. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

**JIM PETRO**  
Auditor of State

January 8, 2002

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PAINESVILLE TOWNSHIP LOCAL SCHOOL DISTRICT  
LAKE COUNTY  
AUDIT REPORT  
FOR THE YEAR ENDED JUNE 30, 2001

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

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(216) 475 - 6136

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**INDEPENDENT AUDITOR'S REPORT**

Board of Education  
Painesville Township Local School District  
Painesville, Ohio 44070

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, 2001 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, 2001, 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 October 19, 2001 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.

October 19, 2001

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James G. Zupka  
Certified Public Accountant



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PAINESVILLE TOWNSHIP LOCAL SCHOOL DISTRICT  
 COMBINED BALANCE SHEET - ALL FUND TYPES AND ACCOUNT GROUPS  
 JUNE 30, 2001

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
<b><u>Assets and Other Debits</u></b>				
<u>Assets</u>				
Equity in Pooled Cash and Investments	\$ 4,818,823	\$ 396,341	\$ 219,464	\$ 791,476
Restricted Cash	585,565	0	0	0
Cash with Fiscal Agent	711,278	0	0	0
Receivables:				
Taxes	17,383,907	0	795,919	968,928
Accounts	6,198	3,500	0	0
Interfund	34,361	0	0	0
Intergovernmental	1,863,670	0	0	0
Materials and Supplies Inventory	216,884	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	\$ 25,620,686	\$ 399,841	\$ 1,015,383	\$ 1,760,404

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>	
\$ 38,811	\$ 244	\$ 62,160	\$ 0	\$ 0	\$ 6,327,319
0	0	0	0	0	585,565
0	0	0	0	0	711,278
0	0	0	0	0	19,148,754
25,254	0	0	0	0	34,952
0	0	0	0	0	34,361
0	0	0	0	0	1,863,670
38,936	0	0	0	0	255,820
76,253	0	0	21,307,191	0	21,383,444
0	0	0	0	10,439,777	10,439,777
0	0	0	0	345,267	345,267
<u>\$ 179,254</u>	<u>\$ 244</u>	<u>\$ 62,160</u>	<u>\$ 21,307,191</u>	<u>\$ 10,785,044</u>	<u>\$ 61,130,207</u>

(Continued)

PAINESVILLE TOWNSHIP LOCAL SCHOOL DISTRICT  
 COMBINED BALANCE SHEET - ALL FUND TYPES AND ACCOUNT GROUPS  
 (CONTINUED)  
 JUNE 30, 2001

	<u>Governmental Fund Types</u>			
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>
<b><u>Liabilities, Fund Equity and Other Credits</u></b>				
<b><u>Liabilities</u></b>				
Accounts Payable	\$ 170,781	\$ 124	\$ 0	\$ 43,640
Accrued Wages and Benefits	2,242,639	96,964	0	0
Interfund Payable	0	0	0	0
Due to Students	0	0	0	0
Intergovernmental Payable	197,194	0	0	0
Compensated Absences Payable	88,883	0	0	0
Claims Liability	245,997	0	0	0
Deferred Revenue	15,826,963	0	670,116	803,345
General Obligation Bonds Payable	0	0	0	0
Capital Lease Obligation Payable	0	0	0	0
Tax Anticipation Notes	0	0	0	450,000
<b>Total Liabilities</b>	<b>18,772,457</b>	<b>97,088</b>	<b>670,116</b>	<b>1,296,985</b>
<b><u>Fund Equity and Other Credits</u></b>				
Investment in General Fixed Assets	0	0	0	0
Retained Earnings:				
Unreserved	0	0	0	0
Fund Balance:				
Reserved for Encumbrances	1,049,669	96,536	0	418,069
Reserved for Revenue Bond Retirement	0	0	345,267	0
Reserved for Inventory	216,884	0	0	0
Reserved for Budget Stabilization	585,565	0	0	0
Unreserved, Undesignated	4,996,111	206,217	0	45,350
<b>Total Fund Equity and Other Credits</b>	<b>6,848,229</b>	<b>302,753</b>	<b>345,267</b>	<b>463,419</b>
<b>Total Liabilities, Fund Equity and Other Credits</b>	<b>\$ 25,620,686</b>	<b>\$ 399,841</b>	<b>\$ 1,015,383</b>	<b>\$ 1,760,404</b>

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 (Memorandum Only)</u>
<u>Enterprise</u>	<u>Internal Service</u>	<u>Agency</u>	<u>General Fixed Assets</u>	<u>General Long-Term Debt</u>	
\$ 1,939	\$ 0	\$ 1,148	\$ 0	\$ 0	\$ 217,632
14,345	0	0	0	0	2,353,948
34,360	0	0	0	0	34,360
0	0	61,012	0	0	61,012
12,845	0	0	0	447,646	657,685
29,118	0	0	0	1,185,983	1,303,984
0	0	0	0	0	245,997
20,220	0	0	0	0	17,320,644
0	0	0	0	9,135,000	9,135,000
0	0	0	0	16,415	16,415
0	0	0	0	0	450,000
<u>112,827</u>	<u>0</u>	<u>62,160</u>	<u>0</u>	<u>10,785,044</u>	<u>31,796,677</u>
0	0	0	21,307,191	0	21,307,191
66,427	244	0	0	0	66,671
0	0	0	0	0	1,564,274
0	0	0	0	0	345,267
0	0	0	0	0	216,884
0	0	0	0	0	585,565
0	0	0	0	0	5,247,678
<u>66,427</u>	<u>244</u>	<u>0</u>	<u>21,307,191</u>	<u>0</u>	<u>29,333,530</u>
<u>\$ 179,254</u>	<u>\$ 244</u>	<u>\$ 62,160</u>	<u>\$ 21,307,191</u>	<u>\$ 10,785,044</u>	<u>\$ 61,130,207</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, 2001

	Governmental Fund Types				Totals (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	
<b>Revenues</b>					
Taxes	\$ 19,581,702	\$ 0	\$ 782,746	\$ 985,531	\$ 21,349,979
Intergovernmental	7,019,284	783,107	83,312	194,982	8,080,685
Tuition	1,088,033	310	0	0	1,088,343
Transportation Fees	88,342	0	0	0	88,342
Earnings on Investments	507,897	0	0	31,765	539,662
Extracurricular Activities	0	415,998	0	0	415,998
Classroom Materials and Fees	148,354	0	0	0	148,354
Miscellaneous Receipts	86,185	57,774	0	2,326	146,285
<b>Total Revenues</b>	<u>28,519,797</u>	<u>1,257,189</u>	<u>866,058</u>	<u>1,214,604</u>	<u>31,857,648</u>
<b>Expenditures</b>					
Instruction:					
Regular	13,619,969	212,066	0	107,242	13,939,277
Special	1,528,489	349,365	0	0	1,877,854
Other	416,397	0	0	0	416,397
Support Services:					
Pupils	1,203,188	77,800	0	0	1,280,988
Instructional Staff	741,252	115,086	0	357	856,695
Board of Education	15,115	0	0	0	15,115
Administration	2,652,532	161,055	0	0	2,813,587
Business	85,075	0	0	0	85,075
Pupil Transportation	2,859,616	41,938	0	394,744	3,296,298
Central	13,410	13,499	0	0	26,909
Fiscal Services	643,137	0	0	0	643,137
Operation and Maintenance of Plant	3,226,120	4,045	0	245,605	3,475,770
Non-Instructional Services:					
Food Services	32,193	0	0	11,834	44,027
Community Services	0	22,297	0	0	22,297
Site Improvement	83,922	0	0	0	83,922
Building Improvement	30,045	0	0	0	30,045
Extracurricular Activities	271,018	276,752	0	1,535	549,305
Debt Service:					
Principal	0	0	1,053,305	0	1,053,305
Interest	0	0	0	41,670	41,670
<b>Total Expenditures</b>	<u>27,421,478</u>	<u>1,273,903</u>	<u>1,053,305</u>	<u>802,987</u>	<u>30,551,673</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>1,098,319</u>	<u>(16,714)</u>	<u>(187,247)</u>	<u>411,617</u>	<u>1,305,975</u>
<b>Other Financing Sources (Uses)</b>					
Gain on Sale of Assets	19,549	0	0	0	19,549
Transfers In	0	48,159	156,730	0	204,889
Transfers Out	(206,890)	(6,944)	0	0	(213,834)
<b>Total Other Financing Sources (Uses)</b>	<u>(187,341)</u>	<u>41,215</u>	<u>156,730</u>	<u>0</u>	<u>10,604</u>
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	<u>910,978</u>	<u>24,501</u>	<u>(30,517)</u>	<u>411,617</u>	<u>1,316,579</u>
Fund Balances - Beginning of Year	5,922,082	278,252	375,784	51,802	6,627,920
Increase in Reserve for Inventory	15,169	0	0	0	15,169
<b>Fund Balances - End of Year</b>	<u><u>\$ 6,848,229</u></u>	<u><u>\$ 302,753</u></u>	<u><u>\$ 345,267</u></u>	<u><u>\$ 463,419</u></u>	<u><u>\$ 7,959,668</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 BALANCES - BUDGET (NON-GAAP BASIS) AND ACTUAL -  
 ALL GOVERNMENTAL FUND TYPES  
 FOR THE YEAR ENDED JUNE 30, 2001

	General Fund		Variance Favorable (Unfavorable)
	Budget	Actual	
<b>Revenues</b>			
Taxes	\$ 18,107,612	\$ 17,385,301	\$ (722,311)
Intergovernmental	6,613,527	7,019,284	405,757
Tuition	997,000	1,088,033	91,033
Transportation Fees	50,000	88,342	38,342
Earnings on Investments	350,000	506,297	156,297
Extracurricular Activities	0	0	0
Classroom Materials and Fees	128,000	143,764	15,764
Miscellaneous Receipts	20,200	22,849	2,649
<b>Total Revenues</b>	<u>26,266,339</u>	<u>26,253,870</u>	<u>(12,469)</u>
<b>Expenditures</b>			
Current:			
Instruction:			
Regular	13,525,237	13,378,881	146,356
Special	1,969,648	1,966,244	3,404
Other	417,000	416,397	603
Supporting Services:			
Pupils	1,250,313	1,249,747	566
Instructional Staff	816,016	815,155	861
Board of Education	25,300	15,115	10,185
Administration	2,759,338	2,730,596	28,742
Business	128,621	85,562	43,059
Pupil Transportation	3,058,928	2,973,140	85,788
Central	13,000	12,410	590
Fiscal Services	723,434	664,496	58,938
Operating and Maintenance - Plant	3,254,516	3,237,967	16,549
Non-Instructional Services:			
Food Services	32,300	32,193	107
Community Services	0	0	0
Site Improvement	87,961	87,961	0
Building Improvement	356,990	356,990	0
Extracurricular Activities	276,952	270,799	6,153
Debt Service:			
Repayment of Debt	0	0	0
<b>Total Expenditures</b>	<u>28,695,554</u>	<u>28,293,653</u>	<u>401,901</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(2,429,215)</u>	<u>(2,039,783)</u>	<u>389,432</u>
<b>Other Financing Sources (Uses)</b>			
Gain on Sale of Assets	3,000	19,549	16,549
Transfers In	175,000	0	(175,000)
Refund of Prior Year's Expenditures	0	65,781	65,781
Transfers Out	(272,227)	(206,890)	65,337
Advances In	0	9,343	9,343
Advances Out	(35,000)	(34,361)	639
<b>Total Other Financing Sources (Uses)</b>	<u>(129,227)</u>	<u>(146,578)</u>	<u>(17,351)</u>
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Uses	<u>(2,558,442)</u>	<u>(2,186,361)</u>	<u>372,081</u>
Fund Balance - Beginning of Year	5,424,823	5,424,823	0
Prior Year Encumbrances Appropriated	945,476	945,476	0
<b>Fund Balance - End of Year</b>	<u><u>\$ 3,811,857</u></u>	<u><u>\$ 4,183,938</u></u>	<u><u>\$ 372,081</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, 2001  
 (CONTINUED)

	Special Revenue Fund		
	Budget	Actual	Variance Favorable (Unfavorable)
<b>Revenues</b>			
Taxes	\$ 0	\$ 0	\$ 0
Intergovernmental	814,736	783,107	(31,629)
Tuition	600	310	(290)
Transportation Fees	0	0	0
Earnings on Investments	0	0	0
Extracurricular Activities	442,106	415,998	(26,108)
Classroom Materials and Fees	0	0	0
Miscellaneous Receipts	53,460	53,460	0
<b>Total Revenues</b>	1,310,902	1,252,875	(58,027)
<b>Expenditures</b>			
Current:			
Instruction:			
Regular	262,574	197,812	64,762
Special	458,863	420,168	38,695
Other	0	0	0
Supporting Services:			
Pupils	66,878	61,715	5,163
Instructional Staff	146,885	120,896	25,989
Board of Education	0	0	0
Administration	203,637	153,865	49,772
Business	0	0	0
Pupil Transportation	43,727	43,638	89
Central	21,672	13,499	8,173
Fiscal Services	0	0	0
Operating and Maintenance - Plant	4,400	4,044	356
Non-Instructional Services:			
Food Services	0	0	0
Community Services	72,170	22,935	49,235
Site Improvement	0	0	0
Building Improvement	0	0	0
Extracurricular Activities	378,919	306,432	72,487
Debt Service:			
Repayment of Debt	0	0	0
<b>Total Expenditures</b>	1,659,725	1,345,004	314,721
Excess (Deficiency) of Revenues Over (Under) Expenditures	(348,823)	(92,129)	256,694
<b>Other Financing Sources (Uses)</b>			
Gain on Sale of Assets	0	0	0
Transfers In	48,664	48,159	(505)
Refund of Prior Year's Receipts	(25,178)	(13,244)	11,934
Transfers Out	(6,944)	(6,944)	0
Advances In	0	0	0
Advances Out	(9,343)	(9,343)	0
<b>Total Other Financing Sources (Uses)</b>	7,199	18,628	11,429
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Uses	(341,624)	(73,501)	268,123
Fund Balance - Beginning of Year	337,314	337,314	0
Prior Year Encumbrances Appropriated	32,559	32,559	0
<b>Fund Balance - End of Year</b>	\$ 28,249	\$ 296,372	\$ 268,123

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, 2001  
 (CONTINUED)

	Debt Service Fund		
	Budget	Actual	Variance Favorable (Unfavorable)
<b>Revenues</b>			
Taxes	\$ 722,000	\$ 722,347	\$ 347
Intergovernmental	83,000	83,312	312
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
<b>Total Revenues</b>	<u>805,000</u>	<u>805,659</u>	<u>659</u>
<b>Expenditures</b>			
Current:			
Instruction:			
Regular	0	0	0
Special	0	0	0
Other	0	0	0
Supporting 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:			
Repayment of Debt	1,544,975	1,053,305	491,670
<b>Total Expenditures</b>	<u>1,544,975</u>	<u>1,053,305</u>	<u>491,670</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(739,975)</u>	<u>(247,646)</u>	<u>492,329</u>
<b>Other Financing Sources (Uses)</b>			
Gain on Sale of Assets	0	0	0
Transfers In	648,400	156,730	(491,670)
Refund of Prior Year's Expenditures	0	0	0
Transfers Out	0	0	0
Advances In	0	0	0
Advances Out	0	0	0
<b>Total Other Financing Sources (Uses)</b>	<u>648,400</u>	<u>156,730</u>	<u>(491,670)</u>
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Uses	<u>(91,575)</u>	<u>(90,916)</u>	<u>659</u>
Fund Balance - Beginning of Year	310,380	310,380	0
Prior Year Encumbrances Appropriated	0	0	0
<b>Fund Balance - End of Year</b>	<u><u>\$ 218,805</u></u>	<u><u>\$ 219,464</u></u>	<u><u>\$ 659</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, 2001  
 (CONTINUED)

	Capital Projects Fund		
	Budget	Actual	Variance Favorable (Unfavorable)
<b>Revenues</b>			
Taxes	\$ 900,000	\$ 904,031	\$ 4,031
Intergovernmental	193,735	194,982	1,247
Tuition	0	0	0
Transportation Fees	0	0	0
Earnings on Investments	31,700	33,258	1,558
Extracurricular Activities	0	0	0
Classroom Materials and Fees	0	0	0
Miscellaneous Receipts	0	0	0
<b>Total Revenues</b>	1,125,435	1,132,271	6,836
<b>Expenditures</b>			
Current:			
Instruction:			
Regular	123,011	107,242	15,769
Special	0	0	0
Other	0	0	0
Supporting Services:			
Pupils	0	0	0
Instructional Staff	3,906	357	3,549
Board of Education	0	0	0
Administration	0	0	0
Business	0	0	0
Pupil Transportation	464,581	394,744	69,837
Central	0	0	0
Fiscal Services	0	0	0
Operating and Maintenance - Plant	666,484	666,484	0
Non-Instructional Services:			
Food Services	11,834	11,834	0
Community Services	0	0	0
Site Improvement	0	0	0
Building Improvement	0	0	0
Extracurricular Activities	1,535	1,535	0
Debt Service:			
Repayment of Debt	491,670	491,670	0
<b>Total Expenditures</b>	1,763,021	1,673,866	89,155
Excess (Deficiency) of Revenues Over (Under) Expenditures	(637,586)	(541,595)	95,991
<b>Other Financing Sources (Uses)</b>			
Gain on Sale of Assets	0	0	0
Transfers In	0	0	0
Refund of Prior Year's Expenditures	20,000	20,473	473
Transfers Out	0	0	0
Advances In	0	0	0
Advances Out	0	0	0
<b>Total Other Financing Sources (Uses)</b>	20,000	20,473	473
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Uses	(617,586)	(521,122)	96,464
Fund Balance - Beginning of Year	505,862	505,862	0
Prior Year Encumbrances Appropriated	345,028	345,028	0
<b>Fund Balance - End of Year</b>	\$ 233,304	\$ 329,768	\$ 96,464

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, 2001  
 (CONTINUED)

	Totals (Memorandum Only)		
	Budget	Actual	Variance Favorable (Unfavorable)
<b>Revenues</b>			
Taxes	\$ 19,729,612	\$ 19,011,679	\$ (717,933)
Intergovernmental	7,704,998	8,080,685	375,687
Tuition	997,600	1,088,343	90,743
Transportation Fees	50,000	88,342	38,342
Earnings on Investments	381,700	539,555	157,855
Extracurricular Activities	442,106	415,998	(26,108)
Classroom Materials and Fees	128,000	143,764	15,764
Miscellaneous Receipts	73,660	76,309	2,649
<b>Total Revenues</b>	<u>29,507,676</u>	<u>29,444,675</u>	<u>(63,001)</u>
<b>Expenditures</b>			
Current:			
Instruction:			
Regular	13,910,822	13,683,935	226,887
Special	2,428,511	2,386,412	42,099
Other	417,000	416,397	603
Supporting Services:			
Pupils	1,317,191	1,311,462	5,729
Instructional Staff	966,807	936,408	30,399
Board of Education	25,300	15,115	10,185
Administration	2,962,975	2,884,461	78,514
Business	128,621	85,562	43,059
Pupil Transportation	3,567,236	3,411,522	155,714
Central	34,672	25,909	8,763
Fiscal Services	723,434	664,496	58,938
Operating and Maintenance - Plant	3,925,400	3,908,495	16,905
Non-Instructional Services:			
Food Services	44,134	44,027	107
Community Services	72,170	22,935	49,235
Site Improvement	87,961	87,961	0
Building Improvement	356,990	356,990	0
Extracurricular Activities	657,406	578,766	78,640
Debt Service:			
Repayment of Debt	2,036,645	1,544,975	491,670
<b>Total Expenditures</b>	<u>33,663,275</u>	<u>32,365,828</u>	<u>1,297,447</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(4,155,599)</u>	<u>(2,921,153)</u>	<u>1,234,446</u>
<b>Other Financing Sources (Uses)</b>			
Gain on Sale of Assets	3,000	19,549	16,549
Transfers In	872,064	204,889	(667,175)
Refund of Prior Year's Expenditures	(5,178)	73,010	78,188
Transfers Out	(279,171)	(213,834)	65,337
Advances In	0	9,343	9,343
Advances Out	(44,343)	(43,704)	639
<b>Total Other Financing Sources (Uses)</b>	<u>546,372</u>	<u>49,253</u>	<u>(497,119)</u>
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Uses	<u>(3,609,227)</u>	<u>(2,871,900)</u>	<u>737,327</u>
Fund Balance - Beginning of Year	6,578,379	6,578,379	0
Prior Year Encumbrances Appropriated	1,323,063	1,323,063	0
<b>Fund Balance - End of Year</b>	<u>\$ 4,292,215</u>	<u>\$ 5,029,542</u>	<u>\$ 737,327</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, 2001

	Enterprise Funds	Internal Service	Totals (Memorandum Only)
<b><u>Operating Revenues</u></b>			
Food Services	\$ 873,591	\$ 0	\$ 873,591
Extracurricular Activities	0	8,030	8,030
Miscellaneous Revenue	198,344	0	198,344
<b>Total Operating Revenues</b>	<u>1,071,935</u>	<u>8,030</u>	<u>1,079,965</u>
<b><u>Operating Expenses</u></b>			
Salaries and Wages	497,621	0	497,621
Fringe Benefits	199,704	0	199,704
Contractual Services	52,560	0	52,560
Supplies and Materials	512,936	0	512,936
Depreciation	6,630	0	6,630
Other Operating Expenses	0	7,802	7,802
Total Operating Expenses	<u>1,269,451</u>	<u>7,802</u>	<u>1,277,253</u>
Operating Income (Loss)	<u>(197,516)</u>	<u>228</u>	<u>(197,288)</u>
<b><u>Non-Operating Revenues (Expenses)</u></b>			
Transfers In	8,945	0	8,945
Operating Grants	177,378	0	177,378
<b>Total Non-Operating Revenues (Expenses)</b>	<u>186,323</u>	<u>0</u>	<u>186,323</u>
Net Income (Loss)	<u>(11,193)</u>	<u>228</u>	<u>(10,965)</u>
Retained Earnings-Beginning of Year	<u>77,620</u>	<u>16</u>	<u>77,636</u>
Total Retained Earnings - End of Year	<u><u>\$ 66,427</u></u>	<u><u>\$ 244</u></u>	<u><u>\$ 66,671</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, 2001  
 (CONTINUED)

	Enterprise Fund		
	Budget	Actual	Variance Favorable (Unfavorable)
<b><u>Operating Revenues</u></b>			
Food Services	\$ 881,001	\$ 873,591	\$ (7,410)
Extracurricular Activities	0	0	0
Miscellaneous Revenue	220,000	198,327	(21,673)
<b>Total Operating Revenues</b>	1,101,001	1,071,918	(29,083)
<b><u>Operating Expenses</u></b>			
Salaries and Wages	509,480	501,726	7,754
Fringe Benefits	181,395	176,419	4,976
Contractual Services	56,851	53,023	3,828
Supplies and Materials	555,699	557,417	(1,718)
Capital Outlay	3,566	3,066	500
Other Operating Expenses	0	0	0
<b>Total Operating Expenses</b>	1,306,991	1,291,651	15,340
Operating Loss	(205,990)	(219,733)	(13,743)
<b><u>Non-Operating Revenue</u></b>			
Advances In	34,361	34,361	0
Transfers In	6,000	8,945	2,945
Operating Grants	144,714	152,124	7,410
Refund of Prior Year Expenditures	18	18	0
<b>Total Non-Operating Revenue</b>	185,093	195,448	10,355
Excess of Revenues Under Expenses, Advances and Operating Transfers	(20,897)	(24,285)	(3,388)
Fund Equity - Beginning of Year	32,985	32,985	0
Prior Year Encumbrances Appropriated	15,023	15,023	0
<b>Fund Equity - End of Year</b>	\$ 27,111	\$ 23,723	\$ (3,388)

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, 2001  
 (CONTINUED)

	<u>Internal Service Fund</u>		
	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
<b><u>Operating Revenues</u></b>			
Food Services	\$ 0	\$ 0	\$ 0
Extracurricular Activities	8,015	8,015	0
Miscellaneous Revenue	0	0	0
<b>Total Operating Revenues</b>	<u>8,015</u>	<u>8,015</u>	<u>0</u>
<b><u>Operating Expenses</u></b>			
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	8,046	7,802	244
<b>Total Operating Expenses</b>	<u>8,046</u>	<u>7,802</u>	<u>244</u>
Operating Loss	<u>(31)</u>	<u>213</u>	<u>244</u>
<b><u>Non-Operating Revenue</u></b>			
Advances In	0	0	0
Transfers In	0	0	0
Operating Grants	0	0	0
Refund of Prior Year Expenditures	15	15	0
<b>Total Non-Operating Revenue</b>	<u>15</u>	<u>15</u>	<u>0</u>
Excess of Revenues Under Expenses, Advances and Operating Transfers	(16)	228	244
Fund Equity - Beginning of Year	16	16	0
Prior Year Encumbrances Appropriated	0	0	0
<b>Fund Equity - End of Year</b>	<u>\$ 0</u>	<u>\$ 244</u>	<u>\$ 244</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, 2001  
 (CONTINUED)

	<u>Totals (Memorandum Only)</u>		
	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
<b><u>Operating Revenues</u></b>			
Food Services	\$ 881,001	\$ 873,591	\$ (7,410)
Extracurricular Activities	8,015	8,015	0
Miscellaneous Revenue	220,000	198,327	(21,673)
<b>Total Operating Revenues</b>	<u>1,109,016</u>	<u>1,079,933</u>	<u>(29,083)</u>
<b><u>Operating Expenses</u></b>			
Salaries and Wages	509,480	501,726	7,754
Fringe Benefits	181,395	176,419	4,976
Contractual Services	56,851	53,023	3,828
Supplies and Materials	555,699	557,417	(1,718)
Capital Outlay	3,566	3,066	500
Other Operating Expenses	8,046	7,802	244
<b>Total Operating Expenses</b>	<u>1,315,037</u>	<u>1,299,453</u>	<u>15,584</u>
Operating Loss	<u>(206,021)</u>	<u>(219,520)</u>	<u>(13,499)</u>
<b><u>Non-Operating Revenue</u></b>			
Advances In	34,361	34,361	0
Transfers In	6,000	8,945	2,945
Operating Grants	144,714	152,124	7,410
Refund of Prior Year Expenditures	33	33	0
<b>Total Non-Operating Revenue</b>	<u>185,108</u>	<u>195,463</u>	<u>10,355</u>
Excess of Revenues Under Expenses, Advances and Operating Transfers	(20,913)	(24,057)	(3,144)
Fund Equity - Beginning of Year	33,001	33,001	0
Prior Year Encumbrances Appropriated	15,023	15,023	0
<b>Fund Equity - End of Year</b>	<u><u>\$ 27,111</u></u>	<u><u>\$ 23,967</u></u>	<u><u>\$ (3,144)</u></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, 2001

	Enterprise	Internal Service	Totals (Memorandum Only)
<b><u>Cash Flows from Operating Activities</u></b>			
Operating Income (Loss)	\$(197,516)	\$ 228	\$(197,288)
<b><u>Adjustments to Reconcile Operating Loss to Net Cash Used in Operating Activities</u></b>			
Depreciation	6,630	0	6,630
Net (Increase) Decrease in Assets:			
Accounts Receivable	(25,254)	0	(25,254)
Inventory	(2,149)	0	(2,149)
Net Increase (Decrease) in Liabilities:			
Accounts Payable	(1,086)	0	(1,086)
Interfund Payable	34,360	0	34,360
Accrued Wages and Benefits	19,670	0	19,670
Compensated Absences	(491)	0	(491)
Deferred Revenue	(2,150)	0	(2,150)
<b>Net Cash Provided by Operating Activities</b>	(167,986)	228	(167,758)
<b><u>Cash Flows from Non-Capital Financing Activities</u></b>			
Transfers In	8,945	0	8,945
Operating Grants Received	177,378	0	177,378
<b>Net Cash from Non-Capital Financing Activities</b>	186,323	0	186,323
<b><u>Cash Flows from Investing Activities</u></b>			
Acquisition of Capital Assets	(27,534)	0	(27,534)
<b>Net Cash from Investing Activities</b>	(27,534)	0	(27,534)
Cash and Cash Equivalents - Beginning of Year	48,008	16	48,024
Cash and Cash Equivalents - End of Year	\$ 38,811	\$ 244	\$ 39,055

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, 2001

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, 2001 was 3,823. The District employed 254 certificated employees and 239 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 20 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, 2001  
(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, 2001  
(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, 2001  
(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.

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.

PAINESVILLE TOWNSHIP LOCAL SCHOOL DISTRICT  
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2001  
(CONTINUED)

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

**Budgetary Basis of Accounting**

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

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

PAINESVILLE TOWNSHIP LOCAL SCHOOL DISTRICT  
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2001  
(CONTINUED)

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

**Budgetary Basis of Accounting** (Continued)

6. Formal budgetary integration is to be employed as a management control device during the year for all funds consistent with statutory provision.
7. Appropriation amounts are amended by the Board of Education through the year by supplemental appropriations, which either reallocate or increase the original appropriated amounts.
8. Unencumbered appropriations lapse at year-end. Encumbered appropriations are carried forward to the succeeding fiscal year and need not be reappropriated. Expenditures plus encumbrances may not legally exceed budgeted appropriations at the fund, function and/or object level.

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

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

An analysis of the difference in fund balance for all governmental and proprietary fund types at June 30, 2001 as determined under the GAAP basis and budget basis follows:

	General Fund	Special Revenue Fund	Debt Service Fund	Capital Projects Fund	Enterprise Fund	Internal Service Fund
GAAP Basis-Fund Balance	\$ 6,848,229	\$ 302,753	\$ 345,267	\$ 463,419	\$ 66,427	\$ 244
Adjustments for GAAP basis:						
Adjustment for Revenue	0	(3,310)	0	0	0	0
Accrued Revenue/Prepaid						
Expenses at June 30, 2001	(20,216,298)	(3,500)	(795,919)	(968,928)	(140,443)	0
Accrued Expenditures/Deferred						
Revenues at June 30, 2001	18,772,457	97,088	670,116	1,296,985	112,827	0
Encumbrances Outstanding at						
June 30, 2001 (Budget Basis)	(1,220,450)	(96,659)	0	(461,708)	0	0
Budget Basis - Fund Balance	<u>\$ 4,183,938</u>	<u>\$ 296,372</u>	<u>\$ 219,464</u>	<u>\$ 329,768</u>	<u>\$ 38,811</u>	<u>\$ 244</u>

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PAINESVILLE TOWNSHIP LOCAL SCHOOL DISTRICT  
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2001  
(CONTINUED)

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

**Encumbrances**

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

**Cash and Cash Equivalents**

To improve cash management, 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 2001, 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 2001. 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, 2001.

Following Ohio statutes, the Board of Education has, by resolution, identified the funds to receive an allocation of interest. Interest revenue credited to the general fund during fiscal year 2001 amounted to \$539,555.

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.

PAINESVILLE TOWNSHIP LOCAL SCHOOL DISTRICT  
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2001  
(CONTINUED)

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

**Restricted Assets**

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

**Inventory**

Inventories are valued at cost, which approximates market, using the first-in, first-out method (FIFO) and are determined by physical count. Inventory in governmental 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.

**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.



PAINESVILLE TOWNSHIP LOCAL SCHOOL DISTRICT  
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2001  
(CONTINUED)

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

**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: **CHANGE IN ACCOUNTING PRINCIPLE**

For June 30, 2001, the School District has adopted GASB Statement No. 33, *Accounting and Financial Reporting for Nonexchange Transactions* and GASB Statement No. 36, *Recipient Reporting for Certain Shared Nonexchange Revenues*. GASB Statement No. 36 modified the provisions of GASB Statement No. 33 for certain specific nonexchange revenues.

GASB Statement No. 33 and GASB Statement No. 36 were required for the current year. These statements clarified the timing requirements for recognizing assets, liabilities, revenues, and expenditures/expenses associated with nonexchange transactions. As a result of implementation of these statements, there was no impact on prior year balances. Therefore, restatement of prior year balances is not necessary.

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.

PAINESVILLE TOWNSHIP LOCAL SCHOOL DISTRICT  
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2001  
(CONTINUED)

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

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;
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;

PAINESVILLE TOWNSHIP LOCAL SCHOOL DISTRICT  
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2001  
(CONTINUED)

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

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.

At June 30, 2001, the District's general fund had a balance of \$711,278 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.

PAINESVILLE TOWNSHIP LOCAL SCHOOL DISTRICT  
 NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2001  
 (CONTINUED)

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

*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 \$(123,825) and the bank balance was \$539,807. The bank balance is categorized as follows:

Amount insured by the FDIC	\$ 103,309
Collateralized with securities held by the pledging financial institution’s trust department but not in the name of Painesville Township Local School District	\$ 436,498

*Investments*

Investments made by the District as of June 30, 2001 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.

PAINESVILLE TOWNSHIP LOCAL SCHOOL DISTRICT  
 NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2001  
 (CONTINUED)

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

**Investments** (Continued)

	<u>Fair Value</u>
Money Market (Category 3)	\$ 30,593
Repurchase Agreement (Category 3)	338,336
Investment in STAROhio (Non-Categorized)	6,667,530
	\$ 7,036,459

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, 2001 consist of the following individual fund receivables and payables:

	<u>Receivables</u>	<u>Payables</u>
General Fund	\$ 34,361	\$ 0
Enterprise Fund	0	34,361
	\$ 34,361	\$ 34,361

A summary of interfund transfers made during 2001 by fund is as follows:

	<u>Transferred To</u>	<u>Transferred From</u>
General Fund	\$ 0	\$ 206,891
Special Revenue Fund	50,161	0
Debt Service Fund	156,730	0
	\$ 206,891	\$ 206,891

PAINESVILLE TOWNSHIP LOCAL SCHOOL DISTRICT  
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2001  
(CONTINUED)

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 2001 taxes were collected was \$688,073,673. Agricultural/residential and other real estate represented 86.5 percent (\$595,369,440) of this total, public utility tangible property 3.7 percent (\$25,579,080), and general tangible property 9.8 percent (\$67,125,153). The general tax rate for operations for the fiscal year ended June 30, 2001 was \$49.16 per \$1,000 of assessed valuation.

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

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

Accrued property taxes receivable represent delinquent taxes outstanding and real property, personal property, and public utility taxes, which became measurable as of June 30, 2001. 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, 2001 was \$1,701,662 in the general fund, \$73,938 in the debt service fund, and \$91,887 in the capital projects fund.

PAINESVILLE TOWNSHIP LOCAL SCHOOL DISTRICT  
 NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2001  
 (CONTINUED)

**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".

**NOTE 8: FIXED ASSETS**

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

	Balance <u>July 1, 2000</u>	<u>Additions</u>	<u>Disposals</u>	Balance <u>June 30, 2001</u>
Land and Improvements	\$ 528,701	\$ 0	\$ 0	\$ 528,701
Building and Improvements	13,067,178	0	0	13,067,178
Furniture and Equipment	4,153,805	213,579	20,394	4,346,990
Vehicles	2,772,790	765,307	273,386	3,264,711
Equipment Under Capital Lease	99,611	0	0	99,611
Net Fixed Assets	<u>\$ 20,622,085</u>	<u>\$ 978,886</u>	<u>\$ 293,780</u>	<u>\$ 21,307,191</u>

PAINESVILLE TOWNSHIP LOCAL SCHOOL DISTRICT  
 NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2001  
 (CONTINUED)

NOTE 8: **FIXED ASSETS** (Continued)

A summary of enterprise fund fixed assets at June 30, 2001, follows:

	Balance July 1, 2000	Additions	Disposals	Balance June 30, 2001
Equipment	\$ 192,593	\$ 27,534	\$ 0	\$ 220,127
Accumulated Depreciation	(137,244)	(6,630)	0	(143,874)
Net Fixed Assets	\$ 55,349	\$ 20,904	\$ 0	\$ 76,253

Depreciation expense for 2001 was \$6,630 in the enterprise fund.

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>			
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



PAINESVILLE TOWNSHIP LOCAL SCHOOL DISTRICT  
 NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2001  
 (CONTINUED)

NOTE 9: **COMPENSATED ABSENCES** (Continued)

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, 2001, the following changes occurred in liabilities reported in the general long-term debt account group. Compensated absences will be paid from the fund from which the employee is paid.

	Balance at <u>June 30, 2000</u>	Increase <u>(Decrease)</u>	Balance at <u>June 30, 2001</u>
General Obligation Bonds	\$ 9,650,000	\$ (515,000)	\$ 9,135,000
Compensated Absences	1,761,849	(575,866)	1,185,983
Pension Benefit Obligation	446,800	846	447,646
Capital Lease Obligations	38,263	(21,848)	16,415
Total	<u>\$11,896,912</u>	<u>\$(1,111,868)</u>	<u>\$10,785,044</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.

PAINESVILLE TOWNSHIP LOCAL SCHOOL DISTRICT  
 NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2001  
 (CONTINUED)

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

A. **Bonds Payable** (Continued)

The following is a schedule of bonds outstanding at June 30, 2001 for the District:

	House Bill 264		Total
	Energy Conservation Bonds	Permanent Improvement Bonds	
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	\$ 280,000	\$9,370,000	\$9,650,000
Principal Redemptions During Year	(140,000)	(375,000)	(515,000)
Amount Outstanding End of Year	\$ 140,000	\$8,995,000	\$9,135,000

B. **Future Debt Requirements**

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

Year Ending	Principal	Interest	Total
2002	\$ 540,000	\$ 506,050	\$ 1,046,050
2003	420,000	472,435	892,435
2004	445,000	447,728	892,728
2005	470,000	422,716	892,716
2006	495,000	395,576	890,576
2007	525,000	366,888	891,888
2008	550,000	336,654	886,654
2009	585,000	304,732	889,732
2010	615,000	270,982	885,982
2011	650,000	235,323	885,323
2012	685,000	197,609	882,609
2013	725,000	157,776	882,776
2014	765,000	115,684	880,684
2015	810,000	71,190	881,190
2016	855,000	24,154	879,154
Totals	\$ 9,135,000	\$ 4,325,497	\$ 13,460,497

PAINESVILLE TOWNSHIP LOCAL SCHOOL DISTRICT  
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2001  
(CONTINUED)

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, 2001 was \$450,000.

NOTE 13: **CAPITAL LEASE OBLIGATIONS**

The District has entered into several capital leases for the acquisition of equipment. The terms of the agreements provide ownership of the equipment. The leases meet the criteria of capital leases as defined by Statement of Financial Accounting Standards No. 13, *Accounting for Leases*, which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee at the conclusion of the lease term.

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

Year Ending June 30, 2002	\$ 16,987
Less: Amount Representing Interest	572
Present Value of Minimum Lease Payments	\$ 16,415

NOTE 14: **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:

	Food Service	Latchkey	Adult Education	Total
Operating Revenues	\$ 873,609	\$ 194,437	\$ 3,889	\$1,071,935
Operating Expenses before Depreciation	1,047,070	208,874	6,877	1,262,821
Depreciation	6,630	0	0	6,630
Operating Loss	(180,091)	(14,437)	(2,988)	(197,516)
Unrestricted Grants	177,378	0	0	177,378
Transfers In	0	8,945	0	8,945
Net Loss	(2,713)	(5,492)	(2,988)	(11,193)
Net Working Capital	(40,208)	30,235	147	(9,826)
Total Assets	140,515	38,592	147	179,254
Total Liabilities	104,470	8,357	0	112,827
Total Retained Earnings	36,045	30,235	147	66,427

PAINESVILLE TOWNSHIP LOCAL SCHOOL DISTRICT  
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2001  
(CONTINUED)

NOTE 15: **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, 5.5 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, 2001, 2000, and 1999 were \$637,732, \$583,547, and \$549,808, respectively. 21 percent has been contributed for fiscal year 2001 and 100 percent for the fiscal years 2000 and 1999. \$502,224 representing the unpaid contribution for fiscal year 2001 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.

PAINESVILLE TOWNSHIP LOCAL SCHOOL DISTRICT  
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2001  
(CONTINUED)

NOTE 15: **DEFINED BENEFIT PENSION PLANS** (Continued)

B. **State Teachers Retirement System** (Continued)

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, 2001, 2000, and 1999 were \$1,796,117, \$1,658,941, and \$1,583,334, respectively. 98 percent has been contributed for fiscal year 2001 and 100 percent for the fiscal years 2000 and 1999. \$35,741 representing the unpaid contribution for fiscal year 2001 is recorded as a liability within the respective funds.

NOTE 16: **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, 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, 2001, 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 \$577,323 for fiscal year 2001.

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

PAINESVILLE TOWNSHIP LOCAL SCHOOL DISTRICT  
 NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2001  
 (CONTINUED)

**NOTE 16: POSTEMPLOYMENT BENEFITS** (Continued)

For SERS, coverage is made available to service retirees with ten or more years of qualifying service credit, disability and survivor benefit recipients. Members retiring on or after August 1, 1989, with less than 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, 2001, employer contributions to fund health care benefits were 8.45 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 2001, the minimum pay was established at \$12,400. For the District, the amount contributed to fund health care benefits, including the surcharge, during the 2001 fiscal year equaled \$460,083.

The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund. The target level for the health care reserve is 150 percent of annual health care expenses. Expenses for health care for the fiscal year ended June 30, 2000 (the latest information available) were \$140,696,340 and the target level was \$211.0 million. At June 30, 2000, SERS had net assets available for payment of health care benefits of \$252.3 million. SERS has approximately 50,000 participants currently receiving health care benefits.

**NOTE 17: STATUTORY RESERVES**

The District is required by state law to set aside certain general fund revenue amounts, as defined, into various reserves. During the fiscal year ended June 30, 2001, the reserve activities were as follows:

	<u>Textbook Reserve</u>	<u>Capital Maintenance Reserve</u>	<u>Budget Stabilization Reserve</u>	<u>Total</u>
Balance July 1, 2000	\$ 0	\$ 0	\$ 519,849	\$ 519,849
Required Set-Asides	560,518	560,518	65,716	1,186,752
Qualifying Expenditures	(712,735)	(1,460,245)	0	(2,172,980)
Total	<u>\$ (152,217)</u>	<u>\$ (899,727)</u>	<u>\$ 585,565</u>	<u>\$ (466,379)</u>

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

PAINESVILLE TOWNSHIP LOCAL SCHOOL DISTRICT  
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2001  
(CONTINUED)

NOTE 18: **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 October 19, 2001, the Ohio General Assembly is still analyzing the impact this Supreme Court decision will have on funding for individual school districts. Further, the State of Ohio, in a motion filed September 17, 2001, asked the Court to reconsider and clarify the parts of the decision changing the school districts that are used as the basis for determining the base cost support amount and the requirement that changes be made retroactive to July 1, 2001.

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

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

PAINESVILLE TOWNSHIP LOCAL SCHOOL DISTRICT  
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2001  
(CONTINUED)

NOTE 19: **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, 2001.

B. **Litigation**

The District was named as defendant in several court actions during the period ended June 30, 2001. 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.

A. **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, 2001  
(CONTINUED)

**NOTE 20: 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 \$77,854 to LGCA during fiscal year 2001. 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 2001, the District paid \$1,300 to the Council. Financial information can be obtained by contacting Al Vasek, the Executive Secretary of the Ohio Schools' Council at 155 Center Road, Bedford, Ohio 44146.

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, 2001  
(CONTINUED)

NOTE 21: **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 22: **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 2001, 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 \$59,510,000.

Commercial umbrella liability is protected by Nationwide Wausau Insurance Company with a \$3,000,000 single and aggregate occurrence limit with a \$10,000 deductible. Vehicles are also 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 liability of \$245,997 reported in the general fund at June 30, 2001 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:

PAINESVILLE TOWNSHIP LOCAL SCHOOL DISTRICT  
 NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2001  
 (CONTINUED)

NOTE 22: **RISK MANAGEMENT** (Continued)

	Balance at Beginning <u>of Year</u>	Current <u>Year Claims</u>	Claims <u>Payments</u>	Balance at <u>End of Year</u>
2000	\$ 188,500	\$2,174,236	\$2,153,930	\$ 208,806
2001	\$ 208,806	\$2,216,902	\$2,179,711	\$ 245,997

NOTE 23: **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, 2001

FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM OR CLUSTER TITLE	Federal CFDA Number	Pass-Through Grantor Number	Cash Receipts	Other Receipts	Cash Disbursements	Other Disbursements
<b>U.S. Department of Agriculture</b>						
<b>Passed through State Department of Education</b>						
Child Nutrition Cluster						
Food Distribution Program	10.550	N/A	\$ 0	\$ 30,833	\$ 0	\$ 30,833
School Breakfast Program	10.553	047894-05-PU-2000	668	0	668	0
School Breakfast Program	10.553	047894-05-PU-2001	7,126	0	7,126	0
			7,794	30,833	7,794	30,833
School Lunch Program	10.555	047894-03-PU-2000	6,286	0	6,286	0
School Lunch Program	10.555	047894-03-PU-2001	35,669	0	35,669	0
School Lunch Program	10.555	047894-04-PU-2000	13,664	0	13,664	0
School Lunch Program	10.555	047894-04-PU-2001	81,302	0	81,302	0
			136,921	30,833	136,921	30,833
<b>Total U.S. Department of Agriculture</b>			144,715	30,833	144,715	30,833
<b>U.S. Department of Health and Human Services</b>						
<b>Passed through State Department of Education</b>						
Community Alternative Funding System	93.778	Not Available	16,365	0	16,365	0
<b>Total U.S. Department of Health and Human Services</b>			16,365	0	16,365	0
<b>U.S. Department of Education</b>						
<b>Passed through State Department of Education</b>						
Title I School Subsidy	84.010	047894-C1-S1-2000C	7,179	0	13,618	0
Title I School Subsidy	84.010	047894-C1-S1-2000	46,000	0	77,124	0
Title I School Subsidy	84.010	047894-C1-S1-2001	230,648	0	197,967	0
			283,827	0	288,709	0
Drug Free Education	84.186	047894-DR-S1-99C	(2,815)	0	419	0
Drug Free Education	84.186	047894-DR-S1-2000	0	0	13,362	0
Drug Free Education	84.186	047894-DR-S1-2001	14,947	0	9,772	0
			12,132	0	23,553	0
Eisenhower Prof. Development Grant	84.281	047894-MS-S1-99C	(475)	0	1,022	0
Eisenhower Prof. Development Grant	84.281	047894-MS-S1-2000	0	0	8,477	0
Eisenhower Prof. Development Grant	84.281	047894-MS-S1-2001	13,313	0	5,194	0
			12,838	0	14,693	0
Innovative Education Program Strategy	84.298	047894-C2-S1-99C	0	0	1,103	0
Innovative Education Program Strategy	84.298	047894-C2-S1-2000	20,412	0	11,224	0
Innovative Education Program Strategy	84.298	047894-C2-S1-2001	20,250	0	7,161	0
			40,662	0	19,488	0
Class Size Reduction Subsidy	84.340	047894-CR-S1-2000	29,638	0	39,036	0
Class Size Reduction Subsidy	84.340	047894-CR-S1-2001	53,677	0	49,128	0
			83,315	0	88,164	0
Goals 2000 Subsidy	84.276	047894-G2-S2-99	(510)	0	0	0
			(510)	0	0	0
Special Education Cluster						
Title VI-B	84.027	047894-6B-SF-2000	0	0	70,890	0
Title VI-B	84.027	047894-6B-SF-2001	158,012	0	83,488	0
			158,012	0	154,378	0
Preschool Subsidy	84.173	047894-PG-S1-2000	0	0	2,376	0
Preschool Subsidy	84.173	047894-PG-S1-2001	23,143	0	23,143	0
			23,143	0	25,519	0
<b>Total Special Education Cluster</b>			181,155	0	179,897	0
<b>Total U.S. Department of Education</b>			613,419	0	614,504	0
<b>TOTAL EXPENDITURES OF FEDERAL AWARDS</b>			\$ 774,499	\$ 30,833	\$ 775,584	\$ 30,833

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, 2001

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.

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PAINESVILLE TOWNSHIP LOCAL SCHOOL DISTRICT  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
FOR THE YEAR ENDED JUNE 30, 2001

The prior audit report included no reportable conditions or citations. However, there were management letter comments for which the District instituted procedures to correct the conditions. Management letter comments have either been corrected or restated in this audit period.

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

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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, 2001, and have issued our report thereon dated October 19, 2001. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Compliance**

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

**Internal Control Over Financial Reporting**

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

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

October 19, 2001

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James G. Zupka  
Certified Public Accountant

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

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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, 2001. 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, 2001.

### **Internal Control Over Compliance**

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

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

This report is intended 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.

October 19, 2001

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James G. Zupka  
Certified Public Accountant

PAINESVILLE TOWNSHIP LOCAL SCHOOL DISTRICT  
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
 OMB CIRCULAR A-133 & .505  
 JUNE 30, 2001

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

2000(i)	Type of Financial Statement Opinion	Unqualified
2000(ii)	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
2000(ii)	Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?	No
2000(iii)	Was there any reported noncompliance at the financial statement level (GAGAS)?	No
2000(iv)	Were there any material internal control weakness conditions reported for major federal programs?	No
2000(iv)	Were there any other reportable internal control weakness conditions reported for major federal programs?	No
2000(v)	Type of Major Program's Compliance Opinion	Unqualified
2000(vi)	Are there any reportable findings under .510?	No
2000(vii)	Major Programs (list):	Title I
2000(viii)	Dollar Threshold: Type A\B Program	Type A: \$300,000 or more Type B: All others less than \$300,000
2000(ix)	Low Risk Auditee?	Yes

PAINESVILLE TOWNSHIP LOCAL SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
OMB CIRCULAR A-133 & .505  
JUNE 30, 2001

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.



STATE OF OHIO  
OFFICE OF THE AUDITOR  

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JIM PETRO, AUDITOR OF STATE

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  
JANUARY 22, 2002**