

**VERMILION LOCAL
SCHOOL DISTRICT
ERIE COUNTY, OHIO**

***GENERAL PURPOSE FINANCIAL STATEMENTS
(AUDITED)
FOR THE FISCAL YEAR ENDED
JUNE 30, 2000***

MS. AMY HENDRICKS, TREASURER



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

35 North Fourth Street, 1st Floor
Columbus, Ohio 43215

Telephone 614-466-4514
800-282-0370

Facsimile 614-728-7398

Board of Education
Vermilion Local School District

We have reviewed the Independent Auditor's Report of the Vermilion Local School District, Erie County, prepared by Trimble, Julian & Grube, Inc. for the audit period July 1, 1999 through June 30, 2000. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

JIM PETRO
Auditor of State

March 6, 2001

**VERMILION LOCAL SCHOOL DISTRICT
ERIE COUNTY, OHIO**

TABLE OF CONTENTS

Independent Auditor’s Report	1
Combined Balance Sheet - All Fund Types and Account Groups	2 - 3
Combined Statement of Revenues, Expenditures and Changes in Fund Balances (Deficit) - All Governmental Fund Types and Expendable Trust Fund	4
Combined Statement of Revenues, Expenditures, and Changes in Fund Balances Budget (Non-GAAP Basis) and Actual Comparison - All Governmental Fund Types and Expendable Trust Fund	5
Combined Statement of Revenues, Expenses and Changes in Fund Equity - All Proprietary Fund Types and Nonexpendable Trust Fund	6
Combined Statement of Cash Flows - All Proprietary Fund Types and Nonexpendable Trust Fund	7
Combined Statement of Revenues, Expenses and Changes in Fund Equity Budget (Non-GAAP Basis) and Actual Comparison - All Proprietary Fund Types and Nonexpendable Trust Fund	8
Notes to the General Purpose Financial Statements	9 - 37
Supplemental Data	
Schedule of Expenditures of Federal Awards	38
Report on Compliance and on Internal Control Required By <i>Government Auditing Standards</i>	39 - 40
Report on Compliance with Requirements Applicable to Its Major Federal Program and Internal Control Over Compliance in Accordance with <i>OMB Circular A-133</i>	41 - 42
Schedule of Findings	43 - 47

TRIMBLE, JULIAN & GRUBE, INC.

"SERVING OHIO LOCAL GOVERNMENTS"

1445 Worthington Woods Boulevard
Suite B
Worthington, Ohio 43085

Telephone 614.846.1899
Facsimile 614.846.2799

Independent Auditor's Report

Board of Education
Vermilion Local School District
1230 Beechview Drive
Vermilion, Ohio 44089

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

We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the 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 Vermilion Local School District, Erie County, as of June 30, 2000, and the results of its operations and the cash flows of its proprietary fund types and nonexpendable trust fund 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 January 19, 2001, 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 expenditures of federal awards 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.

Trimble, Julian & Grube, Inc.
January 19, 2001

Vermilion Local School District
Combined Balance Sheet
All Fund Types and Account Groups
June 30, 2000

	Governmental Fund Types			Proprietary Fund Types		Fiduciary Fund Types		Account Groups		
	General	Special Revenue	Debt Service	Capital Projects	Enterprise	Internal Service	Trust and Agency	General Fixed Assets	General Long-Term Obligations	Totals (Memorandum Only)
Assets and Other Debits										
Assets										
Equity in Pooled Cash and Cash Equivalents	\$760,416	\$308,711	\$158,252	\$7,137	\$220,656	\$231,378	\$347,462	\$0	\$0	\$2,034,012
Cash and Cash Equivalents With Fiscal Agents	0	0	769	0	0	46,521	0	0	0	47,290
Receivables:										
Taxes	11,395,181	0	152,717	0	0	0	0	0	0	11,547,898
Accounts	5,794	930	0	0	464	0	0	0	0	7,188
Intergovernmental	4,912	4,658	0	0	19,554	0	0	0	0	29,124
Inventory Held for Resale	0	0	0	0	15,126	0	0	0	0	15,126
Materials and Supplies										
Inventory	57,753	0	0	0	3,700	0	0	0	0	61,453
Restricted Assets:										
Equity in Pooled Cash and Cash Equivalents	410,314	0	0	0	0	0	0	0	0	410,314
Fixed Assets (Net, where applicable, of Accumulated Depreciation)	0	0	0	0	440,386	0	0	18,357,500	0	18,797,886
Other Debits										
Amount Available in Debt Service Fund for Retirement of General Obligations	0	0	0	0	0	0	0	0	179,146	179,146
Amount to be Provided from General Government Resources	0	0	0	0	0	0	0	0	2,866,512	2,866,512
Total Assets and Other Debits	\$12,634,370	\$314,299	\$311,738	\$7,137	\$699,886	\$277,899	\$347,462	\$18,357,500	\$3,045,658	\$35,995,949

Vermilion Local School District
Combined Balance Sheet
All Fund Types and Account Groups (continued)
June 30, 2000

	Governmental Fund Types			Proprietary Fund Types		Fiduciary Fund Types		Account Groups			Totals (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	Enterprise	Internal Service	Trust and Agency	General Fixed Assets	General Long-Term Obligations		
Liabilities,											
Fund Equity and Other Credits											
Liabilities											
Accounts Payable	\$83,133	\$45,942	\$0	\$0	\$7,938	\$0	\$0	\$0	\$0	\$0	\$137,013
Accrued Wages and Benefits	1,605,414	51,803	0	0	37,436	0	0	0	0	0	1,694,653
Compensated Absences Payable	236,958	0	0	0	11,829	0	0	0	1,535,723	0	1,784,510
Intergovernmental Payable	336,706	2,216	0	0	31,381	0	0	0	133,286	0	503,589
Deferred Revenue	10,002,641	0	131,823	0	11,177	0	0	0	0	0	10,145,641
Undistributed Monies	0	0	0	0	0	0	4,452	0	0	0	4,452
Due to Students	0	0	0	0	0	0	72,472	0	0	0	72,472
Matured Interest Payable	0	0	0	0	0	0	0	0	0	0	769
Claims Payable	0	0	0	0	0	0	0	0	0	0	131,766
Capital Leases Payable	0	0	0	0	0	131,766	0	0	0	0	11,649
Energy Conservation Loan Payable	0	0	0	0	0	0	0	0	11,649	0	180,000
Solvency Assistance Advance	674,000	0	0	0	0	0	0	0	180,000	0	674,000
General Obligation Bonds Payable	0	0	0	0	0	0	0	0	0	0	1,185,000
Total Liabilities	12,938,852	99,961	132,592	0	99,761	131,766	76,924	0	3,045,658	0	16,525,514
Fund Equity and Other Credits											
Investment in General Fixed Assets	0	0	0	0	0	0	0	18,357,500	0	0	18,357,500
Contributed Capital	0	0	0	0	372,045	0	0	0	0	0	372,045
Retained Earnings:											
Unreserved	0	0	0	0	228,080	146,133	0	0	0	0	374,213
Fund Balance:											
Reserves for Principal Endowment	0	0	0	0	0	0	51,008	0	0	0	51,008
Reserved for Encumbrances	276,886	82,614	0	3,268	0	0	0	0	0	0	362,768
Reserved for Textbooks	202,082	0	0	0	0	0	0	0	0	0	202,082
Reserved for Inventory	57,753	0	0	0	0	0	0	0	0	0	57,753
Reserved for Bus Purchases	20,812	0	0	0	0	0	0	0	0	0	20,812
Reserved for Budget Stabilization	145,873	0	0	0	0	0	0	0	0	0	145,873
Reserved for Capital Improvements	41,547	0	0	0	0	0	0	0	0	0	41,547
Reserved for Tax Revenue Unavailable for Appropriation	1,392,540	0	20,894	0	0	0	0	0	0	0	1,413,434
Unreserved, Undesignated (Deficit)	(2,441,975)	131,724	158,252	3,869	0	0	219,530	0	0	0	(1,928,600)
Total Fund Equity (Deficit) and Other Credits	(304,482)	214,338	179,146	7,137	600,125	146,133	270,538	18,357,500	0	0	19,470,435
Total Liabilities, Fund Equity and Other Credits	\$12,634,370	\$314,299	\$311,738	\$7,137	\$699,886	\$277,899	\$347,462	\$18,357,500	\$3,045,658	\$0	\$35,995,949

Vermilion Local School District
*Combined Statement of Revenues, Expenditures
and Changes in Fund Balances (Deficit)*
All Governmental Fund Types and Expendable Trust Fund
For the Fiscal Year Ended June 30, 2000

	Governmental Fund Types			Fiduciary Fund Type		Totals (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	Expendable Trust	
Revenues						
Taxes	\$11,200,686	\$0	\$156,535	\$0	\$0	\$11,357,221
Intergovernmental	5,817,818	659,686	16,989	108	0	6,494,601
Interest	160,403	2,136	0	0	11,020	173,559
Tuition and Fees	11,764	730	0	0	0	12,494
Extracurricular Activities	173,390	144,213	0	0	0	317,603
Contributions and Donations	0	39,163	0	0	4,489	43,652
Miscellaneous	21,238	0	0	0	0	21,238
<i>Total Revenues</i>	<u>17,385,299</u>	<u>845,928</u>	<u>173,524</u>	<u>108</u>	<u>15,509</u>	<u>18,420,368</u>
Expenditures						
Current:						
Instruction:						
Regular	8,090,071	178,977	0	0	0	8,269,048
Special	1,568,466	257,937	0	0	0	1,826,403
Vocational	175,798	0	0	0	0	175,798
Adult/Continuing	12,571	2,720	0	0	0	15,291
Support Services:						
Pupils	621,455	194,067	0	0	0	815,522
Instructional Staff	728,104	90,693	0	0	50	818,847
Board of Education	81,080	0	0	0	0	81,080
Administration	1,205,013	6,371	0	0	0	1,211,384
Fiscal	413,784	0	0	0	0	413,784
Business	122,016	0	0	0	0	122,016
Operation and Maintenance of Plant	1,851,074	110	0	0	0	1,851,184
Pupil Transportation	1,119,457	0	0	0	0	1,119,457
Central	34,496	10,849	0	0	0	45,345
Operation of Non-Instructional Services						
Services	0	77,688	0	0	9,750	87,438
Extracurricular Activities	309,100	91,818	0	0	0	400,918
Capital Outlay	53,348	15,200	0	16,810	0	85,358
Debt Service:						
Principal Retirement	99,220	0	80,000	0	0	179,220
Interest and Fiscal Charges	22,860	0	69,602	0	0	92,462
<i>Total Expenditures</i>	<u>16,507,913</u>	<u>926,430</u>	<u>149,602</u>	<u>16,810</u>	<u>9,800</u>	<u>17,610,555</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	877,386	(80,502)	23,922	(16,702)	5,709	809,813
Other Financing Source						
Proceeds from Sale of Fixed Assets	12,676	0	0	0	0	12,676
<i>Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses</i>	890,062	(80,502)	23,922	(16,702)	5,709	822,489
<i>Fund Balances (Deficit) Beginning of Year</i>	(1,199,586)	294,840	155,224	23,839	191,990	(533,693)
Increase in Reserve for Inventory	5,042	0	0	0	0	5,042
<i>Fund Balances (Deficit) at End of Year</i>	<u>(\$304,482)</u>	<u>\$214,338</u>	<u>\$179,146</u>	<u>\$7,137</u>	<u>\$197,699</u>	<u>\$293,838</u>

THE NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

Vermilion Local School District
 Combined Statement of Revenues, Expenditures and
 Changes in Fund Balances - Budget (Non-GAAP Basis) and Actual
 All Governmental Fund Types and Expendable Trust Fund
 For the Fiscal Year Ended June 30, 2020

	General Fund			Special Revenue Funds			Debt Service Fund			Capital Projects Funds			Expendable Trust Fund			Totals (Memorandum Only)		
	Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
Revenues																		
Taxes	\$10,882,918	\$10,436,295	(\$46,623)	\$0	\$0	\$0	\$155,169	\$148,774	(\$6,395)	\$0	\$0	\$0	\$0	\$0	\$0	\$10,638,087	\$10,585,069	(\$53,018)
Intergovernmental	5,605,690	5,814,113	208,423	745,637	688,840	(\$6,797)	12,975	16,989	4,014	108	108	0	0	0	0	6,364,302	6,320,002	15,748
Interest	155,000	155,000	0	3,530	3,174	(\$376)	0	0	0	0	0	0	0	0	0	158,550	169,902	11,352
Tuition and Fees	14,700	7,818	(6,882)	0	0	0	0	0	0	0	0	0	0	0	0	14,700	7,818	(6,882)
Extracurricular Activities	72,000	173,390	101,390	142,442	145,713	3,271	0	0	0	0	0	0	0	0	0	214,442	319,103	104,661
Contributions and Donations	0	0	0	4,133	41,445	37,312	0	0	0	0	0	0	0	0	0	11,895	4,489	(7,406)
Miscellaneous	6,900	31,021	24,121	10,300	0	(10,300)	0	0	0	0	0	0	0	0	0	2,000	31,021	29,021
Total Revenues	16,337,208	16,618,345	281,137	906,062	879,172	(26,890)	168,144	165,763	(2,381)	108	108	13,895	15,509	17,678,897	17,425,309	17,425,309	17,678,897	253,588
Expenditures																		
Current:																		
Instruction:																		
Regular	8,026,718	8,032,335	594,383	236,716	185,007	51,709	0	0	0	0	0	0	0	0	0	8,863,434	8,217,342	646,092
Special	1,512,560	1,498,775	13,785	369,283	291,311	77,972	0	0	0	0	0	0	0	0	0	1,881,843	1,790,086	91,757
Vocational	176,696	176,031	665	0	0	0	0	0	0	0	0	0	0	0	0	176,696	176,031	665
Adult/Continuing	252	252	0	6,027	6,027	0	0	0	0	0	0	0	0	0	0	6,279	6,279	0
Support Services:																		
Payroll	613,741	612,970	771	315,764	239,322	76,442	0	0	0	0	0	0	0	0	0	929,505	852,292	77,213
Instructional Staff	717,983	707,081	10,902	140,137	95,934	53,203	0	0	0	0	0	173	50	0	0	867,293	803,065	64,228
Board of Education	114,134	113,155	979	0	0	0	0	0	0	0	0	0	0	0	0	114,134	113,155	979
Administration	1,261,089	1,252,867	8,222	7,920	6,760	1,160	0	0	0	0	0	0	0	0	0	1,269,009	1,259,627	9,382
Fiscal	417,800	412,940	4,860	0	0	0	0	0	0	0	0	0	0	0	0	417,800	412,940	4,860
Business	140,849	136,656	4,193	0	0	0	0	0	0	0	0	0	0	0	0	140,849	136,656	4,193
Operation and Maintenance of Plant	1,903,260	1,853,816	19,444	110	110	0	0	0	0	0	0	0	0	0	0	1,903,370	1,853,926	19,444
Pupil Transportation	1,162,508	1,147,505	15,003	0	0	0	0	0	0	0	0	0	0	0	0	1,162,508	1,147,505	15,003
Central	38,116	34,301	3,815	21,696	10,848	10,848	0	0	0	0	0	0	0	0	0	59,812	45,349	14,463
Operation of Non-Instructional Services	0	0	0	107,530	110,013	(2,483)	0	0	0	0	0	0	0	0	0	118,925	119,763	(838)
Extracurricular Activities	314,478	306,473	8,005	114,639	96,815	17,824	0	0	0	0	0	0	0	0	0	429,117	403,288	25,829
Capital Outlay	65,188	65,106	82	24,440	15,200	9,240	0	0	0	0	0	28,478	24,968	0	0	118,106	105,274	12,832
Debt Service:																		
Principal Retirement	1,024,477	975,024	49,453	0	0	0	91,000	80,000	11,000	0	0	0	0	0	0	1,115,477	1,055,024	60,453
Interest and Fiscal Charges	22,873	22,860	13	0	0	0	83,177	69,601	13,576	0	0	0	0	0	0	106,050	92,461	13,589
Total Expenditures	18,112,731	17,378,347	734,384	1,353,282	1,057,347	295,935	174,177	149,601	24,576	24,968	24,968	11,548	9,800	19,680,216	18,620,063	1,060,153		
Excess of Revenues Over (Under) Expenditures	(1,775,523)	(760,002)	1,015,521	(447,220)	(178,175)	269,045	(6,033)	16,162	22,195	(28,478)	(24,860)	3,618	5,709	(941,166)	(1,313,741)	(941,166)	(1,313,741)	
Other Financing Source																		
Proceeds from Sale of Fixed Assets	0	12,676	12,676	0	0	0	0	0	0	0	0	0	0	0	0	0	12,676	12,676
Total Other Financing Sources (Uses)	0	12,676	12,676	0	0	0	0	0	0	0	0	0	0	0	0	12,676	12,676	
Excess of Revenues and Other Financing Sources Over (Under) Expenditures	(1,775,523)	(747,326)	1,028,197	(447,220)	(178,175)	269,045	(6,033)	16,162	22,195	(28,478)	(24,860)	3,618	5,709	(928,490)	(1,326,417)	(928,490)	(1,326,417)	
Fund Balances Beginning of Year-restated	1,374,354	1,374,354	0	331,940	331,960	(20)	142,090	142,090	0	19,329	19,329	0	191,990	2,059,723	2,059,723	2,059,723	2,059,723	0
Plus Year Encumbrances Appropriated	168,132	168,132	0	26,924	26,924	0	0	0	0	9,400	9,400	0	0	204,466	204,466	204,466	204,466	0
Fund Balances (Deficit) End of Year	(\$233,037)	\$795,160	\$1,028,197	(\$88,226)	\$180,719	\$269,045	(\$136,057)	\$158,252	\$22,195	(\$251)	(\$3,869)	\$3,618	\$197,699	\$1,335,699	\$1,335,699	\$1,335,699	\$1,335,699	\$1,335,699

THE NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

Vermilion Local School District
*Combined Statement of Revenues,
Expenses and Changes in Fund Equity
All Proprietary Fund Types and Nonexpendable Trust Fund
For the Fiscal Year Ended June 30, 2000*

	Proprietary Fund Types		Fiduciary Fund Type	Totals (Memorandum Only)
	Enterprise	Internal Service	Nonexpendable Trust	
Operating Revenues				
Sales	\$509,481	\$0	\$0	\$509,481
Charges for Services	0	1,264,016	0	1,264,016
Interest	0	0	3,794	3,794
<i>Total Operating Revenues</i>	<u>509,481</u>	<u>1,264,016</u>	<u>3,794</u>	<u>1,777,291</u>
Operating Expenses				
Salaries	167,611	0	0	167,611
Fringe Benefits	139,028	0	0	139,028
Purchased Services	22,957	159,142	0	182,099
Materials and Supplies	0	0	2,700	2,700
Cost of Sales	346,616	0	0	346,616
Depreciation	19,376	0	0	19,376
Claims	0	1,243,267	0	1,243,267
<i>Total Operating Expenses</i>	<u>695,588</u>	<u>1,402,409</u>	<u>2,700</u>	<u>2,100,697</u>
<i>Operating Income (Loss)</i>	<u>(186,107)</u>	<u>(138,393)</u>	<u>1,094</u>	<u>(323,406)</u>
Non-Operating Revenues				
Federal Donated Commodities	43,353	0	0	43,353
Interest	11,114	0	0	11,114
Operating Grants	124,499	0	0	124,499
<i>Total Non-Operating Revenues</i>	<u>178,966</u>	<u>0</u>	<u>0</u>	<u>178,966</u>
<i>Net Income (Loss)</i>	<u>(7,141)</u>	<u>(138,393)</u>	<u>1,094</u>	<u>(144,440)</u>
<i>Retained Earnings Beginning of Year</i>	<u>235,221</u>	<u>284,526</u>	<u>71,745</u>	<u>591,492</u>
Retained Earnings/Fund Balance at End of Year	228,080	146,133	72,839	447,052
Contributed Capital at Beginning and End of Year	<u>372,045</u>	<u>0</u>	<u>0</u>	<u>372,045</u>
<i>Total Fund Equity at End of Year</i>	<u>\$600,125</u>	<u>\$146,133</u>	<u>\$72,839</u>	<u>\$819,097</u>

THE NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

Vermilion Local School District
Combined Statement of Cash Flows
All Proprietary Fund Types and Nonexpendable Trust Fund
For the Fiscal Year Ended June 30, 2000

	Proprietary Fund Types		Fiduciary Fund Type	Totals
	Enterprise	Internal Service	Nonexpendable Trust	(Memorandum Only)
<i>Increase (Decrease) in Cash and Cash Equivalents</i>				
Cash Flows from Operating Activities				
Cash Received from Customers	\$509,479	\$0	\$0	\$509,479
Cash Received from Quasi-External Transactions with Other Funds	0	1,313,735	0	1,313,735
Cash Payments to Suppliers for Goods and Services	(320,393)	(159,142)	(2,700)	(482,235)
Cash Payments to Employees for Services	(225,256)	0	0	(225,256)
Cash Payments for Employee Benefits	(86,137)	0	0	(86,137)
Cash Payments for Claims	0	(1,184,936)	0	(1,184,936)
<i>Net Cash Used for Operating Activities</i>	<u>(122,307)</u>	<u>(30,343)</u>	<u>(2,700)</u>	<u>(155,350)</u>
Cash Flows from Noncapital Financing Activities				
Operating Grants Received	124,192	0	0	124,192
Cash Flows from Investing Activities				
Interest on Investments	11,795	0	4,088	15,883
<i>Net Increase (Decrease) in Cash and Cash Equivalents</i>	13,680	(30,343)	1,388	(15,275)
Cash and Cash Equivalents Beginning of Year	206,976	308,242	71,451	586,669
<i>Cash and Cash Equivalents End of Year</i>	<u>\$220,656</u>	<u>\$277,899</u>	<u>\$72,839</u>	<u>\$571,394</u>
Reconciliation of Operating Income (Loss) to Net Cash Used for Operating Activities:				
<i>Operating Income (Loss)</i>	<u>(\$186,107)</u>	<u>(\$138,393)</u>	<u>\$1,094</u>	<u>(\$323,406)</u>
Adjustments:				
Depreciation	19,376	0	0	19,376
Donated Commodities Used During Year	43,353	0	0	43,353
Interest	0	0	(4,088)	(4,088)
(Increase)/Decrease in Assets:				
Accounts Receivable	(2)	49,719	294	50,011
Accrued Interest Receivable	681	0	0	681
Intergovernmental Receivable	(7)	0	0	(7)
Materials and Supplies Inventory	(520)	0	0	(520)
Increase/(Decrease) in Liabilities:				
Accounts Payable	5,709	0	0	5,709
Accrued Wages and Benefits	51	0	0	51
Compensated Absences Payable	(8,431)	0	0	(8,431)
Intergovernmental Payable	3,590	0	0	3,590
Claims Payable	0	58,331	0	58,331
<i>Total Adjustments</i>	<u>63,800</u>	<u>108,050</u>	<u>(3,794)</u>	<u>168,056</u>
<i>Net Cash Used for Operating Activities</i>	<u>(\$122,307)</u>	<u>(\$30,343)</u>	<u>(\$2,700)</u>	<u>(\$155,350)</u>
Reconciliation of Cash and Cash Equivalents of Nonexpendable Trust Fund to Balance Sheet:				
Cash and Cash Equivalents - All Fiduciary Funds	\$347,462			
Cash and Cash Equivalents - Agency Funds	(76,924)			
Cash and Cash Equivalents - Expendable Trust Fund	<u>(197,699)</u>			
Cash and Cash Equivalents - Nonexpendable Trust Fund			<u>\$72,839</u>	

THE NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

Vermilion Local School District

Combined Statement of Revenues, Expenses and Changes
in Fund Equity - Budget (Non-GAAP Basis) and Actual
All Proprietary Fund Types and Nonexpendable Trust Fund
For the Fiscal Year Ended June 30, 2000

	Enterprise Funds			Internal Service Fund			Nonexpendable Trust Fund			Totals (Memorandum Only)		
	Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
Revenues												
Sales	\$609,000	\$509,479	(\$99,521)	\$0	\$0	\$0	\$0	\$0	\$0	\$609,000	\$509,479	(\$99,521)
Charges for Services	0	0	0	1,400,000	1,313,735	(86,265)	0	0	0	1,400,000	1,313,735	(86,265)
Interest	10,000	11,795	1,795	0	0	0	3,549	4,086	537	13,549	15,881	2,332
Operating Grants	85,000	124,192	39,192	0	0	0	0	0	0	85,000	124,192	39,192
Total Revenues	704,000	645,466	(\$58,534)	1,400,000	1,313,735	(86,265)	3,549	4,086	537	2,107,549	1,963,287	(144,262)
Expenses												
Salaries	232,350	225,256	7,094	0	0	0	0	0	0	232,350	225,256	7,094
Fringe Benefits	87,600	86,137	1,463	0	0	0	0	0	0	87,600	86,137	1,463
Purchased Services	48,939	23,616	25,323	159,143	159,143	0	0	0	0	208,082	182,759	25,323
Materials and Supplies	524,813	329,544	195,269	0	0	0	2,900	2,700	200	527,713	332,244	195,469
Claims	0	0	0	1,256,831	1,199,041	57,790	0	0	0	1,256,831	1,199,041	57,790
Total Expenses	893,702	664,553	229,149	1,415,974	1,358,184	57,790	2,900	2,700	200	2,312,576	2,023,437	287,139
<i>Excess of Revenues Over (Under) Expenses</i>	(189,702)	(19,087)	170,615	(15,974)	(44,449)	(28,475)	649	1,386	737	(205,027)	(62,150)	142,877
<i>Fund Equity Beginning of Year-restated</i>	197,591	197,591	0	275,827	275,827	0	71,452	71,452	0	544,870	544,870	0
Prior Year Encumbrances Appropriated	9,385	9,385	0	0	0	0	0	0	0	9,385	9,385	0
Fund Equity End of Year	\$17,274	\$187,889	\$170,615	\$259,853	\$231,378	(\$28,475)	\$72,101	\$72,838	\$737	\$349,228	\$492,105	\$142,877

Vermilion Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2000

Note 1 - Description of the School District and Reporting Entity

Vermilion Local School District (the "School District") operates under a locally-elected Board form of government and provides educational services as authorized by state and /or federal agencies. This Board controls the School District's four instructional/support facilities by 93 non-certified employees, 157 certified full time teaching personnel and five administrative employees to provide services to 2,597 students and other community members.

The School District was established in 1944 through the consolidation of existing land areas and school districts and is organized under Article VI, Sections 2 and 3 of the Constitution of the State of Ohio. Under such laws there is no authority for a school district to have a charter or adopt local laws. The legislative power of the School District is vested in the Board of Education, consisting of five members elected at-large for staggered four year terms.

Reporting Entity

A reporting entity is comprised of the primary government, component units and other organizations that are included to ensure that the financial statements are not misleading. The primary government of the School District consists of all funds, departments, agencies and offices that are not legally separate from the School District. For Vermilion Local School District, this includes general operations, food service and student related activities of the School District.

Component units are legally separate organizations for which the School District is financially accountable. The School District is financially accountable for an organization if the School District appoints a voting majority of the organization's governing board and (1) the School District is able to significantly influence the programs or services performed or provided by the organization; or (2) the School District is legally entitled to or can otherwise access the organization's resources; the School District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the School District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the School District in that the School District approves the budget, the issuance of debt or the levying of taxes. The School District has no component units.

The School District is associated with one jointly governed organization, one public entity risk pool, and one related organization. These organizations include the Lake Erie Education Computer Association, the Ohio School Boards Association Workers' Compensation Group Rating Program, and the Ritter Public Library. These organizations are presented in Notes 15, 16, and 17 to the general purpose financial statements.

Note 2 - Summary of Significant Accounting Policies

The financial statements of the Vermilion Local School District have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The School District also applies Financial Accounting Standards Board (FASB) statements and interpretations issued on or before November 30, 1989, to its

Vermilion Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2000

proprietary activities provided they do not conflict with or contradict GASB pronouncements. The more significant of the School District's accounting policies are described below.

A. Basis Of Presentation - Fund Accounting

The School District uses funds and account groups to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain School District functions or activities.

A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources, together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions or limitations. An account group is a financial reporting device designed to provide accountability for certain assets and liabilities not recorded in the funds because they do not directly affect net expendable available financial resources.

For financial statement presentation purposes, the various funds of the School District are grouped into the following generic fund types under the broad fund categories of governmental, proprietary and fiduciary.

Governmental Fund Types Governmental funds are those through which most governmental functions of the School District are financed. The acquisition, use and balances of the School District's expendable financial resources and the related current liabilities (except those accounted for in proprietary or fiduciary funds) are accounted for through governmental funds. The following are the School District's governmental fund types:

General Fund The general fund is the operating fund of the School District and is used to account for all financial resources except those required to be accounted for in another fund. The general fund balance is available to the School District for any purpose provided it is expended or transferred according to the general laws of Ohio.

Special Revenue Funds Special revenue funds are used to account for the proceeds of specific revenue sources (other than expendable trusts or major capital projects) that are legally restricted to expenditures 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 obligation principal, interest, and related costs.

Capital Projects Funds Capital projects funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds).

Proprietary Fund Types Proprietary funds are used to account for the School District's ongoing activities which are similar to those found in the private sector. The following are the School District's proprietary fund types:

Vermilion Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2000

Enterprise Funds Enterprise funds are used to account for the School District's activities that are financed and operated in a manner similar to private business enterprises where the intent is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges or where it has been decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

Internal Service Fund The internal service fund is used for the financing of services provided by one department or agency to other departments or agencies of the School District on a cost reimbursement basis.

Fiduciary Fund Types Fiduciary funds are used to account for assets held by the School District in a trustee capacity or as an agent for individuals, private organizations, other governments and/or other funds. The School District's fiduciary funds include expendable trust funds and agency funds. Expendable trust funds are accounted for in essentially the same manner as governmental funds. Nonexpendable trust funds are accounted for in essentially the same manner as proprietary funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

Account Groups To make a clear distinction between fixed assets related to specific funds and those of general government, and between long-term liabilities related to specific funds and those of a general nature, the following account groups are used:

General Fixed Assets Account Group This account group is established to account for all fixed assets of the School District, other than those accounted for in the proprietary or trust funds.

General Long-Term Obligations Account Group This account group is established to account for all long-term obligations of the School District except those accounted for in the proprietary funds or trust funds.

B. Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types and expendable trust funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities are generally included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

All proprietary funds and nonexpendable trust funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the balance sheet. Fund equity (i.e., net total assets) is segregated into contributed capital and retained earnings components. Proprietary fund types and nonexpendable trust fund operating statements present increases (i.e., revenues) and decreases (i.e., expenses) in net total assets.

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made.

Vermilion Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2000

The modified accrual basis of accounting is followed for the governmental, expendable trust and agency funds. Under this basis, revenues are recognized in the accounting period when they become both measurable and available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current fiscal year or soon enough thereafter to be used to pay liabilities of the current fiscal year. The available period for the School District is sixty days after year end.

In applying the susceptible to accrual concept under the modified accrual basis, the following revenue sources are deemed both measurable and available: interest, tuition, grants and student fees.

The School District reports deferred revenues on its combined balance sheet. Deferred revenues arise when a potential revenue does not meet both the measurable and available criteria for recognition in the current period. In the subsequent period, when both revenue recognition criteria are met, the liability for deferred revenue is removed from the combined balance sheet and revenue is recognized. Property taxes measurable as of June 30, 2000, and delinquent property taxes, whose availability is indeterminable and which are intended to finance fiscal year 2001 operations, have been recorded as deferred revenue.

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Allocations of cost, such as depreciation and amortization, are not recognized in the governmental funds.

The accrual basis of accounting is utilized for reporting purposes by the proprietary fund types and the nonexpendable trust fund. Revenues are recognized in the accounting period which they are earned, and expenses are recognized at the time they are incurred. The fair value of donated commodities used during the year is reported in the operating statement as an expense with a like amount reported as donated commodities revenue. Unused donated commodities are reported as deferred revenue.

C. Budgetary Process

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriation resolution, all of which are prepared on the budgetary basis of accounting. The certificate of estimated resources and the appropriations resolution are subject to amendment throughout the year with the legal restriction that appropriations cannot exceed estimated resources, as certified. All funds, other than agency funds, are legally required to be budgeted and appropriated. The primary level of budgetary control is at the object level within each fund and function. Any budgetary modifications at this level may only be made by resolution of the Board of Education.

Tax Budget Prior to January 15, the Superintendent and Treasurer submit 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.

By no later than January 20, the Board-adopted budget is filed with the Erie County Budget Commission for rate determination.

Vermilion Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2000

Estimated Resources Prior to April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the County Budget Commission and receives the Commission's certificate of estimated resources which states the projected revenue of each fund. Prior to June 30, the School 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 the basis for the appropriation measure. On or about July 1, the certificate is amended to include any unencumbered cash balances from the preceding year. The certificate may be further amended during the year if projected increases or decreases in revenue are identified by the School District Treasurer. The amounts reported in the budgetary statement reflect the amounts in the final amended certificate issued during fiscal year 2000.

Appropriations Upon receipt from the County Auditor of an amended certificate of estimated resources based on final assessed values and tax rates or a certificate saying no new certificate is necessary, the annual appropriation resolution is enacted by the Board of Education at the fund, function, and object level of expenditures, which are the legal levels of budgetary control. Prior to the passage of the annual appropriation measure, the Board may pass a temporary appropriation measure to meet the ordinary expenses of the School District. The appropriation resolution, by fund, must be within the estimated resources as certified by the County Budget Commission and the total of expenditures and encumbrances may not exceed the appropriation totals at any level of control. 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.

The Board may pass supplemental fund appropriations so long as the total appropriations by fund do not exceed the amounts set forth in the most recent certificate of estimated resources. During the year, several supplemental appropriations were legally enacted; however, none of these amendments were significant.

The budget figures which appear in the statements of budgetary comparisons represent the final appropriation amounts, including all supplemental appropriations. Formal budgetary integration is employed as a management control device during the year for all funds, other than agency funds, consistent with statutory provisions.

Encumbrances As part of formal budgetary control, purchase orders, contracts and other commitments for the expenditure of monies are recorded as the equivalent of expenditures on the non-GAAP budgetary basis in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance. Expenditures plus encumbrances may not legally exceed appropriations. On the GAAP basis, encumbrances outstanding at fiscal year end are reported as a reservation of fund balance for subsequent-year expenditures for governmental funds and reported in the notes to the financial statements for proprietary funds.

Lapsing of Appropriations At the close of each year, the unencumbered balance of each appropriation reverts to the respective fund from which it was appropriated and becomes subject to future appropriation. Encumbered appropriations are carried forward to the succeeding fiscal year and are not reappropriated.

D. Cash and Cash Equivalents

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

Vermilion Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2000

The School District utilizes a financial institution to service bonded debt as principal and interest payments come due, and uses Self Funded Plans as a claims servicer for its self-insurance program. The balances in these accounts are presented on the combined balance sheet as “cash and cash equivalents with fiscal agents” and represents deposits and changes in the reserve, respectively.

During fiscal year 2000, investments were limited to STAROhio and repurchase agreements. Nonparticipating investment contracts such as repurchase agreements are reported at cost.

STAROhio is an investment pool managed by the State Treasurer’s Office which allows governments within the State to pool their funds for investment purposes. STAROhio is not registered with 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 STAROhio are valued at STAROhio’s share price which is the price the investment could be sold for at June 30, 2000.

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the general fund during fiscal year 2000 amounted to \$160,403, which includes \$96,775 assigned from other School District funds.

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 School District are considered to be cash equivalents.

E. Restricted Assets

Restricted assets in the general fund represent cash and cash equivalents whose use is limited by legal requirements. Restricted assets include unexpended revenues restricted for the purchase of buses and amounts required by statute to be set aside by the School District for the acquisition or construction of capital assets, the purchase of textbooks and other instructional material and the creation of a reserve for budget stabilization. See Note 20 for additional information regarding set-asides.

F. Inventory

Inventories of governmental funds are stated at cost while inventories of proprietary funds are stated at the lower of cost or market. For all funds, cost is determined on a first-in, first-out basis. Inventory in governmental funds consists of expendable supplies held for consumption. The cost of inventory items is recorded as an expenditure in the governmental fund types when purchased. Reported material and supplies inventory is equally offset by a fund balance reserve in the governmental funds which indicates that it does not constitute available expendable resources even though it is a component of net current assets. Inventories of proprietary funds consist of donated food, purchased food, recreational materials and school supplies held for resale and are expensed when used.

Vermilion Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2000

G. Fixed Assets and Depreciation

General fixed assets are not capitalized in the funds used to acquire or construct them. Instead, capital acquisition and construction costs are reflected as expenditures in governmental funds, and the related assets are reported in the general fixed assets account group. Fixed assets utilized in the proprietary funds are capitalized in the fund. All fixed assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date received. The School District maintains a capitalization threshold of five hundred dollars. The School District does not possess any infrastructure.

Improvements are capitalized. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized. Interest incurred during the construction of general fixed assets is also not capitalized.

Assets in the general fixed assets account group are not depreciated. Depreciation of furniture and equipment in the enterprise funds is computed using the straight-line method over an estimated useful life that ranges from five to twenty years. Improvements to fund fixed assets are depreciated over the remaining useful lives of the related fixed assets.

H. Intergovernmental Revenues

For governmental funds, intergovernmental revenues, such as entitlements and grants awarded on a non-reimbursement basis, are recorded as receivables and revenues when measurable and available. Reimbursement type grants are recorded as receivables and revenues when the related expenditures are incurred. Other than commodities, grants and entitlements for proprietary fund operations are recognized as non-operating revenues in the accounting period in which they are earned and become measurable.

The School District currently participates in several State and Federal programs, categorized as follows:

Entitlements

General Fund

- State Foundation Program
- School Bus Purchase Reimbursement
- State Property Tax Relief

Vermilion Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2000

Non-Reimbursable Grants

Special Revenue Funds

Virtual Middle School
Disadvantaged Pupil Impact Aid
Education Management Information Systems
Venture Capital Grant
Ohio Reads
Safe School Help line
Title I
Title VI
Title VI-B
Title VI-R
Drug Free Schools
Preschool Grant
E-Rate Grant
Local Professional Development Block Grant
Textbook Subsidy
Data Communications Grant
Adult Basic Education Grant

Capital Projects Fund

School Net

Reimbursable Grants

General Fund

Driver Education Reimbursement

Proprietary Funds

National School Lunch Program
Government Donated Commodities

Grants and entitlements received in governmental funds amounted to thirty-five percent of the School District's operating revenues during the 2000 fiscal year.

I. Interfund Assets and Liabilities

Receivables and payables resulting from transactions between funds for services provided or goods received are classified as "due from other funds" or "due to other funds" on the balance sheet. Short term interfund loans are classified as "interfund receivables" and "interfund payables."

Vermilion Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2000

J. Compensated Absences

Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the School District will compensate the employees for the benefits through paid time off or some other means. The School District records a liability for accumulated unused vacation time when earned for all employees with more than one year of service.

Sick leave benefits are accrued as a liability using the vesting method. The liability includes the employees who are currently eligible to receive termination benefits and those the School District has identified as probable of receiving payment in the future. The amount is based on accumulated sick leave and employees' wage rates at fiscal year end, taking into consideration any limits specified in the School District's termination policy. The School District records a liability for accumulated unused sick leave for classified, certified and administrative employees after five years of service with the School District.

For governmental funds, the current portion of unpaid compensated absences is the amount expected to be paid using available expendable resources. These amounts are recorded in the account "compensated absences payable" in the fund from which the employees who have accumulated unpaid leave are paid. The remainder is reported in the general long-term obligations account group. In proprietary funds, the entire amount of compensated absences is reported as a fund liability.

K. Accrued Liabilities and Long-term Obligations

In general, governmental fund payables and accrued liabilities are reported as obligations of the funds regardless of whether they will be liquidated with current resources. However, claims and judgments, compensated absences, contractually required pension contributions and special termination benefits that will be paid from governmental funds are reported as a liability in the general long-term obligations account group to the extent that they will not be paid with current available expendable financial resources. Payments made more than sixty days after fiscal year end are generally considered not to have been made with current available financial resources. Capital leases, the solvency assistance advance and bonds are reported as a liability of the general long-term obligations account group until due.

Long-term debt and other obligations financed by proprietary funds are reported as liabilities in the appropriate proprietary funds.

L. Interfund Transactions

Quasi-external transactions are accounted for as revenues and expenditures or expenses. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed.

Non-recurring or nonroutine permanent transfers of equity are reported as residual equity transfers. All other interfund transfers are reported as operating transfers.

Vermilion Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2000

M. Fund Balance Reserves

The School District reserves those portions of fund equity which are legally segregated for specific future use or which do not represent available expendable resources and therefore are not available for appropriation or expenditure. Unreserved fund balance indicates that portion of fund equity which is available for appropriation in future periods. Fund equity reserves have been established for principal endowment, encumbrances, textbooks, inventory, bus purchases, budget stabilization, capital improvements, and tax revenue unavailable for appropriation.

The reserve for property taxes represents taxes recognized as revenue under generally accepted accounting principles but not available for appropriation under State statute. The reserve for budget stabilization represents money required to be set-aside by statute to protect against cyclical changes in revenues and expenditures. The reserve for principal endowment signifies the legal restrictions on the use of principal.

N. Contributed Capital

Contributed capital represents resources from other funds, other governments, and private sources provided to enterprise funds that is not subject to repayment. These assets are recorded at their fair market value on the date contributed. Depreciation on those assets acquired or constructed with contributed resources is expensed and closed to unreserved retained earnings at year end.

O. Estimates

The preparation of the financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

P. Totals Columns on General Purpose Financial Statements

Total columns on the general purpose financial statements are captioned "Total - (Memorandum Only)" to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position or results of operations in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

Note 3 - Accountability and Compliance

A. Budgetary (Non-GAAP) Basis Restatement

Balances at July 1, 1999, on the Combined Statement of Revenues, Expenditures and Changes in Fund Balances - Budget (Non-GAAP Basis) and Actual - All Governmental Fund Types have been restated to present true unencumbered cash balances at July 1, 1999 for the General, Special Revenue, Debt Service and Capital Projects fund types and on the Combined Statement of Revenues, Expenses and Changes in Fund Equity - Budget (Non-GAAP Basis) and Actual - All Proprietary Funds and Nonexpendable Trust Funds for the Enterprise fund type.

Vermilion Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2000

B. Fund Deficits

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

General Fund	\$304,482
Special Revenue:	
Adult Basic Education	70
Title I	10,682
Preschool Grant	129

At June 30, 2000 the deficits in the General fund and the Adult Basic Education, Title I, and Preschool Grant special revenue funds resulted from the conversion to generally accepted accounting principles and adjustments for accrued liabilities. The general fund provides transfers to cover deficit balances; however, this is done when cash is needed rather than when accruals occur.

C. Compliance

The following funds had total appropriations in excess of estimated revenues plus carryover balances in violation of Section 5705.39, Ohio Revised Code:

Funds	Estimated Revenues plus Carryover Balances	Appropriations	Excess
General Fund	\$17,900,733	\$17,944,593	\$43,860
<i>Special Revenue Funds:</i>			
Staff Fund Sailorway Middle School	9,987	11,058	1,071
Education Foundation fund	2,658	3,026	368
Professional Development	16,636	17,635	999
Athletic fund	95,000	109,430	14,430
Educational Management Information Service	5,550	7,400	1,850
Data Communication	10,848	21,696	10,848
School Net Professional Development	1,895	7,395	5,500
Ohio Reads	64,000	128,000	64,000
Educational Innovation Technology	6,759	17,071	10,312
Adult Basic Education	16,377	16,731	354
Title VI	12,531	17,303	4,772
Goals 2000	76,599	103,599	27,000

Vermilion Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2000

Contrary to Section 5705.41 (B), the following account had expenditures plus encumbrances in excess of appropriations:

Fund/Function/Object	Appropriations	Expenditures plus Encumbrances	Excess
General Fund:			
Regular Instruction			
Other Financing Use	\$150	\$4,886	\$4,736
Vocational Instruction			
Fringe Benefits	\$52,632	\$52,884	\$252
Instructional Staff			
Purchased Services	\$38,189	\$42,052	\$3,863
Fiscal			
Other Financing Use	\$176,663	\$188,662	\$11,999
Business			
Fringe Benefits	\$32,005	\$36,003	\$3,998
Purchased Services	\$990	\$1,990	\$1,000
Operation & Maintenance of Plant			
Purchased Services	\$448,812	\$632,773	\$183,961
Capital Outlay - Replacement	\$4,036	\$26,475	\$22,439
Extracurricular Activities			
Fringe Benefits	\$24,050	\$26,322	\$2,272
Special Revenue:			
Auxiliary Services:			
Operation of Non-Instructional Services			
Fringe Benefits	\$9,198	\$10,435	\$1,237
Purchased Services	\$3,716	\$5,212	\$1,496
Capital Outlay	\$778	\$2,565	\$1,787
Title VI-B			
Special Instruction			
Capital Outlay	\$934	\$1,245	\$311
Pupils			
Capital Outlay	\$2,492	\$2,598	\$106
Title VI			
Operation of Non-Instructional Services			
Capital Outlay	\$1,654	\$1,686	\$32
Drug-Free Schools:			
Pupils			
Materials and Supplies	\$775	\$1,213	\$438
Instructional Staff			
Purchased Services	\$196	\$209	\$13

Vermilion Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2000

Fund/Function/Object	Appropriations	Expenditures plus Encumbrances	Excess
Goals 2000:			
Instructional Staff			
Personal Services	\$1,788	\$2,500	\$712

Note 4 - Budgetary Basis of Accounting

While the School District is reporting financial position, results of operations and changes in fund balance/retained earnings on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances. The Combined Statement of Revenues, Expenditures and Changes in Fund Balances - Budget (Non-GAAP Basis) and Actual, All Governmental Fund Types and Expendable Trust Fund and the Combined Statement of Revenues, Expenses and Changes in Fund Equity - Budget (Non-GAAP Basis) and Actual - All Proprietary Fund Types and Nonexpendable Trust Fund are presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and GAAP basis are that:

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures/expenses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Encumbrances are treated as expenditures/expenses for all funds (budget basis) rather than as a reservation of fund balance for governmental fund types and as note disclosures in the proprietary fund type (GAAP basis).
4. For proprietary funds, the acquisition and construction of capital assets are reported on the operating statement (budget basis) rather than as balance sheet transactions (GAAP basis).
5. Unrecorded cash, which consists of unrecorded interest, is not reported on the School District's budget basis operating statements, but is reported on the GAAP basis operating statements.
6. The School District does not budget for the activities of the Cobra account. The activity of this account is included in the self-insurance fund for GAAP reporting.

Vermilion Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2000

The following tables summarize the adjustments necessary to reconcile the GAAP and budgetary basis statements by fund type:

Excess of Revenues and Other Financing Sources
Over (Under) Expenditures and Other Financing Uses
All Governmental Fund Types and Expendable Trust Fund

	General	Special Revenue	Debt Service	Capital Projects	Expendable Trust
GAAP Basis	\$890,062	(\$80,502)	\$23,922	(\$16,702)	\$5,709
Net Adjustment for Revenue Accruals	(780,409)	33,249	(7,760)	0	0
Unrecorded Cash	13,455	0	0	0	0
Net Adjustment for Expenditure Accruals	375,807	(259,812)	0	(4,890)	0
Note Principal Retirement	(885,024)	0	0	0	0
Encumbrances	(361,217)	128,890	0	(3,268)	0
Budget Basis	<u>(\$747,326)</u>	<u>(\$178,175)</u>	<u>\$16,162</u>	<u>(\$24,860)</u>	<u>\$5,709</u>

Net Income (Loss)/Excess of Revenues
Over (Under) Expenses
All Proprietary Fund Types and Nonexpendable Trust Fund

	Enterprise	Internal Service	Nonexpendable Trust
GAAP Basis	(\$7,141)	(\$138,393)	\$1,094
Net Adjustment for Revenue Accruals	(42,981)	35,669	292
Non-budgeted Activity	0	14,050	0
Net Adjustment for Expense Accruals	44,426	44,225	0
Depreciation Expense	19,376	0	0
Adjustment for Encumbrances	(32,767)	0	0
Budget Basis	<u>(\$19,087)</u>	<u>(\$44,449)</u>	<u>\$1,386</u>

Vermilion Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2000

Note 5 - Deposits and Investments

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

Active deposits are public deposits necessary to meet current demands on the treasury. Such monies must be maintained either as cash in the School District Treasury, in commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

Inactive deposits are public deposits that the Board of Education has identified as not required for use within the current 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 School District's deposits is provided by the Federal Deposit Insurance Corporation (FDIC), 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 to be deposited or invested in the following securities:

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;

Vermilion Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2000

5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool (STAROhio);
7. Certain banker's acceptance and commercial paper notes for a period not to exceed one hundred eighty days from the purchase date in an amount not to exceed twenty-five percent of the interim monies available for investment at any one time; and,
8. Under limited circumstances, corporate debt interests rated in either of the two highest rating classifications by at least two nationally recognized rating agencies.

Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the School District, and must be purchased with the expectation that it will be held until maturity. Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the treasurer or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

Unreported Cash At fiscal year end, the School District had \$13,455 in unreported cash on hand which is included on the balance sheet of the School District as part of "equity in pooled cash and cash equivalents."

The following information classifies deposits and investments by categories of risk as defined in GASB Statement No. 3, "Deposits with Financial Institutions, Investments (Including Repurchase Agreements), and Reverse Repurchase Agreements."

Deposits At fiscal year end, the carrying amount of the School District's deposits was \$307,997 and the bank balance was \$612,641. Of the bank balance:

1. \$228,411 was covered by federal depository insurance; and
2. \$384,230 was uninsured and uncollateralized. Although the securities serving as collateral were held by the pledging financial institution trust department or agent in the School District's name all State statutory requirements for the deposit of money have been followed, non compliance with federal requirements could potentially subject the School District to a successful claim by the Federal Insurance Corporation.

Vermilion Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2000

Investments The School District's investments are required to be categorized to give an indication of the level of risk assumed by the School District at fiscal year end. Category 1 includes investments that are insured or registered or for which the securities are held by the School District or its agent in the School District's name. Category 2 includes uninsured and unregistered investments for which the securities are held by the counter party's trust department or agent in the School District's name. STAROhio is an unclassified investment since it is not evidenced by securities that exist in physical or book entry form.

	<u>Category 1</u>	<u>Carrying Value</u>	<u>Fair Value</u>
Repurchase Agreement	\$585,863	\$585,863	\$585,863
STAROhio		1,584,301	1,584,301
<i>Totals</i>		\$2,170,164	\$2,170,164

The classification of cash and cash equivalents and investments on the combined financial statements is based on criteria set forth in GASB Statement No. 9. A reconciliation between the classifications of cash and investments on the combined financial statements and the classification per GASB Statement No. 3 is as follows:

	<u>Cash and Cash Equivalents</u>	<u>Investments</u>
<i>GASB Statement 9</i>	\$2,491,616	\$0
Unrecorded Cash	(13,455)	0
Investments:		
Repurchase Agreement	(585,863)	585,863
STAROhio	(1,584,301)	1,584,301
<i>GASB Statement 3</i>	\$307,997	\$2,170,164

Note 6 - Property Taxes

Property taxes are levied and assessed on a calendar year basis while the School District fiscal year runs from July through June. First half tax collections are received by the School District in the second half of the fiscal year. Second half tax distributions occur in the first half of the following year.

Property taxes include amounts levied against all real, public utility and tangible personal property located in the School District. Property tax revenue received during calendar 2000 for real and public utility property taxes represents collections of calendar 1999 taxes. Property tax payments received during calendar 2000 for tangible personal property (other than public utility property) is for calendar 2000 taxes.

Real property taxes are levied after April 1, 2000, on the assessed value listed as of January 1, the lien date. Assessed values are established by State law at thirty-five percent of appraised market value.

Vermilion Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2000

Public utility tangible personal property currently is assessed at varying percentages of true value: public utility real property is assessed at thirty-five percent of true value. 2000 public utility property taxes became a lien December 31, 1999, are levied after April 1, 2000, and are collected in 2001 with real property taxes.

2000 tangible personal property taxes are levied after April 1, 2000, on the value as of December 31, 1999. Collections are made in 2000. Tangible personal property assessments are twenty-five percent of true value.

The assessed values upon which the fiscal year 2000 taxes were collected are:

	1999 Second Half Collections		2000 First Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential And Other Real Estate	\$250,243,460	81.86%	\$255,072,860	83.58%
Public Utility Personal	30,832,140	10.09	28,142,140	9.23
Tangible Personal Property	24,638,659	8.06	21,953,109	7.19
	\$305,714,259	100.00%	\$305,168,109	100.00%
Tax Rate per \$1,000 of assessed valuation	\$63.50		\$71.49	

The School District passed a 7.99 mill emergency levy on November 2, 1999. The collection on this levy began in the second half of fiscal year 2000.

Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Tangible personal property taxes paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20.

The School District receives property taxes from Erie and Lorain Counties. The County Auditors periodically advance to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2000, are available to finance fiscal year 2000 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

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 fiscal 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, 2000, was \$1,413,434. \$1,392,540 was available to the general fund, and \$20,894 was available to the bond retirement debt service fund.

Vermilion Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2000

Note 7 - Fixed Assets

A summary of the enterprise funds' fixed assets at June 30, 2000, follows:

Furniture and Equipment	\$467,311
Buildings and Equipment	688,702
Less accumulated depreciation	(715,627)
Net Fixed Assets	\$440,386

A summary of the changes in general fixed assets during fiscal year 2000 follows:

	Balance 06/30/99	Additions	Deletions	Balance 06/30/00
Land	\$377,785	\$23,625	\$0	\$401,410
Buildings/Improvements	12,132,935	41,681	0	12,174,616
Furniture and Equipment	4,261,725	287,839	127,845	4,421,719
Vehicles	1,205,652	291,821	137,718	1,359,755
Total	\$17,978,097	\$644,966	\$265,563	\$18,357,500

Note 8 - Risk Management

A. Property and Liability

The School 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 School District contracted with the Lake Erie Regional Council of Governments for property insurance. All board members, administrators, and employees are covered under a school liability policy with Nationwide Insurance Company with a \$5,000,000 aggregate limit. Vehicles are covered by Nationwide Insurance Company. Automobile liability has a \$2,000,000 combined single limit of liability. The Treasurer is covered by a surety bond in the amount of \$100,000.

Settled claims have not exceeded this commercial coverage in any of the past three years and there have been no significant reductions in insurance coverage from last year.

B. Employee Medical Benefits

In order to minimize the annual cost of medical insurance, the School District has contracted with Self Funded Plans, Inc. to provide medical, surgical, dental, vision, and prescription drug benefits for its employees and their covered dependents. At year end, self-insurance was in effect with an individual stop loss of \$60,000 and aggregate stop loss threshold of \$1,224,499. The dental plan has a \$75 family and \$25 single deductible. The School District pays into the self-insurance internal service fund \$48.06 per family coverage or \$19.64 per single coverage per month for dental coverage, \$7.66 per family and \$3.29 per single for vision, \$574.64 per family and \$271.75 per single for medical and prescription, and \$.165 per thousand of life insurance for each employee.

Vermilion Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2000

The claims liability of \$131,766 reported in the fund at June 30, 2000, is based on an estimate provided by the Self Funded Plans and the requirements GASB No. 10 which requires that a liability for unpaid claims cost, including estimates of costs relating to incurred but not reported claims, be reported. The estimate was not affected by incremental claim adjustment expenses and does not include other allocated or unallocated claim adjustment expenses.

Changes in the fund's claims liability amount in 1999 and 2000 were:

	Balance at Beginning of Year	Current Claims	Claim Payments	Balance at End of Year
1999	160,183	1,022,422	1,109,170	73,435
2000	73,435	1,301,598	1,243,267	131,766

C. Workers' Compensation

For fiscal year 2000, the School District participated in the Ohio School Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool (Note 16). The intent of the GRP is to achieve the benefit of a reduced premium for the School 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.

Note 9 - Defined Benefit Pension Plans

A. School Employees Retirement System

The School District contributes to the School Employees Retirement System (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.

Vermilion Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2000

Plan members are required to contribute 9 percent of their annual covered salary and the School District is required to contribute at an actuarially determined rate. The current School District rate is 14 percent of annual covered payroll. A portion of the School 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, 7.7 percent was used to fund the pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amount, by the SERS' Retirement Board. The School District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2000, 1999, and 1998 were \$195,604, \$206,353 and \$307,301 respectively; 46.75 percent has been contributed for fiscal year 2000 and 100 percent for fiscal years 1999 and 1998. \$104,153 representing the unpaid contribution for fiscal year 2000, is recorded as a liability within the respective funds and the general long-term obligations account group.

B. State Teachers Retirement System

The School District participates in the School Teachers Retirement System of Ohio (STRS), a cost-sharing multiple employer public employee retirement system. STRS provides basic 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. That report may be obtained by writing to the State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3771.

For the fiscal year ended June 30, 2000, plan members are required to contribute 9.3 percent of their annual covered salaries. The School District is 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 School District's required contributions for pension obligations to STRS for the fiscal years ended June 30, 2000, 1999, and 1998 were \$1,127,834, \$1,086,030 and \$1,147,300, respectively; 89.08 percent has been contributed for fiscal year 2000, and 100 percent for fiscal years 1999 and 1998. \$123,104 represents the unpaid contribution for fiscal year 2000 and is recorded as a liability within the respective funds.

Note 10 - Postemployment Benefits

The School 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.

Vermilion Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2000

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 cost 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 School District, this amount equaled \$644,476 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 twenty-five years of service credit must pay a portion of their premium for health care. The portion is based on years of service up to a maximum of 75 percent of the premium.

After the allocation for basic benefits, the remainder of the employer's 14 percent contribution is allocated to providing health care benefits. For the fiscal year ended June 30, 2000, employer contributions to fund health care benefits were 8.5 percent of covered payroll, an increase of 2.2 percent for fiscal year 2000. 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 has been established at \$12,400. For the School District, the amount to fund health care benefits, including surcharge, during the 2000 fiscal year equaled \$228,970.

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

Note 11 - Employee Benefits

A. Life Insurance

The School District provides life insurance and accidental death and dismemberment insurance to most employees through American United Life Insurance Company.

B. Compensated Absences

The criteria for determining vacation and sick leave benefits are derived from negotiated agreements and State laws. Classified employees earn ten to twenty-five days of vacation per fiscal year, depending upon length of service. Accumulated, unused vacation time is paid to classified employees and administrators upon termination of employment. Teachers do not earn vacation time.

Vermilion Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2000

Teachers, administrators, and classified employees earn sick leave at the rate of one and one-fourth days per month. Sick leave may be accumulated up to a maximum of 255 days for certified personnel, and 225 days for non-certified personnel that work 260 day contracts. Non-certified employees that work less than 260 day contracts can accumulate sick leave days up to a maximum of 210 days. Upon retirement, payment is made for one-fourth of 210 days of accrued sick leave for non-certified employees, and up to 195 days of accrued sick leave for certified employees.

Note 12 - Capital Leases

In prior years, the School District entered into capitalized leases for copiers. The leases meet 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. Capital lease payments have been reclassified and are reflected as debt service expenditures in the general purpose financial statements. These expenditures are reflected as program/function expenditures on a budgetary basis.

General fixed assets consisting of equipment has been capitalized in the general fixed assets account group in the amount of \$73,658. This amount represents the present value of the minimum lease payments at the time of acquisition. A corresponding liability was recorded in the general long term obligations account group. Principal payments in fiscal year 2000 totaled \$9,220.

<u>Year</u>	<u>General Long-Term Obligation</u>
2001	6,898
2002	5,379
Total Minimum Lease Payments	12,277
Less: Amount Representing Interest	(628)
Present Value of minimum lease payments	<u><u>\$11,649</u></u>

Vermilion Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2000

Note 13 - Long Term Obligations

Changes in long-term obligations of the School District during fiscal year 2000 were as follows:

<u>Loan:</u>	<u>Principal Outstanding 6/30/99</u>	<u>Additions</u>	<u>Deductions</u>	<u>Principal Outstanding 6/30/00</u>
1991 6.2% Energy Conservation Loan	\$270,000	\$0	\$90,000	\$180,000
 <u>G.O. Bond:</u>				
1993 Variable Interest Rate Library Improvement Bonds	1,265,000	0	80,000	1,185,000
 <u>Other:</u>				
Intergovernmental Payable	110,287	133,286	110,287	133,286
Capital Leases	20,869	0	9,220	11,649
Compensated Absences	<u>1,718,958</u>	<u>0</u>	<u>183,235</u>	<u>1,535,723</u>
Total General Long-Term Obligations	<u><u>\$3,385,114</u></u>	<u><u>\$133,286</u></u>	<u><u>\$472,742</u></u>	<u><u>\$3,045,658</u></u>

The library bonds will be paid from the debt service fund and the energy conservation bonds will be paid out of the general fund. In 1993, the School District issued bonds for improvement to the public library in the amount of \$1,600,000. The bonds are included as School District debt because the School District serves as the taxing authority for the library and is required to issue tax related debt. The intergovernmental payable represents pension obligations paid outside the available period. This liability will be paid from the fund which the employees' salaries are paid. The capital leases will be paid from the general fund. The compensated absences will be paid from the fund which the employees salaries are paid.

The School District's overall legal debt margin at June 30, 2000 was \$27,110,137 with an unvoted debt margin of \$305,714 at June 30, 2000. Principal and interest requirements to retire general obligation bonds outstanding at June 30, 2000, are as follows:

<u>Fiscal Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2001	\$175,000	\$70,974	\$245,974
2002	190,000	60,218	250,218
2003	105,000	51,774	156,774
2004	115,000	45,779	160,779
2005	130,000	39,039	169,038
2006-2009	<u>650,000</u>	<u>75,865</u>	<u>725,865</u>
Total	<u><u>\$1,365,000</u></u>	<u><u>\$343,649</u></u>	<u><u>\$1,708,648</u></u>

Vermilion Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2000

Note 14 - Fund Obligation

As of June 30, 2000, the School District had outstanding fund obligations for a solvency assistance advance of \$674,000. The advance liability is reflected in the general fund, the fund which received the proceeds.

	Principal Outstanding 6/30/99	Additions	Deductions	Principal Outstanding 6/30/00
General Fund				
Solvency Assistance Advance 0%	\$1,348,000	\$0	\$674,000	\$674,000
State Loan 4.95%	211,024	0	211,024	0
Total	<u>\$1,559,024</u>	<u>\$0</u>	<u>\$885,024</u>	<u>\$674,000</u>

The principal payment necessary to retire the solvency assistance advance will be made in fiscal year 2001.

Note 15 - Jointly Governed Organization

Lake Erie Education Computer Association (LEECA)

The Lake Erie Education Computer Association (LEECA) is a jointly governed organization among thirty School Districts. The jointly governed organization was formed for the purpose of applying modern technology with the aid and other electronic equipment to administrative and instructional functions among member districts. Each of the governments of these schools supports LEECA based upon a per pupil charge dependent upon the software package utilized. The LEECA assembly consists of a superintendent or designated representative from each participating school district and a representative from the fiscal agent. LEECA is governed by a Board of Directors chosen from the general membership of the LEECA assembly. The Board of Directors consists of a representative from the fiscal agent, the chairman of each of the operating committees, and at least one Assembly member from each county in which participating school districts are located. The degree of control exercised by any participating school district is limited to its representation on the Board. Financial information can be obtained by contacting the Treasurer at the Lorain County Board of Education, who serves as the fiscal agent, at 1885 Lake Avenue, Elyria, Ohio 44035.

Note 16 - Public Entity Risk Pool

Ohio School Boards Workers' Compensation Group Rating Program

The School District participates in the Ohio School Boards Association (OSBA) Workers' Compensation Group Rating Program (GRP), a public entity risk 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 OSBA. The 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.

Vermilion Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2000

Note 17 - Related Organization

The Ritter Public Library - The Ritter Public Library is a distinct political subdivision of the State of Ohio created under Chapter 3375 of the Ohio Revised Code. The Library is governed by a Board of Trustees appointed by the Vermilion Local School District Board of Education. The Board of Trustees possesses its own contracting and budgeting authority, hires and fires personnel and does not depend on the School District for operational subsidies. Although the School District does serve as the taxing authority and issues tax related debt on behalf of the Library, its role is limited to a ministerial function. The determination to request approval of a tax, the rate and the purpose are discretionary decisions made solely by the Board of Trustees. Financial information can be obtained from the Ritter Public Library, Clerk/Treasurer, at 5680 Liberty Avenue, Vermilion, Ohio 44089.

Note 18 - Contingencies

A. Grants

The School District receives financial assistance from federal and state agencies in the form of grants. The expenditure 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 adverse effect on the overall financial position of the School District at June 30, 2000.

B. Litigation

The Vermilion Local School District is a party to legal proceedings. The School District is of the opinion that ultimate disposition of claims will not have a material affect, if any, on the financial condition of the School District.

Note 19 - State School Funding Decision

On March 24, 1997, the Ohio Supreme Court rendered a decision declaring certain portions of the Ohio school funding plan unconstitutional. The Court stayed the effect of its ruling for one year to allow the Ohio General Assembly to design a plan to remedy the perceived defects in the system. Declared unconstitutional was the State's "school foundation program", which provides significant amounts of monetary support to the School District. During the fiscal year ended June 30, 2000, the School District received \$4,788,545 of school foundation support for its general fund.

The court also declared the emergency school loan assistance program unconstitutional. The emergency school loan program allowed the School District to borrow money from a commercial financial institution with repayment going directly to the lender from the state through a withholding a portion of the School District's future school foundation payments. As of June 30, 2000 the School District has an outstanding balance due of \$674,000 borrowed under this program; the final payment of this note will be made in fiscal year 2002. The terms of the debt are further described in Note 14 to these financial statements.

Vermilion Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2000

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

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

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

Note 20 - Set-Aside Calculations and Fund Reserves

The Vermilion Local School District is required by State statute to annually set aside in the general fund an amount based on a statutory formula for the purpose of textbooks and other instructional materials and an equal amount for the acquisition and construction of capital improvements. Amounts not spent by year-end or offset by similarly restricted resources received during the year must be held in cash at year-end and carried forward to be used for the same purposes in future years. The School District is also required to set aside money for budget stabilization. An additional budget stabilization set-aside was not required for fiscal year 2000 due to the District being in the fiscal emergency program (see Note 21).

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

	<u>Textbooks</u>	<u>Capital Improvements</u>	<u>Budget Stabilization</u>
Set-aside reserve balance as of June 30, 1999	\$46,027	\$0	\$145,873
Current year set-aside requirement	371,225	371,225	0
Current Year Offsets	0	0	0
Qualifying Disbursements	<u>(215,170)</u>	<u>(329,678)</u>	<u>0</u>
Set-aside Balance Carried Forward to			
Future Fiscal Years	<u>\$202,082</u>	<u>\$41,547</u>	<u>\$145,873</u>
Set-aside Reserve Balance as of June 30, 2000	<u><u>\$202,082</u></u>	<u><u>\$41,547</u></u>	<u><u>\$145,873</u></u>

The total reserve balance for the three set-asides at the end of the fiscal year was \$389,502.

Vermilion Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2000

Note 21 - Subsequent Events

On March 24, 1999 the School District was declared to be in a state of “Fiscal Emergency” by the Auditor of State. New legislation effective September 1996, permitted this declaration due to the School District’s declining financial condition. In accordance with the new law, a seven-member Financial Planning and Supervision Commission was established to oversee all financial affairs of the School District. The Commission’s primary charge is to develop, adopt and implement a five year financial recovery plan. The commission accordingly adopted the School District plan on June 17, 1999. The Commission is comprised of the State Superintendent of Public Instruction, the School District Superintendent, State Director of Budget and Management, the Mayor of the City of Vermilion, an appointee of the Superintendent of Public Instruction, an appointee of the Governor, and an appointee of the Mayor of Vermilion. Once the plan has been adopted, the Board of Education discretion is limited in that all financial activity of the School District must be in accordance with the plan.

On August 18, 2000 the Auditor of State removed the School District from fiscal emergency. Accordingly, the seven-member Financial Planning and Supervision Commission was dissolved.

Note 22 - Receivables

Receivables at June 30, 2000 consisted of property taxes, accounts (rent, billings for user charged services, and tuition and fees) and intergovernmental grants. All receivables are considered collectible in full due to the liability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current fiscal year guarantee of federal funds.

A summary of the principal items of intergovernmental receivable follows:

	<u>Amounts</u>
<i>General Fund:</i>	
Drivers Education Reimbursement	\$1,700
EHOVE JVSD	1,382
Erie County Auditor Transportation	1,830
<i>Total General Fund</i>	4,912
<i>Special Revenue Funds:</i>	
Goals 2000	4,658
<i>Enterprise Funds:</i>	
Food Service	19,554
<i>Total All Funds</i>	\$29,124

Vermilion Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2000

Note 23 - Segment Information for Enterprise Funds

The School District maintains four Enterprise funds to account for the operations of food service, Saturday enrichment, adult education and uniform school supplies. The table below reflects the more significant financial data relating to the enterprise funds of the Vermilion Local School District as of and for the fiscal year ended June 30, 2000.

	Food Service	Uniform School Supplies	Saturday Enrichment	Adult Education	Totals
Operating Revenues	\$401,414	\$108,067	\$0	\$0	\$509,481
Depreciation	19,376	0	0	0	19,376
Operating Loss	(177,707)	(7,628)	0	(772)	(186,107)
Federal Donated Commodities	43,353	0	0	0	43,353
Operating Grants	124,499	0	0	0	124,499
Interest	11,114	0	0	0	11,114
Net Income (Loss)	1,259	(7,628)	0	(772)	(7,141)
Net Working Capital	126,657	32,871	211	0	159,739
Total Assets	659,128	40,547	211	0	699,886
Total Equity	567,043	32,871	211	0	600,125
Encumbrances at June 30	24,179	8,588	0	0	32,767

SUPPLEMENTAL DATA

**VERMILION LOCAL SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2000**

FEDERAL GRANTOR/ SUB GRANTOR/ PROGRAM TITLE	CFDA NUMBER	PASS-THROUGH GRANT NUMBER	(D) CASH FEDERAL RECEIPTS	OTHER FEDERAL RECEIPTS	(D) CASH FEDERAL DISBURSEMENTS	OTHER FEDERAL DISBURSEMENTS
U. S. DEPARTMENT OF AGRICULTURE PASSED THROUGH THE <u>OHIO DEPARTMENT OF EDUCATION:</u>						
Nutrition Grant Cluster:						
(A) (B) Food Distribution	10.550	N/A		\$37,926		\$43,828
(A) (C) National School Lunch Program	10.555	N/A	\$117,870		\$117,870	
Total Nutrition Grant Cluster and U.S. Department of Agriculture			<u>117,870</u>	<u>37,926</u>	<u>117,870</u>	<u>43,828</u>
U. S. DEPARTMENT OF EDUCATION PASSED THROUGH THE <u>OHIO DEPARTMENT OF EDUCATION:</u>						
Adult Basic Education	84.002	046821-AB-51-99	0		10,542	
Title I - Grants to Local Educational Agencies	84.010	046821-C1-S1-99	0		23,753	
Title I - Grants to Local Educational Agencies	84.010	046821-C1-S1-99 C	33,812		56,509	
Title I - Grants to Local Educational Agencies	84.010	046821-C1-S1-00	168,451		141,810	
Total Title I			<u>202,263</u>		<u>222,072</u>	
Special Education Grant Cluster:						
(E) Title VI-B - Education for the Handicapped Act	84.027	046821-6B-SF-98P	0		37,655	
(E) Title VI-B - Education for the Handicapped Act	84.027	046821-6B-SF-99P	179,216		159,744	
Total Title VI-B Grants			<u>179,216</u>		<u>197,399</u>	
(E) Special Education Preschool Grants	84.173	046821-PG-S1-98P	0		2,413	
(E) Special Education Preschool Grants	84.173	046821-PG-S1-99P	11,232		9,421	
Total Special Education Preschool Grants			<u>11,232</u>		<u>11,834</u>	
Total Special Education Grant Cluster			<u>190,448</u>		<u>209,233</u>	
(F) Drug-Free Schools Grant	84.186	046821-DR-S1-99	0		3,189	
(F) Drug-Free Schools Grant	84.186	046821-DR-S1-00	9,327		5,613	
(F) Drug-Free Schools Grant	84.186	N/A	8,998		8,998	
Total Drug-Free Schools Grants			<u>18,325</u>		<u>17,800</u>	
(F) Eisenhower Professional Development Grant	84.281	N/A	40,390		40,390	
Title VI - Innovative Education Programs	84.298	046821-C2-S1-99	0		5,405	
Title VI - Innovative Education Programs	84.298	046821-C2-S1-99 C	1,876		2,684	
Title VI - Innovative Education Programs	84.298	046821-C2-S1-00	8,031		5,571	
Total Title VI			<u>9,907</u>		<u>13,660</u>	
Tech Literacy Challenge	84.318	046821-TF-VM-99P	27,000		27,000	
Title VI-R - Class Size Reduction Subsidy	84.340	046821-CR-S1-00	37,100		28,600	
Total U. S. Department of Education			<u>525,433</u>		<u>569,297</u>	
U.S. DEPT. OF LABOR PASSED THROUGH <u>OHIO DEPARTMENT OF EDUCATION:</u>						
School to Work - Continuous Improvement Grant	17.249	N/A	0		3,600	
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES - PASSED THROUGH THE OHIO DEPARTMENT OF MENTAL RETARDATION AND DEVELOPMENTAL DISABILITIES:						
Community Alternative Funding System Program	93.778	N/A	810		810	
Total Federal Financial Assistance			<u>\$644,113</u>	<u>\$37,926</u>	<u>\$691,577</u>	<u>\$43,828</u>

- (A) Included as part of "Nutrition Grant Cluster" in determining major programs.
 (B) The Food Distribution Program is a non-cash, in kind, federal grant. Commodities are valued at fair market prices.
 (C) Comingled with state and local revenue from sales of lunches/breakfast assumed expenditures were made on a first-in, first-out basis.
 (D) This schedule was prepared on the cash basis of accounting.
 (E) Included as part of "Special Education Grant Cluster" in determining major programs.
 (F) Passed Through Huron-Erie-Ottawa Educational Service Center

TRIMBLE, JULIAN & GRUBE, INC.

"SERVING OHIO LOCAL GOVERNMENTS"

1445 Worthington Woods Boulevard
Suite B
Worthington, Ohio 43085

Telephone 614.846.1899
Facsimile 614.846.2799

Report on Compliance and on Internal Control Required by *Government Auditing Standards*

Board of Education
Vermilion Local School District
1230 Beechview Drive
Vermilion, Ohio 44089

We have audited the general purpose financial statements of Vermilion Local School District as of and for the year ended June 30, 2000, and have issued our report thereon dated January 19, 2001. 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 Vermilion Local School District's general purpose 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 instances of noncompliance that are required to be reported under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2000-46821-001 and 2000-46821-002. We also noted certain immaterial instances of noncompliance, which we have reported to management of Vermilion Local School District in a separate letter dated January 19, 2001.

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 general purpose financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to the significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgement, could adversely affect Vermilion Exempted Village School District's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. The reportable conditions are described in the accompanying schedule of findings as item 2000-46821-001 and 2000-46821-002.

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. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe that the reportable conditions described above are not material weaknesses. We also noted other matters involving the internal control over financial reporting that does not require inclusion in this report, that we have reported to management of Vermilion Local School District in a separate letter dated January 19, 2001.

This report is intended for the information and use of the management and Board of Education of the Vermilion Local School District, 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.

Trimble, Julian & Grube, Inc.
January 19, 2001

TRIMBLE, JULIAN & GRUBE, INC.

"SERVING OHIO LOCAL GOVERNMENTS"

1445 Worthington Woods Boulevard
Suite B
Worthington, Ohio 43085

Telephone 614.846.1899
Facsimile 614.846.2799

Report on Compliance with Requirements Applicable to Its Major Federal Program and Internal Control over Compliance in Accordance with *OMB Circular A-133*

Board of Education
Vermilion Local School District
1230 Beechview Drive
Vermilion, Ohio 44089

Compliance

We have audited the compliance of Vermilion Local School 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. Vermilion Local School District's major federal program is 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 its major federal program is the responsibility of Vermilion Local School District's management. Our responsibility is to express an opinion on Vermilion Local School 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, *Audit 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 Vermilion Local School 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 Vermilion Local School District's compliance with those requirements.

Board of Education
Vermilion Local School District

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

Internal Control Over Compliance

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

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

This report is intended for the information and use of management, the Board of Education of Vermilion Local School District, 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.

Trimble, Julian & Grube, Inc.
January 19, 2001

**SCHEDULE OF FINDINGS
OMB CIRCULAR A-133 §.505**

**VERMILION LOCAL SCHOOL DISTRICT
ERIE COUNTY
JUNE 30, 2000**

1. SUMMARY OF AUDITOR'S RESULTS

<i>(d)(1)(i)</i>	<i>Type of Financial Statement Opinion</i>	Unqualified
<i>(d)(1)(ii)</i>	<i>Were there any material control weakness conditions reported at the financial statement level (GAGAS)?</i>	No
<i>(d)(1)(ii)</i>	<i>Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?</i>	Yes
<i>(d)(1)(iii)</i>	<i>Was there any reported non-compliance at the financial statement level (GAGAS)?</i>	Yes
<i>(d)(1)(iv)</i>	<i>Were there any material internal control weakness conditions reported for major federal programs?</i>	No
<i>(d)(1)(iv)</i>	<i>Were there any other reportable internal control weakness conditions reported for major federal programs?</i>	No
<i>(d)(1)(v)</i>	<i>Type of Major Programs' Compliance Opinion</i>	Unqualified
<i>(d)(1)(vi)</i>	<i>Are there any reportable findings under §.510?</i>	No

SCHEDULE OF FINDINGS
OMB CIRCULAR A-133 §.505
VERMILION LOCAL SCHOOL DISTRICT
ERIE COUNTY
JUNE 30, 2000

1. SUMMARY OF AUDITOR'S RESULTS (Continued)

<i>(d)(1)(vii)</i>	Major Program:	Special Education Grant Cluster: Title VI-B, CFDA #84.027; Special Education Preschool Grants, CFDA #84.173.
<i>(d)(1)(viii)</i>	Dollar Threshold: Type A/B Program	Type A: >\$300,000 Type B: all others
<i>(d)(1)(ix)</i>	Low Risk Auditee?	Yes

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

Finding Number	2000-46821-001
----------------	----------------

Ohio Revised Code Section 5705.39 in part requires that the total appropriation from each fund should not exceed total estimated revenues plus available balances.

It was noted during the audit that the total appropriations exceeded the total estimated revenues plus available balances in the following funds:

Funds	Estimated Revenues plus Carryover Balances	Appropriations	Excess
General Fund	\$17,900,733	\$17,944,593	\$43,860
<i>Special Revenue Funds:</i>			
Staff Fund Sailorway Middle School	9,987	11,058	1,071
Education Foundation fund	2,658	3,026	368
Professional Development	16,636	17,635	999
Athletic fund	95,000	109,430	14,430
Educational Management Information Service	5,550	7,400	1,850
Data Communication	10,848	21,696	10,848
School Net Professional Development	1,895	7,395	5,500
Ohio Reads	64,000	128,000	64,000
Educational Innovation Technology	6,759	17,071	10,312
Adult Basic Education	16,377	16,731	354
Title VI	12,531	17,303	4,772
Goals 2000	76,599	103,599	27,000

SCHEDULE OF FINDINGS
OMB CIRCULAR A-133 §.505
VERMILION LOCAL SCHOOL DISTRICT
ERIE COUNTY
JUNE 30, 2000

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

With appropriations exceeding estimated revenues plus carryover balances, the District is spending monies that are not lawfully appropriated for those purposes and thus could cause a fund deficit.

We recommend that the District comply with the Ohio Revised Code and Auditor of State Bulletin 97-010 by keeping more accurate appropriations versus estimated revenue records and amending the budget prior to year end. If it is determined that estimated revenues will be greater than initially anticipated, the District should amend its official estimate in order to provide for any additional appropriations; however, appropriations should not exceed estimated revenues. In addition, the District should monitor its budgetary process on a regular basis.

Finding Number	2000-46821-002
----------------	----------------

Ohio Revised Code Section 5705.41 (B) requires that no subdivision is to expend money unless it has been appropriated.

It was noted during the audit that the District had expenditures plus encumbrances exceeding appropriations in the following:

Fund/Function/Object	Appropriations	Expenditures plus Encumbrances	Excess
General Fund:			
Regular Instruction			
Other Financing Use	\$150	\$4,886	\$4,736
Vocational Instruction			
Fringe Benefits	\$52,632	\$52,884	\$252
Instructional Staff			
Purchased Services	\$38,189	\$42,052	\$3,863
Fiscal			
Other Financing Use	\$176,663	\$188,662	\$11,999
Business			
Fringe Benefits	\$32,005	\$36,003	\$3,998
Purchased Services	\$990	\$1,990	\$1,000
Operation & Maintenance of Plant			
Purchased Services	\$448,812	\$632,773	\$183,961
Capital Outlay - Replacement	\$4,036	\$26,475	\$22,439

SCHEDULE OF FINDINGS
OMB CIRCULAR A-133 §.505
VERMILION LOCAL SCHOOL DISTRICT
ERIE COUNTY
JUNE 30, 2000

2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS - (Continued)

Fund/Function/Object	Appropriations	Expenditures plus Encumbrances	Excess
Extracurricular Activities			
Fringe Benefits	\$24,050	\$26,322	\$2,272
Special Revenue:			
Auxiliary Services:			
Operation of Non-Instructional Services			
Fringe Benefits	\$9,198	\$10,435	\$1,237
Purchased Services	\$3,716	\$5,212	\$1,496
Capital Outlay	\$778	\$2,565	\$1,787
Title VI-B			
Special Instruction			
Capital Outlay	\$934	\$1,245	\$311
Pupils			
Capital Outlay	\$2,492	\$2,598	\$106
Title VI			
Operation of Non-Instructional Services			
Capital Outlay	\$1,654	\$1,686	\$32
Drug-Free Schools:			
Pupils			
Materials and Supplies	\$775	\$1,213	\$438
Instructional Staff			
Purchased Services	\$196	\$209	\$13
Goals 2000:			
Instructional Staff			
Personal Services	\$1,788	\$2,500	\$712

With expenditures plus encumbrances exceeding appropriations, the District is unlawfully expending monies that have not been appropriated.

We recommend that the District comply with the Ohio Revised Code and the Auditor of State Bulletin 97-010 by monitoring expenditures so they do not exceed lawful appropriations and amending the budget prior to year end. This may be achieved by monitoring the budget more closely on a continual basis.

SCHEDULE OF FINDINGS
OMB CIRCULAR A-133 §.505
VERMILION LOCAL SCHOOL DISTRICT
ERIE COUNTY
JUNE 30, 2000

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

VERMILION LOCAL SCHOOL DISTRICT

ERIE 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
MARCH 15, 2001**