



**AMHERST EXEMPTED VILLAGE SCHOOL DISTRICT
LORAIN COUNTY
SINGLE AUDIT
FOR THE YEAR ENDED JUNE 30, 2005**



**Auditor of State
Betty Montgomery**

**AMHERST EXEMPTED VILLAGE SCHOOL DISTRICT
LORAIN COUNTY**

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Auditor of State Betty Montgomery

INDEPENDENT ACCOUNTANTS' REPORT

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

We have audited the accompanying financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of the Amherst Exempted Village School District, Lorain County, Ohio, (the District) as of and for the year ended June 30, 2005, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure 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 our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the major fund, and the aggregate remaining fund information of the Amherst Exempted Village School District, Lorain County, Ohio, as of June 30, 2005, and the respective changes in financial position and where applicable, cash flows, thereof and the budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 3 to the basic financial statements, the District implemented GASB Statement Nos. 40, 45, and restated the fund balances of the Governmental Funds as of June 30, 2004, for the implementation of GASB Technical Bulletin 2004-2.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 1, 2006, 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 grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

Management's Discussion and Analysis is not a required part of the basic financial statements but is supplementary information accounting principles generally accepted in the United States of America requires. We have applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measuring and presenting the required supplementary information. However, we did not audit the information and express no opinion on it.

We conducted our audit to opine on the financial statements that collectively comprise the District's basic financial statements. The federal awards receipts and expenditures schedule is required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements. We subjected the federal awards receipts and expenditure schedule to the auditing procedures applied in the audit of the basic financial statements. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

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

Betty Montgomery
Auditor of State

May 1, 2006

Amherst Exempted Village School District, Lorain County

Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2005

Unaudited

This discussion and analysis of Amherst Exempted Village School District's (the "School District") financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2005. The intent of this discussion and analysis is to look at the School District's financial performance as a whole; readers should also review the financial statements and the notes to the basic financial statements to enhance their understanding of the School District's financial performance.

Financial Highlights

Key financial highlights for 2005 are as follows:

- General revenues accounted for \$32,196,684 in revenue or 90.5% of all revenues. Program specific revenues in the form of charges for services, operating grants, contributions and interest, and capital grants and contributions accounted for \$3,382,297 or 9.5% of total revenues of \$35,578,981.
- The School District had \$35,559,488 in expenses related to governmental activities; program revenues offset only \$3,382,297 of these expenses. \$32,196,684 of general revenues was available to provide for these programs resulting in a increase in net assets of \$19,493.
- Of the total governmental expenses of \$35,559,488, the amount related to instruction totaled \$20,586,640 or 57.9% of this total.
- Capital asset additions of \$826,553 consisted primarily of the capitalization of construction costs for the new junior high school and additions to the existing high school, junior high school and other facilities plus the purchase of five new buses. The costs for the construction projects were paid from proceeds of a 2001 bond issue.

Using this Annual Financial Report

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

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

Amherst Exempted Village School District, Lorain County

Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2005

Unaudited

Reporting the School District as a Whole

Statement of Net Assets and the Statement of Activities

While these statements contain information about a large number of funds used by the School District to provide programs and activities, the view of the School District as a whole looks at all financial transactions and helps answer the question, "How did we do financially during fiscal 2005?" These statements include all non-fiduciary assets and liabilities using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting, takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

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

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

Reporting the School District's Most Significant Funds

Fund Financial Statements

The analysis of the School District's major fund begins on page 14. Fund financial statements provide detailed information about the School District's major fund. The School District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the School District's most significant funds. The School District's only major governmental fund is the general fund.

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

Amherst Exempted Village School District, Lorain County

Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2005
Unaudited

The School District as a Whole

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

Table 1 provides a summary of the School District's net assets for 2005.

Table 1
Net Assets

	<i>Governmental Activities</i>	
	<u>2005</u>	<u>2004</u>
<i>Assets</i>		
<i>Current and other assets</i>	\$ 25,844,266	\$ 27,728,354
<i>Capital assets, net of depreciation</i>	<u>30,434,362</u>	<u>30,516,886</u>
<i>Total assets</i>	<u>56,278,628</u>	<u>58,245,240</u>
<i>Liabilities</i>		
<i>Current and other liabilities</i>	16,524,652	17,686,291
<i>Long-term liabilities:</i>		
<i>Due within one year</i>	1,199,825	1,230,240
<i>Due in more than one year</i>	<u>26,654,807</u>	<u>27,448,858</u>
<i>Total liabilities</i>	<u>44,379,284</u>	<u>46,365,389</u>
<i>Net Assets</i>		
<i>Invested in capital assets, net of related debt</i>	5,022,405	4,638,910
<i>Restricted</i>	2,335,348	2,176,506
<i>Unrestricted</i>	<u>4,541,591</u>	<u>5,064,435</u>
<i>Total net assets</i>	<u>\$ 11,899,344</u>	<u>\$ 11,879,851</u>

Over time, net assets can serve as a useful indicator of a government's financial position. At June 30, 2005, the School District's assets exceeded liabilities by \$11,899,344.

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

A portion of the School District's net assets, \$2,335,348, represents resources that are subject to external restrictions on how the funds may be used. Of the total restricted net assets, \$941,926 is restricted for debt service payments and \$681,014 is restricted for capital projects, including the completion of building projects of the School District. Net assets restricted for other purposes in the amount of \$712,408, primarily include amounts for food service operations, resources generated by individual school buildings to supplement co-curricular and extra-curricular programs, and for recreational activities provided by a special levy approved by the citizenry of the School District.

Amherst Exempted Village School District, Lorain County

Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2005

Unaudited

The largest portion of the remaining balance of net assets, \$4,541,591, is unrestricted and may be used to meet the government's ongoing obligations to students and staff.

Table 2 shows the change in net assets for fiscal year 2005 as compared to 2004.

*Table 2
Change in Net Assets*

	<i>Governmental Activities</i>	
	<u>2005</u>	<u>2004</u>
<u>Revenues:</u>		
<i>Program revenues:</i>		
Charges for services	\$ 1,891,864	\$ 1,588,942
Operating grants, contributions and interest	1,407,143	1,178,326
Capital grants and contributions	83,290	28,450
<i>General revenues:</i>		
Property taxes	15,754,222	13,594,020
Grants and entitlements	16,020,862	14,688,934
Investment earnings	231,234	107,990
Miscellaneous	190,366	200,159
Total revenues	<u>35,578,981</u>	<u>31,386,821</u>
<u>Program Expenses:</u>		
<i>Instruction:</i>		
Regular	17,294,871	15,353,702
Special	2,860,081	2,766,842
Vocational	431,688	403,090
<i>Support services:</i>		
Pupils	1,270,332	1,126,962
Instructional staff	1,628,453	1,555,049
Board of education	11,024	14,229
Administration	2,838,257	2,611,134
Fiscal	611,968	620,061
Operation and maintenance of plant	3,538,210	3,597,187
Pupil transportation	1,305,090	1,228,188
Central	-	13,800
Operation of non-instructional services	266,008	231,106
Operation of food services	1,337,798	1,205,842
Extracurricular activities	789,817	773,657
Interest and fiscal charges	<u>1,375,891</u>	<u>1,356,987</u>
Total expenses	<u>35,559,488</u>	<u>32,857,836</u>
Change in net assets	19,493	(1,471,015)
Net assets beginning of year	<u>11,879,851</u>	<u>13,350,866</u>
Net assets end of year	<u>\$ 11,899,344</u>	<u>\$ 11,879,851</u>

Amherst Exempted Village School District, Lorain County

Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2005

Unaudited

Governmental Activities

Several revenue sources fund our governmental activities with property taxes and State foundation revenues being the largest contributors. Property tax levies generated over \$15.7 million in 2005. General revenues from grants and entitlements, such as the school foundation program, generated over \$16 million. With the combination of taxes and intergovernmental funding 89% of all revenues, the School District monitors both of these revenue sources very closely for fluctuations.

A review of Table 2 reflects the total cost of instructional services was \$20,586,640 or 57.9% of governmental program expenses. Instructional expenses include activities directly related to the teaching of pupils and the interaction between teacher and pupil. These expenses increased \$2,063,006, or 11.1% as compared to the prior year. The primary cause for this increase was due to early retirement incentive payments to staff members.

Pupil services and instructional staff include the activities involved in assisting staff and the content and process of teaching to pupils. These expenses represent \$2,898,785, or 8.2% of the total governmental program expenses. Expenses to provide these programs increased \$216,774, or 8.1%, as compared to fiscal year 2004. This increase was primarily caused by the payment to one staff member who accepted early retirement and costs associated with the increase in enrollment over fiscal year 2004.

Board of education, administration, and fiscal classifications reflect expenses associated with establishing and administering school operation policies, financial operations and activities concerned with purchasing, receiving and maintaining goods and services for the School District. The total cost to provide these programs was \$3,461,249, or 9.7% of governmental program expenses. Costs of these programs increased \$215,825, or 6.7%, as compared to the prior year. The most significant increase was to the administration program, which increased \$227,123, or 8.7%. The most significant cause for this increase was for early retirement incentive payments.

Operation and maintenance of plant expenses refer to the care and upkeep of the buildings, grounds, equipment and the safety of the School District's operations. The total cost for the operation and maintenance services was \$3,538,210 or 10% of the governmental program expenses. These expenses decreased \$58,977, or 1.6% as compared to fiscal year 2004. The decrease in expenses of this program are primarily the result of, the prior fiscal year being the first full year of operating costs from the opening of the new junior high school building.

The statement of activities shows the cost of program services and the charges for services and grants offsetting those services. Table 3 shows, for government activities, the total cost of services and the net cost of services. That is, it identifies the cost of these services supported by tax revenue and unrestricted State entitlements for fiscal year 2005.

Amherst Exempted Village School District, Lorain County

Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2005
Unaudited

*Table 3
Governmental Activities*

<i>Program Expenses</i>	<i>Total Cost of Services 2005</i>	<i>Total Cost of Services 2004</i>	<i>Net Cost of Services 2005</i>	<i>Net Cost of Services 2004</i>
<i>Instruction:</i>				
<i>Regular</i>	\$ 17,294,871	\$ 15,353,702	\$ (16,573,843)	\$ (14,675,898)
<i>Special</i>	2,860,081	2,766,842	(2,362,245)	(2,570,162)
<i>Vocational</i>	431,688	403,090	(431,688)	(403,090)
<i>Support services:</i>				
<i>Pupils</i>	1,270,332	1,126,962	(1,205,595)	(1,096,747)
<i>Instructional staff</i>	1,628,453	1,555,049	(1,565,907)	(1,461,964)
<i>Board of education</i>	11,024	14,229	(11,024)	(14,229)
<i>Administration</i>	2,838,257	2,611,134	(2,717,128)	(2,404,322)
<i>Fiscal</i>	611,968	620,061	(611,968)	(620,061)
<i>Operation and maintenance of plant</i>	3,538,210	3,597,187	(3,486,798)	(3,529,283)
<i>Pupil transportation</i>	1,305,090	1,228,188	(1,305,090)	(1,228,188)
<i>Central</i>	-	13,800	-	-
<i>Operation on non-instructional services</i>	266,008	231,106	(94,615)	(58,556)
<i>Operation of food services</i>	1,337,798	1,205,842	(30,239)	19,340
<i>Extracurricular activities</i>	789,817	773,657	(405,160)	(661,971)
<i>Interest and fiscal charges</i>	1,375,891	1,356,987	(1,375,891)	(1,356,987)
<i>Total expenses</i>	<u>\$ 35,559,488</u>	<u>\$ 32,857,836</u>	<u>\$ (32,177,191)</u>	<u>\$ (30,062,118)</u>

The School District's Funds

The School District's governmental funds are accounted for using the modified accrual basis of accounting. The total revenues for governmental funds were \$35,632,481 and total expenditures were \$36,400,464. The change in fund balance for the year was most significant in the general fund, which is major fund of the School District. The general fund balance decreased \$627,224, or 9.6%. The most significant causes for the decrease in fund balance was from the recognition of early retirement incentive payments, costs associated with an increase in student enrollment, and operational costs resulting from the opening of the new junior high school building.

General Fund Budgeting Highlights

The School District's budget is prepared according to Ohio law and is based on accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances. The most significant budgeted fund is the general fund. During fiscal year 2005, the School District amended its general fund budget as expenditure priorities changed according to student, building and operational needs. Budget revisions are presented to the Board of Education for approval.

For the general fund, the final budget basis revenue estimate was \$25,493,169, which was not changed from the original budget estimate. Actual receipts exceeded this estimate by \$2,304,442 due to conservative budgeting procedures based on the uncertainty of state funding procedures. A revised budget was not required since these additional receipts were not appropriated for.

Amherst Exempted Village School District, Lorain County

Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2005
Unaudited

The original expenditure budget of \$29,693,911 was revised during the fiscal year with a final budget amount of \$30,238,104. Actual expenditures plus encumbrances reported no significant variances as compared to the original and final expenditure budgets.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2005, the School District had \$30,434,362 invested in various capitalized assets, net of depreciation. Table 4 shows fiscal year 2005 balances compared to fiscal year 2004.

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

	<u>Governmental Activities</u>	
	<u>2005</u>	<u>2004</u>
<i>Land</i>	\$ 1,155,952	\$ 1,155,952
<i>Construction in progress</i>	1,158,961	1,546,685
<i>Land improvements</i>	1,008,670	917,001
<i>Buildings and improvements</i>	26,230,964	26,139,655
<i>Furniture, fixtures and equipment</i>	367,985	379,851
<i>Vehicles</i>	511,830	377,742
<i>Total capital assets</i>	<u>\$ 30,434,362</u>	<u>\$ 30,516,886</u>

The most significant change in capital assets reported by the School District during the year was for the capitalization of costs for the completion of the building projects and the purchase of five new school buses as previously mentioned. Although the School District did report an increase in capital assets of \$826,553, the total carrying value of capital assets decreased by \$82,524, primarily due to the recognition of \$909,077 in depreciation expense. See Note 8 to the basic financial statements for detail on the School District's capital assets.

Amherst Exempted Village School District, Lorain County

Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2005
Unaudited

Debt

At June 30, 2005 the School District had \$25,460,000 in bonds and notes outstanding with \$875,000 due within one year. This balance reflected a reduction of \$805,000 from the previous year's balance of \$26,265,000. Table 5 summarizes the debt outstanding:

*Table 5
Outstanding Debt at Fiscal Year End*

	<i>Governmental Activities <u>2005</u></i>	<i>Governmental Activities <u>2004</u></i>
<i>2001 School Improvement Bonds</i>	<i>\$ 24,300,000</i>	<i>\$ 25,025,000</i>
<i>2002 Energy Conservation Notes</i>	<i><u>1,160,000</u></i>	<i><u>1,240,000</u></i>
<i>Total outstanding</i>	<i><u>\$ 25,460,000</u></i>	<i><u>\$ 26,265,000</u></i>

At June 30, 2005, the School District's overall legal debt margin was \$22,482,253 with an unvoted debt margin of \$521,307. The School District was last rated by Moody's Investor's Services with an Aaa bond rating. See Note 14 to the basic financial statements for detail on the School District's long-term obligations.

Current Issues Affecting Financial Condition

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

The State of Ohio was found by the Ohio Supreme Court in March 1997 to be operating an unconstitutional educational funding system, one that was neither 'adequate' nor 'equitable'. Since 1997, the State has directed its additional financial support toward School Districts with little property tax wealth. In May 2001, the Ohio Supreme Court again, ruled that, while the State had made some progress, the current funding system for schools is far too dependent on property taxes, which are inherently not 'equitable' nor 'adequate'. The court directed the Governor and the legislature to address the fundamental issue creating the inequities. See Note 17 to the basic financial statements for more on this contingent matter.

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

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

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

Amherst Exempted Village School District, Lorain County

Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2005

Unaudited

Contacting the School District's Financial Management

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

Amherst Exempted Village School District, Lorain County

Statement of Net Assets

June 30, 2005

	<u>Governmental Activities</u>
<u>Assets:</u>	
Equity in pooled cash and cash equivalents	\$ 4,592,714
Cash and cash equivalents:	
With fiscal agents	1,043,292
Investments in segregated accounts	5,047,666
Receivables:	
Taxes	14,640,283
Accounts	35,380
Intergovernmental	134,954
Accrued interest	2,212
Prepaid items	258,694
Inventory held for resale	28,709
Materials and supplies inventory	60,362
Capital assets:	
Land and construction in progress	2,314,913
Depreciable capital assets, net	28,119,449
Total capital assets	<u>30,434,362</u>
Total assets	<u>56,278,628</u>
 <u>Liabilities:</u>	
Accounts payable	155,829
Accrued wages	3,040,279
Intergovernmental payable	1,185,082
Matured compensated absences payable	822,640
Deferred revenue	10,549,314
Accrued interest payable	108,412
Claims payable	663,096
Long-term liabilities:	
Due within one year	1,199,825
Due in more than one year	26,654,807
Total liabilities	<u>44,379,284</u>
 <u>Net assets:</u>	
Invested in capital assets, net of related debt	5,022,405
Restricted for:	
Capital projects	681,014
Debt service	941,926
Other purposes	712,408
Unrestricted	<u>4,541,591</u>
Total net assets	<u>\$ 11,899,344</u>

See accompanying notes to the basic financial statements.

Amherst Exempted Village School District, Lorain County

Statement of Activities

For the Fiscal Year Ended June 30, 2005

	Expenses	Program Revenues			Net (Expense)
		Charges for Services	Operating Grants, Contributions and Interest	Capital Grants and Contributions	Revenue and Changes in Net Assets
					Governmental Activities
<u>Governmental Activities:</u>					
Instruction:					
Regular	\$ 17,294,871	\$ 468,880	\$ 240,289	\$ 11,859	\$ (16,573,843)
Special	2,860,081	-	497,836	-	(2,362,245)
Vocational	431,688	-	-	-	(431,688)
Support services:					
Pupils	1,270,332	-	64,737	-	(1,205,595)
Instructional staff	1,628,453	-	62,546	-	(1,565,907)
Board of education	11,024	-	-	-	(11,024)
Administration	2,838,257	-	121,129	-	(2,717,128)
Fiscal	611,968	-	-	-	(611,968)
Operation and maintenance of plant	3,538,210	-	19,224	32,188	(3,486,798)
Pupil transportation	1,305,090	-	-	-	(1,305,090)
Operation of non-instructional services	266,008	8,842	162,551	-	(94,615)
Operation of food services	1,337,798	1,068,728	238,831	-	(30,239)
Extracurricular activities	789,817	345,414	-	39,243	(405,160)
Interest and fiscal charges	1,375,891	-	-	-	(1,375,891)
Total governmental activities	<u>\$ 35,559,488</u>	<u>\$ 1,891,864</u>	<u>\$ 1,407,143</u>	<u>\$ 83,290</u>	<u>(32,177,191)</u>

General Revenues:

Property taxes levied for:

General purposes	12,875,262
Special purposes	49,098
Debt service	2,107,355
Capital outlay	722,507
Grants and entitlements not restricted to specific programs	16,020,862
Investment earnings	231,234
Miscellaneous	190,366
Total general revenues	<u>32,196,684</u>

Change in net assets	19,493
Net assets beginning of year	11,879,851
Net assets end of year	<u>\$ 11,899,344</u>

See accompanying notes to the basic financial statements.

Amherst Exempted Village School District, Lorain County

Balance Sheet

Governmental Funds

June 30, 2005

	General	Other Governmental Funds	Total Governmental Funds
<u>Assets:</u>			
Equity in pooled cash and cash equivalents	\$ 2,425,413	\$ 2,081,834	\$ 4,507,247
Investments in segregated accounts	5,047,666	-	5,047,666
Receivables:			
Taxes	12,091,602	2,548,681	14,640,283
Accounts	35,380	-	35,380
Intergovernmental	-	134,954	134,954
Interfund	107,919	-	107,919
Accrued interest	2,212	-	2,212
Prepaid items	243,477	13,237	256,714
Inventory held for resale	-	28,709	28,709
Materials and supplies inventory	54,834	5,528	60,362
Equity in pooled cash and cash equivalents (restricted)	19,287	-	19,287
Total assets	\$ 20,027,790	\$ 4,812,943	\$ 24,840,733
<u>Liabilities:</u>			
Accounts payable	\$ 34,849	\$ 120,980	\$ 155,829
Accrued wages	2,854,021	186,258	3,040,279
Interfund payable	-	107,919	107,919
Matured compensated absences payable	814,425	8,215	822,640
Intergovernmental payable	1,126,872	58,210	1,185,082
Deferred revenue	9,281,838	1,989,971	11,271,809
Total liabilities	14,112,005	2,471,553	16,583,558
<u>Fund balances:</u>			
Reserved:			
Reserved for encumbrances	436,451	509,939	946,390
Reserved for textbooks and instructional materials	19,287	-	19,287
Reserved for property taxes	2,845,144	666,629	3,511,773
Unreserved, undesignated, reported in:			
General fund	2,614,903	-	2,614,903
Special revenue funds	-	484,758	484,758
Debt service fund	-	517,498	517,498
Capital projects funds	-	162,566	162,566
Total fund balances	5,915,785	2,341,390	8,257,175
Total liabilities and fund balances	\$ 20,027,790	\$ 4,812,943	\$ 24,840,733

See accompanying notes to the basic financial statements.

Amherst Exempted Village School District, Lorain County
Reconciliation of Total Governmental Fund Balances to
Net Assets of Governmental Activities
June 30, 2005

Total governmental funds balances		\$ 8,257,175
Amounts reported for governmental activities in the statement of net assets are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		30,434,362
Other long-term assets that are not available to pay for current-period expenditures and therefore are deferred in the funds:		
Property taxes	\$ 579,196	
Intergovernmental	107,919	
Accounts	35,380	
Total	<u>722,495</u>	722,495
An internal service fund is used by management to charge the costs of insurance to individual funds. The assets and liabilities of the internal service fund are included in governmental activities in the statement of net assets.		448,356
In the statement of activities, interest is accrued on outstanding bonds and notes, whereas in governmental funds, an interest expenditure is reported when due.		(108,412)
Long-term liabilities that are not due and payable in the current period and therefore are not reported in the funds:		
School improvement bonds	\$ (24,300,000)	
Energy conservation notes	(1,160,000)	
Long-term compensated absences	(2,394,632)	
Total	<u>(27,854,632)</u>	<u>(27,854,632)</u>
Net assets of governmental activities		<u>\$ 11,899,344</u>

See accompanying notes to the basic financial statements.

Amherst Exempted Village School District, Lorain County
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2005

	General	Other Governmental Funds	Total Governmental Funds
<u>Revenues:</u>			
Taxes	\$ 12,955,051	\$ 2,891,582	\$ 15,846,633
Intergovernmental	15,705,736	1,729,658	17,435,394
Interest	231,234	6,855	238,089
Tuition and fees	217,046	208,483	425,529
Extracurricular activities	254,950	156,674	411,624
Gifts and donations	-	51,102	51,102
Charges for services	400	1,068,728	1,069,128
Rent	3,600	-	3,600
Miscellaneous	41,707	109,675	151,382
Total revenues	<u>29,409,724</u>	<u>6,222,757</u>	<u>35,632,481</u>
<u>Expenditures:</u>			
Current:			
Instruction:			
Regular	16,020,817	637,742	16,658,559
Special	2,280,946	542,809	2,823,755
Vocational	428,140	-	428,140
Support services:			
Pupils	1,192,022	70,021	1,262,043
Instructional staff	1,574,240	73,517	1,647,757
Board of education	11,024	-	11,024
Administration	2,734,353	150,149	2,884,502
Fiscal	575,420	43,548	618,968
Operation and maintenance of plant	3,300,836	300,979	3,601,815
Pupil transportation	1,147,883	50,589	1,198,472
Operation of non-instructional services	11,472	255,091	266,563
Operation of food services	-	1,318,512	1,318,512
Extracurricular activities	600,070	127,999	728,069
Capital outlay	-	826,553	826,553
Debt service:			
Principal retirement	80,000	725,000	805,000
Interest and fiscal charges	56,200	1,264,532	1,320,732
Total expenditures	<u>30,013,423</u>	<u>6,387,041</u>	<u>36,400,464</u>
Excess of revenues over (under) expenditures	<u>(603,699)</u>	<u>(164,284)</u>	<u>(767,983)</u>
<u>Other financing sources (uses):</u>			
Transfers in	-	23,525	23,525
Transfers out	(23,525)	-	(23,525)
Total other financing sources (uses)	<u>(23,525)</u>	<u>23,525</u>	<u>-</u>
Net change in fund balances	(627,224)	(140,759)	(767,983)
Fund balances beginning of year, restated	6,543,009	2,482,149	9,025,158
Fund balances end of year	<u>\$ 5,915,785</u>	<u>\$ 2,341,390</u>	<u>\$ 8,257,175</u>

See accompanying notes to the basic financial statements.

Amherst Exempted Village School District, Lorain County
Reconciliation of the Statement of Revenues, Expenditures and Changes
in Fund Balances of Governmental Funds to the Statement of Activities
For the Fiscal Year Ended June 30, 2005

Net change in fund balances - total governmental funds \$ (767,983)

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

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

In the current period, these amounts are:

Capital asset additions	\$	826,553	
Depreciation expense		(909,077)	
Excess of capital outlay over depreciation expense			(82,524)

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

Property taxes	\$	(92,410)	
Intergovernmental		17,945	
Charges for services		(14,415)	
Miscellaneous		35,380	
Net change in deferred revenues during the year			(53,500)

Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. 805,000

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

Decrease in compensated absences	\$	19,466	
Increase in accrued interest		(55,159)	
Total reduced expenditures			(35,693)

The internal service fund used by management to charge the costs of medical, prescription drug, dental and vision claims to individual funds are not reported in the statement of activities. Governmental fund expenditures and related internal service fund revenues are eliminated. 154,193

Change in net assets of governmental activities \$ 19,493

See accompanying notes to the basic financial statements.

Amherst Exempted Village School District, Lorain County
Statement of Revenues, Expenditures and Changes in Fund Balance-
Budget (Non-GAAP Basis) and Actual
General Fund
For the Fiscal Year Ended June 30, 2005

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<u>Revenues:</u>				
Taxes	\$ 11,469,699	\$ 11,469,699	\$ 11,371,652	\$ (98,047)
Intergovernmental	13,603,713	13,603,713	15,705,736	2,102,023
Interest	200,000	200,000	212,282	12,282
Tuition and fees	183,757	183,757	217,534	33,777
Extracurricular activities	-	-	254,950	254,950
Charges for services	-	-	400	400
Rent	3,000	3,000	3,600	600
Miscellaneous	33,000	33,000	31,457	(1,543)
Total revenues	25,493,169	25,493,169	27,797,611	2,304,442
<u>Expenditures:</u>				
Current:				
Instruction:				
Regular	8,930,679	15,991,246	15,991,036	210
Special	10,645,844	2,420,422	2,420,396	26
Vocational	-	420,088	420,077	11
Support services:				
Pupils	203,323	1,226,388	1,226,387	1
Instructional staff	686,324	1,570,068	1,569,666	402
Board of education	-	11,012	11,011	1
Administration	2,303,930	2,587,243	2,580,701	6,542
Fiscal	304,494	570,492	570,488	4
Operation and maintenance of plant	3,956,928	3,407,898	3,356,839	51,059
Pupil transportation	1,826,294	1,258,599	1,248,594	10,005
Operation of non-instructional services	836,095	34,917	34,916	1
Extracurricular activities	-	603,531	599,363	4,168
Debt service:				
Principal retirement	-	80,000	80,000	-
Interest and fiscal charges	-	56,200	56,200	-
Total expenditures	29,693,911	30,238,104	30,165,674	72,430
Excess of revenues over (under) expenditures	(4,200,742)	(4,744,935)	(2,368,063)	2,376,872
<u>Other financing sources (uses):</u>				
Refund of prior year expenditures	-	10,250	10,250	-
Advances in	-	85,469	85,469	-
Advances out	-	(107,919)	(107,919)	-
Transfers out	-	(23,525)	(23,525)	-
Total other financing sources (uses)	-	(35,725)	(35,725)	-
Net change in fund balance	(4,200,742)	(4,780,660)	(2,403,788)	2,376,872
Fund balances at beginning of year	9,165,610	9,165,610	9,165,610	-
Prior year encumbrances appropriated	372,274	372,274	372,274	-
Fund balances at end of year	\$ 5,337,142	\$ 4,757,224	\$ 7,134,096	\$ 2,376,872

See accompanying notes to the basic financial statements.

Amherst Exempted Village School District, Lorain County
Statement of Fund Net Assets
Internal Service Fund
June 30, 2005

	Self Insurance
<u>Assets:</u>	
Equity in pooled cash and cash equivalents	\$ 66,180
Cash and cash equivalents:	
With fiscal agent	1,043,292
Prepaid items	1,980
Total assets	<u>\$ 1,111,452</u>
 <u>Liabilities:</u>	
Claims payable	<u>\$ 663,096</u>
 <u>Net assets:</u>	
Unrestricted	448,356
Total liabilities and net assets	<u>\$ 1,111,452</u>

See accompanying notes to the basic financial statements.

Amherst Exempted Village School District, Lorain County
Statement of Revenues, Expenses and Changes in Fund Net Assets
Internal Service Fund
For the Fiscal Year Ended June 30, 2005

	Self Insurance
<u>Operating revenues:</u>	
Charges for services	\$ 3,399,958
<u>Operating expenses:</u>	
Purchased services	344,303
Claims	2,915,639
Total operating expenses	3,259,942
Operating income	140,016
<u>Non-operating revenues:</u>	
Interest	14,177
Change in net assets	154,193
Net assets beginning of year	294,163
Net assets end of year	\$ 448,356

See accompanying notes to the basic financial statements.

Amherst Exempted Village School District, Lorain County

Statement of Cash Flows

Internal Service Fund

For the Fiscal Year Ended June 30, 2005

	Self Insurance
<u>Cash flows from operating activities:</u>	
Cash received for charges for services	\$ 3,399,958
Cash payments to suppliers for goods and services	(344,396)
Cash payments for claims	(2,868,654)
Net cash provided by operating activities	<u>186,908</u>
 <u>Cash flows from investing activities:</u>	
Interest on investments	<u>14,177</u>
 Net increase in cash and cash equivalents	201,085
 Cash and cash equivalents at beginning of year	908,387
Cash and cash equivalents at end of year	<u>\$ 1,109,472</u>
 <u>Reconciliation of operating income to net cash provided by operating activities:</u>	
Operating income	<u>\$ 140,016</u>
 Adjustments to reconcile operating income to net cash provided by operating activities:	
Change in assets and liabilities:	
(Increase) decrease in assets:	
Prepaid items	(93)
Increase (decrease) in liabilities:	
Claims payable	46,985
Net cash provided by operating activities	<u>\$ 186,908</u>

See accompanying notes to the basic financial statements.

Amherst Exempted Village School District, Lorain County

Statement of Fiduciary Net Assets

Fiduciary Funds

June 30, 2005

	Private Purpose Trust	
	Scholarship	Agency
<u>Assets:</u>		
Equity in pooled cash and cash equivalents	\$ 2,000	\$ 68,487
Taxes receivable	-	299,627
Total assets	<u>\$ 2,000</u>	<u>\$ 368,114</u>
 <u>Liabilities:</u>		
Accounts payable	\$ -	\$ 3,773
Intergovernmental payable	-	299,627
Due to students	-	64,714
Total liabilities	<u>-</u>	<u>\$ 368,114</u>
 <u>Net assets:</u>		
Held in trust for scholarships	<u>\$ 2,000</u>	

See accompanying notes to the basic financial statements.

Amherst Exempted Village School District, Lorain County
Statement of Changes in Fiduciary Net Assets
Private Purpose Trust Fund
For the Fiscal Year Ended June 30, 2005

	<u>Scholarship</u>
<u>Additions:</u>	
Interest	<u>\$ 632</u>
 <u>Deductions:</u>	
Payments in accordance with trust agreement	<u>51,999</u>
 Change in net assets	 (51,367)
 Net assets beginning of year	 <u>53,367</u>
Net assets end of year	<u><u>\$ 2,000</u></u>

See accompanying notes to the basic financial statements.

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Amherst Exempted Village School District, Lorain County

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2005

NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY

The Amherst Exempted Village School District, Lorain County, Ohio, (the "School District") is a body politic and corporate established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The School District is an exempted village school district as defined by Section 3311.04 of the Ohio Revised Code.

The School District operates under a locally elected five-member Board form of government and provides educational services as mandated by state and/or federal agencies. The Board controls the School District's six instructional/support facilities staffed by 181 non-certificated employees and 279 certificated full time teaching personnel and administrators, who provide services to 4,232 students and other community members.

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

Reporting Entity

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

Component units are legally separate organizations for which the School District is financially accountable. The School District is financially accountable for an organization if the School District appoints a voting majority of the organizations' governing board and (1) the School District is able to significantly influence the programs or services performed or provided by the organization; or (2) the School District is legally entitled to or can otherwise access the organizations' resources; the School District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the School District is obligated for the debt of the organization.

Component units may also include organizations that are fiscally dependent on the School District in that the School District approves their budget, the issuance of their debt or the levying of their taxes. Based on the above criteria, the School District had no component units at June 30, 2005.

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

The Amherst Public Library provides the community with various educational and literary resources. This is a related organization and the School District's participation is disclosed in Note 16 to the basic financial statements.

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

Amherst Exempted Village School District, Lorain County

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2005

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

The School District participates in the Lake Erie Educational Computer Association, the Lake Erie Regional Council of Governments, and the Lorain County Joint Vocational School District which are defined as jointly governed organizations. Jointly governed organizations are governed by representatives from each of the governments that create the organizations, but there is no ongoing financial interest or responsibility by the participating governments. Information regarding these organizations is presented in Note 15.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Basis of Presentation - Fund Accounting

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

Government-wide Financial Statements

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

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

Amherst Exempted Village School District, Lorain County

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2005

Fund Financial Statements

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

B. Fund Accounting

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

Governmental Fund Types:

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

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

Proprietary Fund Type

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

Internal Service Fund: The internal service fund accounts for the financing of services provided by one department or agency to other departments or agencies of the School District on a cost reimbursement basis. The School District's only internal service fund accounts for revenue received from other funds and the settlement of medical expenses of School District employees.

Amherst Exempted Village School District, Lorain County

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2005

Fiduciary Fund Types

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

C. Measurement Focus and Basis of Accounting

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

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

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

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

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

Amherst Exempted Village School District, Lorain County

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2005

Revenue - Exchange and Non-exchange Transactions

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

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

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

Deferred Revenue

Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied. Property taxes for which there is an enforceable legal claim as of June 30, 2005, but which were levied to finance fiscal year 2006 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

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

Expenditures/Expenses

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

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

Amherst Exempted Village School District, Lorain County

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2005

D. Budgets and Budgetary Accounting

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriations resolution, all of which are prepared on the budgetary basis of accounting. The primary level of budgetary control is at the fund level for all funds. Any budgetary modifications at this level may only be made by resolution of the Board of Education.

The certificate of estimated resources and the appropriations resolution are subject to amendment throughout the year with the legal restriction that appropriations cannot exceed estimated resources, as certified. All funds, other than agency funds, are legally required to be budgeted and appropriated. The amounts reported as the original budget revenue on the budgetary statement reflects the amounts in the certificate when the original appropriations were adopted. The amounts reported as the final budgeted revenue amounts on the budgetary statements reflect the amounts in the final amended certificate issued during fiscal year 2005. The amounts reported as the original budgeted expenditure amounts reflect the first appropriation for that fund that covered the entire fiscal year, including amounts automatically carried over from prior years. The amounts reported as the final budgeted expenditure amounts represent the final appropriation amounts passed by the Board during the year.

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

E. Cash and Investments

To improve cash management, all cash received by the School District is pooled in a central bank account. Monies for all funds are maintained in this account or temporarily used to purchase short-term investments. Individual fund integrity is maintained through School District records. Each fund's interest in the pool is presented as "Equity in pooled cash and cash equivalents". During the fiscal year, investments were limited to overnight repurchase agreements, notes of federal governmental agencies, and interest in Star Ohio, the State Treasurer's Investment Pool. Except for nonparticipating investment contracts, investments are reported at fair value, which is based on quoted market price. Nonparticipating investment contracts, such as repurchase agreements, are reported at cost. Under existing Ohio statutes, all investment earnings accrue to the general fund except those specifically related to certain trust funds; required by a grant agreement; or when approved by the Board of Education to be recorded in another fund. The Board of Education has passed a resolution to allow interest to also be recorded in other funds as indicated in Note 5.

For presentation on the basic financial statements, investments of the cash management pool and investments with a maturity of three months or less at the time they are purchased by the School District are considered to be cash equivalents. Investments with an initial maturity of more than three months that are not purchased from the pool are reported as investments.

F. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2005, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of purchase and an expenditure/expense is reported in the year which services are consumed.

Amherst Exempted Village School District, Lorain County

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2005

G. Interfund Balances

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

H. Inventory

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

I. Restricted Assets

Assets are reported as restricted assets when limitations on their use change the normal understanding of the availability of the asset. Such constraints are imposed by creditors, contributors, grantors, and laws of other governments or by enabling legislation. Restricted assets may include unexpended revenues restricted for the purchase of school buses, and amounts required to be set aside by the School District for the purchase of textbooks or for the acquisition or construction of capital assets. Restricted assets may also include amounts set aside as a reserve for budget stabilization, which is now optional as determined by the School District. The School District did not spend all restricted assets in accordance with specific restrictions during the fiscal year. See Note 18 for the calculation of the year-end restricted asset balance and the corresponding fund balance reserves.

J. Capital Assets

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

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

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

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

Amherst Exempted Village School District, Lorain County

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2005

K. Compensated Absences

Vacation benefits are accrued as a liability as the benefits are earned if the employee's rights to receive compensation are attributable to services already rendered and it is probable that the School District will compensate the employees for the benefits through paid time off or some other means.

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

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

L. Accrued Liabilities and Long-term Obligations

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

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

M. Net Assets

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

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

N. Operating Revenues and Expenses

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

Amherst Exempted Village School District, Lorain County

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2005

O. Interfund Transactions

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

P. Estimates

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

Q. Fund Balance Reserves

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

NOTE 3- CHANGES IN ACCOUNTING PRINCIPLES AND RESTATEMENT OF FUND BALANCES

For fiscal year 2005, the School District has implemented GASB Statement No. 40, "Deposits and Investment Risk Disclosures"; GASB Technical Bulletin No. 2004-2, "Recognition of Pension and Other Postemployment Benefit Expenditures/Expense and Liabilities by Cost-Sharing Employers" and GASB Statement No. 45, "Accounting and Financial Reporting by Employers for Postemployment Benefits and Other Than Pensions.

As a result of the implementation of the Technical Bulletin and GASB Statement No. 45, certain beginning fund balances were required to be restated. These restatements involve reporting pension and other postemployment benefit liabilities on the governmental fund financial statements where beforehand were exclusively reported on the government-wide financial statements.

The restatement of fund balance is presented below:

	<i>General</i>	<i>Nonmajor Governmental Funds</i>	<i>Total</i>
<i>Fund balances at June 30, 2004</i>	\$ 6,777,925	\$ 2,512,981	\$ 9,290,906
<i>Restatement of intergovernmental payable</i>	<u>(234,916)</u>	<u>(30,832)</u>	<u>(265,748)</u>
<i>Restated fund balances at July 1, 2004</i>	<u>\$ 6,543,009</u>	<u>\$ 2,482,149</u>	<u>\$ 9,025,158</u>

Amherst Exempted Village School District, Lorain County

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2005

NOTE 4 - BUDGETARY BASIS OF ACCOUNTING

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

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

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

Net Change in Fund Balance

	<u>General</u>
<i>GAAP Basis</i>	\$ (627,224)
<i>Revenue Accruals</i>	(1,516,394)
<i>Expenditure Accruals</i>	137,191
<i>Encumbrances (Budget Basis)</i>	
<i>Outstanding at year end</i>	<u>(397,361)</u>
<i>Budget Basis</i>	<u>\$ (2,403,788)</u>

NOTE 5 - DEPOSITS AND INVESTMENTS

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

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

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

Amherst Exempted Village School District, Lorain County

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2005

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

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

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

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

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

Deposits: For the fiscal year ended June 30, 2005, the School District reported \$19,287 in "Equity in pooled cash and cash equivalents (restricted)" on the balance sheet. This amount represents a reserve for textbooks and instructional materials (see Note 18).

Amherst Exempted Village School District, Lorain County

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2005

Custodial credit risk is the risk that, in the event of a bank failure, the School District's deposits may not be returned. According to state law, public depositories must give security for all public funds on deposit in excess of those funds that are insured by the federal deposit insurance corporation (FDIC) or by any other agency or instrumentality of the federal government. These institutions may either specifically collateralize individual accounts in lieu of amounts insured by the FDIC, or may pledge a pool of government securities valued at least 105% of the total value of public monies on deposit at the institution. The School District's policy is to deposit money with financial institutions that are able to abide by the laws governing insurance and collateral of public funds.

The carrying value of the School District's deposits and petty cash totaled \$3,514,749 and the bank balances of the deposits totaled \$2,654,284. Of the bank balance, \$2,224,032 was exposed to custodial credit risk. This amount was uninsured and collateral is held by the pledging financial institution's trust department, and not in the School District's name.

Investments:

As of June 30, the School District had the following investments and maturities:

<u><i>Investment type</i></u>	<u><i>Investment Maturities</i></u>				
	<u><i>Fair Value</i></u>	<u><i>6 months or less</i></u>	<u><i>7 to 12 months</i></u>	<u><i>13 to 18 months</i></u>	<u><i>19 to 24 months</i></u>
<i>Repurchase agreements</i>	\$ 82,429	\$ 82,429	\$ -	\$ -	\$ -
<i>STAROhio</i>	2,109,315	N/A	N/A	N/A	N/A
<i>Federal Farm Credit Bank</i>	497,815	497,815	-	-	-
<i>Federal Home Loan Bank</i>	989,687	498,905	-	490,782	-
<i>Federal Home Loan Mortgage Corporation</i>	1,181,559	99,660	395,728	442,031	244,140
<i>Federal National Mortgage Association</i>	2,378,605	1,245,838	1,132,767	-	-
	<u>\$ 7,239,410</u>	<u>\$ 2,424,647</u>	<u>\$ 1,528,495</u>	<u>\$ 932,813</u>	<u>\$ 244,140</u>

STAROhio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAROhio is not registered with the Securities Exchange Commission as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAROhio are valued at STAROhio's share price which is the price the investment could be sold for on June 30, 2005.

Custodial credit risk for an investment is the risk that in the event of failure of the counterparty, the School District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The School District's \$82,429 investment in repurchase agreements is secured by the specific government securities upon which the repurchase agreements are based. These securities, held by the counterparty and not in the School District's name, are obligations of or guaranteed by the United States and mature or are redeemable within five years of the date of the related repurchase agreement. The investments in Federal Farm Credit Banks Funding Corporation (FFCB), Federal Home Loan Bank (FHLB), Federal Home Loan Mortgage Corporation (FHLMC), and Federal National Mortgage Association (FNMA) are held by the counterparty's trust department or agent and not in the School District's name. The School District's policy is to invest money with financial institutions that are able to abide by the laws governing insurance and collateral of public funds.

Amherst Exempted Village School District, Lorain County

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2005

Interest rate risk is the possibility that changes in interest rates will adversely affect the fair value of an investment. The School District's investment policy does not address limits on investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit risk is the possibility that an issuer or other counterparty to an investment will not fulfill its obligation. Standard and Poor's has assigned STAROhio an AAAM rating and FFCB, FHLB, FHLMC and FNMA an A-1 rating. The School District's investment policy requires certain credit ratings for some investments as allowed by state law.

Concentration of credit risk is the possibility of loss attributed to the magnitude of the School District's investment in a single issuer. More than 5% of the School District's investments are in FFCB, FHLB, FHLMC and FNMA. These investments are 6.88%, 13.67%, 16.32% and 32.86%, respectively, of the School District total investments. The School District's policy places no limit on the amount that may be invested in any one issuer.

All interest is legally required to be placed in the general fund, the food service, other local and auxiliary services special revenue funds and the self insurance internal service fund. Interest revenue credited to the general fund during fiscal year 2005 amounted to \$231,234, which includes \$41,720 assigned from other School District funds.

NOTE 6 - PROPERTY TAX

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

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

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

The School District receives property taxes from Lorain County. The County Auditor periodically advances to the School District its portion of the taxes collected. Second-half real property tax payments collected by the county by year-end are available to finance the current fiscal year operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Amherst Exempted Village School District, Lorain County

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2005

Accrued property taxes receivable represent delinquent taxes outstanding and real property, tangible personal property and public utility taxes, which became measurable as of year-end. Although total property tax collections for the next fiscal year are measurable, only the amount available as an advance at year-end is intended to finance current year operations. The receivable is therefore offset by a credit to deferred revenue for that portion not intended to finance current year operations. The amount available as an advance at year-end was \$2,845,144 in the general fund, \$9,314 in the special levy special revenue fund, \$507,167 in the bond retirement debt service fund, and \$150,148 in the permanent improvement capital project fund. These amounts that are available as an advance are recognized as revenue on the fund financial statements.

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

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

<i>Property Category</i>	<i>2004</i>	<i>2003</i>
	<i>1st Half</i>	<i>2nd Half</i>
	<i>Valuations</i>	<i>Valuations</i>
<i>Real Property</i>		
<i>Residential and agricultural</i>	\$ 409,675,170	\$ 394,179,360
<i>Commercial and industrial</i>	73,321,040	70,716,100
<i>Public utilities</i>	79,260	79,610
<i>Tangible Personal Property</i>		
<i>General</i>	25,443,905	29,466,330
<i>Public utilities</i>	12,787,160	12,634,110
<i>Total</i>	<u>\$ 521,306,535</u>	<u>\$ 507,075,510</u>

NOTE 7 - RECEIVABLES

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

	<i>Amount</i>
<i>Special revenue funds:</i>	
<i>Food service</i>	\$ 27,035
<i>Title VI-B</i>	66,016
<i>Title V</i>	11,069
<i>Drug free schools</i>	3,572
<i>EHA preschool</i>	3,462
<i>Improving teacher quality</i>	23,800
<i>Total intergovernmental receivable</i>	<u>\$ 134,954</u>

Amherst Exempted Village School District, Lorain County

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2005

NOTE 8 - CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2005 was as follows:

<i>Governmental Activities</i>	<i>Balance June 30, 2004</i>	<i>Increases</i>	<i>Decreases</i>	<i>Balance June 30, 2005</i>
<i>Capital assets, not being depreciated:</i>				
<i>Land</i>	\$ 1,155,952	\$ -	\$ -	\$ 1,155,952
<i>Construction in progress</i>	<u>1,546,685</u>	<u>335,899</u>	<u>(723,623)</u>	<u>1,158,961</u>
<i>Total capital assets, not being depreciated</i>	<u>2,702,637</u>	<u>335,899</u>	<u>(723,623)</u>	<u>2,314,913</u>
<i>Capital assets, being depreciated:</i>				
<i>Land improvements</i>	2,071,211	178,336	(64,147)	2,185,400
<i>Buildings</i>	32,805,843	726,704	-	33,532,547
<i>Furniture, fixtures and equipment</i>	659,875	53,089	-	712,964
<i>Vehicles</i>	<u>1,450,467</u>	<u>256,148</u>	<u>(34,229)</u>	<u>1,672,386</u>
<i>Total capital assets, being depreciated</i>	<u>36,987,396</u>	<u>1,214,277</u>	<u>(98,376)</u>	<u>38,103,297</u>
<i>Less: Accumulated depreciation</i>				
<i>Land improvements</i>	(1,154,210)	(86,667)	64,147	(1,176,730)
<i>Buildings</i>	(6,666,188)	(635,395)	-	(7,301,583)
<i>Furniture, fixtures and equipment</i>	(280,024)	(64,955)	-	(344,979)
<i>Vehicles</i>	<u>(1,072,725)</u>	<u>(122,060)</u>	<u>34,229</u>	<u>(1,160,556)</u>
<i>Total accumulated depreciation</i>	<u>(9,173,147)</u>	<u>(909,077)</u>	<u>98,376</u>	<u>(9,983,848)</u>
<i>Total capital assets being depreciated, net</i>	<u>27,814,249</u>	<u>305,200</u>	<u>-</u>	<u>28,119,449</u>
<i>Governmental activities capital assets, net</i>	<u>\$ 30,516,886</u>	<u>\$ 641,099</u>	<u>\$ (723,623)</u>	<u>\$ 30,434,362</u>

Amherst Exempted Village School District, Lorain County

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2005

Depreciation expense was charged to governmental functions as follows:

<i>Instruction:</i>	
<i>Regular</i>	\$ 623,232
<i>Special</i>	8,869
<i>Vocational</i>	1,620
<i>Support services:</i>	
<i>Administration</i>	30,797
<i>Operation and maintenance of plant</i>	36,328
<i>Pupil transportation</i>	122,560
<i>Operation of food services</i>	23,923
<i>Extracurricular activities</i>	<u>61,748</u>
<i>Total depreciation expense</i>	<u>\$ 909,077</u>

NOTE 9 – INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

A. Interfund balances at June 30, 2005 consisted of the following:

<i>Interfund payable to general fund from:</i>	
<i>Nonmajor governmental funds</i>	\$ 107,919

Interfund receivables and payables result from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, or (3) payments between funds are made. As of June 30, 2005, all interfund loans outstanding are anticipated to be repaid in fiscal year 2006.

B. Transfers at June 30, 2005 consisted of the following:

<i>Transfers to nonmajor governmental funds from:</i>	
<i>General fund</i>	\$ 23,525

During the fiscal year, the general fund transferred \$13,525 to the public school support special revenue fund. This transfer was required as part of a negotiated agreement between the Board of Education and the teachers of the School District. Based on the agreement, a purchase credit will be provided to each teacher who has not incurred an absence due to sick leave, personal business, or payroll deduction. The maximum amount each teacher may accrue per school year shall not exceed \$200 and shall not be used for consumable classroom purchases.

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

Amherst Exempted Village School District, Lorain County

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2005

NOTE 10 – COMPLIANCE AND ACCOUNTABILITY

As of June 30, 2005, four special revenue funds had deficit fund balances. These deficits were caused by the application of GAAP. The general fund provides transfers to cover deficit balances in other funds; however, this is done when cash is needed rather than when accruals occur. The following funds had deficit balances:

	<i>Amount</i>
<i>Special revenue funds:</i>	
<i>Title VI-B</i>	\$ 69,173
<i>Title V</i>	570
<i>Drug free schools</i>	1,722
<i>Improving teacher quality</i>	25,114

NOTE 11 - RISK MANAGEMENT

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by commercial insurance purchased from independent third parties. There have been no settlements paid in excess of insurance nor has insurance coverage been significantly reduced in the past three years.

The School District provides life and accidental death and dismemberment insurance to its employees. Full time certified employees are covered by \$30,000. Coverage for part time certificated employees is prorated. Full time classified employees are covered by \$25,000 and part time employees are covered by \$7,500. All administrators carry coverage equal to one and one half times their salaries approximated to the nearest thousand.

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

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

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

Amherst Exempted Village School District, Lorain County

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2005

The School District uses an internal service fund to record and report its self-funded health care insurance program. The claims liability of \$663,096, reported in the fund at year end was estimated by third party administrators and is based on the requirements of GASB Statement No. 10, which requires that a liability for unpaid claims costs, including estimates of costs relating to incurred but not reported claims, to be reported. Changes in the balance of claims liability during the year ended June 30, 2004 and 2005 are summarized below.

<i>Fiscal Year</i>	<i>Balance at Beginning of Year</i>	<i>Current Year Claims</i>	<i>Claim Payments</i>	<i>Balance at End of Year</i>
2004	\$ 561,860	2,523,530	(2,469,279)	\$ 616,111
2005	\$ 616,111	2,915,639	(2,868,654)	\$ 663,096

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

NOTE 12 - DEFINED BENEFIT PENSION PLANS

A. School Employees Retirement System

The School District contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing multiple-employer public employee retirement system administered by the School Employees Retirement Board. SERS provides basic retirement benefits, annual cost-of-living adjustments, disability, survivor, and health care benefits based on eligible service credit to members and beneficiaries. Benefits are established by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand alone financial report that includes financial statements and required supplementary information for SERS. The report may be obtained by writing to the SERS, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746, by calling toll free (800) 878-5853. It is also posted on SERS' website, www.ohsers.org, under Forms and Publications.

Plan members are required to contribute 10% of their annual covered salary and the School District is required to contribute at an actuarially determined rate. The current rate is 14% of annual covered payroll. A portion of the School's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2005, 10.57% of annual covered salary was the portion used to fund pension obligations. For fiscal year 2004, 9.09% was used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to a statutory maximum amount, by the SERS Retirement Board.

The School District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2005, 2004, and 2003 were \$577,213, \$350,927, and \$345,115, respectively; 41% has been contributed for fiscal year 2005 and 100% for the fiscal years 2004 and 2003. \$340,337, representing the unpaid contribution for fiscal year 2005, is recorded as an intergovernmental payable.

Amherst Exempted Village School District, Lorain County

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2005

B. State Teachers Retirement System

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

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

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

The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. DC and Combined Plan members will transfer to the Defined Benefit Plan during their fifth year of membership unless they permanently select the DC or Combined Plan. Existing members with less than five years of service credit as of June 30, 2001, were given the option of making a one time irrevocable decision to transfer their account balances from the existing DB Plan into the DC Plan or the Combined Plan. This option expired on December 31, 2001.

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

For the fiscal year ended June 30, 2005, plan members were required to contribute 10% of their annual covered salaries and the School District was required to contribute an actuarially determined rate of 14% of annual covered payroll, which includes 13% for pension obligations. For fiscal year 2004, the portion used to fund pension obligations was also 13%. Contribution rates are established by STRS, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10% for members and 14% for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The School District's required contributions for pension obligations to the DB plan for the fiscal years ended June 30, 2005, 2004, and 2003 were \$2,033,148, \$1,788,986, and \$1,604,713, respectively; 83% has been contributed for fiscal year 2005 and 100% for the fiscal years 2004 and 2003. \$351,189, representing the unpaid contribution for fiscal year 2005, is recorded as an intergovernmental payable. Contributions to the DC and Combined plans for fiscal year 2005 were \$8,601 made by the School District and \$20,061 made by the plan members.

Amherst Exempted Village School District, Lorain County

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2005

NOTE 13 - POST-EMPLOYMENT BENEFITS

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

By Ohio law, the cost of coverage paid from STRS funds shall be included in the employer contribution rate, currently 14% of covered payroll. The retirement board currently allocates employer contributions equal to 1% of covered payroll to the Health Care Stabilization Fund from which payments for health care benefits are paid. For the School District this amount equaled \$156,396 during the 2005 fiscal year. The balance in the Health Care Stabilization Fund for the STRS was \$3.3 billion at June 30, 2005. For the year ended June 30, 2005, the net health care costs paid by the STRS were \$254,780,000 and eligible benefit recipients totaled 115,395.

For the School Employees Retirement System (SERS), coverage is made available to service retirees with ten or more years of qualifying service credit, disability and survivor benefit recipients. Effective January 1, 2004, all retirees and beneficiaries are required to pay a portion of their health care premium. The portion is based on years of service, Medicare eligibility and retirement status. A safety net is in place for retirees whose household income falls below Federal poverty levels. Premiums are reduced by 50% for those who apply. For this fiscal year, employer contributions to fund health care benefits were 3.43% of covered payroll.

In addition, SERS levies a surcharge to fund health care benefits equal to 14% of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2005, the minimum pay has been established at \$27,400. The surcharge, added to the unallocated portion of the 14% contribution rate, provides for maintenance of the asset target level for the health care fund. For the School District, the amount of employer contributions used to fund health care equaled \$255,825, which includes a surcharge of \$68,518 during the 2005 fiscal year.

Health care benefits are financed on a pay-as-you-go basis. Net health care costs for the year ending June 30, 2005 were \$178,221,113. The target level for the health care reserve is 150% of projected claims less premium contributions for the next fiscal year. As of June 30, 2005, the value of the health care fund was \$267.5 million, which is about 168% of next year's projected net health care costs of \$158,776,151. On the basis of actuarial projections, the allocated contributions will be insufficient, in the long term, to provide for a health care reserve equal to at least 150% of estimated annual claims costs. The number of participants eligible to receive benefits is 58,123.

Amherst Exempted Village School District, Lorain County

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2005

NOTE 14 - LONG-TERM OBLIGATIONS

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

	<i>Balance July 1</i>	<i>Additions</i>	<i>Deletions</i>	<i>Balance June 30</i>	<i>Due within one year</i>
<u>Governmental Long-term Obligations</u>					
<i>General Obligation Bonds and Notes</i>					
<i>2001 School Improvement</i>					
<i>Bonds, 5.0%</i>	\$ 25,025,000	\$ -	\$ (725,000)	\$ 24,300,000	\$ 790,000
<i>2002 Energy Conservation</i>					
<i>Notes, 5.0%</i>	<u>1,240,000</u>	<u>-</u>	<u>(80,000)</u>	<u>1,160,000</u>	<u>85,000</u>
<i>Total general obligation bonds</i>	<u>26,265,000</u>	<u>-</u>	<u>(805,000)</u>	<u>25,460,000</u>	<u>875,000</u>
<i>Other Long-term Obligations</i>					
<i>Long-term compensated absences</i>	<u>2,414,098</u>	<u>425,944</u>	<u>(445,410)</u>	<u>2,394,632</u>	<u>324,825</u>
<i>Total governmental long-term obligations</i>	<u>\$ 28,679,098</u>	<u>\$ 425,944</u>	<u>\$ (1,250,410)</u>	<u>\$ 27,854,632</u>	<u>\$ 1,199,825</u>

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

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

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

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

Amherst Exempted Village School District, Lorain County

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2005

Principal and interest requirements to amortize all bonds outstanding at June 30, 2005 are as follows:

<i>Fiscal Year</i>	<i>School Improvement Bonds</i>			<i>Energy Conservation Notes</i>		
	<i>Principal</i>	<i>Interest</i>	<i>Total</i>	<i>Principal</i>	<i>Interest</i>	<i>Total</i>
2006	\$ 790,000	\$ 1,230,410	\$ 2,020,410	\$ 85,000	\$ 52,776	\$ 137,776
2007	850,000	1,197,200	2,047,200	85,000	49,249	134,249
2008	910,000	1,157,238	2,067,238	90,000	45,618	135,618
2009	980,000	1,109,987	2,089,987	100,000	41,675	141,675
2010	1,050,000	1,062,388	2,112,388	100,000	37,300	137,300
2011-2015	6,220,000	4,425,181	10,645,181	500,000	114,900	614,900
2016-2020	6,500,000	2,653,812	9,153,812	200,000	10,550	210,550
2021-2025	5,000,000	1,127,500	6,127,500	-	-	-
2026-2027	2,000,000	100,000	2,100,000	-	-	-
<i>Total</i>	<u>\$ 24,300,000</u>	<u>\$ 14,063,716</u>	<u>\$ 38,363,716</u>	<u>\$ 1,160,000</u>	<u>\$ 352,068</u>	<u>\$ 1,512,068</u>

NOTE 15 – JOINTLY GOVERNED ORGANIZATIONS

Lake Erie Educational Computer Association (LEECA)

The Lake Erie Educational Computer Association (LEECA) is a jointly governed organization among thirty school districts. The jointly governed organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member districts. Each member district supports LEECA based upon a per pupil charge dependent upon the software package utilized. The LEECA assembly consists of a superintendent or designated representative from each participating school district and a representative from the fiscal agent. LEECA is governed by a Board of Directors chosen from the general membership of the LEECA Assembly. The Board of Directors consists of a representative from the fiscal agent, the chairman of each of the operating committees, and at least one Assembly member from each county in which participating school districts are located. The degree of control exercised by any participating school district is limited to its representation on the Board. The School District paid \$163,962 in fees to LEECA during fiscal year 2005. Financial information can be obtained by contacting the Treasurer of the Educational Service Center of Lorain County, who serves as the fiscal agent, at 1885 Lake Avenue, Elyria, Ohio 44035.

Lake Erie Regional Council of Governments (LERC)

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

Amherst Exempted Village School District, Lorain County

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2005

In LERC's shared risk pool, LEEP (see Note 11), premiums are billed to each participating school district based on actuarially determined rates. Should contributions prove to be insufficient to pay program costs of the insurance program for any fiscal year, each participating member is notified of the deficiency and billed for its share of the additional cost.

The LERC assembly consists of a superintendent or designated representative from each participating school district and the fiscal agent. LERC is governed by a Board of Directors chosen from the general membership. The degree of control exercised by any participating school district is limited to its representation on the Board. In fiscal year 2005, the School District paid LERC \$3,288,457. 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 2005, the School District did not pay any money to the Lorain County Joint Vocational School District. Financial information can be obtained by contacting the Treasurer of the Lorain County Joint Vocational School District, 15181 State Route 58, Oberlin, Ohio 44074.

NOTE 16 – RELATED ORGANIZATION

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

NOTE 17 - CONTINGENCIES

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

Amherst Exempted Village School District, Lorain County

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2005

The School District received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 2005.

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

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

NOTE 18 - STATUTORY RESERVES

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

During the fiscal year ended June 30, 2005, the reserve activity was as follows:

	<i>Textbook Reserve</i>	<i>Capital Maintenance Reserve</i>	<i>Total</i>
<i>Set-aside cash balance as of</i>			
<i>June 30, 2004</i>	\$ 306,795	\$ -	\$ 306,795
<i>Current year set-aside requirement</i>	582,492	582,492	1,164,984
<i>Current year offset</i>	-	(571,301)	(571,301)
<i>Qualifying disbursements</i>	<u>(870,000)</u>	<u>(551,081)</u>	<u>(1,421,081)</u>
<i>Total</i>	<u>\$ 19,287</u>	<u>\$ (539,890)</u>	<u>\$ (520,603)</u>
<i>Balance carried forward to future years</i>	<u>\$ 19,287</u>		<u>\$ 19,287</u>

Amherst Exempted Village School District, Lorain County

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2005

NOTE 19 - DEFERRED COMPENSATION PLAN

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

NOTE 20 - COMMITMENTS

The School District had major construction projects that are commitments of the building capital projects fund. The projects involve the construction of a new junior high school and additions to the existing high school, junior high school, and other facilities. Bonds were issued in 2001 in order to finance the construction. As of June 30, 2005, the School District has spent \$26,261,958. Of the unspent balance of \$35,626, all has been committed for capital projects.

NOTE 21 – REQUIRED SUPPLEMENTARY INFORMATION (RSI) IS OMITTED

For the fiscal year ended, the School District was required to implement GASB Technical Bulletin No. 2004-2. In addition to the implementation of this guidance, the School District simultaneously implemented GASB Statement No. 45, as recommended by the GASB. This Statement requires employers to present as required supplementary information (RSI) schedules of funding progress and employer contributions for the plan as a whole if a plan financial report, prepared in accordance with GASB Statement No. 43 is not issued and made publicly available and the plan is not included in the financial report of a public employee retirement system or another entity. SERS and STRS have not issued a financial report in accordance with the statement and have not conducted a valuation of their plans, as they were not required to implement the statement as of the date of this report. Therefore, RSI is unavailable to the School District and it does not follow these notes to the financial statements.

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**AMHERST EXEMPTED VILLAGE SCHOOL DISTRICT
LORAIN COUNTY**

**SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

Federal Grantor/ Pass-Through Grantor/Program Title	Pass-Through Entity Number	CFDA Number	Receipts		Expenditures		
			Cash	Non-Cash	Cash	Non-Cash	
U.S. Department of Agriculture							
<i>Passed Through the Ohio Department of Education:</i>							
Child Nutrition Cluster:							
Food Distribution	N/A	10.550	\$0	\$78,323	\$0	\$82,624	
National School Lunch Program	LLP4-2004	10.555	46,848	0	46,848	0	
National School Lunch Program	LLP4-2005	10.555	127,572	0	127,572	0	
Total U.S. Department of Agriculture - Child Nutrition Cluster			174,420	78,323	174,420	82,624	
U.S. Department of Education							
<i>Passed Through the Ohio Department of Education</i>							
Special Education Cluster:							
Special Education Grants to States	6BSF-2004-P	84.027	129,353	0	105,961	0	
Special Education Grants to States	6BSF-2005-P	84.027	658,318	0	628,279	0	
Total Special Education Grants to States			787,671	0	734,240	0	
Special Education - Pre-School	PGS1-2005	84.173	21,794	0	20,979	0	
Total Special Education Cluster			809,465	0	755,219	0	
Safe and Drug Free Schools and Communities	DRS1-2004	84.186	8,423	0	0	0	
Safe and Drug Free Schools and Communities	DRS1-2005	84.186	7,200	0	8,534	0	
Total Safe and Drug Free Schools and Communities			15,623	0	8,534	0	
Innovative Education Program	C2S1-2004	84.298	1,854	0	0	0	
Innovative Education Program	C2S1-2005	84.298	19,207	0	19,512	0	
Total Innovative Education Program			21,061	0	19,512	0	
Title II-A - Improving Teacher Quality	TRS1-2004	84.367	22,201	0	20,349	0	
Title II-A - Improving Teacher Quality	TRS1-2005	84.367	64,155	0	74,807	0	
Total Title II-A - Improving Teacher Quality			86,356	0	95,156	0	
Total U.S. Department of Education			932,505	0	878,421	0	
Total Federal Assistance			\$1,106,925	\$78,323	\$1,052,841	\$82,624	

Notes to the Schedule of Federal Awards Expenditures are an integral part of this statement

**AMHERST EXEMPTED VILLAGE SCHOOL DISTRICT
LORAIN COUNTY**

**NOTES TO THE SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2005**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B - CHILD NUTRITION CLUSTER

Program regulations do not require the District to maintain separate inventory records for purchased food and food received from the U.S. Department of Agriculture. This nonmonetary assistance (expenditures) is reported in the Schedule at the fair market value of the commodities received.

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

N/A – Not Applicable

CFDA – Catalog of Federal Domestic Assistance



Auditor of State Betty Montgomery

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

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

We have audited the financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of the Amherst Exempted Village School District, Lorain County, Ohio, (the District) as of and for the year ended June 30, 2005, which collectively comprise the District's basic financial statements and have issued our report thereon dated May 1, 2006, wherein we noted the District implemented GASB Statement Nos. 40, 45, and restated the fund balances of the Governmental Funds as of June 30, 2004, for the implementation of GASB Technical Bulletin 2004-2. 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 the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting to determine our auditing procedures in order to express our opinions on the financial statements and not to opine on the internal control over financial reporting. However, we noted a certain matter involving the internal control over financial reporting and its operation that we consider a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the District's ability to record, process, summarize, and report financial data consistent with management's assertions in the financial statements. A reportable condition is described in the accompanying schedule of findings as item 2005-001.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts material to the financial statements we audited may occur and not be timely detected by employees when performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered material weaknesses. However, we do not believe the reportable condition described above is a material weakness. In a separate letter to the District's management dated May 1, 2006, we reported other matters involving internal control over financial reporting which we did not deem reportable conditions.

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www.auditor.state.oh.us

Compliance and Other Matters

As part of reasonably assuring whether the District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express an opinion. The results of our tests disclosed an instance of noncompliance or other matters that we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2005-002.

We intend this report solely for the information and use of management, the Board of Education, federal awarding agencies and pass-through entities. It is not intended for anyone other than these specified parties.

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

Betty Montgomery
Auditor of State

May 1, 2006



Auditor of State Betty Montgomery

INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO ITS MAJOR FEDERAL PROGRAM AND ON 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 apply to its major federal program for the year ended June 30, 2005. The summary of auditor's results section of the accompanying schedule of findings identifies the District's major federal program. The District's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. 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 reasonably assure whether noncompliance occurred with the types of compliance requirements referred to above that could directly and materially affect a major federal program. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing other procedures we considered necessary in the circumstances. We believe 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 Amherst Exempted Village School District complied, in all material respects, with the requirements referred to above that apply to its major federal program for the year ended June 30, 2005.

Internal Control Over Compliance

The District's management 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 directly and materially affect a major federal program to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

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

We intend this report solely for the information and use of management, the Board of Education, and federal awarding agencies, and pass-through entities. It is not intended for anyone other than these specified parties.

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

Betty Montgomery
Auditor of State

May 1, 2006

**AMHERST EXEMPTED VILLAGE SCHOOL DISTRICT
LORAIN COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 2005**

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	Type of Financial Statement Opinion	Unqualified
(d)(1)(ii)	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?	Yes
(d)(1)(iii)	Was there any reported material noncompliance at the financial statement level (GAGAS)?	Yes
(d)(1)(iv)	Were there any material internal control weakness conditions reported for major federal programs?	No
(d)(1)(iv)	Were there any other reportable internal control weakness conditions reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unqualified
(d)(1)(vi)	Are there any reportable findings under § .510?	No
(d)(1)(vii)	Major Programs (list):	Special Education Cluster: Special Education Grants to States CFDA #84.027 Special Education-Preschool CFDA 84.173
(d)(1)(viii)	Dollar Threshold: Type A/B Programs	Type A: > \$ 300,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	Yes

**AMHERST EXEMPTED VILLAGE SCHOOL DISTRICT
LORAIN COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 2005
(Continued)**

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

FINDING NUMBER 2005-001

REQUIREMENTS OF SAS 70

The District has delegated employees' health care claims processing, which is a significant accounting function, to a third-party administrator. The District has not established procedures to determine whether this service organization has sufficient controls in place and operating effectively to reduce the risk that the health insurance claims have not been completely and accurately processed in accordance with the health insurance contract. Failure to obtain assurance over the claims processing may lead to qualification of opinion.

Statement on Auditing Standards (SAS) No. 70, as amended, prescribes standards for reporting on service organizations. An unqualified Type II Report on Policies and Procedures Placed in Operation and Tests of Operating Effectiveness in accordance with SAS No. 70 should provide the District with reasonable assurance that health insurance claim transactions conform to the contract.

We recommend the District require a Type II SAS 70 report in its contract with the third-party administrator. The District should review the SAS 70 report timely. The report should follow American Institute of Certified Public Accountants standards and be performed by a firm registered and considered in good standings with the Accountancy Board of the respective state.

If the third-party administrator refuses to furnish the District with a Type II SAS 70 report, we recommend the District contract with a third-party administrator that will provide such a report.

CLIENT RESPONSE

Effective January 1, 2006 health care claims processing will be provided by Medical Mutual instead of Lake Erie Regional Council (LERC). Medical Mutual does produce a SAS 70 report. Therefore, this finding will be eliminated for fiscal year ending 2006.

FINDING NUMBER 2005-002

DEFICIT FUND BALANCES

Ohio Rev. Code Section 5705.10 requires that monies paid into any fund be used only for the purposes for which such fund is established. The District had deficit cash fund balances in the following funds at the end of the specified months:

Fund/Month Ending	Deficit	Fund/Month Ending	Deficit
		<u>Summer Intervention Fund</u>	
7/31/04	\$1,168	7/31/04	\$43,472
8/31/04	\$3,843	10/31/04	\$24,642
1/31/05	\$72,319	11/30/04	\$70,701
2/28/05	\$15,997	12/31/04	\$135,828
3/31/05	\$15,997	1/31/05	\$246,515
		<u>IDEA Part B Fund</u>	

**AMHERST EXEMPTED VILLAGE SCHOOL DISTRICT
LORAIN COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 2005
(Continued)**

FINDING NUMBER 2005-002

DEFICIT FUND BALANCES (Continued)

Fund/Month Ending	Deficit	Fund/Month Ending	Deficit
<u>Title V Innovative Fund</u>		<u>Drug Free Schools Fund</u>	
10/31/04	\$86	7/31/04	\$900
11/30/04	\$86	12/31/04	\$825
12/31/04	\$528	1/31/05	\$825
1/31/05	\$2,896		
5/31/05	\$898		
<u>Preschool Handicapped Fund</u>		<u>Improving Teacher Quality Fund</u>	
10/31/04	\$1,197	7/31/04	\$7,716
11/30/04	\$2,908	10/31/04	\$2,351
12/31/04	\$5,474	11/30/04	\$8,096
1/31/05	\$7,185	12/31/04	\$16,278
3/31/05	\$342	1/31/05	\$22,077
5/31/05	\$3,360	3/31/05	\$238
		5/31/05	\$1,052

These deficits were eliminated by June 30, 2005.

Deficit cash fund balances are an indication that revenues from other sources were used to pay obligations of these funds. Additionally, money spent for purposes other than specified in grant agreements could result in the loss of future grant awards. Fund activity should be monitored to prevent future expenditures in excess of available resources. In those cases where additional funds are required, the resources should either be transferred or advanced to the fund in accordance with the Ohio Rev. Code and Auditor of State Bulletin 97-003.

CLIENT RESPONSE

During fiscal year 2005, various federal funds had a negative fund balance. However, by June 30, 2005 all the funds were positive. Project cash requests will be submitted on a more timely basis to help ensure that at each month end, the federal funds will not be negative.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS
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None



**Auditor of State
Betty Montgomery**

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**AMHERST EXEMPTED VILLAGE SCHOOL DISTRICT
LORAIN COUNTY**

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
JUNE 27, 2006**