



**PAINESVILLE CITY LOCAL SCHOOL DISTRICT
LAKE COUNTY**

SINGLE AUDIT

FOR THE YEAR ENDED JUNE 30, 2000



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

**PAINESVILLE CITY LOCAL SCHOOL DISTRICT
LAKE COUNTY
TABLE OF CONTENTS**

TITLE	PAGE
Report of Independent Accountants	1
General Purpose Financial Statements	3
Notes to the Financial Statements	15
Schedule of Federal Awards Expenditures	35
Notes to Schedule of Federal Awards Expenditures	36
Report on Compliance and on Internal Control Required by <i>Government Auditing Standards</i>	37
Report on Compliance with Requirements Applicable to Each Major Federal Program and on Internal Control over Compliance in Accordance with <i>OMB Circular A-133</i>	39
Schedule of Findings	41

This page intentionally left blank.



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

Lausche Bldg
615 W Superior Ave
Floor 12
Cleveland OH 44113 - 1801
Telephone 216-787-3665
800-626-2297
Facsimile 216-787-3361
www.auditor.state.oh.us

REPORT OF INDEPENDENT ACCOUNTANTS

Painesville City Local School District
Lake County
58 Jefferson Street
Painesville, Ohio 44077

To the Board of Education:

We have audited the accompanying general-purpose financial statements of the Painesville City Local School District, Lake County, Ohio, (the District) as of and for the year ended June 30, 2000, as listed in the table of contents. These general-purpose financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these general-purpose financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the 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 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 Painesville City Local School District, Lake County, Ohio, as of June 30, 2000, and the results of its operations and the cash flows of its proprietary fund types for the year then ended in conformity with generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 13, 2000 on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Our audit was performed for the purpose of forming an opinion on the general-purpose financial statements of the District, taken as a whole. The accompanying schedule of federal awards expenditures is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the general-purpose financial statements. Such information has been subjected to the auditing procedures applied in the audit of the general-purpose financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the general-purpose financial statements taken as a whole.

Jim Petro
Auditor of State

December 13, 2000

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

	Governmental Fund Types				Proprietary Fund Types			Fiduciary Fund Types			Account Group		Totals (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	Enterprise	Internal Service	Expendable Trust and Agency	General		Fixed Assets			
								Long-term Debt					
ASSETS AND OTHER DEBITS:													
Assets:													
Equity in pooled cash and investments	\$ 3,813,259	\$ 706,186	\$ 159,324	\$ 177,945	\$ 144,421	\$ 4,216	\$ 53,755	\$ -	\$ -	\$ -	\$ -	\$ 5,059,106	
Restricted cash	764,079	-	-	-	-	-	-	-	-	-	-	764,079	
Cash with fiscal agent	350,973	-	-	-	-	-	-	-	-	-	-	350,973	
Receivables:													
Taxes	8,584,117	-	130,164	180,964	-	-	-	-	-	-	-	8,895,245	
Accounts	28,371	-	-	-	-	-	-	-	-	-	-	28,371	
Accrued interest	28,333	1,809	-	-	-	-	-	-	-	-	-	30,142	
Interfund	39,112	-	-	-	-	-	-	-	-	-	-	39,112	
Intergovernmental	328,429	-	1,434	1,793	-	-	-	-	-	-	-	331,656	
Materials and supplies inventory	29,273	-	-	-	24,675	-	-	-	-	-	-	53,948	
Fixed assets - net of accumulated depreciation	-	-	-	-	51,923	-	-	-	-	11,230,921	-	11,282,844	
Other Debits:													
Amount to be provided for retirement of general long-term debt	-	-	-	-	-	-	-	-	3,310,468	-	-	3,310,468	
Amount available in Debt Service Fund	-	-	-	-	-	-	-	-	169,674	-	-	169,674	
Total assets and other debits	\$ 13,965,946	\$ 707,995	\$ 290,922	\$ 360,702	\$ 221,019	\$ 4,216	\$ 53,755	\$ 3,480,142	\$ 11,230,921	\$ 11,230,921	\$ 30,315,618		

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

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

	Governmental Fund Types				Proprietary Fund Types			Fiduciary Fund Types			Account Group		Totals (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	Enterprise	Internal Service	Expendable Trust and Agency	General		Fixed Assets			
								Long-term Debt					
LIABILITIES, FUND EQUITY AND OTHER CREDITS:													
Liabilities :													
Accounts payable	\$ 146,732	\$ 23,357	\$ -	\$ -	\$ 578	\$ -	\$ 601	\$ -	\$ -	\$ -	\$ -	\$ 171,268	
Accrued wages and benefits	1,824,831	228,690	-	-	19,448	-	-	255,074	-	-	-	2,328,043	
Interfund payable	-	33,412	-	-	4,900	-	800	-	-	-	-	39,112	
Due to students	-	-	-	-	-	-	45,434	-	-	-	-	45,434	
Compensated absences payable	221,328	47,957	-	-	9,894	-	-	1,041,168	-	-	-	1,320,347	
Claims payable	110,545	-	-	-	-	-	-	-	-	-	-	110,545	
Deferred revenue	-	-	121,248	169,829	9,939	-	-	-	-	-	-	8,466,757	
General obligation bonds payable	-	-	-	-	-	-	-	1,200,000	-	-	-	1,200,000	
Notes payable	-	-	-	-	-	-	-	613,668	-	-	-	613,668	
Capital lease obligations	-	-	-	-	-	-	-	370,232	-	-	-	370,232	
Total liabilities	10,469,177	333,416	121,248	169,829	44,759	-	46,835	3,480,142	-	-	-	14,665,406	
Fund Equity and Other Credits:													
Retained earnings:													
Investment in general fixed assets	-	-	-	-	-	-	-	-	11,230,921	-	-	11,230,921	
Unreserved	-	-	-	-	176,260	4,216	-	-	-	-	-	180,476	
Fund Balances:													
Reserved for encumbrances	1,618,557	216,664	-	253,750	-	-	-	-	-	-	-	2,088,971	
Reserved for revenue bond retirement	-	-	169,674	-	-	-	-	-	-	-	-	169,674	
Reserved for inventory	29,273	-	-	-	-	-	-	-	-	-	-	29,273	
Textbook reserve	236,040	-	-	-	-	-	-	-	-	-	-	236,040	
Capital maintenance reserve	34,148	-	-	-	-	-	-	-	-	-	-	34,148	
Budget stabilization reserve	275,680	-	-	-	-	-	-	-	-	-	-	275,680	
Property tax reserve	553,517	-	-	12,928	-	-	-	-	-	-	-	566,445	
Unreserved, undesignated	749,554	157,915	-	(75,805)	-	-	6,920	-	-	-	-	838,684	
Total fund equity and other credits	3,496,769	374,579	169,674	190,873	176,260	4,216	6,920	-	11,230,921	-	-	15,650,212	
Total liabilities, fund equity and other credits	\$ 13,965,946	\$ 707,995	\$ 290,922	\$ 360,702	\$ 221,019	\$ 4,216	\$ 53,755	\$ 3,480,142	\$ 11,230,921	\$ 30,315,618			

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

This page intentionally left blank.

**PAINESVILLE CITY LOCAL SCHOOL DISTRICT - LAKE COUNTY
 COMBINED STATEMENT OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCE
 ALL GOVERNMENTAL FUND TYPES
 FOR THE YEAR ENDED JUNE 30, 2000**

	Governmental Fund Types				Fiduciary Fund Type		Totals (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	Expendable Trust		
REVENUES:							
Revenue from local sources:							
Taxes	\$ 9,699,789	\$ -	\$ 137,065	\$ 92,432	\$ -	\$ -	\$ 9,929,286
Tuition	689,911	-	-	-	-	-	689,911
Transportation fees	6,470	-	-	-	-	-	6,470
Earnings on investments	297,949	10,394	-	1,123	119	-	309,585
Extracurricular activities	-	92,724	-	-	251	-	92,975
Classroom materials and fees	14,738	409	-	-	-	-	15,147
Miscellaneous receipts - local sources	359,029	46,802	-	-	2,006	-	407,837
Revenue from intermediate sources:							
Unrestricted grants-in-aid	45,560	-	-	-	-	-	45,560
Restricted grants-in-aid	-	61,543	-	-	-	-	61,543
Revenue from state sources:							
Unrestricted grants-in-aid	9,399,425	-	15,350	8,910	-	-	9,423,685
Restricted grants-in-aid	24,961	804,630	-	1,000	-	-	830,591
Revenue from federal sources							
Unrestricted grants-in-aid	-	1,498,453	-	-	-	-	1,498,453
Restricted grants-in-aid	-	32,918	-	-	-	-	32,918
Total revenue	<u>20,537,832</u>	<u>2,547,873</u>	<u>152,415</u>	<u>103,465</u>	<u>2,376</u>	<u>-</u>	<u>23,343,961</u>
EXPENDITURES:							
Instruction:							
Regular	7,383,535	138,719	-	40,622	-	-	7,562,876
Special	1,780,785	807,418	-	-	-	-	2,588,203
Vocational	530,793	1,749	-	-	-	-	532,542
Other	1,619,354	81,989	-	-	-	-	1,701,343
Supporting services:							
Pupils	883,497	474,459	-	-	2,791	-	1,360,747
Instructional staff	430,704	255,889	-	-	-	-	686,593
Board of Education	105,631	-	-	-	-	-	105,631
Administration	1,958,996	257,242	-	-	-	-	2,216,238
Fiscal services	444,546	-	1,667	1,257	-	-	447,470
Business	44,457	-	-	-	-	-	44,457
Operation and maintenance - plant	2,045,395	15,591	-	432,211	-	-	2,493,197
Pupil transportation	1,198,503	9,877	-	-	-	-	1,208,380
Central	286,654	-	-	-	-	-	286,654

Operation of non-instructional services:									
Food service	-	6,927	-	-	-	-	-	-	6,927
Community services	-	390,391	-	-	-	-	-	-	390,391
Extracurricular activities:									
Academic and subject oriented activities	26,607	6,910	-	-	-	-	-	-	33,517
Sports oriented activities	273,721	96,741	-	-	-	-	-	-	370,462
Co-curricular activities	45,337	11,357	-	-	-	-	-	-	56,694
Facility acquisition and construction:									
Other facility acquisition and construction	67,615	-	-	1,925	-	-	-	-	69,540
Debt service:									
Principal	-	-	168,360	-	-	-	-	-	168,360
Interest	-	-	115,998	-	-	-	-	-	115,998
Total expenditures	19,126,130	2,555,259	286,025	476,015	2,791				22,446,220
Excess (deficiency) of revenues over (under) expenditures	1,411,702	(7,386)	(133,610)	(372,550)	(415)				897,741
OTHER FINANCING SOURCES:									
Sale and gain on assets	315	-	-	-	-	-	-	-	315
Proceeds from sale of notes	-	-	-	432,211	-	-	-	-	432,211
Transfers-in	-	45,028	148,813	-	-	-	-	-	193,841
Refund of prior year's expenditures/revenues	3,416	(51,841)	-	-	-	-	-	-	(48,425)
Transfers-out	(193,841)	-	-	-	-	-	-	-	(193,841)
Total other financing sources (uses)	(190,110)	(6,813)	148,813	432,211	-	-	-	-	384,101
Excess (deficiency) of revenues and other sources over (under) expenditures and other uses	1,221,592	(14,199)	15,203	59,661	(415)				1,281,842
BEGINNING FUND BALANCE	2,271,317	388,778	154,471	131,212	7,335				2,953,113
INCREASE IN RESERVE FOR INVENTORY	3,860	-	-	-	-				3,860
ENDING FUND BALANCE	\$ 3,496,769	\$ 374,579	\$ 169,674	\$ 190,873	\$ 6,920	\$	\$	\$	4,238,815

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

PAINESVILLE CITY LOCAL SCHOOL DISTRICT - LAKE COUNTY
COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET (NON-GAAP BASIS) AND ACTUAL
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED JUNE 30, 2000

	General Fund		Variance Favorable (Unfavorable)
	Budget	Actual	
REVENUES			
Taxes	\$ 9,162,000	\$ 9,605,466	\$ 443,466
Classroom materials and fees	10,000	14,738	4,738
Tuition	750,000	704,433	(45,567)
Extracurricular activities	-	-	-
Transportation fees	10,000	5,818	(4,182)
Earnings on investments	250,000	280,134	30,134
Miscellaneous	300,000	356,480	56,480
Revenue from intermediate sources	90,000	44,874	(45,126)
Revenue from state sources	9,422,000	9,424,386	2,386
Revenue from federal sources	-	-	-
Total revenues	<u>19,994,000</u>	<u>20,436,329</u>	<u>442,329</u>
EXPENDITURES			
Current			
Instruction:			
Regular	8,112,167	7,698,470	413,697
Special	1,780,890	1,715,235	65,655
Vocational	544,668	529,289	15,379
Adult-continuing	1,838	1,057	781
Other	2,174,551	2,014,795	159,756
Support services:			
Pupil	1,063,215	919,018	144,197
Instructional staff	616,077	451,698	164,379
Board of Education	118,775	113,599	5,176
Administration	2,148,843	2,042,623	106,220
Fiscal	500,370	451,659	48,711
Business	60,104	50,974	9,130
Operation and maintenance of plant	2,832,767	2,545,842	286,925
Pupil transportation	1,720,619	1,589,438	131,181
Central	329,593	304,482	25,111
Extracurricular activities:			
Academic and subject-oriented activities	37,550	26,663	10,887
Sports oriented	307,064	292,484	14,580
Co-curricular activities	48,000	45,337	2,663
Non-instructional services:			
Food services	-	-	-
Community services	-	-	-
Facilities acquisition and construction services:			
Architecture and engineering	95,905	102,621	(6,716)
Other facilities acquisition and construction	7,725	6,300	1,425
Repayment of debt	-	-	-
Total expenditures	<u>22,500,721</u>	<u>20,901,584</u>	<u>1,599,137</u>
Excess (deficiency) of revenue over (under) expenditures	<u>(2,506,721)</u>	<u>(465,255)</u>	<u>2,041,466</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	1,510,000	1,536,780	26,780
Transfers out	(1,704,309)	(1,723,616)	(19,307)
Advances in	164,000	125,701	(38,299)
Advances out	(147,000)	(135,749)	11,251
Refund of prior year expenditures	-	5,594	5,594
Refund of prior year receipts	(3,000)	(2,178)	822
Pass-through	(384,292)	-	384,292
Proceeds from sale of assets	-	315	315
Proceeds from sale of note	-	-	-
Total other financing sources (uses)	<u>(564,601)</u>	<u>(193,153)</u>	<u>371,448</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	<u>(3,071,322)</u>	<u>(658,408)</u>	<u>2,412,914</u>
FUND BALANCES - BEGINNING OF YEAR	1,941,169	1,941,169	-
PRIOR YEAR ENCUMBRANCES - APPROPRIATED	1,543,115	1,543,115	-
FUND BALANCES - END OF YEAR	<u>\$ 412,962</u>	<u>\$ 2,825,876</u>	<u>\$ 2,412,914</u>

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

Special Revenue Fund			Debt Service Fund		
Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
\$ -	\$ -	\$ -	\$ 130,000	\$ 136,614	\$ 6,614
8,000	409	(7,591)	-	-	-
288,250	92,724	(195,526)	-	-	-
-	-	-	-	-	-
11,658	9,595	(2,063)	-	-	-
197,990	46,786	(151,204)	-	-	-
130,061	61,543	(68,518)	-	-	-
926,382	804,630	(121,752)	12,682	15,350	2,668
1,617,341	1,531,371	(85,970)	-	-	-
3,179,682	2,547,058	(632,624)	142,682	151,964	9,282
191,984	177,350	14,634	-	-	-
1,029,992	794,461	235,531	-	-	-
1,749	1,749	-	-	-	-
144,556	82,801	61,755	-	-	-
-	-	-	-	-	-
616,396	439,244	177,152	-	-	-
326,294	252,147	74,147	-	-	-
-	-	-	-	-	-
315,097	239,250	75,847	-	-	-
-	-	-	2,000	1,667	333
-	-	-	-	-	-
23,182	15,591	7,591	-	-	-
16,265	12,151	4,114	-	-	-
1,000	-	1,000	-	-	-
60,900	6,825	54,075	-	-	-
207,498	109,532	97,966	-	-	-
78,569	14,366	64,203	-	-	-
14,008	9,270	4,738	-	-	-
662,433	562,102	100,331	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	284,392	284,358	34
3,689,923	2,716,839	973,084	286,392	286,025	367
(510,241)	(169,781)	340,460	(143,710)	(134,061)	9,649
38,000	46,839	8,839	148,813	148,813	-
(2,000)	(1,795)	205	-	-	-
80,200	133,249	53,049	-	-	-
(80,200)	(122,001)	(41,801)	-	-	-
300	34	(266)	-	-	-
(52,008)	(51,875)	133	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
(15,708)	4,451	20,159	148,813	148,813	-
(525,949)	(165,330)	360,619	5,103	14,752	9,649
439,186	439,186	-	144,571	144,571	-
192,312	192,312	-	-	-	-
\$ 105,549	\$ 466,168	\$ 360,619	\$ 149,674	\$ 159,323	\$ 9,649

PAINESVILLE CITY LOCAL SCHOOL DISTRICT - LAKE COUNTY
COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET (NON-GAAP BASIS) AND ACTUAL
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED JUNE 30, 2000

	Capital Projects Fund		
	Budget	Actual	Variance Favorable (Unfavorable)
REVENUES			
Taxes	\$ 77,000	\$ 79,504	\$ 2,504
Classroom materials and fees	-	-	-
Tuition	-	-	-
Extracurricular activities	-	-	-
Transportation fees	-	-	-
Earnings on investments	9,005	8,128	(877)
Miscellaneous	-	-	-
Revenue from intermediate sources	-	-	-
Revenue from state sources	188,664	9,910	(178,754)
Revenue from federal sources	-	-	-
Total revenues	<u>274,669</u>	<u>97,542</u>	<u>(177,127)</u>
EXPENDITURES			
Current			
Instruction:			
Regular	26,531	2,876	23,655
Special	-	-	-
Vocational	-	-	-
Adult-continuing	-	-	-
Other	-	-	-
Support services:			
Pupil	-	-	-
Instructional staff	-	-	-
Board of Education	-	-	-
Administration	1,000	-	1,000
Fiscal	4,000	1,257	2,743
Business	-	-	-
Operation and maintenance of plant	759,571	685,961	73,610
Pupil transportation	-	-	-
Central	-	-	-
Extracurricular activities:			
Academic and subject-oriented activities	-	-	-
Sports oriented	-	-	-
Co-curricular activities	-	-	-
Non-instructional services:			
Food services	-	-	-
Community services	-	-	-
Facilities acquisition and construction services:			
Architecture and engineering	1,925	1,925	-
Other facilities acquisition and construction	-	-	-
Repayment of debt	-	-	-
Total expenditures	<u>793,027</u>	<u>692,019</u>	<u>101,008</u>
Excess (deficiency) of revenue over (under) expenditures	<u>(518,358)</u>	<u>(594,477)</u>	<u>(76,119)</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	-	-	-
Transfers out	(7,005)	(7,005)	-
Advances in	-	-	-
Advances out	-	-	-
Refund of prior year expenditures	-	-	-
Refund of prior year receipts	-	-	-
Pass-through	-	-	-
Proceeds from sale of assets	-	-	-
Proceeds from sale of note	432,211	432,211	-
Total other financing sources (uses)	<u>425,206</u>	<u>425,206</u>	<u>-</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	<u>(93,152)</u>	<u>(169,271)</u>	<u>(76,119)</u>
FUND BALANCES - BEGINNING OF YEAR	90,032	90,032	-
PRIOR YEAR ENCUMBRANCES - APPROPRIATED	3,434	3,434	-
FUND BALANCES - END OF YEAR	<u>\$ 314</u>	<u>\$ (75,805)</u>	<u>\$ (76,119)</u>

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

Expendable Trust Fund			Totals (Memorandum Only)		
Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
\$ -	\$ -	\$ -	\$ 9,369,000	\$ 9,821,584	\$ 452,584
-	-	-	18,000	15,147	(2,853)
-	-	-	750,000	704,433	(45,567)
4,450	251	(4,199)	292,700	92,975	(199,725)
-	-	-	10,000	5,818	(4,182)
296	119	(177)	270,959	297,976	27,017
11,000	2,006	(8,994)	508,990	405,272	(103,718)
-	-	-	220,061	106,417	(113,644)
-	-	-	10,549,728	10,254,276	(295,452)
-	-	-	1,617,341	1,531,371	(85,970)
15,746	2,376	(13,370)	23,606,779	23,235,269	(371,510)
1,700	-	1,700	8,332,382	7,878,696	453,686
-	-	-	2,810,882	2,509,696	301,186
-	-	-	546,417	531,038	15,379
-	-	-	146,394	83,858	62,536
-	-	-	2,174,551	2,014,795	159,756
11,460	2,270	9,190	1,691,071	1,360,532	330,539
1,270	-	1,270	943,641	703,845	239,796
-	-	-	118,775	113,599	5,176
-	-	-	2,464,940	2,281,873	183,067
-	-	-	506,370	454,583	51,787
-	-	-	60,104	50,974	9,130
505	-	505	3,616,025	3,247,394	368,631
-	-	-	1,736,884	1,601,589	135,295
-	-	-	330,593	304,482	26,111
-	-	-	98,450	33,488	64,962
-	-	-	514,562	402,016	112,546
-	-	-	126,569	59,703	66,866
-	-	-	14,008	9,270	4,738
-	-	-	662,433	562,102	100,331
-	-	-	97,830	104,546	(6,716)
-	-	-	7,725	6,300	1,425
-	-	-	284,392	284,358	34
14,935	2,270	12,665	27,284,998	24,598,737	2,686,261
811	106	(705)	(3,678,219)	(1,363,468)	2,314,751
-	-	-	1,696,813	1,732,432	35,619
(537)	(521)	16	(1,713,851)	(1,732,937)	(19,086)
-	-	-	244,200	258,950	14,750
-	-	-	(227,200)	(257,750)	(30,550)
-	-	-	300	5,628	5,328
-	-	-	(55,008)	(54,053)	955
-	-	-	(384,292)	-	384,292
-	-	-	-	315	315
-	-	-	432,211	432,211	-
(537)	(521)	16	(6,827)	384,796	391,623
274	(415)	(689)	(3,685,046)	(978,672)	2,706,374
7,335	7,335	-	2,622,293	2,622,293	-
-	-	-	1,738,861	1,738,861	-
\$ 7,609	\$ 6,920	\$ (689)	\$ 676,108	\$ 3,382,482	\$ 2,706,374

**PAINESVILLE CITY LOCAL SCHOOL DISTRICT - LAKE COUNTY
 COMBINED STATEMENT OF REVENUES, EXPENSES AND CHANGES IN RETAINED EARNINGS
 ALL PROPRIETARY FUND TYPES
 FOR THE YEAR ENDED JUNE 30, 2000**

	Enterprise Funds	Internal Service Funds	Totals (Memorandum Only)
OPERATING REVENUES:			
Food services and other charges	\$ 254,499	\$ -	\$ 254,499
Extracurricular activities	2,717	8,174	10,891
Total operating revenues	<u>257,216</u>	<u>8,174</u>	<u>265,390</u>
OPERATING EXPENSES:			
Personal services - salaries	302,549	-	302,549
Fringe benefits	122,724	-	122,724
Purchased services	10,563	5,168	15,731
Supplies and materials	265,018	-	265,018
Depreciation	11,486	-	11,486
Other objects	1,475	-	1,475
Total operating expenses	<u>713,815</u>	<u>5,168</u>	<u>718,983</u>
Operating income (loss)	<u>(456,599)</u>	<u>3,006</u>	<u>(453,593)</u>
NON-OPERATING REVENUES:			
Earnings on investments	7,388		7,388
State sources:			
Unrestricted grants-in-aid	29,710		29,710
Federal sources:			
Unrestricted grants-in-aid	493,604		493,604
Total non-operating revenues and expenses	<u>530,702</u>	<u>-</u>	<u>530,702</u>
Net income	74,103	3,006	77,109
BEGINNING RETAINED EARNINGS	<u>102,157</u>	<u>1,210</u>	<u>103,367</u>
ENDING RETAINED EARNINGS	<u>\$ 176,260</u>	<u>\$ 4,216</u>	<u>\$ 180,476</u>

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

PAINESVILLE CITY LOCAL SCHOOL DISTRICT - LAKE COUNTY
COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND EQUITY
BUDGET (NON-GAAP BASIS) AND ACTUAL
ALL PROPRIETARY FUND TYPES
FOR THE YEAR ENDED JUNE 30, 2000

	Enterprise Fund			Internal Service Fund			Totals (Memorandum Only)		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
OPERATING REVENUES	\$ 195,000	\$ 222,295	\$ 27,295	\$ -	\$ -	\$ -	\$ 195,000	\$ 222,295	\$ 27,295
Food service	-	-	-	26,372	8,174	(18,198)	26,372	8,174	(18,198)
Extracurricular activities	6,000	2,717	(3,283)	-	-	-	6,000	2,717	(3,283)
Classroom materials and fees	-	-	-	-	-	-	-	-	-
Total operating revenues	201,000	225,012	24,012	26,372	8,174	(18,198)	227,372	233,186	5,814
OPERATING EXPENSES	309,200	297,244	11,956	-	-	-	309,200	297,244	11,956
Salaries and wages	136,000	124,460	11,540	-	-	-	136,000	124,460	11,540
Fringe benefits	12,966	10,756	2,210	23,639	8,467	15,172	36,605	19,223	17,382
Contractual services	224,830	216,113	8,717	3,500	-	3,500	228,330	216,113	12,217
Supplies and materials	32,196	28,713	3,483	-	-	-	32,196	28,713	3,483
Capital outlay	2,000	1,475	525	-	-	-	2,000	1,475	525
Other operating expenses	717,192	678,761	38,431	27,139	8,467	18,672	744,331	687,228	57,103
Total operating expenses	(516,192)	(453,749)	62,443	(767)	(293)	474	(516,959)	(454,042)	62,917
Operating gain (loss)									
NON-OPERATING REVENUE	34,695	32,204	(2,491)	-	-	-	34,695	32,204	(2,491)
Miscellaneous	4,000	7,388	3,388	-	-	-	4,000	7,388	3,388
Earnings on investments	28,000	29,710	1,710	-	-	-	28,000	29,710	1,710
State sources - restricted grants-in-aid	423,000	447,020	24,020	-	-	-	423,000	447,020	24,020
Federal sources - unrestricted grants-in-aid	(50)	-	50	-	-	-	(50)	-	50
Refund of prior year receipts	4,000	1,000	(3,000)	-	-	-	4,000	1,000	(3,000)
Advances in	-	(3,000)	(3,000)	-	-	-	-	(3,000)	(3,000)
Advances out	493,645	514,322	20,677	-	-	-	493,645	514,322	20,677
Total non-operating revenues	(22,547)	60,573	83,120	(767)	(293)	474	(23,314)	60,280	83,594
Excess (deficiency) of revenues over (under) expenses, advances and operating transfers	75,730	75,730	-	1,109	1,109	-	76,839	76,839	-
FUND EQUITY - BEGINNING OF YEAR	1,856	1,856	-	740	740	-	2,596	2,596	-
PRIOR YEAR ENCUMBRANCE-APPROPRIATED	\$ 55,039	\$ 138,159	\$ 83,120	\$ 1,082	\$ 1,556	\$ 474	\$ 56,121	\$ 139,715	\$ 83,594
FUND EQUITY - END OF YEAR									

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

**PAINESVILLE CITY LOCAL SCHOOL DISTRICT - LAKE COUNTY
 COMBINED STATEMENT OF CASH FLOWS
 ALL PROPRIETARY FUND TYPES
 FOR THE YEAR ENDED JUNE 30, 2000**

	Enterprise Funds	Internal Service Funds	Totals (Memorandum Only)
CASH FLOWS FROM OPERATING ACTIVITIES:			
Operating income (loss)	\$(456,599)	\$ 3,006	\$ (453,593)
ADJUSTMENTS TO RECONCILE OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES:			
Depreciation	11,486	-	11,486
Net decrease in assets:			
Inventory	2,341	-	2,341
Net increase (decrease) in liabilities:			
Accounts payable	503	(639)	(136)
Interfund payable	(2,000)	-	(2,000)
Accrued wages and benefits	5,549	-	5,549
Compensated absences	(1,979)	-	(1,979)
Deferred revenue	(1,312)	-	(1,312)
Total adjustments	14,588	(639)	13,949
Net cash provided by (used in) operating activities	(442,011)	2,367	(439,644)
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES			
Operating grants received	523,314	-	523,314
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received	7,388	-	7,388
Purchase of equipment	(21,856)	-	(21,856)
Total cash flows from investing activities	(14,468)	-	(14,468)
Net increase in cash and cash equivalents	66,835	2,367	69,202
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	77,586	1,849	79,435
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 144,421	\$ 4,216	\$ 148,637

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

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

DESCRIPTION OF THE DISTRICT

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

The District is located in Lake County.

Average daily membership (ADM) as of June 1, 2000 was 2,506. The District employed 192 certificated employees and 151 noncertificated employees. It currently operates six instructional facilities.

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 five Jointly Governed Organizations that are further described in the notes to the financial statements.

BASIS OF PRESENTATION

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

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

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

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

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

Governmental Fund Types

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

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

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

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

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

Proprietary Fund Types

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

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

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

Fiduciary Fund Types

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

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

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

Expendable Trust Fund - Expendable trust fund is used to account for assets held by the District in a trustee capacity for another government, organization or individuals subject to the terms of the trust agreement.

Account Groups

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

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.

General Fixed Asset - 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).

BASIS OF ACCOUNTING

Governmental and Fiduciary Fund Types are accounted for on the modified accrual basis of accounting. Governmental revenues are recognized when they become measurable and available to finance expenditures of the current period. A 60-day availability period is used. Revenue items, which are susceptible to accrual and therefore are recorded as receivables, include property taxes and reimbursable-type grants. Expenditures are recognized when the related fund liability is incurred, with the exception of accumulated unpaid employee compensation, which is not payable from current expendable financial resources.

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

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

BUDGETARY BASIS OF ACCOUNTING

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

1. Prior to January 15 of the preceding fiscal year, the Treasurer submits to the Board of Education a proposed operating budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing for all funds. Public hearings are publicized and conducted to obtain taxpayers' comments. The express purpose of this budget document is to reflect the need for existing (or increased) tax rates.

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

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

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 projected increases or decreases in revenue are identified by the District Treasurer.
4. By July 1, the annual appropriation resolution is legally enacted by the Board of Education at the fund, function and object level of expenditures, which are the legal levels of budgetary control. State statute permits a temporary appropriation to be effective until no later than October 1 of each year. Resolution appropriations by fund must be within the estimated resources as certified by the Commission and the total of expenditures and encumbrances may not exceed the appropriation totals.
5. Any revisions that alter the total of any fund appropriation or alter total function appropriations within a fund, or alter object appropriations within functions must be approved by the Board of Education.
6. Formal budgetary integration is to be employed as a management control device during the year for all funds consistent with statutory provision.
7. Appropriation amounts are amended by the Board of Education through the year by supplemental appropriations, which either reallocates or modifies the original appropriated amounts.
8. Unencumbered appropriations lapse at year end. Encumbered appropriations are carried forward to the succeeding fiscal year and need not be reappropriated. Expenditures plus encumbrances may not legally exceed budgeted appropriations at the fund, function and/or object level.

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

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

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

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

An analysis of the difference in fund balance for all governmental and proprietary fund types and the expendable trust fund at June 30, 2000 as determined under the GAAP basis and budget basis follows:

	General Fund	Special Revenue Fund	Debt Service Fund	Capital Projects Fund	Enterprise Fund	Internal Service Fund	Expendable Trust Fund
GAAP basis-fund balance	\$ 3,496,769	\$ 374,579	\$ 169,674	\$ 190,873	\$ 176,260	\$ 4,216	\$ 6,920
Adjustments for GAAP basis:							
Accrued revenue/prepaid expenses at June 30, 2000	(9,388,608)	(1,809)	(131,598)	(182,757)	(76,598)	--	--
Accrued expenditures/deferred revenues at June 30, 2000	10,469,177	333,416	121,247	169,829	44,759	--	--
Encumbrances outstanding at June 30, 2000 (budget basis)	<u>(1,751,462)</u>	<u>(240,018)</u>	<u>--</u>	<u>(253,750)</u>	<u>(6,262)</u>	<u>(2,660)</u>	<u>--</u>
Budget basis - fund balance	<u>\$ 2,825,876</u>	<u>\$ 466,168</u>	<u>\$ 159,323</u>	<u>\$ (75,805)</u>	<u>\$ 138,159</u>	<u>\$ 1,556</u>	<u>\$ 6,920</u>

ENCUMBRANCES

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

CASH AND INVESTMENTS

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

During fiscal year 2000, investments were limited to STAR Ohio, the State Treasurer's Investment Pool. All investments of the District had a maturity of two years or less. Except for nonparticipating investment contracts, investments are reported at fair value, which is based on quoted market prices. Nonparticipating investment contracts such as repurchase agreements are reported at cost.

The District has invested funds in the State Treasury Assets Reserve (STAR Ohio) during fiscal year 2000. STAR Ohio is an investment pool managed by the State Treasurer's Office, which allows governments within the state to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price, which is the price the investment could be sold for on June 30, 2000.

Following Ohio statutes, the Board of Education has, by resolution, identified the funds to receive an allocation of interest. Interest revenue credited to the general fund during fiscal year 2000 amounted to \$ 297,949.

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

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

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

INVENTORY

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

FIXED ASSETS AND DEPRECIATION

General Fixed Assets Account Group - General fixed assets are capitalized at cost (or estimate 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 or 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.

RESTRICTED CASH

Restricted cash in the general fund represents cash and cash equivalents set aside for statutory reserves. These reserves are required by State statute and can be used only for qualifying expenditures of textbooks, instructional materials, capital acquisitions and maintenance or after receiving approval from the State unless certain conditions are met. An equal fund balance reserve has also been established.

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, debt, statutory reserves and encumbrances. The unreserved portions of fund equity reflected for the Governmental Fund Types are available for use within the specific purposes of those funds.

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

FUND DEFICIT AND ACCOUNTABILITY

FUND DEFICIT

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

<u>Special Revenue Fund</u>	<u>Deficit Fund</u> <u>Balance</u>
D.P.I.A. Grant	\$ (45,684)
Title VIB	\$ (3,413)
CDBG Grant	\$ (1,147)
Chapter 1	\$ (15,993)
Community Service Block Grant	\$ (1,110)

The deficits in the above-mentioned fund are due to timing differences in the recording of revenues and paying expenditures.

ACCOUNTABILITY

In the general fund, architecture and engineering and transfer out had expenditures plus encumbrances in excess of appropriations by \$ 6,716 and \$ 19,307, which is contrary to Ohio Revised Code Section 5705.41.

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 Treasury, in commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

Inactive deposits are public deposits that the Board 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 or interest by the United States;

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

EQUITY IN POOLED CASH AND INVESTMENTS (CONTINUED)

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

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

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

At June 30, 2000, the School District's general fund had a balance of \$ 350,973 with Lake County Council of Governments Health Care Benefits Program, a claims servicing pool. The money is held by the claims servicer in a pooled account which is representative of numerous entities and, therefore, cannot be classified by risk under GASB No. 3. The classification of cash and cash equivalents and investments for the Lake County Council of Governments Health Care Benefits Program Self Insurance Plan as a whole may be obtained from the Plan's fiscal agent, the Mentor Exempted Village School District. To obtain financial information, write to Mr. James Metz, Treasurer, Mentor Exempted Village School District, 6451 Center Street, Mentor, OH 44060.

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

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

EQUITY IN POOLED CASH AND INVESTMENTS (CONTINUED)

- (a) Deposits - At year end, the carrying amount of the District's deposits was \$ 144,184 and the bank balance was \$ 464,435. The bank balance is categorized as follows:

Amount insured by the FDIC	\$ 197,170
Collateralized with securities held by the pledging financial institution's trust department but not in the name of the District	\$ 267,265

- (b) Investments - Investments made by the District as of June 30, 2000 are summarized below. The investments that are represented by specific identifiable investment securities are classified as to credit risk by the three categories described below:

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

	Carrying Value	Fair Value
Investment in STAR Ohio	\$ 5,679,000	\$ 5,679,000

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

INTERFUND TRANSACTIONS

Interfund balances at June 30, 2000 consist of the following individual fund receivables and payables:

	Receivables	Payables
General fund	\$ 39,112	\$ --
Special revenue funds	--	33,412
Enterprise fund	--	4,900
Agency fund	--	800
	\$ 39,112	\$ 39,112

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

	Transferred To	Transferred From
General fund	\$ --	\$ 193,841
Special revenue fund	45,028	--
Debt service fund	148,813	--
	\$ 193,841	\$ 193,841

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

PROPERTY TAXES

Property taxes include amounts levied against all real, public property utility and tangible (used in business) property located in the District. Real property taxes and public property utility taxes are levied after April 1 on the assessed value listed as of the prior January 1, the lien date. Assessed values are established by state law at 35% of appraised market value. Public utility property taxes are assessed on tangible personal property, as well as land and improvements, at true value (normally 50% of cost). Tangible personal property taxes attach as a lien and are levied on January 1 of the current year. Tangible personal property assessments are 25% of true value. The assessed value upon which the 2000 taxes were collected was \$ 188,002,464. Agricultural/residential and other real estate represented 78% (\$ 147,339,530) of this total; public utility tangible property 4% (\$ 6,741,760) and general tangible property 18% (\$ 33,921,174). The general tax rate for operations for the fiscal year ended June 30, 2000 was \$ 77.18 per \$ 1,000 of assessed valuation.

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

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

Accrued property taxes receivable represent delinquent taxes outstanding and real property, personal property and public utility taxes, which became measurable as of June 30, 2000. Although total property tax collections for the next fiscal year are measurable, only the amount available as an advance at June 30 is intended to finance current year operations. The receivable is, therefore, offset by a credit to deferred revenue for that portion not intended to finance current year operations. The amount available as an advance at June 30 is recognized as revenue. The amount available to the District as an advance at June 30, 2000 was \$ 553,517 in the General Fund, \$ 10,350 in the Debt Service Fund and \$ 12,928 in the Capital Projects Fund.

LAKE COUNTY SCHOOL FINANCING DISTRICT

The Board of Education of the Lake County Educational Service Center 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 Educational Service Center 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 City Local School District) each of such Member District's proportionate share of that tax settlement. Each Member District's proportionate share is a fraction, the numerator being Member District's total pupil population and the denominator being the aggregate pupil population of all Member Districts as of that date.

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

LAKE COUNTY SCHOOL FINANCING DISTRICT (CONTINUED)

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

FIXED ASSETS

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

	Balance			Balance	
	July 1, 1999	Additions	Disposals	June 30, 2000	
Land and improvements	\$ 764,650	\$ 25,000	\$ --	\$ 789,650	
Building and improvements	6,011,951	--	--	6,011,951	
Furniture and equipment	2,964,712	246,749	176,992	3,034,469	
Vehicles	880,853	78,276	24,360	934,769	
Equipment under capital lease	453,799	346,140	339,857	460,082	
Total	<u>\$ 11,075,965</u>	<u>\$ 696,165</u>	<u>\$ 541,209</u>	<u>\$ 11,230,921</u>	

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

	Balance			Balance	
	July 1, 1999	Additions	Disposals	June 30, 2000	
Equipment	\$ 306,290	\$ 21,856	\$ --	\$ 328,146	
Less accumulated depreciation	264,737	11,486	--	276,223	
Net fixed assets	<u>\$ 41,553</u>	<u>\$ 10,370</u>	<u>\$ --</u>	<u>\$ 51,923</u>	

Depreciation expense of \$ 11,486 was recorded in the Enterprise Fund.

COMPENSATED ABSENCES

The criteria for determining vesting vacation and sick leave components is 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	0 days for less than 1 year of service 10-25 days depending on length of service after 1 year of service
Maximum Accumulation	Not applicable	Per contract	Two years vacation leave
Vested	Not applicable	Per contract	After first year of employment
Termination	Not applicable	Per contract	Paid upon termination
Entitlement			
 <u>Sick Leave</u>			
How earned	1-1/4 days per month of employment (15 days per year)	1-1/4 days per month of employment (15 days per year)	Per contract
Maximum Accumulation	232 days	Unlimited	Unlimited
Vested	As earned	As earned	As earned
Termination	40% of accumulated sick leave up to 52 days	40% of accumulated sick leave up to 52 days	40% of accumulated sick leave up to 42 days
Entitlement			

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

COMPENSATED ABSENCES (CONTINUED)

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

CHANGES IN GENERAL LONG-TERM DEBT ACCOUNT GROUP

During the year ended June 30, 2000, the following changes occurred in liabilities reported in the General Long-Term Debt Account Group. Compensated absences and accrued benefits will be paid from the fund from which the employee is paid.

	Balance at June 30, 1999	Increase (Decrease)	Balance at June 30, 2000
General obligation bonds	\$ 1,255,000	\$ (55,000)	\$ 1,200,000
Notes payable	294,817	318,851	613,668
Compensated absences	962,479	78,689	1,041,168
Capital lease obligations	315,261	54,971	370,232
Accrued benefits	179,569	75,505	255,074
Total	<u>\$ 3,007,126</u>	<u>\$ 473,016</u>	<u>\$ 3,480,142</u>

LONG-TERM DEBT

A. Bonds Payable - All bonds outstanding are general obligations of the District for which the full faith and credit of the District is pledged for repayment. Accordingly, such unmatured obligations of the District are accounted for in the general long-term debt account group. Payments of principal and interest relating to these liabilities are recorded as expenditures in the debt service fund. The source of payment is derived from a current .80 mill bonded-debt tax levy.

The following is a schedule of bonds outstanding at June 30, 2000 for the District:

Interest rate	<u>Stadium Project</u> 6.7%
Issue date	02/01/92
Maturity date	12/01/12
Amount outstanding beginning of year	\$ 1,255,000
Principal redemptions during year	\$ 55,000
Amount outstanding end of year	\$ 1,200,000

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

LONG-TERM DEBT (CONTINUED)

B. Notes Payable - Payments of principal and interest relating to these liabilities are recorded as expenditures in the General Fund via transfers to the Debt Service Fund. The following is a schedule of notes outstanding as of June 30, 2000 for the District:

<u>Purpose</u>	<u>Interest Rate</u>	<u>Issue Date</u>	<u>Maturity Date</u>	Balance	New	Retired	Balance
				June 30, 1999	Issues During 2000	During 2000	June 30, 2000
Energy Conservation	5.950%	03/16/93	12/01/02	\$ 254,817	\$ --	\$ 54,862	\$ 199,955
Energy Conservation	5.750%	08/01/94	12/01/99	40,000	--	40,000	--
Energy Conservation	6.050%	08/20/99	06/01/14	--	432,211	18,498	413,713
				<u>\$ 294,817</u>	<u>\$ 432,211</u>	<u>\$ 113,360</u>	<u>\$ 613,668</u>

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

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2001	\$ 140,100	\$ 112,168	\$ 252,468
2002	152,312	103,481	255,793
2003	165,028	93,971	258,799
2004	98,398	86,046	184,444
2005	104,813	79,707	184,520
2006	111,315	72,945	184,260
2007	117,907	65,573	183,480
2008	124,595	57,659	182,254
2009	131,386	49,221	180,607
2010	143,284	40,208	183,492
2011	150,298	30,573	180,871
2012	162,434	20,328	182,762
2013	169,698	9,405	179,103
2014	42,100	2,582	44,682
	<u>\$ 1,813,668</u>	<u>\$ 823,867</u>	<u>\$ 2,637,535</u>

CAPITAL LEASE OBLIGATIONS

The District has entered into capital leases for the acquisition of equipment. The terms of the agreements provide ownership of the equipment. The lease meets the criteria of a capital lease as defined by Statement of Financial Accounting Standards No. 13, "Accounting for Leases", which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee at the conclusion of the lease term. Lease payments will be made by the General Fund.

The following is a schedule of future minimum lease payments required under the capital leases and the present value of the minimum lease payments as of June 30, 2000:

<u>Year Ending June 30,</u>	
2001	\$ 96,522
2002	96,522
2003	86,201
2004	69,282
2005	28,868
Total payments	<u>377,395</u>
Less: Amount representing interest	<u>7,163</u>
Present value of minimum lease payments	<u>\$ 370,232</u>

	Balance June 30, 1999	Additions	Deletions	Balance June 30, 2000
Leasing obligations	\$ 315,261	\$ 346,140	\$ 291,169	\$ 370,232

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

SEGMENT INFORMATION FOR ENTERPRISE FUNDS

The District maintains enterprise funds to account for food service operations, childcare and uniform supplies. The more significant financial information for those funds is as follows:

<u>Function</u>	<u>Food Service</u>	<u>Childcare</u>	<u>Uniform Supply and Various</u>	<u>Total</u>
Operating revenues	\$ 222,295	\$ 32,204	\$ 2,717	\$ 257,216
Operating expenses before depreciation	\$ 669,034	\$ 32,614	\$ 681	\$ 702,329
Depreciation	\$ 10,981	\$ 505	\$ --	\$ 11,486
Operating income (loss)	\$(457,720)	\$ (915)	\$ 2,036	\$(456,599)
Earnings on investments	\$ 7,388	\$ --	\$ --	\$ 7,388
Unrestricted grants	\$ 523,314	\$ --	\$ --	\$ 523,314
Net income (loss)	\$ 72,982	\$ (915)	\$ 2,036	\$ 74,103
Net working capital	\$ 124,209	\$ 4,908	\$ (4,780)	\$ 124,337
Total assets	\$ 212,817	\$ 8,082	\$ 120	\$ 221,019
Total liabilities	\$ 38,073	\$ 1,786	\$ 4,900	\$ 44,759
Total retained earnings	\$ 174,743	\$ 6,296	\$ (4,779)	\$ 176,260

DEFINED BENEFIT PENSION PLANS

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

Plan members are required to contribute 9 percent of their annual covered salary and the District is required to contribute at an actuarially determined rate. The current District rate is 14 percent of annual covered payroll. 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 2000, 5.5 percent of annual covered salary was the portion used to fund pension obligations. For fiscal year 1999, 7.8% was used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to a statutory maximum amount, by the SERS' Retirement Board. The District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2000, 1999 and 1998 were \$ 544,513, \$ 394,016 and \$ 452,360, respectively; 100 percent has been contributed for fiscal years 2000, 1999 and 1998.

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. STRS provides retirement and disability benefits, annual cost-of-living adjustments and death and survivor benefits to members and beneficiaries. Benefits are established by Chapter 3307 of the Ohio Revised Code. STRS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information for STRS. The report may be obtained by writing to the State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3371.

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

DEFINED BENEFIT PENSION PLANS (CONTINUED)

For fiscal year ended June 30, 2000, plan members were required to contribute 9.3 percent of their annual covered salaries. The District was required to contribute 14 percent; 6 percent was the portion used to fund pension obligations. Contribution rates are established by STRS, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. The District's required contributions for pension obligations to STRS for the fiscal years ended June 30, 2000, 1999 and 1998 were \$ 1,381,095, \$ 1,378,587 and \$ 1,354,683, respectively; 100 percent has been contributed for fiscal years 2000, 1999 and 1998.

POST EMPLOYMENT BENEFITS

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

All STRS benefit recipients and sponsored dependents are eligible for health care coverage. The STRS Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS funds is included in the employer contribution rate, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2000, the STRS Board allocated employer contributions equal to 8 percent of covered payroll to the Health Care Reserve Fund. For the District, this amount equaled \$ 788,448 for fiscal year 2000.

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

For SERS, coverage is made available to service retirees with ten or more years of qualifying service credit and to disability and survivor benefit recipients. Members retiring on or after August 1, 1989, with less than 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, 2000, employer contributions to fund health care benefits were 8.5 percent of covered payroll, an increase from 6.3 percent for fiscal year 1999. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2000, the minimum pay was established at \$ 12,400. For the District, the amount contributed to fund health care benefits, including the surcharge, during the 2000 fiscal year equaled \$ 327,813.

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

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

CONTINGENCIES

Grants - The District receives financial assistance from numerous federal, state and local agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material effect on any of the financial statements of the individual fund types included herein or on the overall financial position of the District at June 30, 2000.

Litigation - The District was named as defendant in several court actions during the period ended June 30, 2000. Management does not believe that the ultimate resolution of these cases will have a material impact on the general purpose financial statements of the District.

State School Funding Decision - On March 24, 1997, the Ohio Supreme Court rendered a decision declaring certain portions of the Ohio school funding plan unconstitutional. The Court stayed the effect of its ruling for one year to allow the State's legislature to design a plan to remedy the perceived defects in the system. Declared unconstitutional was the State's "school foundation program", which provides significant amounts of monetary support to this District. During the fiscal year ended June 30, 2000, the District received \$ 8,136,875 school foundation support for its general fund.

Since the Supreme Court ruling, numerous pieces of legislation have been passed by the State General Assembly in an attempt to address the issues identified by the Court. The Court of Common Pleas in Perry County reviewed the new laws and, in a decision issued on February 26, 1999, determined they are not sufficiently responsive to the constitutional issues raised under the "thorough and efficient" clause of the Ohio Constitution. The State appealed the decision made by the Court of Common Pleas to the Ohio Supreme Court. On May 11, 2000, the Ohio Supreme Court rendered an opinion on this issue. The Court concluded, "...the mandate of the [Ohio] Constitution has not been fulfilled." The Court's majority recognized efforts by the Ohio General Assembly taken in response to the Court's March 24, 1997, decision, however, it found seven "...major areas warrant further attention, study, and development by the General Assembly..." including the State's reliance on local property tax funding, the state's basic aid formula, the school foundation program, as discussed above, the mechanism for, and adequacy of, funding for school facilities, and the existence of the State's School Solvency Assistance Fund, which the Court found took the place of the unconstitutional emergency school loan assistance program.

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

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

JOINTLY GOVERNED ORGANIZATIONS

Auburn Career Center - The Auburn Career Center is a joint vocational school District, which is a jointly governed organization among eleven school districts. Each participating school district appoints one member to the Auburn Career Center's Board of Education. The students of each participating school district may attend classes offered at the vocational facility. Each participant's control over the operation of the Auburn Career Center is limited to representation on the board. Continued existence of the Auburn Career Center is not dependent on the School District's continued participation. Financial information can be obtained by writing the Auburn Career Center, 8140 Auburn Road, Painesville, Ohio 44077.

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

JOINTLY GOVERNED ORGANIZATIONS (CONTINUED)

Lake Geauga Computer Association - The Lake Geauga Computer Association (LGCA) is a jointly governed organization that was first formed for the purpose of providing computer services for accounting, grading, scheduling, EMIS and other applications to its eighteen (18) member school districts. Each of the districts supports LGCA based upon a per pupil charge. The executive committee (governing board) consists of the superintendents and treasurers of the member school districts. The degree of control exercised by any participating School District is limited to its representation on the governing board. LGCA's continued existence is not dependent on the School District's continued participation. LGCA is not accumulating significant financial resources or experiencing financial distress, which would cause additional financial benefits or burden on the School District. Financial information can be obtained from: Lake Geauga Computer Association, 8140 Auburn Road, Painesville, Ohio 44077.

East Shore Center - The East Shore Center is a jointly governed organization that was formed for the purpose of providing special education for the handicapped children in the sixteen (16) member school districts. The governing board consists of the superintendents of the member school districts. The degree of control exercised by any participating school district is limited to its representation of the governing board. East Shore Center is not accumulating significant financial resources or experiencing fiscal distress, which would cause additional financial benefit or burden on the School District. Financial information can be obtained by writing the fiscal agent, Mentor Exempted Village School District, 6451 Center Street, Mentor, OH 44060.

East Shore Regional Transportation System - The East Shore Regional Transportation System (ESRTS) is a jointly governed organization that was formed for the purpose of providing a transportation system for the handicapped children in the sixteen (16) member school districts. The transportation committee (governing board) consists of the superintendents of the member school districts. The degree of control exercised by any participating school district is limited to its representation of the governing board. ESRTA is not accumulating significant financial resources or experiencing fiscal distress, which would cause additional financial benefit or burden on the School District. Financial information can be obtained by writing the fiscal agent, Kirtland Board of Education, 9152 Chillicothe Road, Kirtland, Ohio 44094.

Ohio Schools Council Association - The Ohio Schools Council Association (Council) is a jointly governed organization among eighty-two school districts. The jointly governed organization was formed to bring quality products and services at the lowest possible cost to the member districts. The Council's Board consists of seven superintendents of the participating districts whose term rotates every year. The degree of control exercised by any school district is limited to its representation on the Board. In fiscal year 2000, the School District paid \$ 500 to the Council. Financial information can be obtained by contacting Albert G. Vasek, the Executive Secretary of the Ohio Schools Council at 155 Center Street, Bedford, OH 44146.

CLAIMS SERVICING POOL

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. A five-member Board of Directors elected from the HCBP's assembly conducts the Plan's business and affairs. All participating members retain their risk and the Plan acts as the claims servicing agent.

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

RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees and natural disasters. During fiscal year 2000, the District contracted with Wausau Insurance Companies for property and general liability insurance. There is a \$ 500 deductible and a \$ 5,000,000 limit of liability.

Commercial umbrella liability is protected by Wausau Insurance Companies with a \$ 5,000,000 single and aggregate occurrence limit. Vehicles are also covered by Wausau Insurance Companies and have a \$ 500 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 School District has elected to provide medical coverage through a self-insured program. The School District uses the general fund to account for and finance its uninsured risks of loss in this program. The claims are services through the Lake County Council of Governments Health Care Benefits Program. The Lake County Council of Governments Health Care Benefits Program has stop loss coverage of 110% of expected claims. The claims liability of \$ 110,545 reported in the general fund at June 30, 2000 is based on the requirements of Governmental Accounting Standards Board Statement No. 10, which requires that a liability for unpaid claims costs, including estimates of costs relating to incurred but not reported claims, be reported. The estimate was not affected by incremental claim adjustment expenses and does not include other allocated or unallocated claim adjustment expenses. Changes in the fund's claims liability amount was:

	<u>Balance at Beginning of Year</u>	<u>Current Year Claims</u>	<u>Claim Payments</u>	<u>Balance at End of Year</u>
1999	\$ 80,239	\$ 1,174,456	\$ 1,162,223	\$ 92,472
2000	\$ 92,472	\$ 1,372,837	\$ 1,354,764	\$ 110,545

OSBA GROUP RATING PROGRAM

The District participates in the Ohio School Boards Association Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool. The GRP's business and affairs are conducted by a three member Board of Directors consisting of the President, the President-Elect and the Immediate Past President of the Ohio School Boards Association. The Executive Director of the OSBA, or his designee, serves as coordinator of the program. Each year, the participating school districts pay an enrollment fee to the GRP to cover the costs of administering the program.

The intent of the GRP is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the GRP. The workers compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of the GRP. A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund". This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of Gates McDonald & Co. provides administrative, cost control and actuarial services to the GRP.

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

STATUTORY RESERVES

The District is required, by state law, to set aside certain general fund revenue amounts, as defined, into various reserves. The July 1, 1999 balances for the Textbook and Capital Maintenance Reserves have been restated for 1999 qualifying expenditures, which were erroneously omitted. During the fiscal year ended June 30, 2000, the reserve activity was as follows:

	<u>Textbook Reserve</u>	<u>Capital Maintenance Reserve</u>	<u>Budget Stabilization Reserve</u>	<u>Total</u>
Balance (as restated) July 1, 1999	\$ 79,484	\$ 130,599	\$ 243,993	\$ 454,076
Required set-aside	411,464	411,464	137,155	960,083
Offset credits	--	(79,504)	(105,468)	(184,972)
Qualifying expenditures	<u>(254,908)</u>	<u>(428,411)</u>	<u>--</u>	<u>(683,319)</u>
Balance, June 30, 2000	<u>\$ 236,040</u>	<u>\$ 34,148</u>	<u>\$ 275,680</u>	<u>\$ 545,868</u>

This page intentionally left blank.

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

FEDERAL GRANTOR/PASS-THROUGH GRANTOR/PROGRAM OR CLUSTER TITLE	Federal CFDA Number	Pass-Through Entity Number	Receipts	Non-cash Receipts	Disburse- ments	Non-cash Disburse- ments
U.S. DEPARTMENT OF EDUCATION						
Passed-Through State Department of Education:						
Special Education Cluster						
Preschool Grant						
	84.173	044628-PG-S1-99P	(\$251)	\$0	\$0	\$0
	84.173	044628-PG-S1-00P	22,937	0	22,937	0
			<u>22,686</u>	<u>0</u>	<u>22,937</u>	<u>0</u>
Educational Handicap VI-B						
	84.027	044628-6B-SF-98	0	0	9	0
	84.027	044628-6B-SF-98P	(4,513)	0	9,517	0
	84.027	044628-6B-SF-99P	196,261	0	166,265	0
			<u>191,748</u>	<u>0</u>	<u>175,791</u>	<u>0</u>
Total Special Education Cluster						
			<u>214,434</u>	<u>0</u>	<u>198,728</u>	<u>0</u>
Title I						
	84.010	044628-C1-S1-99	40,116	0	122,269	0
	84.010	044628-C1-SD-99	0	0	3,183	0
	84.010	044628-C1-SD-00	26,433	0	19,564	0
	84.010	044628-C1-S1-00	556,882	0	446,614	0
			<u>623,431</u>	<u>0</u>	<u>591,630</u>	<u>0</u>
Innovative Education Program Strategies						
	84.298	044628-C2-S1-98C	(869)	0	1,016	0
	84.298	044628-C2-S1-99C	2,919	0	8,100	0
	84.298	044628-C2-S1-00	21,285	0	5,774	0
			<u>23,335</u>	<u>0</u>	<u>14,890</u>	<u>0</u>
Math/Science						
	84.164	044628-MS-S1-97	0	0	2,526	0
			<u>0</u>	<u>0</u>	<u>2,526</u>	<u>0</u>
Eisenhower						
	84.281	044628-MS-S1-98C	(148)	0	246	0
	84.281	044628-MS-S1-00	15,943	0	1,069	0
			<u>15,795</u>	<u>0</u>	<u>1,315</u>	<u>0</u>
Adult Education						
	84.002	044628-AB-S1-00	32,918	0	32,918	0
			<u>32,918</u>	<u>0</u>	<u>32,918</u>	<u>0</u>
Migrant Education						
	84.011	044628-MG-S1-00	334,400	0	160,037	0
	84.011	044628-MG-S1-99	48,000	0	178,655	0
			<u>382,400</u>	<u>0</u>	<u>338,692</u>	<u>0</u>
Immigration Education						
	84.162	044628-E1-S1-00	11,408	0	11,408	0
	84.162	044628-E1-S1-99	(500)	0	22	0
			<u>10,908</u>	<u>0</u>	<u>11,430</u>	<u>0</u>
Drug-Free Schools						
	84.186	044628-DR-S1-98C	(2)	0	0	0
	84.186	044628-DR-S1-99	14,902	0	19,203	0
	84.186	044628-DR-S1-00	31,072	0	19,670	0
			<u>45,972</u>	<u>0</u>	<u>38,873</u>	<u>0</u>
Class Size Reduction						
	84.340	044628-CR-S1-00	87,194	0	68,327	0
			<u>87,194</u>	<u>0</u>	<u>68,327</u>	<u>0</u>
Total U.S. Department of Education						
			<u>1,436,387</u>	<u>0</u>	<u>1,299,329</u>	<u>0</u>
U.S. Department of Agriculture						
Passed Through State Department of Education						
Child Nutrition Cluster						
Food Distribution Program						
	10.550	N/A	0	45,273	0	46,584
Breakfast Federal Aid						
	10.553	044628-05-PU-99	20,110	0	20,110	0
	10.553	044628-05-PU-00	59,633	0	59,633	0
			<u>79,743</u>	<u>0</u>	<u>79,743</u>	<u>0</u>
National School Lunch Program						
	10.555	044628-03-PU-99	13,484	0	13,484	0
	10.555	044628-03-PU-00	36,616	0	36,616	0
	10.555	044628-04-PU-99	84,350	0	84,350	0
	10.555	044628-03-PU-00	232,827	0	232,827	0
			<u>367,277</u>	<u>0</u>	<u>367,277</u>	<u>0</u>
Total U.S. Department of Agriculture						
			<u>447,020</u>	<u>45,273</u>	<u>447,020</u>	<u>46,584</u>
Corporation for National and Community Services						
Passed Through State Department of Education						
Serve America School Base Program						
Total Corporation for National and Community Services						
	94.004	044628-SV-S1-00	10,596	0	6,212	0
			<u>10,596</u>	<u>0</u>	<u>6,212</u>	<u>0</u>
U.S. Department of Housing and Urban Development						
Passed Through Lake County Community Development Dept.						
Community Development Block Grant						
Total U.S. Department of Housing and Urban Development						
	14.218	N/A	11,196	0	5,539	0
			<u>11,196</u>	<u>0</u>	<u>5,539</u>	<u>0</u>
U.S. Department of Health and Human Services						
Passed Through Lake County Community Development Dept.						
Community Services Block Grant						
	93.569	99-932	5,498	0	11,027	0
	93.569	2000-92	12,608	0	6,327	0
			<u>18,106</u>	<u>0</u>	<u>17,354</u>	<u>0</u>
Total U.S. Department of Health and Human Services						
U.S. DEPARTMENT OF LABOR						
Passed-Through State Department of Education:						
Continuous Improvement Development Grant						
Total U.S. Department of Labor						
	17.249	044628-STW-99	0	0	10,000	0
			<u>0</u>	<u>0</u>	<u>10,000</u>	<u>0</u>
Total Expenditures of Federal Awards						
			<u>\$1,923,305</u>	<u>\$45,273</u>	<u>\$1,785,454</u>	<u>\$46,584</u>

See accompanying notes to Schedule of Expenditures of Federal Awards

**PAINESVILLE CITY LOCAL SCHOOL DISTRICT
LAKE COUNTY
NOTES TO SCHEDULE OF FEDERAL AWARDS EXPENDITURES
JUNE 30, 2000**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

The accompanying schedule of federal awards expenditures is a summary of the activity of the Districts federal awards programs. The schedule has been prepared on the cash basis of accounting.

NOTE B - FOOD DISTRIBUTION

Nonmonetary assistance is reported in the schedule at the fair market value of the commodities received and disbursed.

CFDA - Catalog of Federal Domestic Assistance



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

Lausche Bldg
615 W Superior Ave
Floor 12
Cleveland OH 44113 - 1801
Telephone 216-787-3665
800-626-2297
Facsimile 216-787-3361
www.auditor.state.oh.us

**REPORT ON COMPLIANCE AND ON INTERNAL CONTROL REQUIRED BY
GOVERNMENT AUDITING STANDARDS**

Painesville City Local School District
Lake County
58 Jefferson Street
Painesville, Ohio 44077

To the Board of Education:

We have audited the financial statements of Painesville City Local School District, Lake County, Ohio, (the District) as of and for the year ended June 30, 2000, and have issued our report thereon dated December 13, 2000. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted other immaterial instances of noncompliance that we have reported to management of the District in a separate letter December 13, 2000.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal controls over financial reporting that do not require inclusion in this report, that we have reported to management of the District in a separate letter December 13, 2000.

Painesville City Local School District
Lake County
Report on Compliance and on Internal Control Required by
Government Auditing Standards
Page 2

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

Jim Petro
Auditor of State

December 13, 2000



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

Lausche Bldg
615 W Superior Ave
Floor 12
Cleveland OH 44113 - 1801
Telephone 216-787-3665
800-626-2297
Facsimile 216-787-3361
www.auditor.state.oh.us

**REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR
FEDERAL PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE
IN ACCORDANCE WITH OMB CIRCULAR A-133**

Painesville City Local School District
Lake County
58 Jefferson Street
Painesville, Ohio 44077

To the Board of Education:

Compliance

We have audited the compliance of the Painesville City Local School District, Lake County, Ohio (the District) with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement* that are applicable to its major federal program for the year ended June 30, 2000. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings. Compliance with the requirements of laws, regulations, contracts and grants applicable to the major federal programs are the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

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

In our opinion, the District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2000.

Internal Control Over Compliance

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

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over federal compliance that do not require inclusion in this report, that we have reported to management of the District in a separate letter December 13, 2000.

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

Jim Petro
Auditor of State

December 13, 2000

**PAINESVILLE CITY LOCAL SCHOOL DISTRICT
LAKE COUNTY
JUNE 30, 1999**

SCHEDULE OF FINDINGS

1. SUMMARY OF AUDITOR'S RESULTS
--

A-133 §.505

(d)(1)(i)	<i>Type of Financial Statement Opinion</i>	Unqualified
(d)(1)(ii)	<i>Were there any material control weakness conditions reported at the financial statement level (GAGAS)?</i>	No
(d)(1)(ii)	<i>Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?</i>	No
(d)(1)(iii)	<i>Was there any reported non-compliance at the financial statement level (GAGAS)?</i>	No
(d)(1)(iv)	<i>Were there any material internal control weakness conditions reported for major federal programs?</i>	No
(d)(1)(iv)	<i>Were there any other reportable internal control weakness conditions reported for major federal programs?</i>	No
(d)(1)(v)	<i>Type of Major Programs' Compliance Opinion</i>	Unqualified
(d)(1)(vi)	<i>Are there any reportable findings under Sec. .510?</i>	No
(d)(1)(vii)	<i>Major Programs (list)</i>	Title I, CFDA # 84.010, and Migrant Education, CFDA # 84.011
(d)(1)(viii)	<i>Dollar Threshold: Type A/B Programs</i>	Type A: > \$300,000 Type B: all others
(d)(1)(ix)	<i>Low Risk Auditee?</i>	Yes

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

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 CITY 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 25, 2001**