



**AMHERST EXEMPTED VILLAGE SCHOOL DISTRICT
LORAIN COUNTY**

SINGLE AUDIT

FOR THE YEAR ENDED JUNE 30, 2004



**Auditor of State
Betty Montgomery**

**AMHERST EXEMPTED VILLAGE SCHOOL DISTRICT
LORAIN COUNTY**

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**Auditor of State
Betty Montgomery**

INDEPENDENT ACCOUNTANTS' REPORT

Board of Education
Amherst Exempted Village School District
Lorain County
185 Forest Street
Amherst, Ohio 44001

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Amherst Exempted Village School District, Lorain County, Ohio, (the District), as of and for the year ended June 30, 2004, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the 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 opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Amherst Exempted Village School District, Lorain County, Ohio, as of June 30, 2004, and the respective changes in financial position and cash flows, where applicable, and the respective budgetary comparison for the General fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 25, 2005, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Management's Discussion and Analysis is not a required part of the basic financial statements but is supplementary information the Governmental Accounting Standards Board requires. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

We conducted our audit to form opinions on the financial statements that collectively comprise the District's basic financial statements. The federal awards receipt and expenditure schedule is 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 basic financial statements. We subjected the federal awards receipt and expenditure schedule to the auditing procedures applied in the audit of the basic financial statements.

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

Betty Montgomery
Auditor of State

March 25, 2005

Amherst Exempted Village School District, Lorain County

Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2004
Unaudited

This discussion and analysis of Amherst Exempted Village School District's (the "School District") financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2004. The intent of this discussion and analysis is to look at the School District's financial performance as a whole; readers should also review the financial statements and the notes to the basic financial statements to enhance their understanding of the School District's financial performance.

Financial Highlights

Key financial highlights for 2004 are as follows:

- General revenues accounted for \$28,591,103 in revenue or 91.1% of all revenues. Program specific revenues in the form of charges for services, operating grants, contributions and interest, and capital grants and contributions accounted for \$2,795,718 or 8.9% of total revenues of \$31,386,821.
- The School District had \$32,857,836 in expenses related to governmental activities; program revenues offset only \$2,795,718 of these expenses. \$28,591,103 of general revenues was available to provide for these programs resulting in a decrease in net assets of \$1,471,015.
- Of the total governmental expenses of \$32,857,836, the amount related to instruction totaled \$18,523,634 or 56.4% of this total.
- Net capital asset additions of \$1,075,676 consisted primarily of the capitalization of construction costs for the new junior high school and additions to the existing high school, junior high school and other facilities. These costs were paid from proceeds of a 2001 bond issue.

Using this Annual Financial Report

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand Amherst Exempted Village School District as a financial whole, an entire operating entity. The statements then proceed to provide an increasingly detailed look at specific financial activities.

The statement of net assets and statement of activities provide information about the activities of the whole School District, presenting both an aggregate view of the School District's finances and a longer-term view of those finances. Fund financial statements provide the next level of detail. For governmental funds, these statements present how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the School District's most significant funds with all other nonmajor funds presented in total in one column.

Reporting the School District as a Whole

Statement of Net Assets and the Statement of Activities

While these statements contain information about a large number of funds used by the School District to provide programs and activities, the view of the School District as a whole looks at all financial transactions and helps answer the question, "How did we do financially during fiscal 2004?" These statements include all non-fiduciary assets and liabilities using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting, takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

Amherst Exempted Village School District, Lorain County

Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2004
Unaudited

These two statements report the School District's net assets and changes in those assets. This change in net assets is important because it tells the reader that, for the School District as a whole, the financial position of the School District has improved or diminished. The causes of this change may be the result of many factors, some financial, some not. Non-financial factors include the School District's current property tax base, current property tax laws in Ohio restricting revenue growth, facility conditions, required educational programs and other factors.

In the statement of net assets and the statement of activities, the School Districts' activities are considered to be all governmental activities. Most of the School District's programs and services are reported here including instruction, support services, operation of non-instructional services, extracurricular activities and food service operations.

Reporting the School District's Most Significant Funds

Fund Financial Statements

The analysis of the School District's major funds begins on page 15. Fund financial statements provide detailed information about the School District's major funds. The School District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the School District's most significant funds. The School District's only major governmental funds are the general fund and the building capital projects fund.

Governmental Funds Most of the School District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in future periods. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the School District's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance educational programs. The relationship (or differences) between governmental activities (reported in the statement of net assets and the statement of activities) and governmental funds is reconciled in the financial statements.

The School District as a Whole

Recall that the statement of net assets provides the perspective of the School District as a whole.

Amherst Exempted Village School District, Lorain County

Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2004

Unaudited

Table 1 provides a summary of the School District's net assets for 2004.

*Table 1
Net Assets*

| | <i>Governmental Activities</i> | |
|------------------------------------------------|--------------------------------|----------------------|
| | <u>2004</u> | <u>2003</u> |
| <i>Assets</i> | | |
| <i>Current and other assets</i> | \$ 27,728,354 | \$ 28,370,443 |
| <i>Capital assets, net of depreciation</i> | <u>30,516,886</u> | <u>30,348,676</u> |
| <i>Total assets</i> | <u>58,245,240</u> | <u>58,719,119</u> |
| <i>Liabilities</i> | | |
| <i>Current and other liabilities</i> | 17,686,291 | 16,010,412 |
| <i>Long-term liabilities:</i> | | |
| <i>Due within one year</i> | 1,230,240 | 1,112,899 |
| <i>Due in more than one year</i> | <u>27,448,858</u> | <u>28,244,942</u> |
| <i>Total liabilities</i> | <u>46,365,389</u> | <u>45,368,253</u> |
| <i>Net Assets</i> | | |
| <i>Invested in capital assets, net of debt</i> | 4,638,910 | 4,909,370 |
| <i>Restricted</i> | 2,176,506 | 2,166,431 |
| <i>Unrestricted</i> | <u>5,064,435</u> | <u>6,275,065</u> |
| <i>Total net assets</i> | <u>\$ 11,879,851</u> | <u>\$ 13,350,866</u> |

Over time, net assets can serve as a useful indicator of a government's financial position. At June 30, 2004, the School District's assets exceeded liabilities by \$11,879,851.

Capital assets, net of related debt reported on the government-wide statements represents a large component of net assets. Capital assets include land and land improvements, construction in progress, buildings and improvements, furniture, fixtures and equipment and vehicles. Capital assets are used to provide services to students and are not available for future spending. Although the School District's investment in capital assets are reported net of related debt spent on capitalized assets, it should be noted that the resources to repay the debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities.

A portion of the School District's net assets, \$2,176,506, represents resources that are subject to external restrictions on how the funds may be used. Of the total restricted net assets, \$664,070 is restricted for debt service payments and \$742,575 is restricted for capital projects, including the completion of building projects of the School District. Net assets restricted for other purposes in the amount of \$769,861, primarily include amounts for food service operations, resources generated by individual school buildings to supplement co-curricular and extra-curricular programs, and for recreational activities provided by a special levy approved by the citizenry of the School District. The largest portion of the remaining balance of net assets, \$5,064,435, is unrestricted and may be used to meet the government's ongoing obligations to students and staff.

Amherst Exempted Village School District, Lorain County

Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2004

Unaudited

Table 2 shows the change in net assets for fiscal year 2004 as compared to 2003.

| | <i>Governmental Activities</i> | |
|----------------------------------------------|--------------------------------|----------------------|
| | <u>2004</u> | <u>2003</u> |
| <u>Revenues:</u> | | |
| <i>Program revenues:</i> | | |
| Charges for services | \$ 1,588,942 | \$ 1,333,879 |
| Operating grants, contributions and interest | 1,178,326 | 1,634,527 |
| Capital grants and contributions | 28,450 | 53,173 |
| <i>General revenues:</i> | | |
| Property taxes | 13,594,020 | 12,788,906 |
| Grants and entitlements | 14,688,934 | 12,979,015 |
| Investment earnings | 107,990 | 321,738 |
| Miscellaneous | 200,159 | 233,484 |
| Total revenues | <u>31,386,821</u> | <u>29,344,722</u> |
| <u>Program Expenses:</u> | | |
| <i>Instruction:</i> | | |
| Regular | 15,353,702 | 14,317,245 |
| Special | 2,766,842 | 2,629,968 |
| Vocational | 403,090 | 391,300 |
| <i>Support services:</i> | | |
| Pupils | 1,126,962 | 911,580 |
| Instructional staff | 1,555,049 | 1,405,079 |
| Board of education | 14,229 | 11,365 |
| Administration | 2,611,134 | 2,327,113 |
| Fiscal | 620,061 | 567,910 |
| Operation and maintenance of plant | 3,597,187 | 3,114,909 |
| Pupil transportation | 1,228,188 | 1,173,213 |
| Central | 13,800 | - |
| Operation of non-instructional services | 231,106 | 346,983 |
| Operation of food services | 1,205,842 | 1,035,989 |
| Extracurricular activities | 773,657 | 708,841 |
| Interest and fiscal charges | 1,356,987 | 1,391,158 |
| Total expenses | <u>32,857,836</u> | <u>30,332,653</u> |
| Change in net assets | (1,471,015) | (987,931) |
| Net assets beginning of year | <u>13,350,866</u> | <u>14,338,797</u> |
| Net assets end of year | <u>\$ 11,879,851</u> | <u>\$ 13,350,866</u> |

Amherst Exempted Village School District, Lorain County

Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2004
Unaudited

Governmental Activities

Several revenue sources fund our governmental activities with property taxes and State foundation revenues being the largest contributors. Property tax levies generated over \$13 million in 2004. General revenues from grants and entitlements, such as the school foundation program, generated over \$14.6 million. With the combination of taxes and intergovernmental funding 90% of all revenues, the School District monitors both of these revenue sources very closely for fluctuations.

A review of Table 2 reflects the total cost of instructional services was \$18,523,634 or 56.4% of governmental program expenses. Instructional expenses include activities directly related to the teaching of pupils and the interaction between teacher and pupil. These expenses increased \$1,185,121, or 6.8% as compared to the prior year. The primary cause to this increase was due to early retirement incentive payments to staff members, and costs associated with an unexpected increase of student enrollment of 212 students.

Pupil services and instructional staff include the activities involved in assisting staff and the content and process of teaching to pupils. These expenses represent \$2,682,011, or 8.2% of the total governmental program expenses. Expenses to provide these programs increased \$365,352, or 15.8%, as compared to fiscal year 2003. This increase was primarily caused by the payment of one staff member who accepted early retirement and costs associated with the significant increase in enrollment over fiscal year 2003.

Board of education, administration, and fiscal classifications reflect expenses associated with establishing and administering school operation policies, financial operations and activities concerned with purchasing, receiving and maintaining goods and services for the School District. The total cost to provide these programs was \$3,245,424, or 9.9% of governmental program expenses. Costs of these programs increased \$339,036, or 11.7%, as compared to the prior year. The most significant increase was to the administration program, which increased \$284,021, or 12.2%. The most significant cause to this increase was for early retirement incentive payments.

Operation and maintenance of plant expenses refer to the care and upkeep of the buildings, grounds, equipment and the safety of the School District's operations. The total cost for the operation and maintenance services was \$3,597,187 or 10.9% of the governmental program expenses. These expenses increased \$482,278, or 15.5% as compared to fiscal year 2003. The increase to expenses of this program are primarily the result of a full year's operating costs from the opening of the new junior high school building in January 2003.

The statement of activities shows the cost of program services and the charges for services and grants offsetting those services. Table 3 shows, for government activities, the total cost of services and the net cost of services. That is, it identifies the cost of these services supported by tax revenue and unrestricted State entitlements for fiscal year 2004.

Amherst Exempted Village School District, Lorain County

Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2004

Unaudited

Table 3
Governmental Activities

| Program Expenses | Total Cost of Services 2004 | Total Cost of Services 2003 | Net Cost of Services 2004 | Net Cost of Services 2003 |
|-----------------------------------------|--------------------------------------------|--------------------------------------------|------------------------------------------|------------------------------------------|
| <i>Instruction:</i> | | | | |
| Regular | \$ 15,353,702 | \$ 14,317,245 | \$ (14,675,898) | \$ (13,361,198) |
| Special | 2,766,842 | 2,629,968 | (2,570,162) | (2,318,158) |
| Vocational | 403,090 | 391,300 | (403,090) | (391,300) |
| <i>Support services:</i> | | | | |
| Pupils | 1,126,962 | 911,580 | (1,096,747) | (891,556) |
| Instructional staff | 1,555,049 | 1,405,079 | (1,461,964) | (1,340,234) |
| Board of education | 14,229 | 11,365 | (14,229) | (11,365) |
| Administration | 2,611,134 | 2,327,113 | (2,404,322) | (2,130,330) |
| Fiscal | 620,061 | 567,910 | (620,061) | (567,910) |
| Operation and maintenance of plant | 3,597,187 | 3,114,909 | (3,529,283) | (3,076,000) |
| Pupil transportation | 1,228,188 | 1,173,213 | (1,228,188) | (1,120,040) |
| Central | 13,800 | - | - | - |
| Operation on non-instructional services | 231,106 | 346,983 | (58,556) | (156,467) |
| Operation of food services | 1,205,842 | 1,035,989 | 19,340 | 66,778 |
| Extracurricular activities | 773,657 | 708,841 | (661,971) | (622,136) |
| Interest and fiscal charges | 1,356,987 | 1,391,158 | (1,356,987) | (1,391,158) |
| Total expenses | \$ 32,857,836 | \$ 30,332,653 | \$ (30,062,118) | \$ (27,311,074) |

The School District's Funds

The School District's governmental funds are accounted for using the modified accrual basis of accounting. The total revenues for governmental funds were \$31,151,282 and total expenditures were \$33,766,631. The change in fund balance for the year was most significant in the general fund and building capital projects fund, both are major funds of the School District. The general fund balance decreased \$1,571,566, or 18.9%. The most significant causes to the decrease in fund balance was from the recognition of early retirement incentive payments, costs associated with the significant increase in student enrollment, and operational costs resulting from the opening of the new junior high school building.

The fund balance of the building fund decreased \$1,137,867, or 74.6% from the prior year ending balance. The primary cause to this decrease was from the continued progress and completion of the new junior high school and additions to the existing high school and other facilities. Final expenditures for these projects are scheduled to be completed during fiscal year 2005.

Amherst Exempted Village School District, Lorain County

Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2004
Unaudited

General Fund Budgeting Highlights

The School District's budget is prepared according to Ohio law and is based on accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances. The most significant budgeted fund is the general fund. During fiscal year 2004, the School District amended its general fund budget as expenditure priorities changed according to student, building and operational needs. Budget revisions are presented to the Board of Education for approval.

For the general fund, the final budget basis revenue estimate was \$25,380,989, which was unchanged from the original budget estimate. Actual receipts exceeded this estimate by \$749,562 due to conservative budgeting procedures based on the uncertainty of state funding procedures. A revised budget was not required since these additional receipts were not appropriated for.

The original expenditure budget of \$27,143,510 was revised slightly during the fiscal year with a final budget amount of \$27,243,511. Actual expenditures plus encumbrances reported no significant variances as compared to the original and final expenditure budgets.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2004, the School District had \$30,516,886 invested in various capitalized assets, net of depreciation. Table 4 shows fiscal year 2004 balances compared to fiscal year 2003.

Table 4
Capital Assets, at Fiscal Year End
(Net of Depreciation)

| | <i>Governmental Activities</i> | |
|------------------------------------------|--------------------------------|----------------------|
| | <u>2004</u> | <u>2003</u> |
| <i>Land</i> | \$ 1,155,952 | \$ 1,155,952 |
| <i>Construction in progress</i> | 1,546,685 | 572,747 |
| <i>Land improvements</i> | 917,001 | 986,141 |
| <i>Buildings and improvements</i> | 26,139,655 | 26,760,074 |
| <i>Furniture, fixtures and equipment</i> | 379,851 | 376,633 |
| <i>Vehicles</i> | 377,742 | 497,129 |
| <i>Total capital assets</i> | <u>\$ 30,516,886</u> | <u>\$ 30,348,676</u> |

The most significant change in capital assets reported by the School District during the year was for the capitalization of costs for the completion of the building projects as previously mentioned. Although the School District did report an increase in capital assets of \$1,075,676, the total carrying value of capital assets only increased \$168,210, primarily due to the recognition of \$905,460 in depreciation expense. See Note 7 to the basic financial statements for detail on the School District's capital assets.

Amherst Exempted Village School District, Lorain County

Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2004
Unaudited

Debt

At June 30, 2004 the School District had \$26,265,000 in bonds and notes outstanding with \$805,000 due within one year. This balance reflected a reduction of \$725,000 from the previous year's balance of \$26,990,000. Table 5 summarizes the debt and capital lease outstanding:

*Table 5
Outstanding Debt at Fiscal Year End*

| | <i>Governmental Activities <u>2004</u></i> | <i>Governmental Activities <u>2003</u></i> |
|---------------------------------------|----------------------------------------------------|----------------------------------------------------|
| <i>2001 School Improvement Bonds</i> | <i>\$ 25,025,000</i> | <i>\$ 25,695,000</i> |
| <i>2002 Energy Conservation Notes</i> | <i><u>1,240,000</u></i> | <i><u>1,295,000</u></i> |
| <i>Total outstanding</i> | <i><u><u>\$ 26,265,000</u></u></i> | <i><u><u>\$ 26,990,000</u></u></i> |

At June 30, 2004, the School District's overall legal debt margin was \$20,064,562 with an unvoted debt margin of \$507,076. The School District was last rated by Moody's Investor's Services with an Aaa bond rating. See Note 13 to the basic financial statements for detail on the School District's long-term obligations.

Current Issues Affecting Financial Condition

The Board of Education and administration closely monitor its revenues and expenditures in accordance with its financial forecast. The financial future of the School District is not without its challenges though. These challenges stem from issues that are local and at the State level. The local challenges will continue to exist, as the School District must rely heavily on property taxes to fund its operations. State level challenges continue to evolve as the State of Ohio determines the outcome of the Ohio Supreme Court case dealing with the unconstitutionality of the State's educational funding system.

The State of Ohio was found by the Ohio Supreme Court in March 1997 to be operating an unconstitutional educational funding system, one that was neither 'adequate' nor 'equitable'. Since 1997, the State has directed its additional financial support toward School Districts with little property tax wealth. In May 2001, the Ohio Supreme Court again, ruled that, while the State had made some progress, the current funding system for schools is far too dependent on property taxes, which are inherently not 'equitable' nor 'adequate'. The court directed the Governor and the legislature to address the fundamental issue creating the inequities. See Note 16 to the basic financial statements for more on this contingent matter.

On November 2, 2004, the citizenry of the School District overwhelmingly rejected a 5.9 mill operating levy that would have maintained the current programs provided. As a result, the Board of Education has approved the reduction of \$2,000,000 from the general fund's operating budget though fiscal year 2009.

Due to these unsettled issues in school funding, management is required to plan carefully and prudently to provide the resources to meet student needs over the next several years.

Amherst Exempted Village School District, Lorain County

Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2004

Unaudited

In conclusion, the School District's system of budgeting and internal controls is well regarded. All of the School District's financial abilities will be needed to meet the challenges of the future.

Contacting the School District's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors and creditors with a general overview of the School District's finances and to show the School District's accountability for the money it receives. If you have any questions or need additional financial information, contact Shirley Antel, Treasurer, at Amherst Exempted Village School District, 185 Forest Street, Amherst, OH, 44001.

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Amherst Exempted Village School District, Lorain County

Statement of Net Assets

June 30, 2004

| | <u>Governmental Activities</u> |
|-------------------------------------------------|------------------------------------|
| <u>Assets:</u> | |
| Equity in pooled cash and cash equivalents | \$ 6,906,579 |
| Cash and cash equivalents: | |
| With fiscal agents | 820,124 |
| Investments in segregated accounts | 4,929,085 |
| Receivables: | |
| Taxes | 14,531,752 |
| Accounts | 14,903 |
| Intergovernmental | 268,145 |
| Accrued interest | 5,600 |
| Prepaid items | 217,590 |
| Inventory held for resale | 29,639 |
| Materials and supplies inventory | 4,937 |
| Capital assets: | |
| Land and construction in progress | 2,702,637 |
| Depreciable capital assets, net | 27,814,249 |
| Total capital assets | <u>30,516,886</u> |
| Total assets | <u>58,245,240</u> |
| <u>Liabilities:</u> | |
| Accounts payable | 57,092 |
| Accrued wages | 2,859,809 |
| Intergovernmental payable | 1,014,125 |
| Matured compensated absences payable | 783,153 |
| Deferred revenue | 12,302,748 |
| Accrued interest payable | 53,253 |
| Claims payable | 616,111 |
| Long-term liabilities: | |
| Due within one year | 1,230,240 |
| Due in more than one year | 27,448,858 |
| Total liabilities | <u>46,365,389</u> |
| <u>Net assets:</u> | |
| Invested in capital assets, net of related debt | 4,638,910 |
| Restricted for: | |
| Capital projects | 742,575 |
| Debt service | 664,070 |
| Other purposes | 769,861 |
| Unrestricted | <u>5,064,435</u> |
| Total net assets | <u>\$ 11,879,851</u> |

See accompanying notes to the basic financial statements.

Amherst Exempted Village School District, Lorain County

Statement of Activities

For the Fiscal Year Ended June 30, 2004

| | Expenses | Program Revenues | | | Governmental Activities | Net (Expense) Revenue and Changes in Net Assets |
|-----------------------------------------|----------------------|----------------------|----------------------------------------------|----------------------------------|-------------------------|-------------------------------------------------|
| | | Charges for Services | Operating Grants, Contributions and Interest | Capital Grants and Contributions | | |
| Governmental Activities: | | | | | | |
| Instruction: | | | | | | |
| Regular | \$ 15,353,702 | \$ 482,233 | \$ 195,571 | \$ - | \$ (14,675,898) | |
| Special | 2,766,842 | - | 196,680 | - | (2,570,162) | |
| Vocational | 403,090 | - | - | - | (403,090) | |
| Support services: | | | | | | |
| Pupils | 1,126,962 | - | 30,215 | - | (1,096,747) | |
| Instructional staff | 1,555,049 | - | 93,085 | - | (1,461,964) | |
| Board of education | 14,229 | - | - | - | (14,229) | |
| Administration | 2,611,134 | - | 206,812 | - | (2,404,322) | |
| Fiscal | 620,061 | - | - | - | (620,061) | |
| Operation and maintenance of plant | 3,597,187 | 3,600 | 35,854 | 28,450 | (3,529,283) | |
| Pupil transportation | 1,228,188 | - | - | - | (1,228,188) | |
| Central | 13,800 | - | 13,800 | - | - | |
| Operation of non-instructional services | 231,106 | 9,136 | 163,414 | - | (58,556) | |
| Operation of food services | 1,205,842 | 996,594 | 228,588 | - | 19,340 | |
| Extracurricular activities | 773,657 | 97,379 | 14,307 | - | (661,971) | |
| Interest and fiscal charges | 1,356,987 | - | - | - | (1,356,987) | |
| Total governmental activities | \$ 32,857,836 | \$ 1,588,942 | \$ 1,178,326 | \$ 28,450 | (30,062,118) | |

General Revenues:

Property taxes levied for:

| | |
|-------------------------------------------------------------|----------------------|
| General purposes | 11,375,882 |
| Special purposes | 45,906 |
| Debt service | 1,585,748 |
| Capital outlay | 586,484 |
| Grants and entitlements not restricted to specific programs | 14,688,934 |
| Investment earnings | 107,990 |
| Miscellaneous | 200,159 |
| Total general revenues | 28,591,103 |
| Change in net assets | (1,471,015) |
| Net assets beginning of year | 13,350,866 |
| Net assets end of year | \$ 11,879,851 |

See accompanying notes to the basic financial statements.

Amherst Exempted Village School District, Lorain County

Balance Sheet

Governmental Funds

June 30, 2004

| | General | Building | Other Governmental Funds | Total Governmental Funds |
|---------------------------------------------------------|----------------------|-------------------|--------------------------------|--------------------------------|
| <u>Assets:</u> | | | | |
| Equity in pooled cash and cash equivalents | \$ 4,240,573 | \$ 387,023 | \$ 1,883,925 | \$ 6,511,521 |
| Investments in segregated accounts | 4,929,085 | - | - | 4,929,085 |
| Receivables: | | | | |
| Taxes | 11,968,782 | - | 2,562,970 | 14,531,752 |
| Accounts | 14,903 | - | - | 14,903 |
| Intergovernmental | - | - | 268,145 | 268,145 |
| Interfund | 85,469 | - | - | 85,469 |
| Accrued interest | 5,600 | - | - | 5,600 |
| Prepaid items | 199,868 | - | 15,835 | 215,703 |
| Inventory held for resale | - | - | 29,639 | 29,639 |
| Materials and supplies inventory | - | - | 4,937 | 4,937 |
| Equity in pooled cash and cash equivalents (restricted) | 306,795 | - | - | 306,795 |
| Total assets | \$ 21,751,075 | \$ 387,023 | \$ 4,765,451 | \$ 26,903,549 |
| <u>Liabilities:</u> | | | | |
| Accounts payable | \$ 30,576 | \$ - | \$ 26,516 | \$ 57,092 |
| Accrued wages | 2,724,197 | - | 135,612 | 2,859,809 |
| Interfund payable | - | - | 85,469 | 85,469 |
| Matured compensated absences payable | 778,743 | - | 4,410 | 783,153 |
| Intergovernmental payable | 718,182 | - | 30,195 | 748,377 |
| Deferred revenue | 10,721,452 | - | 2,357,291 | 13,078,743 |
| Total liabilities | \$ 14,973,150 | \$ - | \$ 2,639,493 | \$ 17,612,643 |
| <u>Fund balances:</u> | | | | |
| Reserved: | | | | |
| Reserved for encumbrances | 256,954 | 387,023 | 499,485 | 1,143,462 |
| Reserved for textbooks and instructional materials | 306,795 | - | - | 306,795 |
| Reserved for property taxes | 1,261,745 | - | 295,653 | 1,557,398 |
| Unreserved, undesignated, reported in: | | | | |
| General fund | 4,952,431 | - | - | 4,952,431 |
| Special revenue funds | - | - | 729,764 | 729,764 |
| Debt service fund | - | - | 468,122 | 468,122 |
| Capital projects funds | - | - | 132,934 | 132,934 |
| Total fund balances | \$ 6,777,925 | \$ 387,023 | \$ 2,125,958 | \$ 9,290,906 |
| Total liabilities and fund balances | \$ 21,751,075 | \$ 387,023 | \$ 4,765,451 | \$ 26,903,549 |

See accompanying notes to the basic financial statements.

Amherst Exempted Village School District, Lorain County
Reconciliation of Total Governmental Fund Balances to
Net Assets of Governmental Activities
June 30, 2004

| | | |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------|----------------------|
| Total governmental funds balances | | \$ 9,290,906 |
| Amounts reported for governmental activities in the statement of net assets are different because: | | |
| Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. | | 30,516,886 |
| Other long-term assets that are not available to pay for current-period expenditures and therefore are deferred in the funds: | | |
| Property taxes | \$ 671,606 | |
| Intergovernmental | 89,974 | |
| Charges for services | 14,415 | |
| Total | <u>775,995</u> | 775,995 |
| An internal service fund is used by management to charge the costs of insurance to individual funds. The assets and liabilities of the internal service fund are included in governmental activities in the statement of net assets. | | 294,163 |
| Intergovernmental payable includes contractually required pension contributions not expected to be paid with expendable available financial resources and are therefore not reported in the funds. | | (265,748) |
| Long-term liabilities that are not due and payable in the current period and therefore are not reported in the funds: | | |
| School improvement bonds | \$ (25,025,000) | |
| Energy conservation notes | (1,240,000) | |
| Long-term compensated absences | (2,414,098) | |
| Accrued interest payable | (53,253) | |
| Total | <u>(28,732,351)</u> | <u>(28,732,351)</u> |
| Net assets of governmental activities | | <u>\$ 11,879,851</u> |

See accompanying notes to the basic financial statements.

Amherst Exempted Village School District, Lorain County
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2004

| | General | Building | Other Governmental Funds | Total Governmental Funds |
|----------------------------------------------|---------------------|--------------------|--------------------------------|--------------------------------|
| <u>Revenues:</u> | | | | |
| Taxes | \$ 11,193,293 | \$ - | \$ 2,187,016 | \$ 13,380,309 |
| Intergovernmental | 14,412,433 | - | 1,439,185 | 15,851,618 |
| Interest | 98,166 | - | 3,764 | 101,930 |
| Tuition and fees | 226,198 | - | 193,494 | 419,692 |
| Extracurricular activities | - | - | 154,641 | 154,641 |
| Gifts and donations | 410 | - | 42,743 | 43,153 |
| Charges for services | - | - | 996,595 | 996,595 |
| Rent | 3,600 | - | - | 3,600 |
| Miscellaneous | 12,018 | - | 187,726 | 199,744 |
| Total revenues | <u>25,946,118</u> | <u>-</u> | <u>5,205,164</u> | <u>31,151,282</u> |
| <u>Expenditures:</u> | | | | |
| Current: | | | | |
| Instruction: | | | | |
| Regular | 14,105,750 | 45,373 | 603,121 | 14,754,244 |
| Special | 2,541,958 | - | 212,177 | 2,754,135 |
| Vocational | 398,419 | - | - | 398,419 |
| Support services: | | | | |
| Pupils | 1,087,965 | - | 29,020 | 1,116,985 |
| Instructional staff | 1,472,090 | - | 91,225 | 1,563,315 |
| Board of education | 10,612 | - | 987 | 11,599 |
| Administration | 2,284,119 | - | 279,941 | 2,564,060 |
| Fiscal | 569,517 | - | 43,636 | 613,153 |
| Operation and maintenance of plant | 3,189,101 | 105,656 | 268,105 | 3,562,862 |
| Pupil transportation | 1,106,204 | - | 4,060 | 1,110,264 |
| Central | - | - | 13,800 | 13,800 |
| Operation of non-instructional services | 22,647 | - | 210,708 | 233,355 |
| Operation of food services | - | - | 1,194,569 | 1,194,569 |
| Extracurricular activities | 575,284 | - | 141,502 | 716,786 |
| Capital outlay | 9,992 | 986,838 | 78,846 | 1,075,676 |
| Debt service: | | | | |
| Principal retirement | 55,000 | - | 670,000 | 725,000 |
| Interest and fiscal charges | 59,001 | - | 1,299,408 | 1,358,409 |
| Total expenditures | <u>27,487,659</u> | <u>1,137,867</u> | <u>5,141,105</u> | <u>33,766,631</u> |
| Excess of revenues over (under) expenditures | <u>(1,541,541)</u> | <u>(1,137,867)</u> | <u>64,059</u> | <u>(2,615,349)</u> |
| <u>Other financing sources (uses):</u> | | | | |
| Transfers in | - | - | 30,025 | 30,025 |
| Transfers out | (30,025) | - | - | (30,025) |
| Total other financing sources (uses) | <u>(30,025)</u> | <u>-</u> | <u>30,025</u> | <u>-</u> |
| Net change in fund balances | (1,571,566) | (1,137,867) | 94,084 | (2,615,349) |
| Fund balances beginning of year | 8,349,491 | 1,524,890 | 2,031,874 | 11,906,255 |
| Fund balances end of year | <u>\$ 6,777,925</u> | <u>\$ 387,023</u> | <u>\$ 2,125,958</u> | <u>\$ 9,290,906</u> |

See accompanying notes to the basic financial statements.

Amherst Exempted Village School District, Lorain County
Reconciliation of the Statement of Revenues, Expenditures and Changes
in Fund Balances of Governmental Funds to the Statement of Activities
For the Fiscal Year Ended June 30, 2004

Net change in fund balances - total governmental funds \$ (2,615,349)

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of capital assets is allocated over their estimated useful lives as depreciation expense.

In the current period, these amounts are:

| | | | |
|----------------------------------------------------|----|-----------|---------|
| Net capital asset additions | \$ | 1,075,676 | |
| Depreciation expense | | (905,460) | |
| | | | |
| Excess of capital outlay over depreciation expense | | | 170,216 |

The proceeds from the sale of capital assets are reported as a source of financing in the governmental funds. However, the cost of the capital assets sold is removed from the capital assets account in the statement of net assets and offset against the sales proceeds resulting in a loss on the disposal of capital assets which is expensed in the statement of activities. Thus, more revenue is reported in the governmental funds and more expenses in the statement of activities. (2,006)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. These activities consist of:

| | | | |
|-------------------------------------------------|----|---------|---------|
| Property taxes | \$ | 213,712 | |
| Intergovernmental | | (2,412) | |
| Charges for services | | 14,415 | |
| | | | |
| Net change in deferred revenues during the year | | | 225,715 |

Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. 725,000

Some items reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. These activities consist of:

| | | | |
|----------------------------------|----|----------|----------|
| Increase in compensated absences | \$ | (46,257) | |
| Decrease in pension obligation | | 671 | |
| Decrease in accrued interest | | 1,422 | |
| | | | |
| Total reduced expenditures | | | (44,164) |

The internal service fund used by management to charge the costs of medical, prescription drug, dental and vision claims to individual funds are not reported in the statement of activities. Governmental fund expenditures and related internal service fund revenues are eliminated. 69,573

Change in net assets of governmental activities \$ (1,471,015)

See accompanying notes to the basic financial statements.

Amherst Exempted Village School District, Lorain County
Statement of Revenues, Expenditures and Changes in Fund Balance-
Budget (Non-GAAP Basis) and Actual
General Fund
For the Fiscal Year Ended June 30, 2004

| | Original Budget | Final Budget | Actual | Variance with Final Budget Positive (Negative) |
|----------------------------------------------|--------------------|-----------------|---------------|---------------------------------------------------------|
| Revenues: | | | | |
| Taxes | \$ 11,214,570 | \$ 11,214,570 | \$ 11,306,326 | \$ 91,756 |
| Intergovernmental | 13,659,919 | 13,659,919 | 14,412,433 | 752,514 |
| Interest | 295,000 | 295,000 | 162,732 | (132,268) |
| Tuition and fees | 160,300 | 160,300 | 225,710 | 65,410 |
| Charges for services | 700 | 700 | 410 | (290) |
| Rent | 3,000 | 3,000 | 3,600 | 600 |
| Miscellaneous | 22,500 | 22,500 | 17,435 | (5,065) |
| Total revenues | 25,355,989 | 25,355,989 | 26,128,646 | 772,657 |
| Expenditures: | | | | |
| Current: | | | | |
| Instruction: | | | | |
| Regular | 14,090,560 | 13,680,924 | 13,587,797 | 93,127 |
| Special | 2,376,400 | 2,601,316 | 2,601,082 | 234 |
| Vocational | 406,171 | 398,250 | 398,248 | 2 |
| Support services: | | | | |
| Pupils | 996,023 | 1,048,137 | 1,048,134 | 3 |
| Instructional staff | 1,426,919 | 1,468,012 | 1,468,008 | 4 |
| Board of education | 11,875 | 10,621 | 10,620 | 1 |
| Administration | 2,265,348 | 2,251,524 | 2,251,168 | 356 |
| Fiscal | 623,451 | 571,651 | 571,650 | 1 |
| Operation and maintenance of plant | 3,169,302 | 3,261,884 | 3,261,885 | (1) |
| Pupil transportation | 1,033,666 | 1,110,453 | 1,110,452 | 1 |
| Operation of non-instructional services | 40,407 | 38,395 | 38,394 | 1 |
| Extracurricular activities | 562,887 | 572,848 | 572,845 | 3 |
| Debt service: | | | | |
| Principal retirement | 55,000 | 55,000 | 55,000 | - |
| Interest and fiscal charges | 59,001 | 59,002 | 59,001 | 1 |
| Total expenditures | 27,117,010 | 27,128,017 | 27,034,284 | 93,733 |
| Excess of revenues over (under) expenditures | (1,761,021) | (1,772,028) | (905,638) | 866,390 |
| Other financing sources (uses): | | | | |
| Proceeds from the sale of capital assets | - | - | 190 | 190 |
| Refund of prior year expenditures | 25,000 | 25,000 | 1,715 | (23,285) |
| Advances out | - | (85,469) | (85,469) | - |
| Transfers out | (26,500) | (30,025) | (30,025) | - |
| Total other financing sources (uses) | (1,500) | (90,494) | (113,589) | (23,095) |
| Net change in fund balance | (1,762,521) | (1,862,522) | (1,019,227) | 843,295 |
| Fund balances at beginning of year | 9,865,117 | 9,865,117 | 9,865,117 | - |
| Prior year encumbrances appropriated | 319,720 | 319,720 | 319,720 | - |
| Fund balances at end of year | \$ 8,422,316 | \$ 8,322,315 | \$ 9,165,610 | \$ 843,295 |

See accompanying notes to the basic financial statements.

Amherst Exempted Village School District, Lorain County
Statement of Fund Net Assets
Internal Service Fund
June 30, 2004

| | Self Insurance |
|--------------------------------------------|-------------------|
| <u>Assets:</u> | |
| Equity in pooled cash and cash equivalents | \$ 88,263 |
| Cash and cash equivalents: | |
| With fiscal agent | 820,124 |
| Prepaid items | 1,887 |
| Total assets | <u>\$ 910,274</u> |
| <u>Liabilities:</u> | |
| Claims payable | <u>616,111</u> |
| <u>Net assets:</u> | |
| Unrestricted | 294,163 |
| Total liabilities and net assets | <u>\$ 910,274</u> |

See accompanying notes to the basic financial statements.

Amherst Exempted Village School District, Lorain County
Statement of Revenues, Expenses and Changes in Fund Net Assets
Internal Service Fund
For the Fiscal Year Ended June 30, 2004

| | Self Insurance |
|------------------------------------|-------------------|
| <u>Operating revenues:</u> | |
| Charges for services | \$ 2,842,069 |
| <u>Operating expenses:</u> | |
| Purchased services | 258,790 |
| Claims | 2,523,530 |
| Total operating expenses | 2,782,320 |
| Operating income | 59,749 |
| <u>Non-operating revenues:</u> | |
| Interest | 9,824 |
| Change in net assets | 69,573 |
| Net assets beginning of year | 224,590 |
| Net assets end of year | \$ 294,163 |

See accompanying notes to the basic financial statements.

Amherst Exempted Village School District, Lorain County
Statement of Cash Flows
Internal Service Fund
For the Fiscal Year Ended June 30, 2004

| | Self Insurance |
|-----------------------------------------------------------------------------------------|-------------------|
| <u>Cash flows from operating activities:</u> | |
| Cash received for charges for services | \$ 2,842,069 |
| Cash payments to suppliers for goods and services | (258,814) |
| Cash payments for claims | (2,469,279) |
| Net cash provided by operating activities | <u>113,976</u> |
| <u>Cash flows from investing activities:</u> | |
| Interest on investments | <u>9,824</u> |
| Net increase in cash and cash equivalents | 123,800 |
| Cash and cash equivalents at beginning of year | 784,587 |
| Cash and cash equivalents at end of year | <u>\$ 908,387</u> |
| <u>Reconciliation of operating income to net cash provided by operating activities:</u> | |
| Operating income | <u>\$ 59,749</u> |
| Adjustments to reconcile operating income to net cash provided by operating activities: | |
| Change in assets and liabilities: | |
| (Increase) decrease in assets: | |
| Prepaid items | (24) |
| Increase (decrease) in liabilities: | |
| Claims payable | 54,251 |
| Net cash provided by operating activities | <u>\$ 113,976</u> |

See accompanying notes to the basic financial statements.

Amherst Exempted Village School District, Lorain County

Statement of Fiduciary Net Assets

Fiduciary Funds

June 30, 2004

| | Private Purpose Trust | |
|--------------------------------------------|--------------------------|-------------------|
| | Scholarship | Agency |
| <u>Assets:</u> | | |
| Equity in pooled cash and cash equivalents | \$ 53,367 | \$ 55,397 |
| Taxes receivable | - | 295,396 |
| Total assets | <u>\$ 53,367</u> | <u>\$ 350,793</u> |
| <u>Liabilities:</u> | | |
| Accounts payable | \$ - | \$ 885 |
| Intergovernmental payable | - | 295,396 |
| Due to students | - | 54,512 |
| Total liabilities | <u>-</u> | <u>\$ 350,793</u> |
| <u>Net assets:</u> | | |
| Held in trust for scholarships | <u>\$ 53,367</u> | |

See accompanying notes to the basic financial statements.

Amherst Exempted Village School District, Lorain County
Statement of Changes in Fiduciary Net Assets
Private Purpose Trust Fund
For the Fiscal Year Ended June 30, 2004

| | <u>Scholarship</u> |
|---------------------------------------------|--------------------|
| <u>Additions:</u> | |
| Interest | <u>\$ 625</u> |
| <u>Deductions:</u> | |
| Payments in accordance with trust agreement | <u>1,500</u> |
| Change in net assets | (875) |
| Net assets beginning of year | <u>54,242</u> |
| Net assets end of year | <u>\$ 53,367</u> |

See accompanying notes to the basic financial statements.

Amherst Exempted Village School District, Lorain County

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2004

NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY

The Amherst Exempted Village School District, Lorain County, Ohio, (the "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. The School District is an exempted village school district as defined by Section 3311.04 of the Ohio Revised Code.

The School District operates under a locally elected five-member Board form of government and provides educational services as mandated by state and/or federal agencies. The Board controls the School District's six instructional/support facilities staffed by 182 non-certificated employees and 264 certificated full time teaching personnel and administrators, who provide services to 4,179 students and other community members.

The School District boundaries include the City of Amherst, Amherst Township, and a portion of the City of Lorain, an area extending roughly 32 square miles. The School District operates three elementary schools (K-6), one junior high school (7-8) and one high school (9-12).

Reporting Entity

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

Component units are legally separate organizations for which the School District is financially accountable. The School District is financially accountable for an organization if the School District appoints a voting majority of the organizations' 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 organizations' resources; the School District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the School District is obligated for the debt of the organization.

Component units may also include organizations that are fiscally dependent on the School District in that the School District approves their budget, the issuance of their debt or the levying of their taxes. Based on the above criteria, the School District had no component units at June 30, 2004.

The following entities, which perform activities within the School District's boundaries for the benefit of its residents, are excluded from the accompanying financial statements because the School District is not financially accountable for these entities nor are they fiscally dependent on the School District.

The Amherst Public Library provides the community with various educational and literary resources. This is a related organization and the School District's participation is disclosed in Note 15 to the basic financial statements.

The School District is not involved in the budgeting or the management of Parent-Teacher Organizations or booster clubs. The School District is also not responsible for any debt and has no influence over these organizations or clubs.

Amherst Exempted Village School District, Lorain County

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2004

Within School District boundaries, St. Joseph School is operated through the Cleveland Catholic Diocese. Current state legislation provides auxiliary services funding to this parochial school. These monies are received and distributed on behalf of the parochial school by the Treasurer of the School District, as directed by the parochial school. The accounting for this parochial school is reflected in the auxiliary services fund, a special revenue fund of the School District.

The School District participates in the Lake Erie Educational Computer Association, the Lake Erie Regional Council of Governments, and the Lorain County Joint Vocational School District which are defined as jointly governed organizations. Jointly governed organizations are governed by representatives from each of the governments that create the organizations, but there is no ongoing financial interest or responsibility by the participating governments. Information regarding these organizations is presented in Note 14.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the School District have been prepared in conformity with accounting principles generally accepted in the United States (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting entity for establishing governmental accounting and financial reporting principles. The School District also applies Financial Accounting Standards Board Statements and Interpretations issued on or before November 30, 1989, to its governmental activities provided they do not conflict with or contradict GASB pronouncements. The School District has elected not to follow FASB guidance for proprietary funds issued after November 30, 1989. Following are the more significant of the School District's accounting policies.

A. Basis of Presentation - Fund Accounting

The School District's basic financial statements consist of government-wide statements, including a statement of net assets and a statement of activities, and fund financial statements, which provide a more detailed level of financial information.

Government-wide Financial Statements

The statement of net assets and the statement of activities display information about the School District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds.

The statement of net assets presents the financial condition of the governmental activities of the School District at year-end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the School District's governmental activities. Direct expenses are those that are specifically associated with a service, program, or department and therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program and interest earned on grants that is required to be used to support a particular program. Revenues that are not classified as program revenues are presented as general revenues of the School District, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the School District.

Amherst Exempted Village School District, Lorain County

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2004

Fund Financial Statements

During the year, the School District segregates transactions related to certain School District functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the School District at this more detailed level. The focus of governmental fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. Fiduciary funds are reported by fund type.

B. Fund Accounting

The School District uses funds to maintain its financial records during the fiscal year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The various funds of the School District are grouped into the categories governmental, proprietary and fiduciary.

Governmental Fund Types:

Governmental funds focus on the sources, uses, and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance. The following are the School District's major governmental funds:

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

Building Fund: To account for receipts and expenditures related to all special bond funds in the district. All proceeds from the sale of bonds, notes, or certificates of indebtedness, except premium and accrued interest, must be paid into this fund. Expenditures recorded here represent the costs of acquiring capital facilities including real property.

Proprietary Fund Type

Proprietary fund reporting focuses on the determination of operating income, changes in net assets, financial position and cash flows. Proprietary funds are classified as enterprise or internal service; the School District has no enterprise funds.

Internal Service Fund: The internal service fund accounts 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. The School District's only internal service fund accounts for revenue received from other funds and the settlement of medical expenses of School District employees.

Amherst Exempted Village School District, Lorain County

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2004

Fiduciary Fund Types

Fiduciary fund reporting focuses on net assets and changes in net assets. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds, and agency funds. Trust funds are used to account for assets held by the School District under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the School District's own programs. The School District's only trust fund is a private purpose trust fund, which accounts for several scholarship programs for students. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The School District has two agency funds, one to account for School District library construction and a second to account for resources that belong to the student bodies of the various schools.

C. Measurement Focus and Basis of Accounting

Government-wide Financial Statements The government-wide financial statements are prepared using the economic resources measurement focus. All non-fiduciary assets and liabilities associated with the operation of the School District are included on the statement of net assets. The statement of activities presents increases (revenues) and decreases (expenses) in total net assets.

Fund Financial Statements All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. The statement of revenues, expenditures and changes in fund balances reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements therefore include reconciliations with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

Private purpose trust funds are reporting using the economic resources measurement focus.

Like the government-wide statements, the internal service fund is accounted for on a flow of economic resources measurement focus. All assets and all liabilities associated with the operation of the fund are included on the statement of net assets. The statement of revenues, expenses and changes in fund net assets present increases (i.e., revenues) and decreases (i.e., expenses) in net total assets. The statement of cash flows provides information about how the School District finances and meets the cash flow needs of its internal service fund activity.

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Proprietary and fiduciary funds also use the accrual basis of accounting. Differences in the accrual and modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred revenue, and in the presentation of expenses versus expenditures.

Amherst Exempted Village School District, Lorain County

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2004

Revenue - Exchange and Non-exchange Transactions

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the School District, available means expected to be received within sixty days of year-end.

Non-exchange transactions, in which the School District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. Revenue from property taxes is recognized in the fiscal year for which taxes are levied. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted; matching requirements, in which the School District must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the School District on a reimbursement basis. On the modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

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

Deferred Revenue

Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied. Property taxes for which there is an enforceable legal claim as of June 30, 2004, but which were levied to finance fiscal year 2005 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

On the governmental fund financial statements, receivables that will not be collected within the available period have also been reported as deferred revenue.

Expenditures/Expenses

On the accrual basis of accounting, expenses are recognized at the time they are incurred. The fair value of donated commodities used during the year is reported in the fund financial statements as intergovernmental revenue and an expenditure of food service operations. In addition, this amount is reported on the statement of activities as an expense with a like amount reported within the "Operating Grants, Contributions and Interest" program revenue account.

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.

Amherst Exempted Village School District, Lorain County

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2004

D. Budgets and Budgetary Accounting

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 appropriations resolution, all of which are prepared on the budgetary basis of accounting. The primary level of budgetary control is at the fund level for all funds. Any budgetary modifications at this level may only be made by resolution of the Board of Education.

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 amounts reported as the original budget revenue on the budgetary statement reflects the amounts in the certificate when the original appropriations were adopted. The amounts reported as the final budgeted revenue amounts on the budgetary statements reflect the amounts in the final amended certificate issued during fiscal year 2004. The amounts reported as the original budgeted expenditure amounts reflect the first appropriation for that fund that covered the entire fiscal year, including amounts automatically carried over from prior years. The amounts reported as the final budgeted expenditure amounts represent the final appropriation amounts passed by the Board during the year.

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

E. Cash and Investments

To improve cash management, all cash received by the School District is pooled in a central bank account. Monies for all funds are maintained in this account or temporarily used to purchase short-term investments. Individual fund integrity is maintained through School District records. Each fund's interest in the pool is presented as "Equity in pooled cash and cash equivalents". During the fiscal year, investments were limited to overnight repurchase agreements, notes of federal governmental agencies, and interest in Star Ohio, the State Treasurer's Investment Pool. Except for nonparticipating investment contracts, investments are reported at fair value, which is based on quoted market price. Nonparticipating investment contracts, such as repurchase agreements, are reported at cost. Under existing Ohio statutes, all investment earnings accrue to the general fund except those specifically related to certain trust funds; required by a grant agreement; or when approved by the Board of Education to be recorded in another fund. The Board of Education has passed a resolution to allow interest to also be recorded in other funds as indicated in Note 4.

The School District invested funds in STAR Ohio during fiscal year 2004. STAR Ohio is an investment pool managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the Securities Exchange Commission as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price, which is the price the investment could be sold for on June 30, 2004.

For presentation on the basic financial statements, investments of the cash management pool and investments with a maturity 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 that are not purchased from the pool are reported as investments.

Amherst Exempted Village School District, Lorain County

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2004

F. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2004, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of purchase and an expenditure/expense is reported in the year which services are consumed.

G. Interfund Balances

On the fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "interfund receivables/payables". These amounts are eliminated in the governmental activities column of the statement of net assets.

H. Inventory

Within the basic financial statements, inventories are presented at cost on a first-in, first-out basis and are expensed when used. Inventories of the food service special revenue fund consist of donated food, purchased food, and expendable supplies held for resale.

I. Restricted Assets

Assets are reported as restricted assets when limitations on their use change the normal understanding of the availability of the asset. Such constraints are imposed by creditors, contributors, grantors, and laws of other governments or by enabling legislation. Restricted assets may include unexpended revenues restricted for the purchase of school buses, and amounts required to be set aside by the School District for the purchase of textbooks or for the acquisition or construction of capital assets. Restricted assets may also include amounts set aside as a reserve for budget stabilization, which is now optional as determined by the School District. The School District did not spend all restricted assets in accordance with specific restrictions during the fiscal year. See Note 17 for the calculation of the year-end restricted asset balance and the corresponding fund balance reserves.

J. Capital Assets

General capital assets are those assets resulting from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net assets but are not reported on the fund financial statements.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their fair market values as of the date received. The School District maintains a capitalization threshold of five thousand dollars. The School District does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset's life are not capitalized. The School District's policy is not to capitalize interest costs incurred as part of construction.

Amherst Exempted Village School District, Lorain County

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2004

All reported capital assets, other than land and construction in progress, are depreciated. Depreciation is computed using the straight-line method over the following useful lives:

| <u>Description</u> | <u>Estimated Lives</u> |
|------------------------------------------|------------------------|
| <i>Land improvements</i> | <i>20 years</i> |
| <i>Buildings and improvements</i> | <i>25-50 years</i> |
| <i>Furniture, fixtures and equipment</i> | <i>5-15 years</i> |
| <i>Vehicles</i> | <i>8 years</i> |

K. Compensated Absences

Vacation benefits are accrued as a liability as the benefits are earned if the employee's 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.

Sick leave benefits are accrued as a liability using the termination payment method. An accrual for earned sick leave is made to the extent it is probable that benefits will result in termination payments. The liability is an estimate based on the School District's past experience of making termination payments. The entire compensated absences liability is reported on the government-wide financial statements.

For the governmental fund financial statements, compensated absences are recognized as liabilities and expenditures to the extent payments come due each period upon the occurrence of employee resignations and retirements. These amounts are recorded in the account "matured compensated absences payable" in the fund from which the employees who have accumulated leave are paid.

L. Accrued Liabilities and Long-term Obligations

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements.

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources are reported as obligations of the funds. However, claims and judgments, compensated absences and contractually required pension contributions that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment during the current year. Bonds are recognized as a liability on the governmental fund financial statements when due.

Amherst Exempted Village School District, Lorain County

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2004

M. Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction, or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the School District or through external restrictions imposed by creditors, grantors, laws, or regulations of other governments. Net assets restricted for other purposes primarily include amounts for food service operations, resources generated by individual school buildings to supplement co-curricular and extra-curricular programs, and for recreational activities provided by a special levy approved by the citizenry of the School District.

The School District applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

N. Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary fund. For the School District, these revenues are charges for services for the self-insurance program. Operating expenses are necessary costs incurred to provide the good or service that is the primary activity of the fund.

O. Interfund Transactions

Interfund transactions are reported as other financing sources/uses for governmental funds in the fund financial statements. All transfers between governmental funds have been eliminated within the governmental activities column of the statement of net assets.

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.

Q. Fund Balance Reserves

The School District records reservations for portions of fund balances, which are legally segregated for specific future use or which do not represent available expendable resources and therefore are not available for appropriations or expenditures. Unreserved fund balance indicates the portion of fund balances that are available for appropriation in future periods. Fund balance reserves are established for encumbrances, textbooks and instructional materials, and property taxes.

Amherst Exempted Village School District, Lorain County

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2004

NOTE 3 - BUDGETARY BASIS OF ACCOUNTING

While the School District is reporting financial position, results of operations and changes in fund balance on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law and described above is based upon accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances. The Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual presentation for the general fund is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and GAAP basis are that:

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Encumbrances are treated as expenditures for all funds (budget basis) rather than as a reservation of fund balance (GAAP basis).

The following table summarizes the adjustments necessary to reconcile the GAAP basis statements to the budgetary basis statements for the general fund.

Net Change in Fund Balance

| | <u>General</u> |
|------------------------------------|-----------------------|
| <i>GAAP Basis</i> | \$ (1,571,566) |
| <i>Revenue Accruals</i> | 184,433 |
| <i>Expenditure Accruals</i> | 740,180 |
| <i>Encumbrances (Budget Basis)</i> | |
| <i>Outstanding at year end</i> | <u>(372,274)</u> |
| <i>Budget Basis</i> | <u>\$ (1,019,227)</u> |

NOTE 4 - DEPOSITS AND INVESTMENTS

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

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

Inactive deposits are public deposits that the Board of Education has identified as not required for use within the current five-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.

Amherst Exempted Village School District, Lorain County

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2004

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

Interim monies may be invested in the following obligations provided they mature or are redeemable within five years from the date of settlement:

1. United States Treasury bills, notes, bonds, or any other obligations or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or other obligations or securities issued by any federal government agency or instrumentality. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements for a period not to exceed thirty days in 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;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in item (1) or (2) above 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 (STAR Ohio);
7. Certain bankers' acceptances and commercial paper notes in an amount not to exceed 25% of the interim monies available for investment at any one time and for a period not to exceed one hundred eighty days; and
8. Under limited circumstances, corporate debt interests rated in either of the two highest rating classifications by at least two nationally recognized rating agencies.

Protection of the School District's deposits is provided by the Federal Deposit Insurance Corporation (FDIC), by eligible securities pledged by the financial institution as security for repayment, by surety company bonds deposited with the Treasurer by the financial institution or by a single collateral pool established by the financial institution to secure the repayment of all public monies deposited with the institution.

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

Deposits: The carrying value of the School District's deposits and petty cash totaled \$5,684,972 and the bank balances of the deposits totaled \$5,026,558. Of the bank balance, \$300,141 was covered by federal depository insurance and \$4,726,417 was collateralized with securities held by the pledging financial institution's trust department or agent but not in the School District's name.

Amherst Exempted Village School District, Lorain County

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2004

Investments: GASB Statement No. 3 "Deposits with Financial Institutions, Investments and Reverse Repurchase Agreements" requires that the School District's investments be classified in categories of credit risk. 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 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.

Following Ohio statutes, the Board of Education has, by resolution, identified the funds to receive an allocation of interest. Interest revenue credited to the general fund during the fiscal year 2004 amounted to \$98,166, which included \$17,830 assigned from other School District funds.

| | <u>Category 3</u> | <u>Carrying Amounts</u> | <u>Fair Value</u> |
|-----------------------------------|---------------------|-----------------------------|-----------------------|
| <i>Categorized Investments</i> | | | |
| <i>Repurchase Agreements</i> | \$ 93,493 | \$ 93,493 | \$ 93,493 |
| <i>Federal agency securities</i> | <u>4,929,085</u> | <u>4,929,085</u> | 4,929,085 |
| <i>Total Categorized</i> | <u>\$ 5,022,578</u> | 5,022,578 | |
| <i>Noncategorized Investments</i> | | | |
| <i>State Treasurer's Pool</i> | | <u>2,057,002</u> | <u>2,057,002</u> |
| <i>Total Investments</i> | | <u>\$ 7,079,580</u> | <u>\$ 7,079,580</u> |

The School District's investment in Star Ohio is an unclassified investment since it is not evidenced by securities that exist in physical or book entry form.

The classification of cash and cash equivalents and investments on the combined financial statements is based on criteria set forth in GASB Statements No. 9, "Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities that Use Proprietary Fund Accounting". A reconciliation between the classifications of cash and investments on the financial statements and the classification per GASB Statement No. 3 is as follows:

| | <i>Cash and Cash Equivalents/</i> | |
|-----------------------------------------------------------------|---------------------------------------|---------------------|
| | <u>Deposits</u> | <u>Investments</u> |
| <i>GASB Statement No. 9</i> | \$ 7,835,467 | \$ 4,929,085 |
| <i>Investment which are part of a cash management pool:</i> | | |
| <i>Repurchase Agreement</i> | (93,493) | 93,493 |
| <i>STAR Ohio</i> | <u>(2,057,002)</u> | <u>2,057,002</u> |
| <i>GASB Statement No. 3</i> | <u>\$ 5,684,972</u> | <u>\$ 7,079,580</u> |

Amherst Exempted Village School District, Lorain County

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2004

NOTE 5 - PROPERTY TAX

Property taxes are levied and assessed on a calendar year basis. Second half distributions occur in a new fiscal year. Property taxes include amounts levied against all real, public utility and tangible personal (used in business) property located within the School District. Real property taxes are levied after April 1 on the assessed value listed as of the prior January 1, the lien date. Public utility property taxes attached as a lien on December 31 of the prior year, were levied April 1 and are collected with real property taxes. Assessed values for real property taxes are established by State law at 35% of appraised market value. All property is required to be revalued every six years. Public utility property taxes are assessed at 35% of true value and public utility tangible personal property currently is assessed at varying percentages of true value. Tangible personal property taxes are levied after April 1 on the value listed as of December 31 of the current year. Tangible personal property assessments are 25% of true value for capital assets and 23% of true value of inventory.

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 alternative 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 year-end are available to finance the current fiscal year operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable represent delinquent taxes outstanding and real property, tangible personal property and public utility taxes, which became measurable as of year-end. Although total property tax collections for the next fiscal year are measurable, only the amount available as an advance at year-end 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 year-end was \$1,261,745 in the general fund, \$4,113 in the special levy special revenue fund, \$224,644 in the bond retirement debt service fund, and \$66,896 in the permanent improvement capital project fund. These amounts that are available as an advance are recognized as revenue on the fund financial statements.

On the accrual basis, collectible delinquent property taxes have been recorded as revenue on the statement of activities.

Amherst Exempted Village School District, Lorain County

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2004

There were no new levies passed during the current fiscal year. The assessed values upon which the current fiscal year taxes were collected are:

| <i>Property Category</i> | <i>2003 1st Half Valuations</i> | <i>2002 2nd Half Valuations</i> |
|-------------------------------------|-----------------------------------------|-----------------------------------------|
| <i>Real Property</i> | | |
| <i>Residential and agricultural</i> | \$ 394,179,360 | \$ 356,950,100 |
| <i>Commercial and Industrial</i> | 70,716,100 | 65,655,670 |
| <i>Public utilities</i> | 79,610 | 71,070 |
| <i>Tangible Personal Property</i> | | |
| <i>General</i> | 29,466,330 | 34,212,160 |
| <i>Public utilities</i> | 12,634,110 | 12,712,610 |
| <i>Total</i> | <u>\$ 507,075,510</u> | <u>\$ 469,601,610</u> |

NOTE 6 - RECEIVABLES

Receivables at year-end consisted of taxes, accounts, intergovernmental, interfund and accrued interest. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of state programs, and the current year guarantee of federal funds. A summary of principal items of intergovernmental receivables follows:

| <i>Special revenue funds:</i> | <i>Amount</i> |
|-------------------------------------------|-------------------|
| <i>Food service</i> | \$ 24,211 |
| <i>Summer intervention</i> | 62,197 |
| <i>Title VI-B</i> | 129,352 |
| <i>Title V</i> | 13,843 |
| <i>Drug free schools</i> | 9,882 |
| <i>Improving teacher quality</i> | <u>28,660</u> |
| <i>Total intergovernmental receivable</i> | <u>\$ 268,145</u> |

Amherst Exempted Village School District, Lorain County

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2004

NOTE 7 - CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2004 was as follows:

| <i>Governmental Activities</i> | <i>Balance June 30, 2003</i> | <i>Additions</i> | <i>Disposals</i> | <i>Balance June 30, 2004</i> |
|--------------------------------------------------------|----------------------------------|-------------------|-------------------|----------------------------------|
| <i>Capital assets, not being depreciated:</i> | | | | |
| <i>Land</i> | \$ 1,155,952 | \$ - | \$ - | \$ 1,155,952 |
| <i>Construction in progress</i> | 572,747 | 973,938 | - | 1,546,685 |
| <i>Total capital assets, not being depreciated</i> | <u>1,728,699</u> | <u>973,938</u> | <u>-</u> | <u>2,702,637</u> |
| <i>Capital assets, being depreciated:</i> | | | | |
| <i>Land improvements</i> | 2,058,311 | 12,900 | - | 2,071,211 |
| <i>Buildings</i> | 32,786,543 | 19,300 | - | 32,805,843 |
| <i>Furniture, fixtures and equipment</i> | 595,808 | 69,538 | (5,471) | 659,875 |
| <i>Vehicles</i> | 1,450,467 | - | - | 1,450,467 |
| <i>Total capital assets, being depreciated</i> | <u>36,891,129</u> | <u>101,738</u> | <u>(5,471)</u> | <u>36,987,396</u> |
| <i>Less: Accumulated depreciation</i> | | | | |
| <i>Land improvements</i> | (1,072,170) | (82,040) | - | (1,154,210) |
| <i>Buildings</i> | (6,026,469) | (639,719) | - | (6,666,188) |
| <i>Furniture, fixtures and equipment</i> | (219,175) | (64,314) | 3,465 | (280,024) |
| <i>Vehicles</i> | (953,338) | (119,387) | - | (1,072,725) |
| <i>Total accumulated depreciation</i> | <u>(8,271,152)</u> | <u>(905,460)</u> | <u>3,465</u> | <u>(9,173,147)</u> |
| <i>Total capital assets being depreciated, net</i> | <u>28,619,977</u> | <u>(803,722)</u> | <u>(2,006)</u> | <u>27,814,249</u> |
| <i>Governmental activities capital assets, net</i> | <u>\$ 30,348,676</u> | <u>\$ 170,216</u> | <u>\$ (2,006)</u> | <u>\$ 30,516,886</u> |

Amherst Exempted Village School District, Lorain County

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2004

Depreciation expense was charged to governmental functions as follows:

| | |
|-------------------------------------------|-------------------|
| <i>Instruction:</i> | |
| <i>Regular</i> | \$ 627,126 |
| <i>Special</i> | 8,773 |
| <i>Vocational</i> | 1,598 |
| <i>Support services:</i> | |
| <i>Administration</i> | 32,204 |
| <i>Operation and maintenance of plant</i> | 32,878 |
| <i>Pupil transportation</i> | 119,580 |
| <i>Operation of food services</i> | 25,769 |
| <i>Extracurricular activities</i> | <u>57,532</u> |
| <i>Total depreciation expense</i> | <u>\$ 905,460</u> |

NOTE 8 - INTERFUND TRANSFERS

Interfund transfers for the year ended June 30, 2004, consisted of the following:

| | |
|----------------------------|-----------------------------|
| | <u><i>Transfer Out:</i></u> |
| | <i>General</i> |
| <u><i>Transfer In:</i></u> | <u><i>Fund</i></u> |
| <i>Nonmajor funds</i> | \$ 30,025 |

During the fiscal year, the general fund transferred a total of \$20,025 to the public school support special revenue fund. This transfer was required as part of a negotiated agreement between the Board of Education and the teachers of the School District. Based on the agreement, a purchase credit will be provided to each teacher who has not incurred an absence due to sick leave, personal business, or payroll deduction. The maximum amount each teacher may accrue per school year shall not exceed \$200 and shall not be used for consumable classroom purchases.

Also during the fiscal year, the general fund transferred \$10,000 to the education foundation special revenue fund as authorized under Ohio Revised Code Section 3315.40. This fund has been established to account for monies to be expended on operating or capital costs of any existing or new and innovative program designed to enhance or promote education within the School District, such as scholarships for students or teachers.

Amherst Exempted Village School District, Lorain County

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2004

NOTE 9 - ACCOUNTABILITY

As of June 30, 2004, two special revenue funds had deficit fund balances. These deficits were caused by the application of GAAP. The general fund provides transfers to cover deficit balances in other funds; however, this is done when cash is needed rather than when accruals occur. The following funds had deficit balances:

| <i>Fund</i> | <i>Amount</i> |
|-------------------------------|---------------|
| <i>IDEA grant</i> | \$ 6,929 |
| <i>Drug free school grant</i> | 143 |

NOTE 10 - RISK MANAGEMENT

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. These risks are covered by commercial insurance purchased from independent third parties. There have been no settlements paid in excess of insurance nor has insurance coverage been significantly reduced in the past three years.

The School District provides life and accidental death and dismemberment insurance to its employees. Full time certified employees are covered by \$30,000. Coverage for part time certificated employees is prorated. Full time classified employees are covered by \$20,000 and part time employees are covered by \$5,000. All administrators carry coverage equal to one and one half times their salaries approximated to the nearest thousand.

The School District has contracted with the Lake Erie Regional Council of Governments (LERC) to administer the Lake Erie Regional Employee Protection Plan (LEEP) which provides medical/surgical and dental benefits for its employees and their dependents. The LEEP is a shared risk pool comprised of eleven school districts that provide public education within Lorain County.

The school districts pay monthly contributions that are placed in a common fund from which eligible claims and expenses are paid for the employees of participating school districts and their covered dependents. Claims are paid for all participants regardless of claims flow. This plan contains a stop-loss provision of \$165,000 per participant.

Premium contributions are determined annually based on the claims experience of the individual districts. Premiums can be increased or decreased by up to 25% of the prior year's contribution. Member districts may become liable for additional contributions to fund the liability of the pool. In the event of termination, all participating school district's claims would be paid without regard to their individual account balances. The LEEP Board of Directors has authority to return monies to an exiting district subsequent to the settlement of all claims and expenses. This plan provides medical/surgical and dental plan with \$100 deductible for family and a \$50 deductible for single coverage.

Amherst Exempted Village School District, Lorain County

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2004

During fiscal year 2003, the School District began to use an internal service fund to record and report its self-funded health care insurance program. The claims liability of \$616,111, reported in the fund at year end was estimated by third party administrators and is based on the requirements of GASB Statement No. 10, which requires that a liability for unpaid claims costs, including estimates of costs relating to incurred but not reported claims, to be reported. Changes in the balance of claims liability during the year ended June 30, 2003 and 2004 are summarized below.

| <i>Fiscal Year</i> | <i>Balance at Beginning of Year</i> | <i>Current Year Claims</i> | <i>Claim Payments</i> | <i>Balance at End of Year</i> |
|------------------------|---------------------------------------------|------------------------------------|---------------------------|---------------------------------------|
| 2003 | \$ - | 2,604,408 | (2,042,548) | \$ 561,860 |
| 2004 | \$ 561,860 | 2,523,530 | (2,469,279) | \$ 616,111 |

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.

NOTE 11 - 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 public employee retirement system administered by the School Employees Retirement Board. SERS provides basic retirement benefits, annual cost-of-living adjustments, disability, survivor, and health care benefits based on eligible service credit to members and beneficiaries. Benefits are established 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 for SERS. The report may be obtained by writing to the SERS, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746, or by calling (614) 222-5853

Plan members are required to contribute 10% of their annual covered salary and the School District is required to contribute at an actuarially determined rate. The current rate is 14% of annual covered payroll. A portion of the School's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2004, 9.09% of annual covered salary was the portion used to fund pension obligations. For the fiscal year 2003, 8.17% 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, 2004, 2003, and 2002 were \$350,927, \$345,115, and \$547,648, respectively; 39% has been contributed for fiscal year 2004 and 100% for the fiscal years 2003 and 2002. \$213,572, representing the unpaid contribution for fiscal year 2004, is recorded as an intergovernmental payable.

Amherst Exempted Village School District, Lorain County

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2004

B. State Teachers Retirement System

The School District contributes to the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing multiple-employer public employee retirement system. STRS Ohio provides retirement and disability benefits, annual cost-of-living adjustments, disability, and death and survivor benefits to members and beneficiaries. Benefits are established by Chapter 3307 of the Ohio Revised Code. STRS Ohio issues a publicly available, stand alone financial report that includes financial statements and required supplementary information for STRS Ohio. The report may be obtained by writing to the State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3371, or by calling (614) 227-4090.

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on member contributions and earned interest matched by STRS Ohio funds times an actuarially determined annuity factor.

The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5% of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment.

The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. DC and Combined Plan members will transfer to the Defined Benefit Plan during their fifth year of membership unless they permanently select the DC or Combined Plan.

A DB or Combined Plan member with five or more years credited service who becomes disabled may qualify for a disability benefit. Eligible spouses and dependents of these active members who die before retirement may qualify for survivor benefits. Members in the DC Plan who became disabled are entitled only to their account balance. If a member dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

For the fiscal year ended June 30, 2004 plan members were required to contribute 10% of their annual covered salaries. The School District was required to contribute 14%; 13% was the portion used to fund pension obligations. For fiscal year 2003, 13% was the portion used to fund pension obligations. Contribution rates are established by STRS, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10% for members and 14% for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions. The School District's required contributions for pension obligations to the DB plan for the fiscal years ended June 30, 2004, 2003, and 2002 were \$1,788,986, \$1,604,713, and \$1,689,208, respectively; 82% has been contributed for fiscal year 2004 and 100% for the fiscal years 2003 and 2002. \$314,195, representing the unpaid contribution for fiscal year 2004, is recorded as an intergovernmental payable. Contributions to the DC and Combined plans for fiscal year 2004 were \$2,995 made by the School District and \$9,965 made by the plan members.

Amherst Exempted Village School District, Lorain County

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2004

NOTE 12 - POST-EMPLOYMENT BENEFITS

Comprehensive health care benefits are provided to retired teachers and their dependents through the State Teachers Retirement System of Ohio (STRS Ohio). Benefits include hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare premiums. All benefit recipients and sponsored dependents are eligible for health care coverage. Benefit provisions and the obligations to contribute are established by the STRS based on authority granted by State statute. Most benefit recipients are required to pay a portion of the health care cost in the form of a monthly premium. Health care benefits are financed on a pay-as-you-go basis.

By Ohio law, the cost of coverage paid from STRS Ohio funds shall be included in the employer contribution rate, currently 14% of covered payroll. The retirement board currently allocates employer contributions equal to 1% of covered payroll to the Health Care Reserve Fund from which payments for health care benefits are paid. For the School District this amount equaled \$137,614 during the 2004 fiscal year. The balance in the Health Care Reserve Fund for the STRS Ohio was \$3.1 billion at June 30, 2004. For the year ended June 30, 2004 the net health care costs paid by the STRS Ohio were \$268,739,000 and eligible benefit recipients totaled 111,853.

For the School Employees Retirement System (SERS), coverage is made available to service retirees with ten or more years of qualifying service credit, disability and survivor benefit recipients. Effective January 1, 2004 all retirees and beneficiaries are required to pay a portion of their premium for health care. The portion is based on years of service, Medicare eligibility and retirement status. A safety net is in place for retirees whose household income falls below Federal poverty levels. Premiums are reduced by 50% for those who apply.

After the allocation for basic benefits, the remainder of the employer's 14% contribution is allocated to providing health care benefits. At June 30, 2004, the healthcare allocation was 4.91%. In addition, SERS levies a surcharge to fund health care benefits equal to 14% of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2004, the minimum pay has been established at \$25,400. The surcharge, added to the unallocated portion of the 14% contribution rate, provides for maintenance of the asset target level for the health care fund. For the School District, the amount of employer contributions used to fund health care equaled \$254,857, which includes a surcharge of \$65,302 during the 2004 fiscal year.

Health care benefits are financed on a pay-as-you-go basis. The target level for the health care reserve is 150% of annual health care expenses, before premium deduction. Expenses for health care at June 30, 2004 were \$223,443,805 and the target level was \$335.2 million. At June 30, 2004, the SERS's net assets available for payment of health care benefits was \$300.8 million, at cost. The number of participants receiving health care benefits was approximately 62,000.

Amherst Exempted Village School District, Lorain County

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2004

NOTE 13 - LONG-TERM OBLIGATIONS

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

| | <i>Balance</i> <u>July 1</u> | <i>Additions</i> | <i>Deletions</i> | <i>Balance</i> <u>June 30</u> | <i>Due</i> <i>within</i> <i>one year</i> |
|--------------------------------------------------|---------------------------------|-------------------|-----------------------|----------------------------------|------------------------------------------------|
| <u>Governmental Long-term Obligations</u> | | | | | |
| <i>General Obligation Bonds and Notes</i> | | | | | |
| <i>2001 School Improvement</i> | | | | | |
| <i>Bonds, 5.0%</i> | \$ 25,695,000 | \$ - | \$ (670,000) | \$ 25,025,000 | \$ 725,000 |
| <i>2002 Energy Conservation</i> | | | | | |
| <i>Notes, 5.0%</i> | <u>1,295,000</u> | - | <u>(55,000)</u> | <u>1,240,000</u> | <u>80,000</u> |
| <i>Total general obligation bonds</i> | <u>26,990,000</u> | - | <u>(725,000)</u> | <u>26,265,000</u> | <u>805,000</u> |
| <i>Other Long-term Obligations</i> | | | | | |
| <i>Long-term compensated absences</i> | <u>2,367,841</u> | <u>474,071</u> | <u>(427,814)</u> | <u>2,414,098</u> | <u>425,240</u> |
| <i>Total other long-term obligations</i> | <u>2,367,841</u> | <u>474,071</u> | <u>(427,814)</u> | <u>2,414,098</u> | <u>425,240</u> |
| <i>Total governmental</i> | | | | | |
| <i>long-term obligations</i> | <u>\$ 29,357,841</u> | <u>\$ 474,071</u> | <u>\$ (1,152,814)</u> | <u>\$ 28,679,098</u> | <u>\$ 1,230,240</u> |

General Obligation Bonds and Notes: In May 2001, the School District issued School Improvement bonds, in the amount of \$26,310,000, to finance the costs for the construction, furnishing and equipping a new Junior High School and construction additions to, renovation, remodeling, furnishing, equipping and otherwise improving Marion L. Steel High School, the existing Walter G. Nord junior high school and other facilities. The School Improvement bonds will be repaid with voted and unvoted general property taxes receipted into the bond retirement debt service fund, and will mature in December 2026.

In August 2001, the School District issued Energy Conservation notes in the amount of \$1,312,000. The notes were issued in accordance with House Bill 264 and will be used to finance HVAC upgrades and other allowable energy conservation projects throughout the School District. These notes will also be paid with voted and unvoted general property taxes receipted into the general fund and are scheduled to mature in December 2016.

All bonds and notes are direct obligations of the School District for which its full faith and credit are pledged for repayment.

Compensated absences: Vacation and sick leave benefits will be paid from the fund from which the person is paid. In prior years, this fund has primarily been the general fund.

Amherst Exempted Village School District, Lorain County

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2004

Principal and interest requirements to amortize all bonds outstanding at June 30, 2004 are as follows:

| <i>Fiscal Year</i> | <i>School Improvement Bonds</i> | | | <i>Energy Conservation Notes</i> | | |
|------------------------|---------------------------------|----------------------|----------------------|----------------------------------|-------------------|---------------------|
| | <i>Principal</i> | <i>Interest</i> | <i>Total</i> | <i>Principal</i> | <i>Interest</i> | <i>Total</i> |
| 2005 | 725,000 | 1,264,532 | 1,989,532 | 80,000 | 56,200 | 136,200 |
| 2006 | 790,000 | 1,230,410 | 2,020,410 | 85,000 | 52,776 | 137,776 |
| 2007 | 850,000 | 1,197,200 | 2,047,200 | 85,000 | 49,249 | 134,249 |
| 2008 | 910,000 | 1,157,238 | 2,067,238 | 90,000 | 45,618 | 135,618 |
| 2009 | 980,000 | 1,109,988 | 2,089,988 | 100,000 | 41,675 | 141,675 |
| 2010-2014 | 5,970,000 | 4,740,194 | 10,710,194 | 500,000 | 139,125 | 639,125 |
| 2015-2019 | 6,500,000 | 3,015,375 | 9,515,375 | 300,000 | 23,625 | 323,625 |
| 2020-2024 | 5,300,000 | 1,388,312 | 6,688,312 | - | - | - |
| 2025-2027 | 3,000,000 | 225,000 | 3,225,000 | - | - | - |
| <i>Total</i> | <u>\$ 25,025,000</u> | <u>\$ 15,328,249</u> | <u>\$ 40,353,249</u> | <u>\$ 1,240,000</u> | <u>\$ 408,268</u> | <u>\$ 1,648,268</u> |

NOTE 14 – JOINTLY GOVERNED ORGANIZATIONS

Lake Erie Educational Computer Association (LEECA)

The Lake Erie Educational 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 member district 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. The School District paid \$133,940 in fees to LEECA during fiscal year 2004. Financial information can be obtained by contacting the Treasurer of the Educational Service Center of Lorain County, who serves as the fiscal agent, at 1885 Lake Avenue, Elyria, Ohio 44035.

Lake Erie Regional Council of Governments (LERC)

The Lake Erie Regional Council of Governments (LERC) is a jointly governed organization among fourteen School Districts. The jointly governed organization was formed for the purpose of promoting cooperative agreements and activities among its members in dealing with problems of mutual concern such as a media center, natural gas consumption, food service and health and life insurance. Each member provides operating resources to LERC on a per-pupil or actual usage charge except for insurance.

Amherst Exempted Village School District, Lorain County

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2004

In LERC's shared risk pool, LEEP (see Note 10), premiums are billed to each participating school district based on actuarially determined rates. Should contributions prove to be insufficient to pay program costs of the insurance program for any fiscal year, each participating member is notified of the deficiency and billed for its share of the additional cost.

The LERC assembly consists of a superintendent or designated representative from each participating school district and the fiscal agent. LERC is governed by a Board of Directors chosen from the general membership. The degree of control exercised by any participating school district is limited to its representation on the Board. In fiscal year 2004, the School District paid LERC \$2,574,383. Financial information can be obtained by contacting the Treasurer of the Educational Service Center of Lorain County, who serves as the fiscal agent, at 1885 Lake Avenue, Elyria, Ohio 44035.

Lorain County Joint Vocational School District

The Lorain County Joint Vocational School District is a distinct political subdivision of the State of Ohio operated under the direction of a Board, consisting of one representative from each participating school district's elected board, which possesses its own budgeting and taxing authority. The degree of control exercised by any participating school district is limited to its representation on the Board. In fiscal year 2003, the School District did not pay any money to the Lorain County Joint Vocational School District. Financial information can be obtained by contacting the Treasurer of the Lorain County Joint Vocational School District, 15181 State Route 58, Oberlin, Ohio 44074.

NOTE 15 – RELATED ORGANIZATION

The Amherst Public Library (the "Library") is a distinct political subdivision of the State of Ohio governed by a Board of Trustees. The Board of Trustees, appointed by the Board of Education, possesses its own contracting and budgeting authority, hires and fires personnel, and does not depend on the School District for operational subsidies. Although the School District does serve as the taxing authority and issues tax-related debt on behalf of the Library, its role is limited to a ministerial function. The determination to request approval of a tax, the rate, and the purpose are discretionary decisions made solely by the Library Board of Trustees. The Library is not considered part of the School District and its operations are not included within the accompanying basic financial statements. Financial information can be obtained by contacting the Clerk-Treasurer of the Amherst Public Library at 211 Spring Street, Amherst, Ohio 44001.

NOTE 16 - CONTINGENCIES

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

Amherst Exempted Village School District, Lorain County

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2004

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 are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 2004.

On December 11, 2002, the Ohio Supreme Court issued its latest opinion regarding the State's school funding plan. The decision reaffirmed earlier decisions that Ohio's current school-funding plan is unconstitutional.

The Supreme Court relinquished jurisdiction over the case and directed "... the Ohio General Assembly to enact a school-funding scheme that is thorough and efficient...". As of the date of these financial statements, the School District is unable to determine what effect, if any, this decision will have on its future State funding and on its financial operations.

NOTE 17 - STATUTORY RESERVES

The School District is required by State statute to annually set-aside monies for the purchase of textbooks and other instructional materials, and for capital improvements. The amounts set-aside may be reduced by offset credits, which are monies received and restricted for the same specific purpose. Although the School District had offsets and/or qualifying disbursements during the year that reduced the set-aside amounts below zero, these extra amounts may only be used to reduce the set-aside requirements of future years for the purchase of textbooks and/or instructional materials. Negative amounts are therefore not presented as being carried forward to the next fiscal year for the other set-asides. Amounts not spent by year-end or reduced by offset credits must be held in cash at year-end and carried forward to be used for the same purposes in future years.

During the fiscal year ended June 30, 2004, the reserve activity was as follows:

| | <i>Textbook Reserve</i> | <i>Capital Maintenance Reserve</i> | <i>Total</i> |
|-------------------------------------------------------|-----------------------------|--------------------------------------------|-------------------|
| <i>Set-aside cash balance as of June 30, 2003</i> | \$ 148,802 | \$ - | \$ 148,802 |
| <i>Current year set-aside requirement</i> | 544,996 | 544,996 | 1,089,992 |
| <i>Current year offset</i> | - | - | - |
| <i>Qualifying disbursements</i> | <u>(387,003)</u> | <u>(575,304)</u> | <u>(962,307)</u> |
| <i>Total</i> | <u>\$ 306,795</u> | <u>\$ (30,308)</u> | <u>\$ 276,487</u> |
| <i>Balance carried forward to future years</i> | <u>\$ 306,795</u> | | <u>\$ 306,795</u> |

Amherst Exempted Village School District, Lorain County

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2004

NOTE 18 - DEFERRED COMPENSATION PLAN

The Board of Education offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 403(b). The plan is optional and available to all school employees. It permits them to defer a portion of their salary until future years. All amounts of compensation deferred under the plan are the property of the individual employee and are available to the employee in accordance with Internal Revenue rules and regulations. The choice of the custodian and the investments is made by the individual participant.

NOTE 19 - COMMITMENTS

The School District had major construction projects that are commitments of the building capital projects fund. The projects involve the construction of a new junior high school and additions to the existing high school, junior high school, and other facilities. Bonds were issued in 2001 in order to finance the construction. As of June 30, 2004, the School District has spent \$25,922,977. Of the unspent balance of \$387,023, all has been committed for capital projects.

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**AMHERST EXEMPTED VILLAGE SCHOOL DISTRICT
LORAIN COUNTY**

**SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2004**

| Federal Grantor/ Pass Through Grantor Program Title | Pass Through Entity Number | Federal CFDA Number | Receipts | Non-Cash Receipts | Expenditures | Non-Cash Expenditures |
|------------------------------------------------------------------------|----------------------------------|---------------------------|----------------|----------------------|----------------|--------------------------|
| U.S. Department of Agriculture | | | | | | |
| <i>Passed Through Ohio Department of Education:</i> | | | | | | |
| Nutrition Cluster: | | | | | | |
| Food Distribution | N/A | 10.550 | \$0 | \$88,447 | \$0 | \$93,039 |
| National School Lunch Program | LLP4-2003 | 10.555 | 37,984 | 0 | 37,984 | 0 |
| National School Lunch Program | LLP4-2004 | 10.555 | 119,797 | 0 | 119,797 | 0 |
| Subtotal National School Lunch Program | | | 157,781 | 0 | 157,781 | 0 |
| Total U.S. Department of Agriculture - Nutrition Cluster | | | 157,781 | 88,447 | 157,781 | 93,039 |
| U.S. Department of Education | | | | | | |
| <i>Passed Through Ohio Department of Education:</i> | | | | | | |
| Title I, Part A | C1S1-2003 | 84.010 | 21,976 | 0 | 41,096 | 0 |
| Special Education Cluster: | | | | | | |
| IDEA Part B (Title VI-B) | 6BSF-2003 | 84.027 | 43,735 | 0 | 53,521 | 0 |
| IDEA Part B (Title VI-B) | 6BSF-2004 | 84.027 | 341,518 | 0 | 364,909 | 0 |
| Subtotal IDEA Part B | | | 385,253 | 0 | 418,430 | 0 |
| Preschool Disability Grant | PGS1-2004P | 84.173 | 17,854 | 0 | 17,854 | 0 |
| Total Special Education Cluster | | | 403,107 | 0 | 436,284 | 0 |
| Drug Free School Grant | DRS1-2003 | 84.186 | (972) | 0 | 460 | 0 |
| Drug Free School Grant | DRS1-2004 | 84.186 | 3,141 | 0 | 11,564 | 0 |
| Total Drug Free School Grant | | | 2,169 | 0 | 12,024 | 0 |
| Entry Year Grant | G2S3-2001 | 84.276 | (4,369) | 0 | 0 | |
| Entry Year Grant | G2S3-2003 | 84.276 | 0 | 0 | 2,341 | |
| Total Entry Year Grant | | | (4,369) | 0 | 2,341 | 0 |
| Title V - Innovative Programs | C2S1-2003 | 84.298 | 1,749 | 0 | 4,646 | 0 |
| Title V - Innovative Programs | C2S1-2004 | 84.298 | 15,324 | 0 | 17,177 | 0 |
| Total Title V - Innovative Programs | | | 17,073 | 0 | 21,823 | 0 |
| Title II, Part D - Education Technology | TJS1-2004 | 84.318 | 1,041 | 0 | 1,472 | 0 |
| Title II, Part A - Teacher and Principal Training and Recruiting | TRS1-2003 | 84.367 | 10,281 | 0 | 21,905 | 0 |
| Title II, Part A - Teacher and Principal Training and Recruiting | TRS1-2004 | 84.367 | 61,508 | 0 | 63,360 | 0 |
| Total Title II, Part A - Teacher and Principal Training and Recruiting | | | 71,789 | 0 | 85,265 | 0 |
| Assistive Technology Infusion Grants | ATS4-2002 | 84.352 | (96) | 0 | 0 | 0 |
| Assistive Technology Infusion Grants | ATS4-2003 | 84.352 | 0 | 0 | 400 | 0 |
| Total Assistive Technology Infusion Grants | | | (96) | 0 | 400 | 0 |
| Total U.S. Department of Education | | | 512,690 | 0 | 600,705 | 0 |
| Total Federal Financial Assistance | | | 670,471 | 88,447 | 758,486 | 93,039 |

The accompanying notes to this schedule are an integral part of this schedule.

**AMHERST EXEMPTED VILLAGE SCHOOL DISTRICT
LORAIN COUNTY**

**NOTES TO SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
JUNE 30, 2004**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

The accompanying Schedule of Federal Awards Receipts and Expenditures (the Schedule) summarizes activity of the District's federal award programs. The schedule has been prepared on the cash basis of accounting.

NOTE B - FOOD DISTRIBUTION

Nonmonetary assistance, such as food received from the U.S. Department of Agriculture, is reported in the Schedule at the fair market value of the commodities received and consumed. Cash receipts from the U.S. Department of Agriculture are commingled with State grants. It is assumed federal monies are expended first. At June 30, 2004, the District had no significant food commodities in inventory.

NOTE C – NEGATIVE RECEIPTS

The District returned receipts of \$96 from the Assistive Technology Infusion Grant and \$4,369 from the Entry Year Grant to the Ohio Department of Education because all of the grant funds had not been expended within the allowable time period. The District transferred \$972 from grant year 2003 to grant year 2004 in the Drug Free School Grant.

N/A – Not Applicable

CFDA – Catalog of Federal Domestic Assistance



Auditor of State Betty Montgomery

INDEPENDENT ACCOUNTANTS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY GOVERNMENT AUDITING STANDARDS

Board of Education
Amherst Exempted Village School District
Lorain County
185 Forest Street
Amherst, Ohio 44001

To the Board of Education:

We have audited the financial statements of the governmental activities, each major fund and the remaining fund information of Amherst Exempted Village School District, Lorain County, Ohio (the District) as of and for the year ended June 30, 2004, which collectively comprise the Government's basic financial statements and have issued our report thereon dated March 25, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance and Other Matters

As part of reasonably assuring whether the Government's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect 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 an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*. In a separate letter to the Government's management dated March 25, 2005, we reported other matters related to noncompliance we deemed immaterial.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Government's internal control over financial reporting to determine our auditing procedures in order to express our opinions on the financial statements and not provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees when 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. In a separate letter to the District's management dated March 25, 2005, we reported other matters involving internal control over financial reporting.

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Amherst Exempted Village School District
Lorain County
Independent Accountants' Report on Internal Control Over Financial Reporting and on
Compliance and Other Matters Required by *Government Auditing Standards*
Page 2

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

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

Betty Montgomery
Auditor of State

March 25, 2005



Auditor of State Betty Montgomery

INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO ITS MAJOR FEDERAL PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

Board of Education
Amherst Exempted Village School District
Lorain County
185 Forest Street
Amherst, Ohio 44001

Compliance

We have audited the compliance of the Amherst Exempted Village School District, Lorain County, Ohio, (the District) with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement* that is applicable to its major federal program for the year ended June 30, 2004. The District's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

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

In our opinion, the District complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended June 30, 2004.

Internal Control Over Compliance

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

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

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

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

Betty Montgomery
Auditor of State

March 25, 2004

**AMHERST EXEMPTED VILLAGE SCHOOL DISTRICT
LORAIN COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 2004**

1. SUMMARY OF AUDITOR'S RESULTS

| | | |
|---------------------|-----------------------------------------------------------------------------------------------------------------------|--------------------------------------------|
| (d)(1)(i) | Type of Financial Statement Opinion | Unqualified |
| (d)(1)(ii) | Were there any material control weakness conditions reported at the financial statement level (GAGAS)? | No |
| (d)(1)(ii) | Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)? | No |
| (d)(1)(iii) | Was there any reported material non-compliance at the financial statement level (GAGAS)? | No |
| (d)(1)(iv) | Were there any material internal control weakness conditions reported for major federal programs? | No |
| (d)(1)(iv) | Were there any other reportable internal control weakness conditions reported for major federal programs? | No |
| (d)(1)(v) | Type of Major Programs' Compliance Opinion | Unqualified |
| (d)(1)(vi) | Are there any reportable findings under § .510? | No |
| (d)(1)(vii) | Major Programs (list): | Nutrition Cluster (10.550, 10.553, 10.555) |
| (d)(1)(viii) | Dollar Threshold: Type A\B Programs | Type A: > \$ 300,000 Type B: all others |
| (d)(1)(ix) | 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



**Auditor of State
Betty Montgomery**

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AMHERST EXEMPTED VILLAGE SCHOOL DISTRICT

LORAIN COUNTY

CLERK'S CERTIFICATION

This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
MAY 5, 2005**