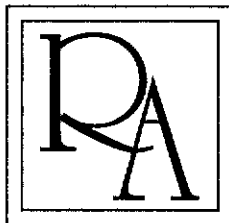


**VERMILION LOCAL SCHOOL DISTRICT
GENERAL PURPOSE FINANCIAL STATEMENTS**

**TOGETHER WITH AUDITOR'S REPORT AND
AUDITOR'S REPORTS ON INTERNAL CONTROL,
COMPLIANCE, EXPENDITURES OF FEDERAL
AWARDS AND OTHER MATTERS**

**JULY 1, 1998 - JUNE 30, 1999
FISCAL YEAR AUDITED UNDER GAGAS: 1999**



Reichert & Associates, CPA's

206 West Hardin Street
Findlay, Ohio 45840
419-422-6131

**VERMILION LOCAL SCHOOL DISTRICT
GENERAL PURPOSE FINANCIAL STATEMENTS**

**TOGETHER WITH AUDITOR'S REPORT AND
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COMPLIANCE, EXPENDITURES OF FEDERAL
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**JULY 1, 1998 - JUNE 30, 1999
FISCAL YEAR AUDITED UNDER GAGAS: 1999**

VERMILION LOCAL SCHOOL DISTRICT
ERIE COUNTY

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VERMILION LOCAL SCHOOL DISTRICT
1230 BEECHVIEW DR.
VERMILION, OHIO 44089

ELECTED OFFICIALS
AS OF JUNE 30, 1999

<u>Elected Officials</u>	<u>Title</u>	<u>Term of Office</u>	<u>SURETY</u>
<u>Board of Education</u>			
Marie Warden	President	1/1/98 - 12/31/01	(A)
Donald Pretzer	Vice President	1/1/98 - 12/31/01	
Linda Rogers	Member	1/1/96 - 12/31/99	
Read Wakefield	Member	1/1/96 - 12/31/99	
Deborah Hansen	Member	1/1/96 - 12/31/99	

Statutory Legal Counsel

Kevin Baxter
2900 Columbus Avenue
Sandusky, Ohio 44870-2636

Prosecuting Attorney
Erie County

(A) Nationwide Insurance Company

VERMILION LOCAL SCHOOL DISTRICT
1230 BEECHVIEW DR.
VERMILION, OHIO 43302

ADMINISTRATIVE PERSONNEL
AS OF JUNE 30, 1999

<u>Personnel</u>	<u>Term of Office</u>	<u>Surety</u>
<u>Superintendent</u> Burton Schoffman	8/1/95-7/31/99	(A)
<u>Treasurer</u> Shirley Antel	Organizational Meeting 1999 to Organizational Meeting 2000	\$100,000

(A) Nationwide Insurance Company

VERMILION LOCAL SCHOOL DISTRICT

ERIE COUNTY

INDEX OF FUNDS

GOVERNMENTAL FUND TYPES:

General Fund Type:

General Fund
General Fund State Bus Purchase Allowance Fund

Special Revenue Fund Type:

Public School Support Funds
Athletic Fund
Educational Management Information Systems Fund
Dwight Eisenhower Grant Fund
Education of the Handicapped Act - Title VI-B Fund
Education Consolidation & Improvement Act-Title I Fund
Education Consolidation & Improvement Act-Title II Fund
Drug Free School Grant Fund

Debt Service Fund Type:

Bond Retirement Fund
Asbestos Loan Repayment Fund
Energy Conservation, House Bill 264 Repayment Fund

Capital Projects Fund Type:

Permanent Improvement Fund

PROPRIETARY FUND TYPE:

Enterprise Fund Type:

Food Service Fund
Uniform School Supplies Fund

Internal Service Fund Types:

Rotary Fund
Self-Insurance Fund

FIDUCIARY FUND TYPES:

Trust and Agency Fund Types:

Expendable Trust Fund Types:

Elementary Teacher Special Trust Fund
High School Teacher Special Trust Fund

Non-Expendable Trust Fund Types:

Scholarship Fund

Agency Fund Type:

Student Activity Fund



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
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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 Reichert & Associates, CPA's, for the audit period July 1, 1998 through June 30, 1999. 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 2, 2000

REICHERT & ASSOCIATES, CPA'S

1210 East Main Street
Ashland, Ohio 44805

INDEPENDENT AUDITOR'S REPORT

Board of Education
Vermilion Local School District

We have audited the accompanying general-purpose financial statements of the Vermilion Local School District, as of and for the fiscal year ended June 30, 1999, 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, as of June 30, 1999, and the results of its operations and the cash flows of its proprietary fund types and nonexpendable trust funds for the year then ended in conformity with generally accepted accounting principles.

For fiscal year 1999, Vermilion Local School District has implemented GASB Statement No. 32, "Accounting and Financial Reporting for Internal Revenue code Section 457 Deferred Compensation Plans" for its deferred compensation plan through the Ohio Public Employees Deferred Compensation Plan. The balance of the Ohio Public Employees deferred Compensation Plan is no longer presented as part of the School Districts financial statements.

The accompanying financial statements for the year ended June 30, 1999 have been prepared assuming that the Vermilion Local School District will be able to continue normal operations and meet financial obligations as they come due. Their continued use of short term borrowing and long-term borrowing to meet current needs, and the result of recurring levy defeats has raised substantial doubt about the District's ability to continue its operations (that is, to operate as a "going concern", as that term is used by the American Institute of Certified Public Accountants) without a reduction in expenditure levels or significant new sources of revenue. Management plans in regard to these matters are currently under discussion and will be produced in the future. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

In accordance with Government Auditing Standards, we have also issued a report dated December 17, 1999 on our consideration of the Vermilion Local School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants.

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

December 17, 1999
Ashland, Ohio

REICHERT & ASSOCIATES, CPA'S
CERTIFIED PUBLIC ACCOUNTANTS

Vermilion Local School District
Combined Balance Sheet
All Fund Types and Account Groups
June 30, 1999

	Governmental Fund Types				Proprietary
	General	Special Revenue	Debt Service	Capital Projects	Enterprise
Assets and Other Debits					
Assets					
Equity in Pooled Cash and Cash Equivalents	\$1,288,864	\$358,889	\$142,090	\$28,729	\$206,977
Cash and Cash Equivalents:					
With Fiscal Agents	0	0	769	0	0
Receivables:					
Taxes	8,441,922	0	139,820	0	0
Accounts	11,782	3,487	0	0	462
Intergovernmental	1,207	33,812	0	0	19,247
Accrued Interest	9,658	927	0	0	681
Due from Other Funds	64,624	0	0	0	0
Inventory Held for Resale	0	0	0	0	21,701
Materials and Supplies					
Inventory	52,711	0	0	0	3,180
Restricted Assets:					
Equity in Pooled Cash and Cash Equivalents	253,622	0	0	0	0
Fixed Assets (Net, where applicable, of Accumulated Depreciation)	0	0	0	0	459,762
Other Debits					
Amount Available in Debt Service Fund for Retirement of General Obligation Bonds	0	0	0	0	0
Amount to be Provided from General Government Resources	0	0	0	0	0
Total Assets and Other Debits	\$10,124,390	\$397,115	\$282,679	\$28,729	\$712,010

Fund Types	Fiduciary Fund Types	Account Groups		Totals (Memorandum Only)
		General Fixed Assets	General Long-Term Obligations	
Internal Service	Trust and Agency			
\$275,827	\$335,813	\$0	\$0	\$2,637,189
32,415	0	0	0	33,184
0	0	0	0	8,581,742
49,719	6,425	0	0	71,875
0	0	0	0	54,266
0	293	0	0	11,559
0	0	0	0	64,624
0	0	0	0	21,701
0	0	0	0	55,891
0	0	0	0	253,622
0	0	17,978,097	0	18,437,859
0	0	0	155,224	155,224
0	0	0	3,229,890	3,229,890
<u>\$357,961</u>	<u>\$342,531</u>	<u>\$17,978,097</u>	<u>\$3,385,114</u>	<u>\$33,608,626</u>

(continued)

Vermilion Local School District
Combined Balance Sheet
All Fund Types and Account Groups (continued)
June 30, 1999

	Governmental Fund Types				Proprietary
	General	Special Revenue	Debt Service	Capital Projects	Enterprise
Liabilities, Fund Equity and Other Credits					
Liabilities					
Accounts Payable	\$68,989	\$5,238	\$0	\$4,890	\$2,229
Accrued Wages	1,401,483	30,369	0	0	37,385
Compensated Absences Payable	259,818	0	0	0	20,260
Intergovernmental Payable	220,889	2,044	0	0	27,791
Deferred Revenue	7,813,773	0	126,686	0	17,079
Undistributed Monies	0	0	0	0	0
Due to Students	0	0	0	0	0
Due to Other Funds	0	64,624	0	0	0
Matured Interest Payable	0	0	769	0	0
Loans Payable	211,024	0	0	0	0
Claims Payable	0	0	0	0	0
Capital Leases Payable	0	0	0	0	0
Energy Conservation Loan Payable	0	0	0	0	0
State Operating Loan Payable	1,348,000	0	0	0	0
General Obligation Bonds Payable	0	0	0	0	0
Total Liabilities	11,323,976	102,275	127,455	4,890	104,744
Fund Equity and Other Credits					
Investment in General Fixed Assets	0	0	0	0	0
Contributed Capital	0	0	0	0	372,045
Retained Earnings:					
Unreserved	0	0	0	0	235,221
Fund Balance:					
Reserved for Encumbrances	162,348	22,155	0	0	0
Reserved for Inventory	52,711	0	0	0	0
Reserved for Property Taxes	628,149	0	13,134	0	0
Reserved for Budget Stabilization	145,873	0	0	0	0
Reserved for Textbooks					
Instructional Materials	46,027	0	0	0	0
Reserved for Bus Purchases	61,722	0	0	0	0
Reserved for Contributions	0	0	0	0	0
Unreserved, Undesignated (Deficit)	(2,296,416)	272,685	142,090	23,839	0
Total Fund Equity (Deficit) and Other Credits	(1,199,586)	294,840	155,224	23,839	607,266
Total Liabilities, Fund Equity and Other Credits	\$10,124,390	\$397,115	\$282,679	\$28,729	\$712,010

See accompanying notes to the general purpose financial statements

Fund Type	Fiduciary Fund Types	Account Groups		Totals (Memorandum Only)
		General Fixed Assets	General Long-Term Obligations	
Internal Service	Trust and Agency			
\$0	\$1,061	\$0	\$0	\$82,407
0	0	0	0	1,469,237
0	0	0	1,718,958	1,999,036
0	155	0	110,287	361,166
0	0	0	0	7,957,538
0	8,973	0	0	8,973
0	68,607	0	0	68,607
0	0	0	0	64,624
0	0	0	0	769
0	0	0	0	211,024
73,435	0	0	0	73,435
0	0	0	20,869	20,869
0	0	0	270,000	270,000
0	0	0	0	1,348,000
0	0	0	1,265,000	1,265,000
<u>73,435</u>	<u>78,796</u>	<u>0</u>	<u>3,385,114</u>	<u>15,200,685</u>
0	0	17,978,097	0	17,978,097
0	0	0	0	372,045
284,526	0	0	0	519,747
0	0	0	0	184,503
0	0	0	0	52,711
0	0	0	0	641,283
0	0	0	0	145,873
0				46,027
0				61,722
0	51,008	0	0	51,008
0	212,727	0	0	(1,645,075)
<u>284,526</u>	<u>263,735</u>	<u>17,978,097</u>	<u>0</u>	<u>18,407,941</u>
<u>\$357,961</u>	<u>\$342,531</u>	<u>\$17,978,097</u>	<u>\$3,385,114</u>	<u>\$33,608,626</u>

Vermillion Local School District
*Combined Statement of Revenues, Expenditures
and Changes in Fund Balances*
All Governmental Fund Types and Expendable Trust Fund
For the Fiscal Year Ended June 30, 1999

	Governmental	
	General	Special Revenue
Revenues		
Taxes	\$8,535,182	\$0
Intergovernmental	5,498,292	641,915
Interest	235,638	2,841
Tuition and Fees	15,859	420
Extracurricular Activities	72,169	156,412
Rentals	44,989	0
Gifts and Donations	0	29,719
Miscellaneous	16,651	7,803
Total Revenues	14,418,780	839,109
Expenditures		
Current:		
Instruction:		
Regular	7,920,972	28,094
Special	1,448,797	266,992
Vocational	206,759	0
Adult/Continuing	761	17,160
Support Services:		
Pupils	601,070	184,691
Instructional Staff	681,069	120,402
Board of Education	100,930	0
Administration	1,289,059	8,971
Fiscal	369,878	0
Business	160,823	0
Operation and Maintenance of Plant	1,673,089	213
Pupil Transportation	756,730	0
Central	65,064	5,957
Operation of Non-Instructional Services	0	72,425
Extracurricular Activities	307,009	81,336
Capital Outlay	156,752	0
Debt Service:		
Principal Retirement	104,710	0
Interest and Fiscal Charges	46,333	0
Total Expenditures	15,889,806	786,241
Excess of Revenues Over (Under) Expenditures	(1,471,025)	52,868
Fund Balances Beginning of Year	274,252	241,972
Decrease in Reserve for Inventory	(2,813)	0
Fund Balances (Deficit) End of Year	(\$1,199,586)	\$294,840

See accompanying notes to the general purpose financial statements

Fund Types		Fiduciary Fund Type	Totals (Memorandum Only)
Debt Service	Capital Projects	Expendable Trust	
\$107,172	\$0	\$0	\$8,642,354
16,674	82,515	0	6,239,395
0	0	9,924	248,404
0	0	0	16,279
0	0	0	228,581
0	0	0	44,989
0	0	2,200	31,919
0	0	430	24,885
<u>123,846</u>	<u>82,515</u>	<u>12,554</u>	<u>15,476,805</u>
0	0	0	7,949,066
0	0	0	1,715,789
0	0	0	206,759
0	0		17,921
0	0	0	785,761
0	0	488	801,959
0	0	0	100,930
0	0	0	1,298,030
2,827	0	0	372,705
0	0	0	160,823
0	0	0	1,673,302
0	0	0	756,730
0	0	0	71,022
0	0	10,493	82,918
0	0	0	388,345
0	88,734	0	245,486
70,000	0	0	174,710
70,985	0	0	117,319
<u>143,813</u>	<u>88,734</u>	<u>10,981</u>	<u>16,919,575</u>
(19,967)	(6,219)	1,573	(1,442,770)
175,191	30,058	190,417	911,889
<u>0</u>	<u>0</u>	<u>0</u>	<u>(2,813)</u>
<u>\$155,224</u>	<u>\$23,839</u>	<u>\$191,990</u>	<u>(\$533,694)</u>

Vermilion Local School District
*Combined Statement of Revenues, Expenditures and Charges in
Fund Balances - Budget (Non-GAAP Basis) and Actual
All Governmental Fund Types and Expendable Trust Fund
For the Fiscal Year Ended June 30, 1999*

	General Fund		Variance Favorable (Unfavorable)
	Revised Budget	Actual	
Revenues			
Taxes	\$9,999,094	\$9,261,294	(\$737,800)
Intergovernmental	5,156,900	5,497,685	340,785
Interest	155,000	156,276	1,276
Tuition and Fees	0	14,591	14,591
Extracurricular Activities	120,000	72,169	(47,831)
Rentals	45,168	44,989	(179)
Gifts and Donations	0	0	0
Miscellaneous	0	6,867	6,867
Total Revenues	<u>15,476,162</u>	<u>15,053,871</u>	<u>(422,291)</u>
Expenditures			
Current:			
Instruction:			
Regular	8,026,913	8,008,056	18,857
Special	1,542,590	1,539,022	3,568
Vocational	210,009	208,158	1,851
Adult/Continuing	1,517	1,514	3
Support Services:			
Pupils	628,399	619,293	9,106
Instructional Staff	713,523	694,881	18,642
Board of Education	122,790	116,337	6,453
Administration	1,321,366	1,289,917	31,449
Fiscal	391,701	387,651	4,050
Business	143,730	143,325	405
Operation and Maintenance of Plant	1,756,056	1,711,388	44,668
Pupil Transportation	855,669	847,403	8,266
Central	62,524	62,448	76
Operation of Non-Instructional Services	225	0	225
Extracurricular Activities	309,062	306,263	2,799
Capital Outlay	215,851	175,526	40,325
Debt Service:			
Principal Retirement	439,517	438,686	831
Interest and Fiscal Charges	45,843	46,429	(586)
Total Expenditures	<u>16,787,284</u>	<u>16,596,297</u>	<u>190,987</u>
Excess of Revenues Over (Under) Expenditures	<u>(1,311,122)</u>	<u>(1,542,426)</u>	<u>(231,303)</u>
Other Financing Sources (Uses)			
Proceeds of Notes	1,348,000	1,348,000	0
Advances In	0	1,027	1,027
Operating Transfers In	100,000	0	(100,000)
Operating Transfers Out	(436,778)	(436,778)	0
Total Other Financing Sources (Uses)	<u>1,011,222</u>	<u>912,249</u>	<u>(98,973)</u>
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	<u>(299,900)</u>	<u>(630,177)</u>	<u>(330,276)</u>
Fund Balances Beginning of Year	1,300,752	1,300,752	0
Prior Year Encumbrances Appropriated	<u>685,352</u>	<u>685,352</u>	<u>0</u>
Fund Balances End of Year	<u>\$1,686,204</u>	<u>\$1,355,927</u>	<u>(\$330,276)</u>

Special Revenue Funds			Debt Service Fund		
Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
\$0	\$0	\$0	\$155,000	\$150,227	(\$4,773)
696,106	639,339	(56,767)	17,157	16,674	(483)
2,270	2,189	(81)	0	0	0
0	0	0	0	0	0
154,000	155,842	1,842	0	0	0
0	0	0	0	0	0
4,600	29,719	25,119	0	0	0
8,100	7,159	(941)	0	0	0
<u>865,076</u>	<u>834,247</u>	<u>(30,828)</u>	<u>172,157</u>	<u>166,901</u>	<u>(5,256)</u>
112,724	33,648	79,076	0	0	0
305,912	246,660	59,252	0	0	0
0	0	0	0	0	0
23,271	14,027	9,244	0	0	0
229,631	194,439	35,192	0	0	0
170,913	128,872	42,041	0	0	0
0	0	0	0	0	0
17,235	17,185	50	0	0	0
0	0	0	2,828	2,828	0
0	0	0	0	0	0
330	213	117	0	0	0
0	0	0	0	0	0
5,957	5,957	0	0	0	0
92,889	84,538	8,351	0	0	0
88,220	87,719	501	0	0	0
37	0	37	0	0	0
0	0	0	492,000	492,000	0
0	0	0	85,763	85,763	0
<u>1,047,119</u>	<u>813,258</u>	<u>233,861</u>	<u>580,591</u>	<u>580,591</u>	<u>0</u>
<u>(182,043)</u>	<u>20,989</u>	<u>203,033</u>	<u>(408,434)</u>	<u>(413,690)</u>	<u>(5,256)</u>
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	447,000	436,778	(10,222)
0	0	0	0	0	0
<u>0</u>	<u>0</u>	<u>0</u>	<u>447,000</u>	<u>436,778</u>	<u>(10,222)</u>
<u>(182,043)</u>	<u>20,989</u>	<u>203,033</u>	<u>38,566</u>	<u>23,088</u>	<u>(15,478)</u>
<u>277,577</u>	<u>277,577</u>	<u>0</u>	<u>119,002</u>	<u>119,002</u>	<u>0</u>
<u>33,470</u>	<u>33,470</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<u>\$129,004</u>	<u>\$332,036</u>	<u>\$203,033</u>	<u>\$157,568</u>	<u>\$142,090</u>	<u>(\$15,478)</u>

(continued)

Vermillion 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 (continued)

For the Fiscal Year Ended June 30, 1998

	Capital Projects Funds		
	Revised		Variance
	Budget	Actual	Favorable (Unfavorable)
Revenues			
Taxes	\$0	\$0	\$0
Intergovernmental	80,000	82,515	2,515
Interest	0	0	0
Tuition and Fees	0	0	0
Extracurricular Activities	0	0	0
Rentals	0	0	0
Gifts and Donations	0	0	0
Miscellaneous	0	0	0
Total Revenues	80,000	82,515	2,515
Expenditures			
Current:			
Instruction:			
Regular	81,611	69,503	12,108
Special	0	0	0
Vocational	0	0	0
Adult/Continuing	0	0	0
Support Services:			
Pupils	2,000	0	2,000
Instructional Staff	8,500	2,390	6,110
Board of Education	0	0	0
Administration	0	0	0
Fiscal	0	0	0
Business	0	0	0
Operation and Maintenance of Plant	346	346	0
Pupil Transportaton	0	0	0
Central	16,116	16,116	0
Operation of Non-Instructional Services	0	0	0
Extracurricular Activities	0	0	0
Capital Outlay	0	0	0
Debt Service:			
Principal Retirement	0	0	0
Interest and Fiscal Charges	0	0	0
Total Expenditures	108,573	88,354	20,218
Excess of Revenues Over (Under) Expenditures	(28,573)	(5,839)	22,734
Other Financing Sources (Uses)			
Proceeds of Notes	0	0	0
Advances In	0	0	0
Operating Transfers In	0	0	0
Operating Transfers Out	0	0	0
Total Other Financing Sources (Uses)	0	0	0
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(28,573)	(5,839)	22,734
Fund Balances Beginning of Year	26,230	26,230	0
Prior Year Encumbrances Appropriated	3,828	3,828	0
Fund Balances End of Year	\$1,485	\$24,219	\$22,734

See accompanying notes to the general purpose financial statements.

Expendable Trust Fund			Totals (Memorandum Only)		
Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
\$0	\$0	\$0	\$10,154,094	\$9,411,521	(\$742,573)
0	0	0	5,950,163	6,236,212	286,050
27,900	9,924	(17,976)	185,170	168,389	(16,781)
0	0	0	0	14,591	14,591
0	0	0	274,000	228,011	(45,989)
0	0	0	45,168	44,989	(179)
0	2,200	2,200	4,600	31,919	27,319
1,000	430	(570)	9,100	14,457	5,357
<u>28,900</u>	<u>12,354</u>	<u>(16,346)</u>	<u>16,622,295</u>	<u>16,150,089</u>	<u>(472,206)</u>
0	0	0	8,221,248	8,111,207	110,041
0	0	0	1,848,502	1,785,682	62,820
0	0	0	210,009	208,158	1,851
0	0	0	24,788	15,541	9,247
0	0	0	860,030	813,732	46,298
576	488	88	893,512	826,631	66,881
0	0	0	122,790	116,337	6,453
0	0	0	1,338,601	1,307,102	31,499
0	0	0	394,529	390,479	4,050
0	0	0	143,730	143,325	405
0	0	0	1,756,732	1,711,947	44,785
0	0	0	855,669	847,403	8,266
0	0	0	84,596	84,521	76
11,804	10,999	805	104,918	95,537	9,381
0	0	0	397,282	393,982	3,300
0	0	0	215,888	175,526	40,362
0	0	0	931,517	930,686	831
0	0	0	131,606	132,192	(586)
<u>12,380</u>	<u>11,487</u>	<u>893</u>	<u>18,535,947</u>	<u>18,089,988</u>	<u>445,960</u>
<u>16,520</u>	<u>1,067</u>	<u>(15,453)</u>	<u>(1,913,653)</u>	<u>(1,939,899)</u>	<u>(26,246)</u>
0	0	0	1,348,000	1,348,000	0
0	0	0	0	1,027	1,027
0	0	0	547,000	436,778	(110,222)
0	0	0	(436,778)	(436,778)	0
<u>0</u>	<u>0</u>	<u>0</u>	<u>1,458,222</u>	<u>1,349,027</u>	<u>(109,195)</u>
16,520	1,067	(15,453)	(455,431)	(590,871)	(135,441)
190,923	190,923	0	1,914,484	1,914,484	0
0	0	0	722,650	722,650	0
<u>\$207,443</u>	<u>\$191,990</u>	<u>(\$15,453)</u>	<u>\$2,181,703</u>	<u>\$2,046,263</u>	<u>(\$135,441)</u>

Vermillion 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, 1999*

	Proprietary Fund Types		Fiduciary Fund Type	Totals (Memorandum Only)
	Enterprise	Internal Service	Non- Expendable Trust	
Operating Revenues				
Sales	\$497,800	\$0	\$0	\$497,800
Charges for Services	0	1,253,794	0	1,253,794
Interest	0	0	3,660	3,660
Total Operating Revenues	497,800	1,253,794	3,660	1,755,253
Operating Expenses				
Salaries and Wages	197,980	0	0	197,980
Fringe Benefits	112,394	0	0	112,394
Purchased Services	599	158,339	0	158,938
Materials and Supplies	108,401	0	0	108,401
Cost of Sales	215,371	0	0	215,371
Depreciation	20,843	0	0	20,843
Claims	0	1,022,422	0	1,022,422
Other	0	0	3,650	3,650
Total Operating Expenses	655,588	1,180,761	3,650	1,839,999
Operating Income (Loss)	(157,788)	73,033	10	(84,746)
Non-Operating Revenues (Expenses)				
Interest	7,610	0	0	7,610
Loss on Disposal of Fixed Assets	(2,184)	0	0	(2,184)
Federal Donated Commodities	42,191	0	0	42,191
Operating Grants	129,385	0	0	129,385
Total Non-Operating Revenues (Expenses)	177,002	0	0	177,002
Net Income	19,214	73,033	10	92,256
Retained Earnings/Fund Balance				
Beginning of Year	216,007	211,493	71,735	499,235
Retained Earnings/Fund Balance End of Year	235,221	284,526	71,745	591,492
Contributed Capital Beginning and End of Year	372,045	0	0	372,045
Total Fund Equity End of Year	\$607,266	\$284,526	\$71,745	\$963,537

See accompanying notes to the general purpose financial statements

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, 1999*

	Enterprise Funds		
	Revised Budget	Actual	Variance Favorable (Unfavorable)
Revenues			
Salcs	\$515,000	\$498,227	(\$16,773)
Charges for Services	0	0	0
Interest	0	8,787	8,787
Operating Grants	150,000	128,108	(21,892)
<i>Total Revenues</i>	<u>665,000</u>	<u>635,122</u>	<u>(29,878)</u>
Expenses			
Salaries and Wages	244,563	218,650	25,913
Fringe Benefits	103,677	84,640	19,037
Purchased Services	28,665	28,032	633
Materials and Supplies	348,715	294,529	54,186
Capital Outlay	54,799	25,337	29,462
Claims	0	0	0
Other	0	0	0
<i>Total Expenses</i>	<u>780,419</u>	<u>651,188</u>	<u>129,231</u>
<i>Excess of Revenues Over (Under) Expenses</i>	(115,419)	(16,066)	99,353
Advances Out	(1,027)	(1,027)	0
<i>Excess of Revenues Over (Under) Expenses and Advances</i>	(116,446)	(17,093)	99,353
<i>Fund Equity Beginning of Year</i>	172,503	172,503	0
Prior Year Encumbrances Appropriated	42,063	42,063	0
<i>Fund Equity End of Year</i>	<u>\$98,120</u>	<u>\$197,473</u>	<u>\$99,353</u>

(continued)

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 (continued)
For the Fiscal Year Ended June 30, 1999*

	Internal Service Funds		
	Revised Budget	Actual	Variance Favorable (Unfavorable)
Revenues			
Sales	\$0	\$0	\$0
Charges for Services	1,400,000	1,204,075	(195,925)
Interest	0	0	0
Operating Grants	0	0	0
<i>Total Revenues</i>	<u>1,400,000</u>	<u>1,204,075</u>	<u>(195,925)</u>
Expenses			
Salaries and Wages	0	0	0
Fringe Benefits	0	0	0
Purchased Services	151,372	151,372	0
Materials and Supplies	0	0	0
Capital Outlay	0	0	0
Claims	1,110,245	1,109,170	1,075
Other	0	0	0
<i>Total Expenses</i>	<u>1,261,617</u>	<u>1,260,542</u>	<u>1,075</u>
<i>Excess of Revenues Over (Under) Expenses</i>	138,383	(56,467)	(194,850)
Advances Out	0	0	0
<i>Excess of Revenues Over (Under) Expenses and Advances</i>	138,383	(56,467)	(194,850)
<i>Fund Equity Beginning of Year</i>	329,556	329,556	0
Prior Year Encumbrances Appropriated	<u>2,737</u>	<u>2,737</u>	<u>0</u>
<i>Fund Equity End of Year</i>	<u>\$470,676</u>	<u>\$275,827</u>	<u>(\$194,850)</u>

See accompanying notes to the general purpose financial statements

Nonexpendable Trust Fund			Totals (Memorandum Only)		
Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
\$0	\$0	\$0	\$515,000	\$498,227	(\$16,773)
0	0	0	1,400,000	1,204,075	(195,925)
4,500	3,682	(818)	4,500	12,469	7,969
0	0	0	150,000	128,108	(21,892)
<u>4,500</u>	<u>3,682</u>	<u>(818)</u>	<u>2,069,500</u>	<u>1,842,879</u>	<u>(226,621)</u>
0	0	0	244,563	218,650	25,913
0	0	0	103,677	84,640	19,037
0	0	0	180,037	179,404	633
0	0	0	348,715	294,529	54,186
0	0	0	54,799	25,337	29,462
0	0	0	1,110,245	1,109,170	1,075
4,300	3,650	650	4,300	3,650	650
<u>4,300</u>	<u>3,650</u>	<u>650</u>	<u>2,046,336</u>	<u>1,915,380</u>	<u>130,956</u>
200	32	(168)	23,164	(72,501)	(95,665)
0	0	0	(1,027)	(1,027)	0
200	32	(168)	22,137	(73,528)	(95,665)
71,420	71,420	0	573,479	573,479	0
0	0	0	44,800	44,800	0
<u>\$71,620</u>	<u>\$71,452</u>	<u>(\$168)</u>	<u>\$640,416</u>	<u>\$544,752</u>	<u>(\$95,665)</u>

Vermilion Local School District
Combined Statement of Cash Flows
All Proprietary Fund Types and Non-Expendable Trust Funds
For the Fiscal Year Ended June 30, 1999

	Proprietary Fund Types		Fiduciary Fund Type	Totals
	Enterprise	Internal Service	Nonexpendable Trust	(Memorandum Only)
Increase (Decrease) in Cash and Cash Equivalents				
Cash Flows from Operating Activities				
Cash Received from Customers	\$498,227	\$0	\$0	\$498,227
Cash Received from Quasi-External Transactions with Other Funds	0	1,204,075	0	1,204,075
Cash Payments to Suppliers for Goods and Services	(313,514)	(158,339)	0	(471,853)
Cash Payments to Employees for Services	(218,651)	0	0	(218,651)
Cash Payments for Employee Benefits	(84,639)	0	0	(84,639)
Cash Payments for Claims	0	(1,109,170)	0	(1,109,170)
Cash Payments for Other	0	0	(3,650)	(3,650)
Net Cash Used for Operating Activities	(118,577)	(63,434)	(3,650)	(185,661)
Cash Flows from Noncapital Financing Activities				
Operating Grants Received	128,108	0	0	128,108
Advance Out	(1,027)	0	0	(1,027)
Net Cash Provided by Noncapital Financing Activities	127,081	0	0	127,081
Cash Flows from Capital and Related Financing Activities				
Payments for Capital Acquisitions	(24,882)	0	0	(24,882)
Cash Flows from Investing Activities				
Interest on Investments	8,787	0	3,682	12,469
Net Increase (Decrease) in Cash and Cash Equivalents	(7,591)	(63,434)	32	(70,993)
Cash and Cash Equivalents Beginning of Year	214,568	371,676	71,420	657,664
Cash and Cash Equivalents End of Year	\$206,977	\$308,242	\$71,452	\$586,671

(continued)

Vermilion Local School District
Combined Statement of Cash Flows
All Proprietary Fund Types and Non-Expendable Trust Funds (continued)
For the Fiscal Year Ended June 30, 1999

	Proprietary Fund Types		Fiduciary Fund Type	Totals (Memorandum Only)
	Enterprise	Internal Service	Nonexpendable Trust	
Reconciliation of Operating Income (Loss) to Net Cash Used for Operating Activities				
Operating Income (Loss)	(\$157,788)	\$73,033	\$10	(\$84,745)
Adjustments:				
Depreciation	20,843	0	0	20,843
Donated Commodities Used During Year	42,191	0	0	42,191
Interest	0	0	(3,682)	(3,682)
(Increase) Decrease in Assets:				
Accounts Receivable	427	(49,719)	0	(49,292)
Accrued Interest Receivable	0	0	22	22
Inventory Held for Resale	282	0	0	282
Materials and Supplies Inventory	154	0	0	154
Increase (Decrease) in Liabilities:				
Accounts Payable	(31,806)	0	0	(31,806)
Accrued Wages	(472)	0	0	(472)
Compensated Absences Payable	5,144	0	0	5,144
Intergovernmental Payable	2,448	0	0	2,448
Claims Payable	0	(86,748)	0	(86,748)
Total Adjustments	39,211	(136,467)	(3,660)	(100,916)
Net Cash Used for Operating Activities	(\$118,577)	(\$63,434)	(\$3,650)	(\$185,661)

See accompanying notes to the general purpose financial statements

Vermilion Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 1999

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 100 non-certified employees, 157 certified full time teaching personnel and five administrative employees to provide services to 2,656 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.

On March 24, 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.

Reporting Entity

A reporting entity is comprised of the primary government, component units and other organizations that are included to insure that the financial statements of the School District are not misleading. The primary government of the School District consists of all funds, agencies, departments and offices that are not legally separate from the School District. For Vermilion Local City School District this includes general operation, 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 which 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 currently has no component units.

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

Vermilion Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 1999

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 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 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 available expendable 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 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 funds and trust funds) are accounted for through governmental funds. The following are the School District's governmental fund types:

General Fund This 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 These funds are used to account for the proceeds of specific revenue sources (other than major capital projects) that are legally restricted to expenditure for specified purposes.

Debt Service Fund This fund is used to account for the accumulation of resources for, and the payment of, general long-term obligations principal, interest, and related costs.

Capital Projects Funds The 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).

Vermilion Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 1999

Proprietary Fund Type 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:

Enterprise Funds These funds are used to account for School District 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 This fund is used to account 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 governmental units and/or other funds. Expendable trust funds are accounted for in essentially the same manner as governmental funds. Nonexpendable trusts 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 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 type operating statements present increases (i.e., revenues) and decreases (i.e., expenses) in net total assets.

Vermilion Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 1999

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.

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, 1999 and delinquent property taxes, whose availability is indeterminable and which are intended to finance fiscal year 2000 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 type. Revenues are recognized in the accounting period in 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 on 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 function. Any budgetary modifications at this level may only be made by resolution of the Board of Education.

Advances in and advances out are not required to be budgeted since they represent a temporary cash flow resource and are intended to be repaid.

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 Lorain County Budget Commission for rate determination.

Vermilion Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 1999

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 1999.

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 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 fiscal 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.

Vermilion Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 1999

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 the School District's records. Each fund's interest in the pool is presented as "equity in pooled cash and cash equivalents" on the combined balance sheet.

During fiscal year 1999, 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 on June 30, 1999.

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 1999 amounted to \$235,638, which includes \$109,906 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 original maturities of three months or less at the time they are purchased by the School District are considered to be cash equivalents. Investments with an initial maturity of more than three months are reported as investments.

E. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 1999, are recorded as prepaid items using the consumption method by recording a current asset for the prepaid amount and reflecting the expenditure/expense in the year which services are consumed.

F. Restricted Assets

Restricted assets in the general fund represent cash and cash equivalents set aside to reflect statutory restrictions on their use. By statute, money must be set aside to create a budget stabilization reserve. The reserve for budget stabilization also includes a refund received in fiscal year 1998 from the Bureau of Workers' Compensation, which State statute required to be included in this reserve. The balance held by the School District for school bus purchases as required by the Ohio Revised Code has also been restricted. See Note 21 for the calculations of the year-end restricted asset balance and the corresponding fund balance reserve.

G. 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

Vermilion Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 1999

H. 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 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 have 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 of five to twenty year. Improvements to fund fixed assets are depreciated over the remaining useful lives of the related fixed assets.

I. 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
- State Property Tax Relief
- School Bus Purchase Reimbursement

Non-Reimbursable Grants

Special Revenue Funds

- Education Management Information Systems
- Disadvantaged Pupil Impact Aid
- Title VI-B
- Title I
- Title VI
- Drug Free Schools
- Preschool Grant
- E-Rate Grant

Capital Projects Fund

- SchoolNet

Vermilion Local School District
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Reimbursable Grants

General Fund

Driver Education Reimbursement

Proprietary Fund

National School Lunch Program

Government Donated Commodities

Grants and entitlements amounted to approximately 40 percent of the School District's operating revenue during the 1999 fiscal year.

J. 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."

K. 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 record 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 rate 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 and certified employees and administrators after five years of service.

For governmental funds, the current portion of unpaid compensated absences is the amount expected to be paid using expendable available 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.*

L. 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 judgements, compensated absences, contractually required pension obligations, 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. In general, amounts paid more than sixty days after year end are considered not to have been paid with current available financial resources. Bonds, loans and capital leases are reported as a liability of the general long-term obligations account group until due.

Vermilion Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 1999

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

Under Ohio law, a debt service fund may be created and used for the payment of tax and revenue anticipation notes. Generally accepted accounting principles requires the reporting of the liability in the funds that received the proceeds. To comply with GAAP reporting requirement, the School District's debt service fund has been split among the appropriate funds.

M. 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 a reduction of expenditures/expenses in the fund that is reimbursed.

Nonrecurring or nonroutine permanent transfers of equity are reported as residual equity transfers. All other interfund transfers are reported as operating transfers.

N. Fund Balance Reserves

The School District reserves those portions of fund equity which are legally segregated for a 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 encumbrances, inventories of supplies and materials, property taxes, budget stabilization, textbook purchases, school bus purchases, and contributions.

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 contributions signifies the legal restrictions on the use of principal.

O. 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.

All of the proprietary funds' fixed assets are considered contributed capital. At June 30, 1999, the School District had contributed capital of \$372,045. All other fund equity amounts pertaining to proprietary funds have been classified as retained earnings.

P. Estimates

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

Vermilion Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 1999

Q. Total 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 are such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

Note 3 - Change in Accounting Principles and Restatement of Prior Year's Balance

For fiscal year 1999, the School District has implemented GASB Statement No. 32, "Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans" for its deferred compensation plan through the Ohio Public Employees Deferred Compensation Plan. On September 1, 1998, the Ohio Public Employees Deferred Compensation Board created a trust for the assets of the plan for which the School District has no fiduciary responsibility. Therefore, the balance of the Ohio Public Employees deferred compensation plan is no longer presented as part of the School District's financial statements.

At June 30, 1998, the fund balance in the Expendable Trust Funds was restated by \$4,332 due to a fund reclassification.

Capital leases were understated in the general long-term obligations account group by \$25,371. This increased the balance at June 30, 1998 from \$3,528,180 to \$3,553,551.

Note 4 - Accountability and Compliance

A. Accountability

At June 30, 1999 the general fund had a fund deficit of (\$1,199,586). This deficit was created due to expenditures exceeding revenues. The School District attempted to pass a 9.5 mill Emergency levy at the May 4, 1999 Election and it failed.

At June 30, 1999 the auxiliary services special revenue fund had deficit fund balance of \$4,718. The deficit resulted from the conversion to generally accepted accounting principles and adjustments for accrued liabilities. The School District is aware of this deficit and is analyzing what can be done to alleviate the deficit.

Note 5 - Budgetary Basis of Accounting

While the School District is reporting its 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 - Proprietary Fund Type 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:

Vermilion Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 1999

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 balances for governmental fund types and as note disclosure 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 transaction (GAAP basis).
5. Proceeds from and principal payments on bond and revenue anticipation notes are reported on the operating statement (budget basis) rather than as balance sheet transactions (GAAP basis).
6. The School District repays short-term note debt from the debt service fund (budget basis) as opposed to the fund that received the proceeds (GAAP basis). Debt service fund resources used to pay both principal and interest have been allocated accordingly.

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	(\$1,471,025)	\$52,868	(\$19,966)	(\$6,219)	\$1,573
Revenue Accruals	635,091	(4,862)	43,054	0	0
Proceeds of Notes	1,348,000	0	0	0	0
Transfer for Debt Payments	(436,778)	0	436,778	0	0
Advance In	1,027	0	0	0	0
Expenditure Accruals	(185,861)	(164)	0	4,890	(506)
Principal Retirement	(335,302)	0	(422,000)	0	0
Interest and Fiscal Charges	1,230	0	(14,778)	0	0
Encumbrances	(186,559)	(26,853)	0	(4,510)	0
Budget Basis	(\$630,177)	\$20,989	\$23,088	(\$5,839)	\$1,067

Vermilion Local School District
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For the Fiscal Year Ended June 30, 1999

Net Income/Excess of Revenues Over Expenses
 Proprietary Fund Types and Nonexpendable Trust Fund

	Enterprise	Internal Service	Nonexpendable Trust
GAAP Basis	\$19,214	\$73,033	\$10
Revenue Accruals	(41,864)	(49,719)	22
Expense Accruals	20,127	(79,781)	0
Capital Outlay	(24,882)	0	0
Depreciation Expense	20,843	0	0
Advance Out	(1,027)		
Encumbrances	(9,504)	0	0
	<u>(\$17,093)</u>	<u>(\$56,467)</u>	<u>\$32</u>

Note 6- 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 the Board of Education has identified as not required for use within the current two year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

Interim deposits are deposits of interim monies. Interim monies are those monies which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories. Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings 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 money deposited with the institution.

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

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;

Vermilion Local School District
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For the Fiscal Year Ended June 30, 1999

2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bond and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool (STAROhio);
7. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred and eighty days in an amount not to exceed twenty-five percent of the interim moneys available for investment at any one time; and,
8. Under limited circumstances, 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 to maturity. Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the treasurer or qualified trustee or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

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 year end, the carrying amount of the School District's deposits was \$87,420 and the bank balance was \$253,467. \$210,039 of the bank balance was covered by federal depository insurance. \$43,428 was uninsured and uncollateralized. Although all State statutory requirements for the deposit of money had been followed, noncompliance with federal requirements could potentially subject the School District to a successful claim by the FDIC.

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 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 counterparty's trust department or agent in the School District's name. Category 3 includes uninsured

Vermilion Local School District
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and unregistered investments for which the securities are held by the counterparty, or by its trust department or agent but not in the School District's name. STAROhio and deferred compensation are unclassified investments since they are not evidenced by securities that exist in physical or book entry form.

	Category 3	Carrying Value	Fair Value
Repurchase Agreement	\$361,285	\$361,285	\$361,285
STAROhio	0	2,475,290	2,475,290
Totals	<u>\$361,285</u>	<u>\$2,836,575</u>	<u>\$2,836,575</u>

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:

	Cash and Cash Equivalents/Deposits	Investments
GASB Statement 9	\$2,923,995	\$0
Repurchase Agreement	(361,285)	361,285
STAROhio	<u>(2,475,290)</u>	<u>2,475,290</u>
GASB Statement 3	<u>\$87,420</u>	<u>\$2,836,575</u>

Note 7 - 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 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 1999 for real and public utility property taxes represents collections of calendar 1998 taxes. Property tax payments received during calendar 1999 for tangible personal property (other than public utility property) is for calendar 1999 taxes.

Real property taxes are levied after April 1, 1999, on the assessed value listed as of the prior January 1, the lien date. Assessed values are established by State law at thirty-five percent of appraised market value.

Vermilion Local School District
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Public utility tangible personal property taxes currently is assessed at varying percentages of true value; public utility real property is assessed at thirty-five percent of true value. 1999 public utility property taxes became a lien December 31, 1998, are levied after April 1, 1999 and are collected in 2000 with real property taxes.

1999 tangible personal property taxes are levied after April 1, 1998 on the value as of December 31, 1998. Collections are made in 1999. Tangible personal property assessments are twenty-five percent of true value.

The assessed values upon which fiscal year 1999 taxes were collected are:

	1998 Second Half Collections		1999 First Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential and Other Real Estate	\$243,531,390	77.88 %	\$250,243,460	81.86 %
Public Utility	24,458,610	7.82	30,832,140	10.09
Tangible Personal Property	44,718,297	14.30	24,638,659	8.06
Total Assessed Value	\$312,708,297	100.00 %	\$305,714,259	100.00 %

Tax Rate per \$1,000 of assessed valuation	\$63.50	\$63.50
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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 Lorain County. The County Auditor periodically advances to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 1999, are available to finance fiscal year 1999 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

The County Treasurer collects property taxes on behalf of all taxing districts in the county, including Vermilion Local School District. The County Auditor periodically remits to the School District its portion of taxes. Accrued property taxes receivable represent delinquent taxes outstanding and real property, tangible personal property, and public utility taxes which became measurable as of June 30, 1999. Although total property tax collections for the next fiscal year are measurable, only the amount available as an advance at June 30 is intended to finance current year operations. The receivable is therefore offset by a credit to deferred revenue for that portion not intended to finance current year operations. The amount available as an advance at June 30, 1999, was \$641,283. \$628,149 was available to the general fund and \$13,134 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, 1999

Note 8 - Fixed Assets

A summary of the enterprise funds' fixed assets at June 30, 1999, follows:

Furniture and Equipment	\$467,311
Buildings and Improvements	688,702
Less Accumulated Depreciation	<u>(696,251)</u>
Net Fixed Assets	<u><u>\$459,762</u></u>

A summary of the changes in general fixed assets during fiscal year 1999 follows:

Asset Category	Balance at 6/30/98	Additions	Deletions	Balance at 6/30/99
Land and Improvements	\$377,785	\$0	\$0	\$377,785
Buildings	11,993,628	139,307	0	12,132,935
Furniture and Equipment	4,036,454	305,686	(80,415)	4,261,725
Vehicles	1,141,777	63,875	0	1,205,652
Totals	<u>\$17,549,644</u>	<u>\$508,868</u>	<u>(\$80,415)</u>	<u>\$17,978,097</u>

Note 9 - 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 1999, the School District contracted with the Lake Erie Regional Council 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.

The School District pays the State Workers' Compensation System a premium based on a rate per \$100 of salaries. This rate is calculated based on accident history and administrative costs. The District provides life insurance and accidental death and dismemberment insurance to its employees. Life insurance is provided through the American United Life Insurance Company.

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 an aggregate stop loss threshold of \$1,224,499.

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Liabilities of the fund are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported.

The claims liability of \$73,435 reported in the fund at June 30, 1999, is based on an estimate provided by the Treasurer and the requirements of Governmental Accounting Standards Board Statement No. 10 which requires that a liability for unpaid claims costs, including estimates of costs relating to incurred but not reported claims, be reported. The estimate was not affected by incremental claim adjustment expenses and does not include other allocated or unallocated claim adjustment expenses.

Changes in the fund's claims liability amount in 1998 and 1999 were:

	<u>Balance at</u> <u>Beginning of Year</u>	<u>Current Year</u> <u>Claims</u>	<u>Claim</u> <u>Payments</u>	<u>Balance at</u> <u>End of Year</u>
1998	\$133,676	\$ 898,008	\$ 871,501	\$160,183
1999	160,183	1,022,422	1,109,170	73,435

B. Workers' Compensation

For fiscal year 1999, the School District participated in the Ohio Schools Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool (Note 17.) 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". The "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 Gates McDonald & Company provides administrative, cost control and actuarial services to the GRP.

C. Employee Medical Benefits

The School District elected provided dental coverage benefits through a self-insurance program. The School District maintains a self-insurance internal service fund to account for and finance its uninsured risks of loss in this program. This plan provides a dental plan with a \$75 family and \$25 single deductible. A third party administrator, Self Funded Plans, Inc., reviews all claims which are then paid by the School District. The School District pays into the self-insurance internal service fund \$46.44 per family coverage or \$19.01 per single coverage per month. The premium is paid by the fund that pays the salary for the employee and is based on historical cost information.

Vermilion Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 1999

Note 10 - Defined Benefit Pension Plans

A. School Employees Retirement System

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

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 1999, 7.7 percent of annual covered salary was the portion used to fund pension obligations. For fiscal year 1998, 9.02 percent was used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to a statutory maximum amount, by the SERS' Retirement Board. The School District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 1999, 1998, and 1997 were \$206,352, \$307,301 and \$316,886, respectively; 55.99 percent has been contributed for fiscal year 1999 and 100 percent for fiscal years 1998 and 1997. \$90,836 representing the unpaid contribution for fiscal year 1999, 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 contributes to the State Teachers Retirement System of Ohio (STRS), a cost-sharing multiple employer public employee retirement system. STRS provides retirement and disability benefits, annual cost-of-living adjustments, and death and survivor benefits to members and beneficiaries. Benefits are established by Chapter 3307 of the Ohio Revised Code. STRS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information for STRS. That report may be obtained by writing to the State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3371.

For the fiscal year ended June 30, 1999, plan members were required to contribute 9.3 percent of their annual covered salaries. The School District was required to contribute 14 percent; 6 percent was the portion used to fund pension obligations. For fiscal year 1998, the portion used to fund pension obligations was 10.5 percent. Contribution rates are established by STRS, upon recommendations 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, 1999, 1998, and 1997 were \$1,086,030, \$1,147,300 and \$1,160,516, respectively; 90.51 percent has been contributed for fiscal year 1999 and 100 percent for fiscal years 1998 and 1997. \$103,034 represents the unpaid contribution for fiscal year 1999 and is recorded as a liability within the respective funds.

Vermilion Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 1999

Note 11 - 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-certified 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 on a pay-as-you-go basis.

All STRS benefit recipients and sponsored dependents are eligible for health care coverage. The STRS Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS funds is included in the employer contribution rate, currently 14 percent of covered payroll. For the fiscal year ended June 30, 1999, the STRS Board allocated employer contributions equal to 8 percent of covered payroll to the Health Care Reserve Fund, an increase from 3.5 percent for fiscal year 1998. For the School District, this amount equaled \$271,508 for fiscal year 1999.

STRS pays health care benefits from the Health Care Reserve Fund. At June 30, 1998, (the latest information available) the balance in the Fund was \$2,156 million. For the year ended June 30, 1998, net health care costs paid by STRS were \$219,224,000 and STRS had 91,999 eligible benefit recipients.

For SERS, coverage is made available to service retirees with ten or more fiscal 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, 1999, employer contributions to fund health care benefits were 6.30 percent of covered payroll, an increase from 4.98 percent for fiscal year 1998. 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 1999, the minimum pay was established at \$12,400. For the School District, the amount contributed to fund health care benefits, including the surcharge, during the 1999 fiscal year equaled \$134,730.

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 125 percent of the annual health care expenses. Expenses for health care for the fiscal year ended June 30, 1998 (the latest information available), were \$111,900,575 and the target level was \$139.9 million. At June 30, 1998, SERS had net assets available for payment of health care benefits of \$160.3 million. SERS has approximately 50,000 participants currently receiving health care benefits.

Vermilion Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 1999

Note 12 - Other Employee Benefits

A. Compensated Absences

The criteria for determining vacation and sick leave components are derived from negotiated agreements and State laws. Classified employees earn ten to twenty 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.

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 accrued, but unused sick leave credit to a maximum of 210 days for non-certified employees.

B. Life Insurance

The School District provides life insurance and accidental death and dismemberment insurance to most employees through American United Life Insurance Company. The School District has elected to provided employee medical/surgical benefits through Self Funded Plans, Inc. The cost of the monthly premium is paid by the board. The premium varies with employee depending on coverage. Dental insurance is provided by the School District to most employees through Self Funded Plans, Inc.

Note 13 -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 1999 totaled \$14,710.

Fiscal Year Ending June 30	General Long-Term Obligations Account Group
2000	\$8,748
2001	6,897
2002	6,898
Total	22,543
Less: Amount Representing Interest	(1,674)
Present Value of Net Minimum Lease	\$20,869

Vermilion Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 1999

Note 14 - Long-Term Obligations

The changes in the School District's long-term obligations during fiscal year 1999 were as follows:

	Principal Outstanding 6/30/98	Additions	Deductions	Principal Outstanding 6/30/99
General Obligation Bonds				
1997 Variable Interest Rate				
Library Improvement Bonds	\$1,335,000	\$0	(\$70,000)	\$1,265,000
1991 6.20%				
Energy Conservation Bonds	360,000	0	(90,000)	270,000
<i>Total General Obligation Bonds</i>	<u>1,695,000</u>	<u>0</u>	<u>(160,000)</u>	<u>1,535,000</u>
Intergovernmental Payable	126,266	110,287	(126,266)	110,287
Capital Leases	35,579	0	(14,710)	20,869
Compensated Absences	1,696,706	22,252	0	1,718,958
Total General Long-Term Obligations	<u><u>\$3,553,551</u></u>	<u><u>\$132,539</u></u>	<u><u>(\$300,976)</u></u>	<u><u>\$3,385,114</u></u>

The bonds will be paid from the debt service fund. 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, 1999, was \$23,072,259 with an unvoted debt margin of \$2,787,143 at June 30, 1999.

Principal and interest requirements to retire general obligation bonds outstanding at June 30, 1999 are as follows:

Fiscal Year Ending June 30	Principal	Interest	Total
2000	\$170,000	\$81,141	\$251,141
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
2005-2009	780,000	114,903	894,903
<i>Total</i>	<u><u>\$1,535,000</u></u>	<u><u>\$424,789</u></u>	<u><u>\$1,959,789</u></u>

Vermilion Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 1999

Note 15 – Fund Obligations

The School District's note and loan activity for the fiscal year ended June 30, 1999, was as follows:

	Principal Outstanding 6/30/98	Additions	Deductions	Principal - Outstanding 6/30/99
General Fund				
1996 House Bill 264 Note	\$135,000	\$0	(\$135,000)	\$0
1998 Cash Flow Note	422,000	0	(422,000)	0
Total Short-Term Notes	<u>557,000</u>	<u>0</u>	<u>(557,000)</u>	<u>0</u>
1998 State Loan	410,000	0	(198,976)	211,024
1999 Solvency Assistance Loan	0	1,348,000	0	1,348,000
Total Loans	<u>410,000</u>	<u>1,348,000</u>	<u>(198,976)</u>	<u>1,559,024</u>
<i>Total Short Term Obligations</i>	<u>\$967,000</u>	<u>\$1,348,000</u>	<u>(\$755,976)</u>	<u>\$1,559,024</u>

These notes are backed by the full faith and credit of the Vermilion Local School District and mature within one year. The note and loan liability is reflected in the fund which received the proceeds.

Note 16 - Jointly Governed Organizations

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 of computers 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 17- Public Entity Risk Pool

Ohio School Boards Workers' Compensation Group Rating Program - The School District participates in the Ohio School Boards Association 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 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, 1999

Note 18 - Segment Information for Enterprise Funds

The School District maintains two enterprise funds to account for the operations of food service 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, 1999.

	Food Service	Uniform School Supplies	Saturday Enrichment	Adult Education	Totals
Operating Revenues	\$401,320	\$96,480	\$0	\$0	\$497,800
Depreciation Expense	20,843	0	0	0	20,843
Operating Income (Loss)	(162,824)	5,036	0	0	(157,788)
Donated Commodities	42,191	0	0	0	42,191
Operating Grants	129,385	0	0	0	129,385
Net Income	14,178	5,036	0	0	19,214
Net Working Capital	210,668	40,498	211	772	252,149
Long-Term Compensated Absences	20,260	0	0	0	20,260
Total Assets	670,431	40,596	211	772	712,010
Total Equity	565,785	40,498	211	772	607,266
Encumbrances Outstanding at June 30, 1999	7,894	1,610	0	0	9,504

Note 19 - Contingencies

A. Grants

The School District received 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, 1999.

B. Litigation

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

Vermilion Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 1999

Note 20 - 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, 1999, the School District received \$4,568,122 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 withholding a portion of the School District's future school foundation payments. During fiscal year 1998, the School District had borrowed \$410,000 under this program; the final payment of this note will be made in fiscal year 2000. The terms of the debt are further described in Note 15 to these financial statements.

Since the Supreme Court ruling, numerous pieces of legislation have been passed by the Ohio General Assembly in an attempt to address the issues identified by the Court. The Court of Common 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. At this time, the Ohio Supreme Court has not rendered an opinion on this issue. The decision of the Court of Common Pleas in Perry County has been stayed by the Ohio Supreme Court, and, as such, school districts are still operating under the laws that the Common Pleas Court declared unconstitutional.

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 (these programs) and on its financial operations.

Note 21 -Set Asides

The School District is required by State statute to annually set aside in the general fund an amount based on a statutory formula for the purchase of textbooks and other instructional materials and an equal amount for the acquisition and construction of capital improvements. Amounts not spent by 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.

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

Vermilion Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 1999

	Textbooks and Instructional Materials	Capital Improvements	Budget Stabilization	Totals
Set-aside Cash Balance as of June 30, 1998	\$0	\$0	\$145,873	
Current Year Set-aside Requirement	277,168	277,168	138,584	
Current Year Offsets	(38,765)	0	(138,584)	
Qualifying Disbursements	(192,376)	(277,168)	0	
Totals	<u>(231,141)</u>	<u>(277,168)</u>	<u>(138,584)</u>	
Cash Balance Carried Forward to Fiscal Year 1999	<u>\$46,027</u>	<u>\$0</u>	<u>\$145,873</u>	\$191,900
Amount Restricted for Bus Purchases				61,722
Total Restricted Assets				<u>\$253,622</u>

Amounts of offsets and qualifying disbursements presented in the table were limited to those necessary to reduce the year-end balance to zero. Although the School District may have had additional offsets and qualifying disbursements during the year, these extra amounts may not be used to reduce the set-aside requirements of future years, and are therefore not presented.

Note 22 - Year 2000 Issue

The year 2000 issue is the result of shortcomings in many electronic data processing systems and other equipment that may adversely affect the government's operations as early as fiscal year 1999.

Vermilion Local School District has completed an inventory of computer systems and other equipment necessary to conducting School District operations and has identified such systems as being financial reporting, payroll and grant reporting.

The Lake Erie Educational Computer Association State Software Development Team has indicated that:

"The payroll processing software supported with the OECN State Software is compliant with the year 2000."

"The accounting software supported with the OECN State Software is compliant with the year 2000."

"The education management information system software supported with the OECN State Software is compliant with the year 2000."

"The equipment inventory and vehicle inventory system software supported with the OECN State Software will be compliant with the year 2000, beginning with the March 1999 release of SAAS V2.1."

The State of Ohio distributes a substantial sum of money to the School District in the form of "Foundation" payments. Further, the State processes a significant amount of financial and non-financial information about the School District through EMIS. The State is responsible for remediating these systems, and is solely responsible for any costs associated.

Property tax billing, collection and remittance for the School District is handled by Lorain and Erie Counties. The Counties are responsible for remediating these systems, and are solely responsible for any costs associated.

Vermilion Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 1999

First Energy Company provides the electricity to the School District. First Energy is responsible for remediating this system, and is solely responsible for any costs associated.

The City of Vermilion provides water, sewer and sanitation services to the School District, and East Ohio Gas (EOG) provides gas service. The City and EOG are responsible for remediating these systems, and are solely responsible for any costs associated.

The School District has not assessed the changes needed in the heating and air-conditioning systems, all computer equipment, and other areas, (clock systems, fire alarm systems, vocational equipment, etc.). Systems may have to be remediated, tested and validated. The School District is unable to determine or estimate the anticipated costs associated for remediation, testing and validating.

Because of the unprecedented nature of the year 2000 issue, its effects and the success of related remediation efforts will not be fully determinable until the year 2000 and thereafter. Management cannot assure that the School District is or will be year 2000 ready, that the School District's remediation efforts will be successful in whole or part, or that parties with whom the School District does business will be year 2000 ready.

VERMILION LOCAL SCHOOL DISTRICT
SCHEDULE OF FEDERAL AWARDS EXPENDITURES
(NON-GAAP BASIS)
FOR THE YEAR ENDED JUNE 30, 1999

Federal Grantor/ Pass-Through Grantor/ Program Title	FEDERAL CFDA NUMBER	PASS-THROUGH GRANTOR'S NUMBER	PROGRAM AWARD AMOUNT
<u>U.S. DEPARTMENT OF EDUCATION</u>			
<u>Passed Through Ohio Department of Education:</u>			
Adult Basic Education-	84.002	046821-AB-S1-98	\$ -
	84.002	046821-AB-S1-99	<u>17,943</u>
Total Adult Basic Education			\$ 17,943
Education Consolidation & Improvement Act - Title I	84.010	046821-C1-S1-98	-
	84.010	046821-C1-S1-98	11,236
	84.010	046821-C1-S1-99	<u>184,356</u>
Total Title I			\$ 195,592
Handicapped Preschool & School Programs - Title VI-B	84.027	046821-6B-SF-98P	-
	84.027	046821-6B-SF-99P	<u>156,348</u>
Total VI-B - (Special Education Cluster)			\$ 156,348
Education Consolidation & Improvement Act - Title II	84.298	046821-C2-S1-98	-
	84.298	046821-C2-S1-99	<u>10,641</u>
Total Title II			\$ 10,641
Preschool Grant Program	84.173	046821-PG-S1-98P	-
	84.173	046821-PG-S1-99P	<u>10,647</u>
Total Preschool Grant - (Special Education Cluster)			\$ 10,647
Drug Free School Program	84.186	046821-DR-S1-98	-
	84.186	046821-DR-S1-99	<u>13,892</u>
Total Drug Free School Program			\$ 13,892
Total U.S. Department of Education			<u>\$ 405,063</u>
<u>U.S. DEPARTMENT OF LABOR</u>			
<u>Passed Through Ohio Department of Education:</u>			
School To Work Grant	17.249	Obsolete	34,000
STW-Continuous Imp. Grant	17.249	Obsolete	<u>5,000</u>
Total School To Work			\$ 39,000
Total U.S. Department of Labor			<u>\$ 39,000</u>
<u>U.S. DEPARTMENT OF AGRICULTURE</u>			
<u>Passed Through Ohio Department of Education:</u>			
National School Lunch Program	10.555	046821	121,620
Food Distribution Program	10.550	(Non-Cash Assistance)	<u>44,263</u>
Total U.S. Department of Agriculture - (Nutrition Cluster)			\$ 165,883
Total Federal Financial Assistance			<u>\$ 609,946</u>

The accompanying notes are an integral part of this schedule.

PROGRAM BALANCE <u>6/30/98</u>	FEDERAL RECEIPTS	FEDERAL DISBURSEMENTS	PROGRAM BALANCE <u>6/30/99</u>
\$ 9,107	\$ -	9,107	-
-	<u>17,943</u>	<u>17,730</u>	<u>213</u>
<u>\$ 9,107</u>	\$ 17,943	\$ 26,837	\$ 213
47,551	-	47,551	-
10,647	11,236	21,883	-
-	<u>184,356</u>	<u>137,905</u>	<u>46,451</u>
<u>\$58,198</u>	\$195,592	\$ 207,339	\$ 46,451
38,751	-	38,751	-
-	<u>156,348</u>	<u>118,693</u>	<u>37,655</u>
<u>\$38,751</u>	\$156,348	\$ 157,444	\$ 37,655
2,022	-	2,022	-
-	<u>10,641</u>	<u>2,552</u>	<u>8,089</u>
<u>\$ 2,022</u>	\$ 10,641	\$ 4,574	\$ 8,089
2,381	-	2,381	-
-	<u>10,647</u>	<u>8,234</u>	<u>2,413</u>
<u>\$ 2,381</u>	\$ 10,647	\$ 10,615	\$ 2,413
7,695	-	7,695	-
-	<u>13,892</u>	<u>10,703</u>	<u>3,189</u>
<u>\$ 7,695</u>	\$ 13,892	\$ 18,398	\$ 3,189
<u>\$118,154</u>	<u>\$405,063</u>	<u>\$ 425,207</u>	<u>\$ 98,010</u>
7,782	34,000	41,782	-
-	<u>5,000</u>	<u>1,400</u>	<u>3,600</u>
<u>\$ 7,782</u>	\$ 39,000	\$ 43,182	\$ 3,600
-	121,620	121,620	-
<u>21,296</u>	<u>44,263</u>	<u>42,430</u>	<u>23,129</u>
<u>21,296</u>	<u>165,883</u>	<u>164,050</u>	<u>23,129</u>
<u>\$ 147,232</u>	<u>\$ 609,946</u>	<u>\$ 632,439</u>	<u>\$ 124,739</u>

VERMILION LOCAL SCHOOL DISTRICT
NOTES TO SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE FISCAL YEAR ENDED JUNE 30, 1999

(1) Scope of Audit:

The Vermilion Local School District is a body politic and corporate established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. Vermilion Local School District is a city school district created under provisions of Section 3311.03 of the Ohio Revised Code. The district is operated under an elected board of education consisting of five members. The school district provides public education to residents of the district.

The district received a significant amount of Federal Program funds from the United States Department of Education pass-through the Ohio Department of Education, the U. S. Department of Agriculture pass-through the Ohio Department of Education.

Single audit testing procedures were performed for program transactions occurring during the year ended June 30, 1999.

(2) Basis of Presentation:

The accompanying Schedule of Federal Awards Expenditures has been prepared in conformity with requirements of Circular A-133 which requires that at least expenditures be shown in the schedule.

Some Federal Revenue was received on a reimbursement basis. Expenditures were commingled with other fund monies and could not be segregated by source. An assumption was made that federal expenditures, therefore, equaled federal receipts.

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REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Board of Education
Vermilion Local School District

We have audited the financial statements of Vermilion Local School District as of and for the fiscal year ended June 30, 1999, and have issued our report thereon which was unqualified but contained a going concern explanatory paragraph dated December 17, 1999. 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 financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Vermilion Local School District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting over financial reporting that might be material weaknesses.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected in a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

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

December 17, 1999
Ashland, Ohio

REICHERT & ASSOCIATES, CPA'S
CERTIFIED PUBLIC ACCOUNTANTS

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

Board of Education
Vermilion Local School District

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 each of its major federal programs for the fiscal year ended June 30, 1999. Vermilion Local School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility Vermilion Local School District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

We conducted our audit of compliance in accordance with generally accepted auditing standards; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about 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.

In our opinion, Vermilion Local School District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the fiscal year ended June 30, 1999.

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 programs. 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 the 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, federal awarding agencies and pass-through agencies and pass-through agencies and is not intended to be used by anyone other than these specified parties.

December 17, 1999
Ashland, Ohio

REICHERT & ASSOCIATES, CPA'S
CERTIFIED PUBLIC ACCOUNTANTS

VERMILION LOCAL SCHOOL DISTRICT

SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 1999

1. SUMMARY OF AUDITOR'S RESULTS

<i>(d)(1)(i)</i>	Type of Financial Statement Opinion	Unqualified with Going Concern Explanatory Paragraph
<i>(d)(1)(ii)</i>	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(ii)</i>	Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(iii)</i>	Was there any reported material non-compliance at the financial statement level (GAGAS)?	No
<i>(d)(1)(iv)</i>	Were there any material internal control weakness conditions reported for major federal programs?	No
<i>(d)(1)(iv)</i>	Were there any other reportable internal control weakness conditions reported for major federal programs?	No
<i>(d)(1)(v)</i>	Type of Major Programs' Compliance Opinion	Unqualified
<i>(d)(1)(vi)</i>	Are there any reportable findings under §.510?	No
<i>(d)(1)(vii)</i>	Major Programs (list):	Education Consolidation & Improvement Act - Title I CFDA#84.010
<i>(d)(1)(viii)</i>	Dollar Threshold: Type A\B Programs	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**

None

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None.

VERMILION LOCAL SCHOOL DISTRICT
ERIE COUNTY

STATUS OF PRIOR AUDIT CITATIONS AND RECOMMENDATIONS

**Explanation if not
Citations:**

There were no citations issued
in the prior audit report.

Status

N/A

fully Implemented

N/A

Recommendations:

There were no recommendations issued
in the prior audit report.

N/A

N/A



STATE OF OHIO
OFFICE OF THE AUDITOR

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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.

By: Susan Babbitt

Date: MARCH 16, 2000