



**AMHERST EXEMPTED VILLAGE SCHOOL DISTRICT
LORAIN COUNTY**

SINGLE AUDIT

FOR THE YEAR ENDED JUNE 30, 2001



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

**AMHERST EXEMPTED VILLAGE SCHOOL DISTRICT
LORAIN COUNTY**

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REPORT OF INDEPENDENT ACCOUNTANTS

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

We have audited the accompanying general-purpose financial statements of the Amherst Exempted Village School District, Lorain County, Ohio, (the District) as of and for the year ended June 30, 2001, as listed in the table of contents. These general-purpose financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these general-purpose financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the general-purpose financial statements referred to above present fairly, in all material respects, the financial position of the Amherst Exempted Village School District, Lorain County, Ohio, as of June 30, 2001, and the results of its operations and the cash flows of its proprietary fund types and nonexpendable trust fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 7, 2001 on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Board of Education
Amherst Exempted Village School District
Lorain County
Report of Independent Accountants
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We performed our audit to form an opinion on the general-purpose financial statements of the District, taken as a whole. The accompanying schedule of federal awards receipts and expenditures is presented for additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the general-purpose financial statements. We subjected this information to the auditing procedures applied in the audit of the general-purpose financial statements and, in our opinion, is fairly presented, in all material respects, in relation to the general-purpose financial statements taken as a whole.

Jim Petro
Auditor of State

December 7, 2001

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AMHERST EXPEMPTED VILLAGE SCHOOL DISTRICT
LORAIN COUNTY
COMBINED BALANCE SHEET
ALL FUND TYPES AND ACCOUNT GROUPS
AS OF JUNE 30, 2001

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Project
Assets and Other Debits:				
Assets:				
Equity in Pooled Cash and Cash Equivalents	\$7,430,942	\$427,531	\$27,414,583	\$25,789,392
Restricted Assets	69,754	0		0
Receivables:				
Taxes	11,111,901	46,019	1,788,654	567,335
Intergovernmental	0	0		0
Inventory Held for Sale	0	0	0	0
Fixed Assets (Net, where applicable, of Accumulated Depreciation)	0	0	0	0
Other Debits:				
Amount to be Provided for Retirement of Long-Term Obligations	0	0	0	0
Total Assets and Other Debits	<u>18,612,597</u>	<u>473,550</u>	<u>29,203,237</u>	<u>26,356,727</u>
Liabilities, Fund Equity, and Other Credits:				
Liabilities:				
Accounts Payable	31,726	22,413	0	40,948
Accrued Wages and Benefits	2,593,881	62,733	0	0
Due to Students	0	0		0
Deferred Revenue	8,878,153	38,057	1,389,663	449,462
Long Term Compensated Absences	0	0	0	0
Long Term Early Retirement Incentive	0	0	0	0
Long Term Retirement (SERS)	0	0	0	0
Bonds Payable	0	0	0	0
Notes Payable	0	0	0	26,310,000
Interest Payable	0	0	0	605,678
Capital Leases Payable	0	0	0	0
Total Liabilities	<u>11,503,760</u>	<u>123,203</u>	<u>1,389,663</u>	<u>27,406,088</u>
Fund Equity and Other Credits:				
Investment in General Fixed Assets	0	0	0	0
Contributed Capital	0	0	0	0
Retained Earnings, Unreserved	0	0	0	0
Fund Balance:				
Reserved for Encumbrances	183,121	19,559	0	544,173
Reserved for Endowments	0	0	0	0
Reserved for Textbooks	69,754	0	0	0
Reserved for Property Taxes	2,233,748	7,962	398,991	117,873
Unreserved, Undesignated	4,622,214	322,826	27,414,583	(1,711,407)
Total Fund Equity and Other Credits	<u>7,108,837</u>	<u>350,347</u>	<u>27,813,574</u>	<u>(1,049,361)</u>
Total Liabilities, Fund Equity and Other Credits	<u>\$18,612,597</u>	<u>\$473,550</u>	<u>\$29,203,237</u>	<u>\$26,356,727</u>

See accompanying notes to general purpose financial statements.

Proprietary Fund Types	Fiduciary Fund Types	Account Groups		Total (Memorandum Only)
		Enterprise & Internal Service	Trust & Agency	
\$375,549	\$73,738	\$0	\$0	\$61,511,735
0	50,000	0	0	119,754
0	0	0	0	13,513,909
17,502	0	0	0	17,502
26,137	0	0	0	26,137
113,461	0	19,405,213	0	19,518,674
0	0	0	30,512,963	30,512,963
<u>532,649</u>	<u>123,738</u>	<u>19,405,213</u>	<u>30,512,963</u>	<u>125,220,674</u>
6	0	0	0	95,093
58,609	0	0	0	2,715,223
0	55,830	0	0	55,830
19,571	0	0	0	10,774,906
67,705	0	0	3,497,438	3,565,143
0	0	0	467,848	467,848
0	0	0	210,473	210,473
0	0	0	26,310,000	26,310,000
0	0	0	0	26,310,000
0	0	0	0	605,678
0	0	0	27,204	27,204
<u>145,891</u>	<u>55,830</u>	<u>0</u>	<u>30,512,963</u>	<u>71,137,398</u>
0	0	19,405,213	0	19,405,213
78,599	0	0	0	78,599
308,159	0	0	0	308,159
0	0	0	0	746,853
0	50,000	0	0	50,000
0	0	0	0	69,754
0	0	0	0	2,758,574
0	17,908	0	0	30,666,124
<u>386,758</u>	<u>67,908</u>	<u>19,405,213</u>	<u>0</u>	<u>54,083,276</u>
<u>\$532,649</u>	<u>\$123,738</u>	<u>\$19,405,213</u>	<u>\$30,512,963</u>	<u>\$125,220,674</u>

AMHERST EXEMPTED VILLAGE SCHOOL DISTRICT
LORAIN COUNTY
COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
ALL GOVERNMENTAL FUND TYPES AND EXPENDABLE TRUST FUND
FOR THE YEAR ENDED JUNE 30, 2001

	Governmental Fund Types				Fiduciary Fund Type	Totals (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	Expendable Trust	
Revenues:						
Taxes	\$10,845,368	\$46,194	\$1,278,742	\$540,597	\$0	\$12,710,901
Intergovernmental	10,494,431	781,448	107,714	323,689	0	11,707,282
Interest	1,300,194	2,549	0	586	3,855	1,307,184
Tuition and Fees	195,438	79,233	0	0	0	274,671
Extracurricular Activities	0	93,740	0	0	0	93,740
Miscellaneous	63,430	192,591	0	61,077	0	317,098
Total Revenues	22,898,861	1,195,755	1,386,456	925,949	3,855	26,410,876
Expenditures:						
Instruction:						
Regular	11,686,428	300,028	0	134,850	0	12,121,306
Special	1,634,755	181,960	0	0	0	1,816,715
Vocational	311,861	0	0	0	0	311,861
Support Services:						
Pupils	710,479	43,114	0	0	0	753,593
Instructional Staff	1,015,265	89,561	0	0	0	1,104,826
Board of Education	11,052	0	0	0	0	11,052
Administration	1,841,969	153,727	0	45,331	0	2,041,027
Fiscal	486,559	857	15,890	9,263	0	512,569
Operation and Maintenance of Plant	1,989,159	27,603	0	712,800	0	2,729,562
Pupil Transportation	832,608	0	0	21,539	0	854,147
Operation of Non-Instructional Services	29,735	269,054	0	288	2,950	302,027
Extracurricular Activities	450,204	102,770	0	2,787	0	555,761
Debt Service:						
Interest	0	0	0	605,678	0	605,678
Construction in Progress	0	0	0	1,177,664	0	1,177,664
Other Services	0	10,000	0	0	0	10,000
Total Expenditures	21,000,074	1,178,674	15,890	2,710,200	2,950	24,907,788
Excess of Revenues Over (Under) Expenditures	1,898,787	17,081	1,370,566	(1,784,251)	905	1,503,088
Other Financing Sources (Uses):						
Proceeds from Sale of Bonds	0	0	26,310,000	0	0	26,310,000
Proceeds from Accrued Premium	0	0	133,008	0	0	133,008
Proceeds from Sale of Fixed Assets	9,098	6	0	1,467	0	10,571
Refund of Prior Year Expenditures	64,171	0	0	0	0	64,171
Refund of Prior Year Receipts	(130)	(3,345)	0	0	0	(3,475)
Operating Transfers In	0	23,128	0	171,424	0	194,552
Operating Transfers Out	(194,524)	0	0	0	0	(194,524)
Total Other Financing Sources (Uses)	(121,385)	19,789	26,443,008	172,891	0	26,514,303
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	1,777,402	36,870	27,813,574	(1,611,360)	905	28,017,391
Fund Balances at Beginning of Year	5,331,435	313,477	0	561,999	17,003	6,223,914
Fund Balances (Deficit) at End of Year	\$7,108,837	\$350,347	\$27,813,574	(\$1,049,361)	\$17,908	\$34,241,305

See accompanying notes to general purpose financial statements.

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AMHERST EXEMPTED VILLAGE SCHOOL DISTRICT
LORAIN COUNTY
COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
ALL GOVERNMENTAL FUND TYPES AND EXPENDABLE TRUST FUND
FOR THE YEAR ENDED JUNE 30, 2001

	General Fund			Special Revenue Funds		
	Budget	Actual	Variance	Budget	Actual	Variance
Revenues:						
Taxes	\$10,889,407	\$10,889,407	\$0	\$46,360	\$46,361	\$1
Intergovernmental	10,498,310	10,494,431	(3,879)	809,568	781,448	(28,120)
Interest	1,318,743	1,300,194	(18,549)	2,632	2,549	(83)
Tuition and Fees	166,476	195,438	28,962	74,443	79,233	4,790
Extracurricular Activities	0	0	0	93,208	93,740	532
Miscellaneous	67,804	63,430	(4,374)	182,049	192,591	10,542
Total Revenues	22,940,740	22,942,900	2,160	1,208,260	1,195,922	(12,338)
Expenditures:						
Instruction:						
Regular	12,357,645	11,671,782	685,863	396,885	313,312	83,573
Special	2,185,205	1,909,059	276,146	225,578	185,095	40,483
Vocational	322,500	309,500	13,000	0	0	0
Support Services:						
Pupils	746,500	706,235	40,265	47,253	41,207	6,046
Instructional Staff	1,120,457	1,028,089	92,368	108,651	88,919	19,732
Board of Education	15,000	11,052	3,948	0	0	0
Administration	1,922,839	1,818,046	104,793	182,337	154,444	27,893
Fiscal	527,968	468,554	59,414	1,114	857	257
Operation and Maintenance of Plant	2,342,314	2,078,068	264,246	27,810	27,603	207
Pupil Transportation	891,170	844,710	46,460	0	0	0
Operation of Non Instru. Service	38,252	30,714	7,538	345,793	278,142	67,651
Extracurricular Activities	540,665	451,026	89,639	111,762	106,986	4,776
Debt Service:						
Principal Retirement	0	0	0	0	0	0
Interest and Fiscal Charges	0	0	0	0	0	0
Remodeling	0	0	0	0	0	0
Other Services	0	0	0	10,000	10,000	0
Total Expenditures	23,010,515	21,326,835	1,683,680	1,457,183	1,206,565	250,618
Excess of Revenues Over (Under) Expenditures	(69,775)	1,616,065	1,685,840	(248,923)	(10,643)	238,280
Other Financing Sources (Uses):						
Proceeds from Sale of Notes	0	0	0	0	0	0
Proceeds from Sale of Bonds	0	0	0	0	0	0
Premium from Sale of Bonds	0	0	0	0	0	0
Proceeds from Sale of Fixed Assets	3,220	9,098	5,878	0	6	6
Refund of Prior Year Expenditures	64,171	64,171	0	0	0	0
Refund of Prior Year Receipts	(8,500)	(130)	8,370	(3,344)	(3,345)	(1)
Advances In	31,810	31,810	0	0	0	0
Advances Out	(69,500)	0	69,500	0	0	0
Operating Transfers-In	0	0	0	24,100	23,128	(972)
Operating Transfers-Out	(517,890)	(194,524)	323,366	0	0	0
Total Other Financing Sources (Uses)	(496,689)	(89,575)	407,114	20,756	19,789	(967)
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(566,464)	1,526,490	2,092,954	(228,167)	9,146	237,313
Fund Balances at						
Beginning of Year	5,698,169	5,698,169	0	331,439	331,439	0
Prior Year Encumbrances Appropriated	65,715	65,715	0	45,003	45,003	0
Fund Balances at End of Year	\$5,197,420	\$7,290,374	\$2,092,954	\$148,275	\$385,588	\$237,313

See accompanying notes to general purpose financial statements.

Debt Service Fund			Capital Project Funds			Expendable Trust Fund		
Budget	Actual	Variance	Budget	Actual	Variance	Budget	Actual	Variance
\$879,749	\$879,751	\$2	\$546,507	\$546,507	\$0	\$0	\$0	\$0
107,964	107,714	(250)	312,302	323,689	11,387	0	0	0
0	0	0	585	586	1	3,880	3,855	(25)
0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0
0	0	0	61,077	61,077	0	0	0	0
<u>987,713</u>	<u>987,465</u>	<u>(248)</u>	<u>920,471</u>	<u>931,859</u>	<u>11,388</u>	<u>3,880</u>	<u>3,855</u>	<u>(25)</u>
0	0	0	200,037	134,850	65,187	0	0	0
0	0	0	18,500	0	18,500	0	0	0
0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0
0	0	0	46,000	45,331	669	0	0	0
25,000	15,890	9,110	295,576	9,339	286,237	0	0	0
0	0	0	890,868	749,097	141,771	0	0	0
0	0	0	139,500	126,018	13,482	0	0	0
0	0	0	12,000	288	11,712	5,000	2,950	2,050
0	0	0	6,500	2,787	3,713	0	0	0
26,310,000	0	26,310,000	0	0	0	0	0	0
591,975	0	591,975	0	0	0	0	0	0
0	0	0	26,025,000	1,583,113	24,441,887	0	0	0
0	0	0	0	0	0	0	0	0
<u>26,926,975</u>	<u>15,890</u>	<u>26,911,085</u>	<u>27,633,981</u>	<u>2,650,823</u>	<u>24,983,158</u>	<u>5,000</u>	<u>2,950</u>	<u>2,050</u>
<u>(25,939,262)</u>	<u>971,575</u>	<u>26,910,837</u>	<u>(26,713,510)</u>	<u>(1,718,964)</u>	<u>24,994,546</u>	<u>(1,120)</u>	<u>905</u>	<u>2,025</u>
0	0	0	26,310,000	26,310,000	0	0	0	0
26,310,000	26,310,000	0	0	0	0	0	0	0
133,008	133,008	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0
0	0	0	1,467	1,467	0	0	0	0
0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0
0	0	0	(31,810)	(31,810)	0	0	0	0
0	0	0	171,424	171,424	0	0	0	0
0	0	0	0	0	0	0	0	0
<u>26,443,008</u>	<u>26,443,008</u>	<u>0</u>	<u>26,451,081</u>	<u>26,451,081</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
503,746	27,414,583	26,910,837	(262,429)	24,732,117	24,994,546	(1,120)	905	2,025
0	0	0	114,888	114,888	0	16,503	16,503	0
0	0	0	363,564	363,564	0	500	500	0
<u>\$503,746</u>	<u>\$27,414,583</u>	<u>\$26,910,837</u>	<u>\$216,023</u>	<u>\$25,210,569</u>	<u>\$24,994,546</u>	<u>\$15,883</u>	<u>\$17,908</u>	<u>\$2,025</u>

AMHERST EXEMPTED VILLAGE SCHOOL DISTRICT
LORAIN COUNTY
COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
ALL GOVERNMENTAL FUND TYPES AND EXPENDABLE TRUST FUND
FOR THE YEAR ENDED JUNE 30, 2001

	Totals (Memorandum Only)		
	Budget	Actual	Variance
Revenues:			
Taxes	\$12,362,023	\$12,362,026	\$3
Intergovernmental	11,728,144	11,707,282	(20,862)
Interest	1,325,840	1,307,184	(18,656)
Tuition and Fees	240,919	274,671	33,752
Extracurricular Activities	93,208	93,740	532
Miscellaneous	310,930	317,098	6,168
Total Revenues	26,061,064	26,062,001	937
Expenditures:			
Instruction:			
Regular	12,954,567	12,119,944	834,623
Special	2,429,283	2,094,154	335,129
Vocational	322,500	309,500	13,000
Support Services:			
Pupils	793,753	747,442	46,311
Instructional Staff	1,229,108	1,117,008	112,100
Board of Education	15,000	11,052	3,948
Administration	2,151,176	2,017,821	133,355
Fiscal	849,658	494,640	355,018
Operation and Maintenance of Plant	3,260,992	2,854,768	406,224
Pupil Transportation	1,030,670	970,728	59,942
Operation of Non Instru. Service	401,045	312,094	88,951
Extracurricular Activities	658,927	560,799	98,128
Debt Service:			
Principal Retirement	26,310,000	0	26,310,000
Interest and Fiscal Charges	591,975	0	591,975
Remodeling	26,025,000	1,583,113	24,441,887
Other Services	10,000	10,000	0
Total Expenditures	79,033,654	25,203,063	53,830,591
Excess of Revenues Over (Under) Expenditures	(52,972,590)	858,938	53,831,528
Other Financing Sources (Uses):			
Proceeds from Sale of Notes	26,310,000	26,310,000	0
Proceeds from Sale of Bonds	26,310,000	26,310,000	0
Premium from Sale of Bonds	133,008	133,008	0
Proceeds from Sale of Fixed Assets	3,220	9,104	5,884
Refund of Prior Year Expenditures	65,638	65,638	0
Refund of Prior Year Receipts	(11,844)	(3,475)	8,369
Advances In	31,810	31,810	0
Advances Out	(101,310)	(31,810)	69,500
Operating Transfers-In	195,524	194,552	(972)
Operating Transfers-Out	(517,890)	(194,524)	323,366
Total Other Financing Sources (Uses)	52,418,156	52,824,303	406,147
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(554,434)	53,683,241	54,237,675
Fund Balances at			
Beginning of Year	6,160,999	6,160,999	0
Prior Year Encumbrances Appropriated	474,782	474,782	0
Fund Balances at End of Year	\$6,081,347	\$60,319,022	\$54,237,675

See accompanying notes to general purpose financial statements.

AMHERST EXEMPTED VILLAGE SCHOOL DISTRICT
LORAIN COUNTY
COMBINED STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND EQUITY -
ALL PROPRIETARY FUND TYPES AND SIMILAR TRUST FUND
FOR THE YEAR ENDED JUNE 30, 2001

	Proprietary Type Funds		Fiduciary Fund Type	Totals (Memorandum Only)
	Enterprise	Internal Service	Non- Expendable Trust	
Operating Revenues:				
Sales	\$805,139	\$0	\$0	\$805,139
Interest	7,859	9,491	0	17,350
Other Operating Revenues	7,037	0	0	7,037
Total Operating Revenues	820,035	9,491	0	829,526
Operating Expenses:				
Salaries	289,795	0	0	289,795
Fringe Benefits	142,346	20,742	0	163,088
Purchased Services	15,055	0	0	15,055
Materials and Supplies	425,680	0	0	425,680
Depreciation	10,627	0	0	10,627
Total Operating Expenses	883,503	20,742	0	904,245
Operating Income (Loss)	(63,468)	(11,251)	0	(74,719)
Non-Operating Revenues :				
Intergovernmental Operating Grants	128,574	0	0	128,574
Total Non-Operating Revenues	128,574	0	0	128,574
Net Income	65,106	(11,251)	0	53,855
Depreciation on Fixed Assets Acquired by Contributed Capital	6,952	0	0	6,952
Retained Earnings/Fund Balances at Beginning of Year	78,703	168,649	50,000	297,352
Retained Earnings/Fund Balances at End of Year	150,761	157,398	50,000	358,159
Contributed Capital at Beginning of Year	82,551	0	0	82,551
Contributions During the Year from:				
Governmental Funds	3,000	0	0	3,000
Total Contributed Capital	85,551	0	0	85,551
Depreciation on Fixed Assets Acquired by Contributed Capital	(6,952)	0	0	(6,952)
Contributed Capital at End of Year	78,599	0	0	78,599
Total Fund Equity at End of Year	\$229,360	\$157,398	\$50,000	\$436,758

See accompanying notes to general purpose financial statements.

AMHERST EXEMPTED VILLAGE SCHOOL DISTRICT
LORAIN COUNTY
COMBINED STATEMENT OF CASH FLOWS -
ALL PROPRIETARY FUND TYPES AND SIMILAR TRUST FUND
FOR THE YEAR ENDED JUNE 30, 2001

	Proprietary Fund Types		Fiduciary Fund Type	Totals (Memorandum Only)
	Enterprise	Internal Service	Non- Expendable Trust	
Increase (decrease) in Cash and Cash Equivalents				
Cash Flows from Operating Activities:				
Cash Received from Sales	\$755,806	\$0	\$0	\$755,806
Cash Received from Other Operations	7,859	9,491	0	17,350
Cash Payment for Personal Services	(450,641)	(20,742)	0	(471,383)
Cash Payment for Supplies & Materials	<u>(385,278)</u>	<u>0</u>	<u>0</u>	<u>(385,278)</u>
Net Cash Provided by (Used for) Operating Activities	<u>(72,254)</u>	<u>(11,251)</u>	<u>0</u>	<u>(83,505)</u>
Cash Flows from Noncapital Financing Activities:				
Cash Received from Operating Grants	<u>128,318</u>	<u>0</u>	<u>0</u>	<u>128,318</u>
Cash Flows from Capital Financing Activities:				
Cash Paid for Equipment	<u>(16,398)</u>	<u>0</u>	<u>0</u>	<u>(16,398)</u>
Net Increase In Cash and Cash Equivalents:	39,666	(11,251)	0	28,415
Cash and Cash Equivalents at Beginning of Year	<u>178,485</u>	<u>168,649</u>	<u>50,000</u>	<u>397,134</u>
Cash and Cash Equivalents at End of Year	<u><u>\$218,151</u></u>	<u><u>\$157,398</u></u>	<u><u>\$50,000</u></u>	<u><u>\$425,549</u></u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:				
Operating Income (Loss)	<u>(63,468)</u>	<u>(11,251)</u>	<u>0</u>	<u>(74,719)</u>
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:				
Depreciation	10,627	0	0	10,627
Changes in Assets and Liabilities:				
Increase/ (Decrease) in Deferred Revenue	(380)	0	0	(380)
Increase / (Decrease) in Accrued Wages and Benefits	(707)	0	0	(707)
(Increase) / Decrease in Inventory Held for Sale	417	0	0	417
Increase / (Decrease) in Compensated Absences Payable	(17,793)	0	0	(17,793)
Increase / (Decrease) in Accounts Payable	<u>(950)</u>	<u>0</u>	<u>0</u>	<u>(950)</u>
Total Adjustments	<u>(8,786)</u>	<u>0</u>	<u>0</u>	<u>(8,786)</u>
Net Cash Provided by (Used for) Operating Activities	<u><u>(\$72,254)</u></u>	<u><u>(\$11,251)</u></u>	<u><u>\$0</u></u>	<u><u>(\$83,505)</u></u>

See accompanying notes to general purpose financial statements.

**AMHERST EXEMPTED VILLAGE SCHOOL DISTRICT
LORAIN COUNTY
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001**

1. DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY

The Amherst Exempted Village School District (District) is a body politic and corporate established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The District is an exempted village school district as defined by Section 3311.04 of the Ohio Revised Code. The District operates under a locally elected five member Board and is responsible for the provision of public education to residents of the District. The Board controls the District's five instructional facilities, staffed by 147 non-certified personnel, 238 certified full-time teaching and administrative personnel.

The 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 enrollment for the District during the 2001 fiscal year was 3,854. The District operates 3 elementary schools (K-6), 1 junior high school (7-8), and 1 high school (9-12).

Reporting Entity

For financial reporting purposes, the reporting entity is defined to include the primary government, component units, and other organizations consistent with Governmental Accounting Standards Board Statement No 14, "The Financial Reporting Entity", that are included to insure that the financial statements are not misleading.

The primary government consists of all funds, departments, boards and agencies that are not legally separate from the District. For the District, this includes general operation, food service, preschool and student related activities of the District.

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

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

The Amherst Public Library provides the community with various educational and literary resources. This is a related organization and the District's participation is disclosed in Note 19 to the general-purpose financial statements.

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

Within the District boundaries, St. Joseph School is operated through the Cleveland Catholic Diocese. Current state legislation provides auxiliary services funding to this parochial school. These moneys are received and disbursed on behalf of the parochial school by the Treasurer of the 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 District.

The District participates in the Lake Erie Educational Computer Association (LEECA). LEECA provides data services needed by the participating school districts. This is a jointly governed organization and the District's participation is disclosed in Note 20 to the general-purpose financial statements.

**AMHERST EXEMPTED VILLAGE SCHOOL DISTRICT
LORAIN COUNTY
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001
(Continued)**

1. DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY (Continued)

The Lake Erie Regional Council of Governments (LERC) promotes cooperative agreements among its members in dealing with problems of mutual concern. This is a jointly governed organization and the District's participation is disclosed in Note 20 to the general-purpose financial statements.

Lorain County Joint Vocational School District is a separate body politic and corporate, established by the Ohio Revised Code to provide for vocational and special education needs of the students. The District is not involved in the budgeting or management of the Lorain County Joint Vocational School District. A board member of the District serves as a member of the Lorain County Joint Vocational School Board of Education. This is a jointly governed organization and the District's participation is disclosed in Note 20 to the general-purpose financial statements.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies followed in the preparation of these financial statements are summarized below. These policies conform to generally accepted accounting principles (GAAP) for local governmental units prescribed in the statements issued by the Governmental Accounting Standards Board (GASB) and other recognized authoritative sources. The District also applies Financial Accounting Standards Board (FASB) Statements and interpretations issued on or before November 30, 1989, to its proprietary activities provided they do not conflict with or contradict GASB pronouncements.

Basis of Presentation - Fund Accounting

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

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

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

Governmental Fund Types

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

General Fund - The general fund is the general operating fund of the 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 District for any purpose provided it is expended or transferred according to the general laws of Ohio.

Special Revenue Funds - Special revenue funds are established to account for the proceeds of specific revenue sources (other than expendable trusts or major capital projects) that are legally restricted to expenditure for specified purposes.

**AMHERST EXEMPTED VILLAGE SCHOOL DISTRICT
LORAIN COUNTY
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Debt Service Fund - The debt service fund is used to account for the accumulation of resources for, and the payment of, general long-term obligation principal and interest.

Capital Project Funds - The capital project funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities or equipment (other than those financed by proprietary funds and/or trust funds).

Proprietary Fund Types

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

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

Internal Service Fund - The internal service fund is used to account for the financing of goods or services provided by one department or agency to other departments or agencies of the governmental unit, or to other governmental units, on a cost reimbursement basis.

Fiduciary Fund Types

Fiduciary funds are used to account for assets held by the District in a trustee capacity or as an agent for individuals, private organizations, other governmental units, and/or other funds. These include expendable trust funds, non-expendable trust funds, and agency funds. The expendable trust fund is accounted for in essentially the same manner as governmental funds. Non-expendable trust funds are accounted for in the same manner as proprietary funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve the measurement of results of operations.

Account Groups

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

General Fixed Assets Account Group - The General Fixed Assets Account Group is used to account for all fixed assets of the District, other than those accounted for in the proprietary or trust funds.

General Long-Term Obligations Account Group - The General Long-term Obligations Account Group is used to account for all long-term debt obligations of the District except those accounted for in proprietary funds.

Measurement Focus and Basis of Accounting

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

**AMHERST EXEMPTED VILLAGE SCHOOL DISTRICT
LORAIN COUNTY
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

The modified accrual basis of accounting is followed for the governmental, expendable trust, and agency funds. The full accrual basis of accounting is followed for the proprietary funds.

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 District, available means expected to be received within sixty days of year-end.

Non-exchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied (See Note 5). 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 District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. On a 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 deemed both measurable and available at fiscal year-end: property taxes available as an advance, interest, tuition, grants, and student fees.

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, 2001, but which were levied to finance fiscal year 2002 operations, have been recorded as deferred revenue. Grants and entitlements received before eligibility requirements are met are also recorded as deferred revenue.

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

The accrual basis of accounting is utilized for reporting purposes by the proprietary fund type. Revenues are recognized when they are earned and become measurable, and expenses are recognized when they are incurred, if measurable. The fair value of donated commodities used during the year is reported in the operating statement as an expense with a like amount reported as donated commodities revenues. Unused donated commodities are reported as deferred revenue.

**AMHERST EXEMPTED VILLAGE SCHOOL DISTRICT
LORAIN COUNTY
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Budgetary Process

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the Tax Budget, the Certificate of Estimated Resources, and the Appropriations Resolution, all of which are prepared on the budgetary basis of accounting. The Certificate of Estimated Resources and the Appropriations Resolution are subject to amendment throughout the year with the legal restriction that fund appropriations cannot exceed estimated resources, as certified. All funds, other than agency funds, are required to be budgeted and appropriated. Budgetary modifications may only be made by resolution of the Board of Education.

Tax Budget

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

Estimated Resources

Prior to March 15, the Board accepts, by formal resolution, the tax rates as determined by the Budget Commission and receives the Commission's Certificate of Estimated Resources which states the projected revenue of each fund. Prior to June 30, the District must revise its budget so that the total contemplated expenditures from any fund during the ensuing fiscal year will not exceed the amount available as stated in the Certificate of Estimated Resources. The revised budget then serves as the basis for the appropriation measure. On or about July 1, the Certificate of Estimated Resources is amended to include any unencumbered balances from the preceding year. The certificate may be further amended during the year if projected increases or decreases in revenue are identified by the District Treasurer.

The amounts reported in the budgetary statement reflect the amounts in the final amended Certificate of Estimated Resources issued during the fiscal year 2001.

Appropriations

Upon receipt from the County Auditor of an amended Certificate of Estimated Resources based on final assessed values and tax rates or a statement saying no new certificate is necessary, the annual Appropriations Resolution must be legally enacted by the Board at the fund, function, and object level of expenditures, which are the legal levels of budgetary control. Prior to the passage of the annual appropriation measure, the Board may pass a temporary appropriation measure to meet the ordinary expenses of the District. The Appropriations Resolution, by fund, must be within the estimated resources as certified by the County Budget Commission and the total of expenditures and encumbrances may not exceed the appropriation totals at the legal level of budgetary control. Any revisions that alter the total of any fund appropriation or alter total function appropriations within a fund, or alter object appropriations within functions, must be approved by the Board. The Board may pass supplemental fund appropriations so long as the total appropriations by fund do not exceed the amounts set forth in the most recent Certificate of Estimated Resources.

**AMHERST EXEMPTED VILLAGE SCHOOL DISTRICT
LORAIN COUNTY
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

During the year, several supplemental appropriations were legally enacted; however, none of these amendments were significant. The budget figures which appear in the statements of budgetary comparisons represent the final appropriation amounts, including all supplemental appropriations.

Formal budgetary integration is employed as a management control device during the year for all funds, consistent with statutory provisions.

Encumbrances

As part of formal budgetary control, purchase orders, contracts, and other commitments for the expenditure of moneys are recorded as the equivalent of expenditures on the non-GAAP budgetary basis in order to reserve that portion of the applicable appropriation and to determine and to maintain legal compliance. On the GAAP basis, encumbrances outstanding at year end, if any, are reported as reservations of fund balances for subsequent-year expenditures for governmental funds and reported in the Notes to the Financial Statements for Proprietary Funds.

Lapsing of Appropriations

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

Cash and Cash Equivalents

To improve cash management, cash received by the District is pooled in a central bank account. Moneys for all funds, including proprietary funds, are maintained in this account or temporarily used to purchase short term investments. Individual fund integrity is maintained through District records. Each fund's interest in the pooled bank account is presented as "Equity in Pooled Cash and Cash Equivalents" on the balance sheet.

During fiscal year 2001, the District invested funds in certificates of deposit and the State Treasury Assets Reserve (STAR Ohio). STAR Ohio is an investment pool managed by the State Treasurer's Office which allows governments within Ohio to pool their funds for investment purposes. STAR Ohio is not registered with SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of The Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price which is the price the investment could be sold for on June 30, 2001.

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest. Interest revenue credited to the General Fund and other District funds during fiscal year 2001 was \$1,300,194 and \$24,340, respectively.

For purposes of presentation on the Combined Balance Sheet and in the Combined Statement of Cash Flows, cash and cash equivalents, are defined as deposits and investments with original maturities of three months or less at the time they were purchased by the District are considered to be cash equivalents.

Ohio Revised Code authorizes the District to invest in obligations of the U.S. Treasury, obligations of the State of Ohio, obligations of its political subdivisions and agencies, repurchase agreements, the State Treasurer's investment pool, certain bankers' acceptance, and commercial paper notes.

**AMHERST EXEMPTED VILLAGE SCHOOL DISTRICT
LORAIN COUNTY
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Restricted Assets

Restricted assets in the General Fund and Trust and Agency Funds represent cash and cash equivalents whose use is limited by legal requirements. Restricted assets in the General Fund include the amount required by statute to be set-aside by the District for the purchase of textbooks and other instructional materials. Restricted assets in the Trust and Agency Funds represents an endowment for scholarships. Fund balance reserves have also been established.

Inventory

Inventory is stated at the lower of cost or market for proprietary funds on a first-in, first-out basis. Inventories of proprietary funds consist of donated food and purchased food. The costs of inventory items are recorded as expenses in the proprietary funds when used.

Intergovernmental Revenues

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

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

Entitlements

General Fund

State Foundation Program

Non-Reimbursable Grants

Special Revenue Funds

Auxiliary Service

Teachers' Development

Education Management Information Systems

SchoolNet

Data Communication

Title I Grants to Local Educational Agencies

Special Education Grants to States

Safe and Drug-Free Schools and Communities State Grants

Special Education Preschool Grants

Eisenhower Professional Development State Grants

Innovation Education Program Strategies

Class Size Reduction Subsidy

Reimbursable Grants

General Fund

Vocational Education Travel/Subsistence

Proprietary Funds

National School Lunch Program

Food Distribution

**AMHERST EXEMPTED VILLAGE SCHOOL DISTRICT
LORAIN COUNTY
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Grants and entitlements amounted to approximately 36 percent of the District's operating revenue during the 2001 fiscal year.

Fixed Assets

General fixed assets are not capitalized in the funds used to acquire or construct them. Instead, capital acquisition and construction are reflected as expenditures in governmental funds, and the related assets are reported in the General Fixed Asset Account Group. Fixed assets utilized in the proprietary funds are capitalized in the respective fund. All fixed assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. The District does not capitalize infrastructure.

Donated fixed assets are recorded at their fair market values as of the date donated. The District maintains a capitalization threshold of \$500. Books, records, movies, computer software, and other learning aids kept at the District library are not included for reporting purposes.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related fixed assets, as applicable.

Assets in the General Fixed Asset Account Group are not depreciated. Depreciation of furniture, equipment, and vehicles in the proprietary fund types is computed using the straight-line method.

Interest is capitalized on proprietary fund assets acquired with tax-exempt debt. The amount of interest to be capitalized is calculated by offsetting interest expense incurred from the date of the borrowing until completion of the project with interest earned on invested proceeds over the same period.

Compensated Absences

Employees earn vacation in accordance with the following guidelines:

Administrators	Twenty days per year
Certificated	Ineligible for vacation
Non-Certificated	Ten to twenty days per year (depending on years of service)

For central office employees only, unlimited vacation may be accumulated.

Employees earn sick leave at the rate of one and one-quarter days per month and unlimited sick leave may be accumulated.

Upon separation, employees are paid one hundred percent of their accumulated unpaid vacation up to a maximum of 35 days. With Board approval employees can be paid in excess of 35 days or will be required to use their vacation in excess of 35 days when they terminate employment for any reason.

Certificated employees with ten or more years of service are paid one-third of their accumulated sick leave up to a maximum of 80 days upon retirement. Non-certificated employees are paid one-half of their accumulated sick leave up to a maximum of 80 days only upon retirement.

Compensated absences are absences for which employees will be paid, such as vacation or sick leave. 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 employer will compensate the employee for the benefits through paid time off or some other means.

**AMHERST EXEMPTED VILLAGE SCHOOL DISTRICT
LORAIN COUNTY
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Sick leave benefits are accrued as a liability using the vesting method. An accrual for sick leave is made to the extent it is probable that the benefits will result in termination payments. The liability is an estimate based on the District's past experience in making termination payments.

In the governmental funds, compensated absences that are expected to be liquidated with expendable available financial resources are reported as an expenditure and fund liability in the fund that will pay for them. The remainder of the compensated absences liability is reported in the General Long-Term Obligations Account Group.

In the proprietary funds, compensated absences are recorded as an expense and liability of the fund that will pay for them.

Accrued Liabilities and Long-Term Obligations

In general, governmental fund payables and accrued liabilities are reported as obligations of the funds regardless of whether they will be liquidated with current resources. However, claims and judgements, compensated absences, unfunded pension contributions, and special retirement benefits are reported as a liability in the General Long-Term Obligations Account Group to the extent that they will not be paid with current expendable available financial resources. Capital leases and the retirement incentive obligation are recognized as a liability of the General Long-Term Obligations Account Group until due or until resources have been accumulated in the fund for payment early in the following year.

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

Interfund Transactions

Quasi-external transactions are accounted for as revenues, expenditures or expenses. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund are recorded as expenditures/expenses in the reimbursing fund, and as a reduction of expenditures/expenses in the fund that is reimbursed. Nonrecurring or nonroutine permanent transfers of equity are reported as residual equity transfers. All other interfund transfers are reported as operating transfers.

Fund Balance Reserves

The District records reservations for portions of fund balance which are legally segregated for specific future use or which do not represent available spendable resources and therefore are not available for appropriation for expenditures. Unreserved fund balance indicates that portion of fund equity which is available for appropriation in future periods. Fund equity reserves are established for property taxes, textbooks, and encumbrances. Fund equity has also been reserved for endowments to indicate that the principal is legally restricted.

Contributed Capital

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

**AMHERST EXEMPTED VILLAGE SCHOOL DISTRICT
LORAIN COUNTY
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Because the District did not prepare financial statements in accordance with generally accepted accounting principles prior to fiscal year 1988, the exact amount of contributed capital cannot be determined. Consequently, only those amounts that have been specifically identified have been classified as contributed capital in the accompanying combined financial statements. All other fund equity amounts pertaining to proprietary funds have been classified as retained earnings.

Estimates

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

Total - Memorandum Only Columns

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

3. CHANGES IN ACCOUNTING PRINCIPLES

For fiscal year 2001, the District has implemented GASB Statement No. 33, "Accounting and Financial Reporting for Nonexchange Transactions" and GASB Statement No. 36, "Recipient Reporting for Certain Shared Nonexchange Revenues." These changes in accounting principles had no effect on fund balances from the prior year.

4. BUDGETARY BASIS OF ACCOUNTING

While the District is reporting financial position, results of operations and changes in fund balance/retained earnings on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances.

The Combined Statement of Revenues, Expenditures, and Changes in Fund Balances, Budget and Actual (Non-GAAP Budgetary Basis), All Governmental Fund Types and Expendable Trust 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 the 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 for governmental fund types (GAAP basis);

Adjustments necessary to convert the results of operations at the end of the year on the Budget Basis to the GAAP basis are as follows:

**AMHERST EXEMPTED VILLAGE SCHOOL DISTRICT
LORAIN COUNTY
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001
(Continued)**

4. BUDGETARY BASIS OF ACCOUNTING (Continued)

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

	General	Special Revenue	Debt Service	Capital Projects	Expendable Trust
Budget Basis	\$1,526,490	\$ 9,146	\$ 27,414,583	\$ 24,732,117	\$ 905
Net Adjustment for Revenue Accrual	(44,039)	(167)	398,991	(5,910)	0
Net Adjustment for Expenditure Accrual	116,439	(14,063)	0	(638,199)	0
Net Adjustment for Other Sources (Uses)	(31,810)	0	0	(26,278,190)	0
Adjustment for Encumbrances	210,322	41,954	0	578,822	0
GAAP Basis	<u>\$1,777,402</u>	<u>\$ 36,870</u>	<u>\$ 27,813,574</u>	<u>\$ (1,611,360)</u>	<u>\$ 905</u>

5. DEPOSITS AND INVESTMENTS

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

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

A second category consist of "inactive" monies; those monies not required for use within the current two year period of designation of depositories. Inactive monies must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

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

Protection of the District's deposits is provided by the Federal Deposit Insurance Corporation, by eligible securities pledged by the financial institution, as security for repayment by surety company, bonds deposited with the Treasurer by the financial institution or by a single collateral pool established by the financial institution to secure the repayment of all public monies deposited with the institution. Interim monies may be deposited or invested in the following securities:

**AMHERST EXEMPTED VILLAGE SCHOOL DISTRICT
LORAIN COUNTY
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001
(Continued)**

5. DEPOSITS AND INVESTMENTS (Continued)

1. United States Treasury Notes, Bills, Bonds, or any obligation or other security issued by the United States Treasury or any other obligation guaranteed as to principal or interest by the United States;
2. Bonds, notes, debentures, or other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be market to daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of the obligations described 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 of Ohio Treasurer's investment pool (STAR Ohio), and
7. Certain banker's acceptances and commercial paper notes for a period not to exceed one hundred eighty days in an amount not to exceed twenty-five percent of the interim monies available for investment at any one time.

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

Investments may only be made through specified dealers and institutions. Payments 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 to the custodian.

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

Deposits - At year end, the carrying amount of the District's deposits and cash on hand was \$(156,928) and the bank balance was \$233,528. Of the bank balance, \$156,946 was covered by federal depository insurance. Of the remaining balance \$76,582 was uninsured and uncollateralized. Although the securities serving as collateral were held by the pledging financial institutions trust department or agent in the District's name and all State statutory requirements for the deposit of money had been followed, noncompliance with federal requirements would potentially subject the District to a successful claim by the Federal Deposit Insurance Corporation.

**AMHERST EXEMPTED VILLAGE SCHOOL DISTRICT
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NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001
(Continued)**

5. DEPOSITS AND INVESTMENTS (Continued)

Investments - GASB Statement No 3, "Deposits with Financial Institutions, Investments (including Repurchase Agreements), and Reverse Repurchase Agreements," requires the District to categorize investments to give an indication of the level of risk assumed by the District at year-end. Category 1 includes investments that are insured or registered or are held by the District or its agent in the District's name. Category 2 includes uninsured and unregistered investments which are held by the counterparty's trust department or agent in the District's name.

Category 3 includes uninsured and unregistered investments which are held by the counterparty, or by its trust department or agent but not in the District's name.

The District invests in STAR Ohio which is not classified by degree of credit risk since it is not evidenced by securities that exist in physical or book entry form. The carrying value and market value of STAR Ohio investments is \$61,788,417.

The classification of equity in pooled cash on the combined financial statements is based on criteria set forth in GASB Statement No 9. Equity in pooled cash is defined to include investments with maturities of three months or less at the time of their purchase by the District.

6. PROPERTY TAXES

Property taxes include amounts levied against all real, public utility, and tangible personal (used in business) property located in the District. Real property taxes are levied after April 1 on the assessed value listed as of the prior January 1, the lien date. Assessed values are established by State law at 35% of appraised market value. Real property taxes are collected in and intended to finance activity for the year following the year in which they are levied.

Public utility property taxes are assessed on tangible personal property, as well as land and improvements, at 85% of true value (normally 50% of cost). Tangible personal property taxes attach as a lien and are levied January 1 of the current year, the same year in which collections are made. Tangible personal property assessments are 25% of true value.

The full tax rate for all District operations applied to real property for fiscal year ended June 30, 2001 was \$61.42 per \$1,000 of assessed valuation. After adjustment of the rate for inflationary increases in property values, the effective tax rate was \$29.177 per \$1,000 of assessed valuation for real property classified as residential/agricultural and \$34.067 per \$1,000 of assessed valuation for all industrial commercial property.

Real property owners' tax bills are further reduced by \$12.50 per \$100 for homestead and rollback deductions, when applicable.

The amount of these homestead and rollback reductions is reimbursed to the District by the State of Ohio.

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

Accrued property taxes receivable represent delinquent taxes outstanding and real, tangible personal, and public utility taxes which were measurable as of June 30, 2001. Taxes receivable that are available at year end were included in revenues.

**AMHERST EXEMPTED VILLAGE SCHOOL DISTRICT
LORAIN COUNTY
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001
(Continued)**

6. PROPERTY TAXES (Continued)

The assessed values upon which the fiscal year 2001 taxes were collected are:

	2000 Second- Half Collections		2001 First- Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential	\$286,519,940	72.38%	\$335,760,400	74.54%
Industrial/Commercial/Utility	61,074,870	15.43	65,715,430	14.59
Tangible Personal Property	48,267,281	12.19	48,954,210	10.87
Total Assessed Value	<u>\$395,862,091</u>	<u>100.00%</u>	<u>\$450,430,040</u>	<u>100.00%</u>

7. RECEIVABLES

At June 30, 2001 the District's had taxes and intergovernmental receivables. All receivables are considered collectable in full. A summary of the principal items of receivables follows:

	<u>Receivables</u>	<u>Amount</u>
<u>General Fund:</u>		
	Taxes - Current	\$11,111,901
	Taxes - Deferred	8,878,153
<u>Special Revenue Funds:</u>		
	Taxes - Current	46,019
	Taxes - Deferred	38,057
<u>Debt Service Fund:</u>		
	Taxes - Current	1,788,654
	Taxes - Deferred	1,389,663
<u>Capital Project Funds:</u>		
	Taxes - Current	567,335
	Taxes - Deferred	449,462

8. SHORT TERM OBLIGATIONS

The District's bond anticipation note activity for the fiscal year ended June 30, 2001 was as follows:

<u>Capital Project Fund</u>	<u>Principal Outstanding 6/30/00</u>	<u>Additions</u>	<u>Deductions</u>	<u>Principal Outstanding 6/30/01</u>
2001 Junior High 4.25% Notes, due 7/31/01	<u>\$ -0-</u>	<u>\$26,310,000</u>	<u>\$ -0-</u>	<u>\$26,310,000</u>

**AMHERST EXEMPTED VILLAGE SCHOOL DISTRICT
LORAIN COUNTY
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001
(Continued)**

9. FIXED ASSETS

The following is a summary of changes in the General Fixed Assets Account Group during the fiscal year:

Asset Category	Balance at 7/01/00	Additions	Retirements	Balance at 6/30/01
Land	\$944,183	\$0	\$0	\$944,183
Building	11,452,626	613,130	0	12,065,756
Construction in Progress	0	1,177,664	0	1,177,664
Furniture & Equipment	3,533,619	482,086	0	4,015,705
Buses and Vehicles	1,195,518	19,457	(13,070)	1,201,905
Total	\$17,125,946	\$2,292,337	(\$13,070)	\$19,405,213

The following is a summary of proprietary fund-type fixed assets at June 30, 2001:

	Enterprise Funds
Machinery and equipment	\$322,701
Less: Accumulated Depreciation	(209,240)
Net fixed assets	\$113,461

In proprietary funds, the estimated useful lives for machinery and equipment used to compute depreciation is 5 -20 years.

10. LONG-TERM OBLIGATIONS

Long-term obligations of the District as of June 30, 2001 were as follows:

General Long-Term Obligation Account Group:	Outstanding 7/01/00	Additions	Deductions	Outstanding 6/30/01
Long Term Retirement (SERS)	\$196,524	\$210,473	\$196,524	\$210,473
Early Retirement Incentive	512,933	467,848	512,933	467,848
Compensated Absences	3,407,198	304,290	214,050	3,497,438
General Obligation Bonds	0	26,310,000	0	26,310,000
Capital Lease	41,726	0	14,522	27,204
Total	\$4,158,381	\$27,292,611	\$938,029	\$30,512,963

**AMHERST EXEMPTED VILLAGE SCHOOL DISTRICT
LORAIN COUNTY
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001
(Continued)**

10. LONG-TERM OBLIGATIONS (Continued)

The accrued vacation and sick leave benefits (compensated absences) recorded above represent the noncurrent portion of the liability.

The general obligation bonds were issued to pay the costs of constructing, furnishing and equipping a new Junior High School and constructing additions to, renovating, remodeling, furnishing, equipping and otherwise improving Marion L. Steele High School, the existing Walter G. Nord Junior High School and other school facilities and improving their sites and acquiring sites for future school purposes..

Debt service requirements for the general obligation bonds are as follows:

Calendar Year	Principal	Interest	Total
2001	\$0	\$776,040	\$776,040
2002	740,000	1,236,170	1,976,170
2003	790,000	1,211,380	2,001,380
2004	850,000	1,182,545	2,032,545
2005	910,000	1,150,670	2,060,670
2006 - 2010	5,370,000	5,156,995	10,526,995
2011 - 2015	6,250,000	3,880,375	10,130,375
2016 - 2020	5,400,000	2,424,200	7,824,200
2021 - 2026	6,000,000	1,112,500	7,112,500
Total	<u>\$26,310,000</u>	<u>\$18,130,875</u>	<u>\$44,440,875</u>

11. CAPITAL LEASES

The District entered into capitalized leases for copiers and computer equipment. Each lease meets the criteria for a capital lease as defined by Statement of Financial Accounting Standards No 13 "Accounting for Leases," which generally defines a capital lease as one which transfers benefits and risks of ownership to the lessee.

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

Fiscal Year	Present Value of Capital Lease	Interest	Total Minimum Lease Payments
2002	15,846	1,758	17,604
2003	11,358	380	11,738
Total	<u>\$27,204</u>	<u>\$2,138</u>	<u>\$29,342</u>

**AMHERST EXEMPTED VILLAGE SCHOOL DISTRICT
LORAIN COUNTY
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001
(Continued)**

12. COMPENSATED ABSENCES

Each employee is entitled to accrue fifteen (15) days of sick leave each year under contract at the rate of one and one-fourth (1¼) days for each calendar month. Sick leave is cumulative for all employees.

Severance Pay:

Certified and administrative employees are eligible for severance pay after the Board accepts the employee's resignation for retirement purposes. Severance pay equals the employee's daily rate at retirement times one third the employee's accrued but unused sick leave days. The maximum severance pay for accumulated sick leave is eighty days.

Classified employees are eligible for severance pay after the Board of Education accepts the employee's resignation for retirement purposes. Severance pay amount is equal to the employee's daily rate at retirement times one half of the employee's accrued but unused sick leave days. The maximum severance pay for accumulated sick leave is eighty days.

13. SEGMENT INFORMATION - ENTERPRISE FUND

The District maintains an Enterprise Fund which is intended to be self-supporting through user fees charged for services to the students. Financial segment information as of and for the fiscal year ended June 30, 2001 is presented below:

	<u>Food Service</u>
Operating Revenues	\$ 820,035
Depreciation Expense	10,627
Operating Expenses	872,876
Operating Loss	(63,468)
Federal Donated Commodities	56,370
Non-operating Grants	128,574
Net Income	65,106
Fixed Asset Additions	16,398
Fixed Asset Disposals	0
Net Working Capital	\$183,604
Total Assets	\$375,251
Total Liabilities	\$145,891
Total Equity	\$229,360

**AMHERST EXEMPTED VILLAGE SCHOOL DISTRICT
LORAIN COUNTY
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001
(Continued)**

14. DEFINED BENEFIT PENSION PLANS

School Employees Retirement System

The District contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing multiple employer retirement system administered by the School Employees Retirement Board. SERS provides basic retirement benefits, disability, survivor, and health care benefits based upon eligible service credit to members and beneficiaries. Benefits are established by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available financial report that includes financial statements and required supplementary information for SERS. That report may be obtained by writing to the School Employees Retirement System, 45 North Fourth Street, Columbus, Ohio 43215-3634.

Plan members are required to contribute 9 percent of their annual covered salary and the District is required to contribute 14 percent. A portion of the District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2001, 4.2 percent of annual covered salary was the portion used to fund pension obligations. For fiscal year 2000, 5.5 percent was used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to a statutory amount, by the SERS' Retirement Board. The District's required contributions for pension obligations to SERS for the fiscal years ending June 30, 2001, 2000, and 1999 were \$472,500, \$407,817, and \$384,319, respectively; 55.4 percent has been contributed for fiscal year 2001 and 100 percent for fiscal years 2000 and 1999. \$210,473 representing the unpaid contribution for fiscal year 2001, is recorded as a liability within the respective funds and the General Long-term Obligations Account Group.

State Teachers Retirement System

The District contributes to the State Teachers Retirement System of Ohio (STRS), a cost-sharing multiple employer public employees retirement system administered by the State Teachers Retirement Board. STRS provides basic retirement benefits, disability, survivor, and health care benefits based on eligible service credit to members and beneficiaries. Benefits are established by Chapter 3307 of the Ohio Revised Code. STRS issues a publicly available financial report that includes financial statements and required supplementary information for STRS. The report may be obtained by writing to the State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3771

For fiscal year ended June 30, 2001, plan members are required to contribute 9.3 percent of their annual covered salaries. The District is required to contribute 14 percent; 9.5 percent was the portion used to fund pension obligations. For fiscal year 2000, the portion used to fund pension obligations was 6 percent. Contribution rates are established by STRS, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. The District's required contributions for pension obligations to STRS for the years ending June 30, 2001, 2000, and 1999 were \$1,610,840, \$1,552,446, and \$1,515,640, respectively; 83.7 percent has been contributed for fiscal year 2001, and 100 percent for fiscal years 2000 and 1999. \$262,740 represents the unpaid contribution for fiscal year 2001 and is recorded as a liability within the respective funds.

Social Security System

Effective July 1, 1991 all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System have an option to choose Social Security or the School Employees Retirement or State Teachers Retirement Systems, as applicable. As of June 30, 2001 the District does not have any employees who are covered under the Social Security system.

**AMHERST EXEMPTED VILLAGE SCHOOL DISTRICT
LORAIN COUNTY
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001
(Continued)**

15. POSTEMPLOYMENT BENEFITS

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

All STRS benefit recipients and sponsored dependents are eligible for health care coverage. The STRS Board has statutory authority over how much, if any, of health care cost will be absorbed by STRS. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS funds is included in the employer contribution rate, currently 14 percent of covered payroll. For fiscal year ended June 30, 2001, the STRS Board allocated employer contributions equal to 4.5 percent of covered payroll to the Health Care Reserve Fund. For the District, this amount equaled \$517,770 for fiscal year 2001.

STRS pay health care benefits from the Health Care Reserve Fund. At of June 30, 2000, (the latest information available) the balance in the Fund was \$3.419 billion. For the year fiscal ended June 30, 2000, net health care costs paid by STRS were \$283,137,000 and STRS had 99,011 eligible benefit recipients.

For SERS, coverage is made available to service retirees with ten or more years of qualifying service credit, and to disability and survivor benefit recipients. Members retiring on or after August 1, 1989, with less than twenty-five years of service credit must pay a portion of their premium for health care. The portion is based on years of service up to a maximum of 75 percent of the premium.

After the allocation for basic benefits, the remainder of the employer's 14 percent contribution is allocated to providing health care benefits. For the fiscal year ended June 30, 2001, employer contributions to fund health care benefits were 9.8 percent of covered payroll, an increase of 1.3 percent from fiscal year 2000. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2001, the minimum pay has been established at \$12,400. For the District, the amount contributed to fund health care benefits, including the surcharge, during the 2001 fiscal year equaled \$341,983.

The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund. The target level for the health care reserve is 150 percent of annual health care expenses. Expenses for health care at June 30, 2000, (the latest information available), were \$140,696,340 and the target level was \$211 million. At June 30, 2000, SERS had net assets available for payment of health care benefits of \$252.3 million. SERS has approximately 50,000 participants receiving health care benefits.

16. RISK MANAGEMENT

The District is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets, errors and omissions, injuries to employees and natural disasters. During fiscal 2001, the District contracted with Nationwide Insurance Company for property insurance. Professional liability is protected by the Nationwide Insurance Company with a \$5,000,000 aggregate limit.

Vehicles are covered by the Nationwide Insurance Company and hold a \$250 deductible for collision. Automobile liability has a \$500,000 combined single limit of liability. Settled claims have not exceeded this commercial coverage in any of the past ten years.

**AMHERST EXEMPTED VILLAGE SCHOOL DISTRICT
LORAIN COUNTY
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001
(Continued)**

16. RISK MANAGEMENT (Continued)

Performance bonds in the amounts of \$20,000 and \$75,000 are maintained for the Board President and the Treasurer, respectively, by the Nationwide Mutual Insurance Company. A \$20,000 performance bond is maintained for the Superintendent by the Ohio Casualty Insurance Company. The Ohio Casualty Insurance Company also maintains a \$20,000 blanket bond for all employees.

The District pays the State Workers' Compensation System a premium based on a rate per \$100 of salaries. This rate is calculated based on accident history and administrative costs.

The District provides life and accidental death and dismemberment insurance to its employees. Life insurance is covered through Educational Employees Life Insurance Trust, administered by the Lake Erie Regional Council of Governments. Full time certified employees are covered by \$30,000. Coverage for part time 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 District has contracted with the Lake Erie Regional Council of Governments (LERC) to provide employee health and medical benefits since December 1988. The program is a claims-servicing pool comprised of fourteen Lorain County school districts. Rates are set through an annual calculation process. The District pays a monthly contribution which is placed in a common fund from which claim payments are made for all participating school districts. Claims are paid for all participants regardless of claims flow or individual account balance. Upon termination, the terminating District would be liable for all outstanding claims beyond their individual account balance. The LERC Board of Directors has the right to return moneys to an exiting district subsequent to settlement of all expenses and claims. This plan provides a medical/surgical plan with deductibles of \$150 for single and \$300 for family coverage.

The LERC's pool 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 in any given year, each participating member is notified of their deficiency and their premium is adjusted to cover its share of the additional cost of anticipated future claims.

17. 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.

18. RETIREMENT INCENTIVE PLAN

In 1989, the Board of Education adopted an Early Retirement Incentive Program for all employee groups. The Board purchased up to two (2) years retirement service for five percent (5%) of both certified and classified staff members eligible to retire through the STRS or SERS systems.

As of June 30, 2001, the Early Retirement Incentive Program liability is \$467,648. This liability will not be liquidated with expendable available financial resources and is reported in the General Long-Term Obligations Account Group.

**AMHERST EXEMPTED VILLAGE SCHOOL DISTRICT
LORAIN COUNTY
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001
(Continued)**

18. RETIREMENT INCENTIVE PLAN (Continued)

The District pays the entire cost of the retirement incentive credit purchased for all eligible administrators and teachers. The cost of the retirement incentive credit purchased is the amount determined annually by the STRS actuary, which is paid annually over the amount of years purchased for each employee from the appropriate fund.

19. RELATED ORGANIZATION

The Amherst Public 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 District for operational subsidies. Although the 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 District and its operations are not included within the accompanying general-purpose financial statements. Financial information can be obtained by contacting the Clerk-Treasurer of the Amherst Public Library at 211 Spring Street, Amherst, Ohio 44001.

20. JOINTLY GOVERNED ORGANIZATIONS

Lake Erie Education Computer Association (LEECA)

The Lake Erie Education Computer Association (LEECA) is a jointly governed organization among thirty school districts. The jointly governed organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member districts. Each 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. 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 thirteen 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 insurance.

The LERC's shared risk pool 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.

**AMHERST EXEMPTED VILLAGE SCHOOL DISTRICT
LORAIN COUNTY
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001
(Continued)**

20. JOINTLY GOVERNED ORGANIZATIONS (Continued)

Lake Erie Regional Council of Governments (LERC) (Continued)

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 2001, the District paid to LERC \$1,593,874, which represents 14.05 percent of total contributions. 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 2001, the District did not pay any money to Lorain County Joint Vocational School District. Financial information can be obtained by contracting the Treasurer of the Lorain County Joint Vocational School District, Rt. 20 at Rt. 58, Oberlin, Ohio 44074.

21. CONTINGENCIES

State School Funding Decision

On March 24, 1997, the Ohio Supreme Court rendered a decision declaring certain portions of the Ohio school funding plan unconstitutional. The Court stayed the effect of its ruling for one year to allow the State's legislature to design a plan to remedy the perceived defects in the system. Declared unconstitutional was the State's "school foundation program", which provides significant amounts of monetary support to the School District. During the fiscal year ended June 30, 2001, the District received \$9,100,602 of school foundation support for its general fund.

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

The Court decided to maintain jurisdiction over these issues.

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

**AMHERST EXEMPTED VILLAGE SCHOOL DISTRICT
LORAIN COUNTY
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001
(Continued)**

21. CONTINGENCIES (Continued)

Grants

The District received financial assistance from federal and state agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreement and is subject to audit by the grantor agencies. The District has also met the requirements of the Federal Single Audit Act Amendments of 1996 and OMB Circular A-133. 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 District at June 30, 2001.

22. STATUTORY RESERVES

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

	Textbook Reserve	Capital Maintenance Reserve	Budget Stabilization Reserve
Reserve Balance 6/30/00	\$ 285,301	\$ 0	\$ 330,455
Required Set Aside	510,217	510,217	0
Reduction in Requirement based on revised Legislation	0	0	(330,455)
Qualifying Expenditures	(725,764)	(575,262)	0
Reserve Balance 6/30/01	<u>\$ 69,754</u>	<u>\$ (65,045)</u>	<u>\$ 0</u>

23. SUBSEQUENT EVENTS

State's School Funding Plan

On September 6, 2001, the Ohio Supreme Court issued its latest opinion regarding the State's school funding plan. The decision identified aspects of the current plan that require modification if the plan is to be considered constitutional, including:

- ▶ A change in the school districts that are used as the basis for determining the base cost support amount. Any change in the amount of funds distributed to school districts as a result of this change must be retroactive to July 1, 2001, although a time line for distribution is not specified.
- ▶ Fully funding parity aid no later than the beginning of fiscal year 2004 rather than fiscal year 2006.

The Supreme Court relinquished jurisdiction over the case based on anticipated compliance with its order.

**AMHERST EXEMPTED VILLAGE SCHOOL DISTRICT
LORAIN COUNTY
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001
(Continued)**

23. SUBSEQUENT EVENTS (Continued)

State's School Funding Plan (Continued)

In general, it is expected that the decision would result in an increase in State funding for most Ohio school districts. However, as of December 7, 2001, the Ohio General Assembly is still analyzing the impact this Supreme Court decision will have on funding for individual school districts. Further, the State of Ohio, in a motion filed September 17, 2001, asked the Court to reconsider and clarify the parts of the decision changing the school districts that are used as the basis for determining the base cost support amount and the requirement that changes be made retroactive to July 1, 2001.

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

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

Contractual Commitment

On June 30, 2001, the District had entered into several contractual commitments for the new middle school and building renovations that had an original commitment amount of \$19,258,492.

**AMHERST EXEMPTED VILLAGE SCHOOL DISTRICT
LORAIN COUNTY
SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2001**

Federal Program	CFDA #	Pass-through Agency Awarding Number	Receipts	Non-Cash Receipts	Expenditures	Non-Cash Expenditures
United States Department Of Education						
Passed-through Ohio Department of Education						
Special Education Cluster:						
Special Education - Grants to States	84.027	045195 6B-SF 2000	222,019		234,518	
Special Education - Preschool	84.173	045195 PG-S1 2000	<u>17,044</u>		<u>17,044</u>	
Total Special Education Cluster			239,063		251,562	
Title 1 Grants to Local Educational Agencies	84.010	045195 C1-S1 00/01	210,897		190,729	
Innovative Education Program Strategies	84.298	045195 C2-S1 2001	19,945		19,937	
Class Size Reduction Subsidy	84.340	045195 CR-S1 2001	38,480		40,415	
Eisenhower Professional Development State Grant	84.281	045195 MS-S1 2001	10,970		8,492	
Safe and Drug-Free Schools and Communities-State Grants	84.186	045195 DR-S1 2001	15,538		15,235	
Passed-through Lorain County Joint Vocational School District						
Vocational Education-Basic Grants to States	84.048	N/A	<u>758</u>		<u>758</u>	
Total United States Department of Education			<u>535,651</u>		<u>527,128</u>	
United States Department Of Agriculture						
Passed-through Ohio Department of Education						
Child Nutrition Cluster:						
National School Lunch Program	10.555	045195 LL-P1 00/01	71,390		71,390	
National School Lunch Program	10.555	045195 LL-P4 00/01	<u>52,836</u>		<u>52,836</u>	
Total National School Lunch Program			<u>124,226</u>		<u>124,226</u>	
Food Distribution Program	10.550	045195 04-PU		<u>\$56,370</u>		<u>\$56,750</u>
Total Nutrition Cluster/Total United States Department of Agriculture			<u>124,226</u>	<u>56,370</u>	<u>124,226</u>	<u>56,750</u>
Total Federal Financial Assistance			<u>\$659,877</u>	<u>\$56,370</u>	<u>\$651,354</u>	<u>\$56,750</u>

The notes to the Schedule of Federal Awards, Receipts, and Expenditures are an integral part of this statement.

AMHERST EXEMPTED VILLAGE SCHOOL DISTRICT
NOTES TO THE SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
JUNE 30, 2000

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

The accompanying Schedule of Federal Awards Receipts and Expenditures (Schedule) includes the federal grant activity of the District and is presented on the basis of cash receipts and disbursements. The information in this Schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this Schedule may differ from amounts presented in, or used in the preparation of, the general-purpose financial statements.

NOTE B - NATIONAL SCHOOL LUNCH PROGRAM

Cash receipts from the U.S. Department of Agriculture are commingled with State grants and local revenues. It is assumed that federal monies are expended first.

NOTE C - 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, 2001, the District had food commodities valued at \$19,951 in inventory.



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

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

We have audited the financial statements of the Amherst Exempted Village School District, Lorain County, Ohio (the District) as of and for the year ended June 30, 2001, and have issued our report thereon dated December 7, 2001. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

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

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the District in a separate letter dated December 7, 2001.

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.

Jim Petro
Auditor of State

December 7, 2001



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**REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO THE 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 are applicable to its major federal program for the year ended June 30, 2001. 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 of 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, 2001.

Internal Control Over Compliance

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

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses. However, we noted another matter involving the internal control over federal compliance that does not require inclusion in this report, that we have reported to management of the District in a separate letter dated December 7, 2001.

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.

Jim Petro
Auditor of State

December 7, 2001

**AMHERST EXEMPTED VILLAGE SCHOOL DISTRICT
SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505**

June 30, 2001

1. SUMMARY OF AUDITOR'S RESULTS

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

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

None

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None



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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
JANUARY 17, 2002**