AMHERST EXEMPTED VILLAGE SCHOOL DISTRICT
LORAIN COUNTY

SINGLE AUDIT

FOR THE YEAR ENDED JUNE 30, 2018

OHIO AUDITOR OF STATE
KEITH FABER

AMHERST EXEMPTED VILLAGE SCHOOL DISTRICT
LORAIN COUNTY

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OHIO AUDITOR OF STATE
KEITH FABER

INDEPENDENT AUDITOR'S REPORT

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

To the Board of Education:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Amherst Exempted Village School District, Lorain County, Ohio (the District), as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes designing, implementing, and maintaining internal control relevant to preparing and fairly presenting financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the District's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinions.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Amherst Exempted Village School District, Lorain County, Ohio, as of June 30, 2018, and the respective changes in financial position thereof and the budgetary comparison for the General Fund thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 3 to the financial statements, during 2018, the District adopted new accounting guidance in Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions.* We did not modify our opinion regarding this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require this presentation to include *management's discussion and analysis* and schedules of net pension and other post-employment benefit liabilities and pension and other post-employment benefit contributions listed in the table of contents, to supplement the basic financial statements. Although this information is not part of the basic financial statements, the Governmental Accounting Standards Board considers it essential for placing the basic financial statements in an appropriate operational, economic, or historical context. We applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, consisting of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, to the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not opine or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to opine or provide any other assurance.

Supplementary and Other Information

Our audit was conducted to opine on the District's basic financial statements taken as a whole.

The Schedule of Expenditures of Federal Awards presents additional analysis as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards and is not a required part of the financial statements.

The schedule is management's responsibility, and derives from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. We subjected this information to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling this information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves in accordance with auditing standards generally accepted in the United States of America. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 27, 2019, 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. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Keith Faber
Auditor of State
Columbus, Ohio

March 27, 2019

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The Management's Discussion and Analysis of the Amherst Exempted Village School District's (the School District) financial performance provides an overall review of the School District's financial activities for the year ended June 30, 2018. 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 basic financial statements and notes to those respective statements to enhance their understanding of the School District's financial performance.

Financial Highlights

Key financial highlights for 2018 are as follows:

- The School District implemented GASB Statement 75, "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions", which revises accounting for postemployment benefits other than pension costs and liabilities, resulting in a restatement of beginning net position.

- In total, net position increased by $32,692,082. The increase in net position is primarily due to the decrease in net pension liability and net OPEB liability and the increase in cash and cash equivalents.

- Revenues for governmental activities totaled $54,643,173 during 2018. Of this total, 78 percent consisted of general revenues while program revenues accounted for the balance of 22 percent.

- Program expenses totaled $21,951,091. Instructional expenses made up 52 percent of this total while support services accounted for 37 percent. Other expenses rounded out the remaining 11 percent.

USING THIS ANNUAL FINANCIAL REPORT

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

The *Statement of Net Position* and *Statement of Activities* provide information about the activities of the whole School District, presenting both an aggregate and longer-term view of those finances. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as the number of funds available for future spending. The fund financial statements also look at the School District's most significant funds with all other governmental funds presented in total in one column. In the case of the School District, the General Fund, and Classroom Facilities Fund are the most significant funds and, therefore are the only governmental funds reported as major funds.

REPORTING THE DISTRICT AS A WHOLE

Statement of Net Position and the Statement of Activities

While this document contains all the funds used by the School District to provide programs and activities, the view of the School District as a whole considers all financial transaction and asks the question, "How did we do financially during 2018?"

The *Statement of Net Position* and the *Statement of Activities* answers this question. These statements include all assets, liabilities and deferred inflows/outflows of resources using the accrual basis of accounting, similar to the accounting used by most private-sector companies. Accrual 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 position and changes in that position. This change in net position 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 performance, demographic and socioeconomic factors and willingness of the community to support the School District. On the other hand, financial factors may include the School District's financial position, liquidity and solvency, fiscal capacity and risk and exposure.

In the *Statement of Net Position* and the *Statement of Activities*, the School District is classified into governmental activities. All of the School District's programs and services are reported here including instruction, support services, operation and maintenance of plant, pupil transportation, central service, extracurricular activities, and interest and fiscal charges.

REPORTING THE SCHOOL DISTRICT'S MOST SIGNIFICANT FUNDS

Governmental Funds Most of the School District's activities are reported as 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 the *modified accrual basis of accounting*, which measures cash and all other financial assets that can be readily 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 to 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 Position and the Statement of Activities) and governmental funds is reconciled in the financial statements.

Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in the fund balances for the General Fund and Classroom Facilities Fund which are considered to be major funds. Data from the other governmental funds are combined into a single, aggregated presentation.

The School District adopts an annual appropriation budget for the General Fund. A budgetary comparison statement has been provided for the General Fund to demonstrate compliance with this budget. The governmental fund financial statements begin on page 17.

Fiduciary Funds These funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the School District's own programs. The accounting for the fiduciary funds is much like that used for proprietary funds. The fiduciary fund financial statements begin on page 22.

Notes to the Basic Financial Statements The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the basic financial statements begin on page 25.

Required Supplementary Information In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the District's net pension liability and net OPEB liability. The required supplementary information can be found on pages 71 through 80 of this report.

THE SCHOOL DISTRICT AS A WHOLE

You may recall that the *Statement of Net Position* provides the perspective of the School District as a whole. Table 1 provides a summary of the School District's net position for 2018 compared to 2017.

Table 1- Net Position

	Governmental Activities	
	2018	2017 *
ASSETS		
Current and other assets	$ 63,757,030	$ 57,092,938
Capital assets, net	30,444,667	25,535,264
Total Assets	94,201,697	82,628,202
DEFERRED OUTFLOWS OF RESOURCES		
Deferral on Refunding	91,006	101,117
Pension	12,932,283	11,293,708
OPEB	442,191	106,678
Total Deferred Outflows of Resources	13,465,480	11,501,503
LIABILITIES		
Current and other liabilities	7,441,691	5,064,347
Long-term liabilities:		
Due within one year	3,592,919	3,346,530
Due in more than one year:		
Net Pension Liability	44,360,337	62,152,453
Net OPEB Liability	10,102,643	12,729,038
Other Amounts	30,697,497	32,421,571
Total Liabilities	96,195,087	115,713,939
DEFERRED INFLOWS OF RESOURCES		
Property Taxes	15,728,412	18,654,610
Payment in Lieu of Taxes	90,181	88,786
Pension	3,632,806	1,678,250
OPEB	1,334,489	-
Total Deferred Inflows of Resources	20,785,888	20,421,646
NET POSITION		
Net Investment in Capital Assets	11,868,576	11,682,729
Restricted	11,248,024	3,042,453
Unrestricted	(32,430,398)	(56,731,062)
Total Net Position	$ (9,313,798)	$ (42,005,880)

* Restated

The net pension liability (NPL) is the largest single liability reported by the School District at June 30, 2018 and is reported pursuant to GASB Statement 68, "Accounting and Financial Reporting for Pensions—an Amendment of GASB Statement 27." For fiscal year 2018, the School District adopted GASB Statement 75, "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions," which significantly revises accounting for costs and liabilities related to other postemployment benefits (OPEB). For reasons discussed below, many end users of this financial statement will gain a clearer understanding of the School District's actual financial condition by adding deferred inflows related to pension and OPEB, the net pension liability and the net OPEB liability to the reported net position and subtracting deferred outflows related to pension and OPEB.

Governmental Accounting Standards Board standards are national and apply to all government financial reports prepared in accordance with generally accepted accounting principles. Prior accounting for pensions (GASB 27) and postemployment benefits (GASB 45) focused on a funding approach. This approach limited pension and OPEB costs to contributions annually required by law, which may or may not be sufficient to fully fund each plan's *net pension liability* or *net OPEB liability*. GASB 68 and GASB 75 take an earnings approach to pension and OPEB accounting; however, the nature of Ohio's statewide pension/OPEB plans and state law governing those systems requires additional explanation in order to properly understand the information presented in these statements.

GASB 68 and GASB 75 require the net pension liability and the net OPEB liability to equal the School District's proportionate share of each plan's collective:

1. Present value of estimated future pension/OPEB benefits attributable to active and inactive employees' past service
2. Minus plan assets available to pay these benefits

GASB notes that pension and OPEB obligations, whether funded or unfunded, are part of the "employment exchange" – that is, the employee is trading his or her labor in exchange for wages, benefits, and the promise of a future pension and other postemployment benefits. GASB noted that the unfunded portion of this promise is a present obligation of the government, part of a bargained-for benefit to the employee, and should accordingly be reported by the government as a liability since they received the benefit of the exchange. However, the School District is not responsible for certain key factors affecting the balance of these liabilities. In Ohio, the employee shares the obligation of funding pension benefits with the employer. Both employer and employee contribution rates are capped by State statute. A change in these caps requires action of both Houses of the General Assembly and approval of the Governor. Benefit provisions are also determined by State statute. The Ohio revised Code permits, but does not require the retirement systems to provide healthcare to eligible benefit recipients. The retirement systems may allocate a portion of the employer contributions to provide for these OPEB benefits.

The employee enters the employment exchange with the knowledge that the employer's promise is limited not by contract but by law. The employer enters the exchange also knowing that there is a specific, legal limit to its contribution to the retirement system. In Ohio, there is no legal means to enforce the unfunded liability of the pension/OPEB plan *as against the public employer.* State law operates to mitigate/lessen the moral obligation of the public employer to the employee, because all parties enter the employment exchange with notice as to the law. The retirement system is responsible for the administration of the pension and OPEB plans.

Most long-term liabilities have set repayment schedules or, in the case of compensated absences (i.e. sick and vacation leave), are satisfied through paid time-off or termination payments. There is no repayment schedule for the net pension liability or the net OPEB liability. As explained above, changes in benefits, contribution rates, and return on investments affect the balance of these liabilities, but are outside the control of the local government. In the event that contributions, investment returns, and other changes are insufficient to keep up with required payments, State statute does not assign/identify the responsible party for the unfunded portion. Due to the unique nature of how the net pension liability and the net OPEB liability are satisfied, these liabilities are separately identified within the long-term liability section of the statement of net position.

In accordance with GASB 68 and GASB 75, the School District's statements prepared on an accrual basis of accounting include an annual pension expense and an annual OPEB expense for their proportionate share of each plan's *change* in net pension liability and net OPEB liability, respectively, not accounted for as deferred inflows/outflows.

As a result of implementing GASB 75, the School District is reporting a net OPEB liability and deferred inflows/outflows of resources related to OPEB on the accrual basis of accounting. This implementation also had the effect of restating net position at June 30, 2017, from a deficit of $29,383,520 to a deficit of $42,005,880. See Note 3 for further information regarding the restatement of net position.

Total net position of the School District as a whole increased in the amount of $32,692,082.

Total assets increased by $11,573,495. The majority of the increase can be attributed to an increase in Equity in Pooled Cash and Cash Equivalents and capital assets, net. These increases were due to the drawdown of funds received from the Ohio Facilities Construction Commission for the Classroom Facilities Assistance Program in fiscal year 2018. Use of those funds are restricted to the co-funded building project for the PK-3 school building.

Total liabilities decreased by $19,518,852 due mainly to a decrease in net pension liability and net OPEB liability. The changes in deferred outflows and inflows of resources is due to GASB 68 and the implementation of GASB 75. See Notes 14 and 15 to the basic financial statements for more detailed information related to net pension liability and net OPEB liability.

The recording of GASB Statement No. 68 and 75 requires the readers to perform additional calculations to determine the School District's total Net Position at June 30, 2018 without the recording of GASB Statement No. 68 and 75. This is an important exercise, as the State Pension Systems (SERS & STRS) collect, hold, invest, and distribute pensions to our employees, not the School District. These calculations are as follows:

Total Net Position including GASB 68 and GASB 75	$ (9,313,798)
Add:	
Net Pension liability	44,360,337
Net OPEB Liability	10,102,643
Deferred Inflows - Pension	3,632,806
Deferred Inflows - OPEB	1,334,489
Less:	
Deferred Outflows - Pension	12,932,283
Deferred Outflows - OPEB	442,191
Total Net Position without GASB 68 and GASB 75	36,742,003

Table 2 shows the changes in net position and compares revenue and expenses from fiscal year 2018 and fiscal year 2017.

Table 2- Changes in Net Position

	Governmental Activities	
	2018	2017
REVENUES		
Program Revenues:		
Charges for services	$ 3,168,861	$ 3,372,992
Operating grants and contributions	2,135,385	1,946,042
Capital grants and contributions	6,938,952	-
Total Program Revenues	12,243,198	5,319,034
General Revenues:		
Property taxes	23,781,228	19,254,663
Payments in lieu of taxes	85,678	87,366
Grants and entitlements not restricted to specific programs	17,590,743	17,869,017
Contributions and Donations not restricted to specific programs	6,000	22,810
Gain on sale of capital assets	-	2,862
Investment income	474,882	170,907
Miscellaneous	461,444	230,707
Total General Revenues	42,399,975	37,638,332
Total Revenues	54,643,173	42,957,366
EXPENSES		
Program Expenses:		
Instruction:		
Regular	8,853,317	20,410,630
Special	2,388,184	5,204,172
Vocational	118,854	412,791
Supporting Services:		
Pupils	738,867	1,980,042
Instructional Staff	1,180,148	2,054,174
Board of Education	17,633	24,359
Administration	1,233,094	2,930,708
Fiscal Services	687,252	944,066
Operation and Maintenance of Plant	3,114,742	3,006,876
Pupil Transportation	995,689	1,565,569
Central	53,918	220,252
Operation of Non-Instructional Services	1,272,197	1,694,668
Extracurricular Activities	387,512	1,201,307
Interest and Fiscal Charges	909,684	821,362
Total Expenses	21,951,091	42,470,976
Change in Net Position	32,692,082	486,390
Net Position - Beginning of Year, Restated	(42,005,880)	N/A
Net Position - End of Year	$ (9,313,798)	$ (42,005,880)

Governmental Activities

The School District has carefully planned its financial existence by forecasting its revenues and expenses over the next five years. Although the School District relies heavily upon local property taxes to support its operations, the School District does actively solicit and receive additional grant and entitlement funds to help offset some operating costs.

As one can see, approximately 52 percent of the School District's expense is used to fund instructional expenses. Additional supporting services for pupils, staff and business operations encompass an additional 37 percent. The remaining amount of program expenses, 11 percent, is to facilitate other obligations of the School District such as interest and fiscal charges, the food service program and numerous extracurricular activities.

Total revenues increased $11,685,807 in fiscal year 2018 mainly due to the increase in property tax revenue. Property tax revenue increased mainly due to an increase in property tax amount available for advance at fiscal year end. Capital grants and contributions increased by $6,938,952 due to the drawdown of funds received from the Ohio Facilities Construction Commission for the Classroom Facilities Assistance Program. Use of those funds are restricted to the co-funded building project for the PK-3 school building.

Total expenses decreased by $20,519,885 mainly due to the recording of GASB 68 and 75. The effects of GASB 68 and 75 distort the comparative analysis of expenses due to the significant changes made by the pension systems in recording the aforementioned GASBs. As a result of the significant adjustments to program expenses for GASB 68 and GASB 75, the following adjustments are needed:

Total 2018 program expenses under GASB 68 and 75	$ 21,951,091
Negative NPL expense under GASB 68	14,477,472
2018 contractually required contribution - Pension	2,998,663
Negative OPEB expense under GASB 75	1,514,211
2018 contractually required contribution - OPEB	113,208
Adjusted 2018 program expenses	41,054,645
Total 2017 program expenses under GASB 45	42,470,976
NPL expense under GASB 68	(4,447,067)
2017 contractually required contribution - Pension	2,984,604
Adjusted 2017 program expenses	41,008,513
Increase in program expenses	$ 46,132

The Statement of Activities shows the total net cost of program services. Table 3 shows a comparison of the total cost of services for governmental activities and the net cost of those services for fiscal year 2018 to fiscal year 2017. That is, it identifies the cost of those services supported by tax revenue and unrestricted State entitlements.

Table 3- Total and Net Cost of Program Services

	Governmental Activities			
	Total Cost of Services 2018	Total Cost of Services 2017	Net Cost of Services 2018	Net Cost of Services 2017
Instruction	$ 11,360,355	$ 26,027,593	$ 8,740,185	$ 23,517,587
Supporting Services:				
Pupils and Instructional Staff	1,919,015	4,034,216	1,681,406	3,790,189
Board of Education, Administration, and Fiscal Services	1,937,979	3,899,133	1,777,266	3,707,830
Operation and Maintenance of Plant	3,114,742	3,006,876	(3,981,489)	2,859,320
Pupil Transportation	995,689	1,565,569	938,544	1,502,498
Central	53,918	220,252	48,918	211,709
Operation of Non-Instructional Services	1,272,197	1,694,668	(257,737)	59,543
Extracurricular Activities	387,512	1,201,307	(148,884)	681,904
Interest and Fiscal Charges	909,684	821,362	909,684	821,362
Total Cost of Services	$ 21,951,091	$ 42,470,976	$ 9,707,893	$ 37,151,942

The dependence upon general revenues in the form of property taxes and grant and entitlements not restricted to specific programs is apparent. Program revenues only account for 56 percent of all governmental expenses. Program revenues include charges for services, operating grants and contributions, and capital grants and contributions that are program specific. The large decrease in Instruction is due to GASB 68 and 75 as previously discussed.

THE SCHOOL DISTRICT'S FUNDS

Information regarding the School District's major funds can be found on page 17 of the basic financial statements. These funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues of $54,845,527 and expenditures totaled $47,434,381. The General Fund and Classroom Facilities Fund balance increased $4,864,986 and $3,853,768, respectively. The increase in the Classroom Facilities Fund is mainly due to the drawdown of funds received from the Ohio Facilities Construction Commission for the Classroom Facilities Assistance Program. Use of those funds are restricted to the co-funded building project for the PK-3 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.

For the General Fund, the original budget basis revenue including other financing sources was $40,309,225 and the final budget basis revenue including other financing sources was $38,109,224. Actual revenues were $185,236 greater than final budget basis revenue including other financing sources.

For the General Fund, the original appropriations including other financing uses was $38,933,072 and the final appropriations including other financing uses was $38,933,072. Actual expenditures were $1,392,541 less than the final appropriations including other financing usess.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of fiscal year 2018, the School District had $30,444,667 invested in its capital assets. Table 4 shows the fiscal year 2018 balances compared to 2017.

Table 4- Capital Assets

	Governmental Activities	
	2018	2017
Land	$ 1,421,676	$ 1,421,676
Construction in Progress	6,355,310	394,686
Land Improvements	1,244,621	1,254,757
Buildings and Improvements	20,370,772	21,337,953
Furniture and Equipment	773,794	797,671
Vehicles	278,494	328,521
Total Capital Assets	$ 30,444,667	$ 25,535,264

Changes in capital assets from the prior year resulted from current year additions as well as depreciation expense. See Note 12 to the basic financial statements for more detailed information related to capital assets.

Debt

At June 30, 2018, the School District had $27,858,000 in bonds and notes outstanding of which $1,155,000 is due within one year. See Note 16 to the basic financial statements for more detailed information related to debt. Table 5 summarizes the bonds outstanding:

Table 5- Oustanding Debt at Year End

	Governmental Activities	
	2018	2017
Refunding Bonds	$ 10,495,000	$ 10,980,000
Classroom Facilities and School Improvement	16,450,000	16,810,000
Tax Anticipation Note	913,000	1,209,000
Total Outstanding Debt	$ 27,858,000	$ 28,999,000

At June 30, 2018, the School District's overall debt margin was $24,039,553.

CURRENT ISSUES

Amherst Exempted Village School District has a strong financial outlook. 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 are internal and external in nature. The internal challenges will continue to exist as the School District must rely heavily on local property taxes to fund its operation. External 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 School District has not anticipated any meaningful growth in State revenue due to the constraints set by the State for estimating state funding. The affect of passing the operating levy in prior years will continue to have a positive effect on the School District's financial condition. As a result of the challenges mentioned above, it is imperative the School District's management continue to carefully and prudently plan in order to provide the resources required to meet student needs of the next several years.

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 about this report of need additional financial information, contact Ms. Amelia Gioffredo, Treasurer, at Amherst Exempted Village School District, 185 Forest Street, Amherst, Ohio 44001.

AMHERST EXEMPTED VILLAGE SCHOOL DISTRICT
LORAIN COUNTY, OHIO
STATEMENT OF NET POSITION
JUNE 30, 2018

	Governmental Activities
ASSETS	
Equity in Pooled Cash and Cash Equivalents	$ 42,327,032
Taxes Receivable	20,626,840
Accounts Receivable	118,508
Accrued Interest Receivable	40,329
Intergovernmental Receivable	502,130
Materials and Supplies Inventory	13,374
Prepaid Items	128,817
Nondepreciable Capital Assets	7,776,986
Depreciable Capital Assets, Net	22,667,681
Total Assets	94,201,697
DEFERRED OUTFLOWS OF RESOURCES	
Deferral on Refunding	91,006
Pension	12,932,283
OPEB	442,191
Total Deferred Outflows of Resources	13,465,480
LIABILITIES	
Accounts Payable	393,396
Contracts Payable	2,587,393
Accrued Wages and Benefits	3,461,641
Intergovernmental Payable	620,137
Accrued Interest Payable	78,665
Matured Compensated Absences Payable	149,269
Retainage Payable	151,190
Long-term Liabilities:	
Due within one year	3,592,919
Due in more than one year:	
Net Pension Liability	44,360,337
Net OPEB Liability	10,102,643
Other Amounts	30,697,497
Total Liabilities	96,195,087
DEFERRED INFLOWS OF RESOURCES	
Property Taxes	15,728,412
Payments in Lieu of Taxes	90,181
Pension	3,632,806
OPEB	1,334,489
Total Deferred Inflows of Resources	20,785,888
NET POSITION	
Net Investment in Capital Assets	11,868,576
Restricted:	
Capital Projects	8,816,116
Debt Service	1,820,136
State Funded Programs	49,880
Federally Funded Programs	1,769
Student Activities	38,305
Food Service	9,756
Other Purpose	512,062
Unrestricted	(32,430,398)
Total Net Position	$ (9,313,798)

See accompanying notes to the basic financial statements.

AMHERST EXEMPTED VILLAGE SCHOOL DISTRICT
LORAIN COUNTY, OHIO
STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

		Program Revenues			Net (Expense) Revenue and Changes in Net Position
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
Governmental activities:					
Instruction:					
Regular	$ 8,853,317	$ 1,033,322	$ 31,629	$ -	$ (7,788,366)
Special	2,388,184	164,873	1,363,249	-	(860,062)
Vocational	118,854	16,757	10,340	-	(91,757)
Supporting Services:					
Pupils	738,867	74,874	85,208	-	(578,785)
Instructional Staff	1,180,148	77,527	-	-	(1,102,621)
Board of Education	17,633	1,041	-	-	(16,592)
Administration	1,233,094	112,915	11,426	-	(1,108,753)
Fiscal Services	687,252	35,331	-	-	(651,921)
Operation and Maintenance of Plant	3,114,742	150,079	7,200	6,938,952	3,981,489
Pupil Transportation	995,689	57,145	-	-	(938,544)
Central	53,918	5,000	-	-	(48,918)
Operation of Non-Instructional Services	1,272,197	919,964	609,970	-	257,737
Extracurricular Activities	387,512	520,033	16,363	-	148,884
Interest and Fiscal Charges	909,684	-	-	-	(909,684)
Total Governmental activities	$ 21,951,091	$ 3,168,861	$ 2,135,385	$ 6,938,952	(9,707,893)

General Revenues:	
PropertyTaxes levied for:	
General Purposes	20,723,022
Debt Service	2,303,257
Capital Outlay	706,419
Other Purposes	48,530
Payments in Lieu of Taxes	85,678
Grants & Entitlements not restricted to specific programs	17,590,743
Contributions and Donations not restricted to specific programs	6,000
Investment Income	474,882
Miscellaneous	461,444
Total General Revenues	42,399,975
Change in Net Position	32,692,082
Net Position - Beginning of Year, Restated	(42,005,880)
Net Position - End of Year	$ (9,313,798)

See accompanying notes to the basic financial statements.

AMHERST EXEMPTED VILLAGE SCHOOL DISTRICT
LORAIN COUNTY, OHIO
BALANCE SHEET –
GOVERNMENTAL FUNDS
JUNE 30, 2018

	General	Classroom Facilities	Other Governmental Funds	Total Governmental Funds
ASSETS				
Equity in Pooled Cash and Cash Equivalents	$ 18,500,083	$ 15,198,543	$ 8,628,406	$ 42,327,032
Materials and Supplies Inventory	-	-	13,374	13,374
Accrued Interest Receivable	34,190	4,970	1,169	40,329
Accounts Receivable	118,508	-	-	118,508
Interfund Receivable	209,517	-	-	209,517
Intergovernmental Receivable	124,324	-	377,806	502,130
Prepaid Items	128,817	-	-	128,817
Taxes Receivable	18,005,294	-	2,621,546	20,626,840
Total Assets	$ 37,120,733	$ 15,203,513	$ 11,642,301	$ 63,966,547
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES				
LIABILITIES				
Accounts Payable	$ 329,172	$ -	$ 64,224	$ 393,396
Contracts Payable	166,154	1,639,792	781,447	2,587,393
Accrued Wages and Benefits	3,205,999	-	255,642	3,461,641
Intergovernmental Payable	597,169	-	22,968	620,137
Matured Compensated Absences Payable	149,269	-	-	149,269
Retainage Payable	7,608	42,137	101,445	151,190
Interfund Payable	-	-	209,517	209,517
Total Liabilities	4,455,371	1,681,929	1,435,243	7,572,543
DEFERRED INFLOWS OF RESOURCES				
Property Taxes	13,720,198	-	2,008,214	15,728,412
Payments in Lieu of Taxes	90,181	-	-	90,181
Unavailable Revenue-Delinquent Property Taxes	92,962	-	13,170	106,132
Unavailable Revenue - Grants	-	-	182,884	182,884
Unvailable Revenue-Other	119,865	-	-	119,865
Total Deferred Inflows of Resources	14,023,206	-	2,204,268	16,227,474
FUND BALANCES				
Nonspendable	128,817	-	13,374	142,191
Restricted	-	13,521,584	8,174,186	21,695,770
Commited	22,000	-	-	22,000
Assigned	1,135,917	-	-	1,135,917
Unassigned (Deficits)	17,355,422	-	(184,770)	17,170,652
Total Fund Balances	18,642,156	13,521,584	8,002,790	40,166,530
Total Liabilities, Deferred Inflows of Resources and Fund Balances	$ 37,120,733	$ 15,203,513	$ 11,642,301	$ 63,966,547

See accompanying notes to the basic financial statements.

AMHERST EXEMPTED VILLAGE SCHOOL DISTRICT
LORAIN COUNTY, OHIO
RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO NET POSITION OF GOVERNMENTAL ACTIVITIES
JUNE 30, 2018

Total Governmental Fund Balances		$ 40,166,530
Amounts reported for Governmental Activities in the Statement of Net Position are different because:		
Capital Assets used in Governmental Activities are not financial resources and, therefore, are not reported in the funds		30,444,667
Other long-term assets are not available to pay for current-period expenditures and, therefore, are unavailable revenue in the funds:		
Delinquent Property Taxes	$ 106,132	
Intergovernmental	182,884	
Miscellaneous Revenues	119,865	
Total		408,881
Bond premium on the refunding of the bonds in governmental activities is deferred and to be amortized over the remaining life of the refunded bonds.		(1,005,175)
The net pension liability and net OPEB liability is not due and payble in the current period; therefore, the liability and related deferred inflows/outflows are not reported in governmental funds:		
Deferred Outflows - Pension	12,932,283	
Deferred Inflows - Pension	(3,632,806)	
Net Pension Liability	(44,360,337)	
Deferred Outflows - OPEB	442,191	
Deferred Inflows - OPEB	(1,334,489)	
Net OPEB Liability	(10,102,643)	
Total		(46,055,801)
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds:		
Long Term Bonds	(26,945,000)	
Long Term Notes	(913,000)	
Accrued Interest Payable	(78,665)	
Deferral on Refunding	91,006	
Capital Leases	(70,424)	
Judgment Payable	(171,841)	
Compensated Absences	(5,184,976)	
Total		(33,272,900)
Net Position of Governmental Activities		$ (9,313,798)

See accompanying notes to the basic financial statements.

AMHERST EXEMPTED VILLAGE SCHOOL DISTRICT
LORAIN COUNTY, OHIO
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES – GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	General	Classroom Facilities	Other Governmental Funds	Total Governmental Funds
REVENUES				
Property Taxes	$ 20,723,740	$ -	$ 3,058,286	$ 23,782,026
Intergovernmental	17,563,757	6,938,952	2,448,343	26,951,052
Interest	236,738	112,994	126,153	475,885
Tuition and Fees	1,652,867	-	112,958	1,765,825
Extracurricular Activities	387,211	-	132,821	520,032
Rentals	50	-	-	50
Contributions and Donations	24,262	-	16,363	40,625
Payments in Lieu of Taxes	85,678	-	-	85,678
Customer Sales and Services	127	-	807,006	807,133
Miscellaneous	364,121	-	53,100	417,221
Total Revenues	41,038,551	7,051,946	6,755,030	54,845,527
EXPENDITURES				
Current:				
Instruction:				
Regular	18,588,532	-	85,963	18,674,495
Special	3,834,967	-	1,234,441	5,069,408
Vocational	400,115	-	-	400,115
Supporting Services:				
Pupils	1,812,685	-	31,000	1,843,685
Instructional Staff	1,857,947	-	2,591	1,860,538
Board of Education	24,640	-	-	24,640
Administration	2,657,878	-	6,792	2,664,670
Fiscal Services	756,076	9,493	52,070	817,639
Operation and Maintenance of Plant Services	3,810,394	-	-	3,810,394
Pupil Transportation	1,355,121	-	-	1,355,121
Central	96,560	-	-	96,560
Operation of Non-Instructional Services:				
Food Service Operations	-	-	1,298,888	1,298,888
Community Services	-	-	270,170	270,170
Other Operations	10,000	-	-	10,000
Extracurricular Activities	776,027	-	160,643	936,670
Capital Outlay	106,703	3,188,685	2,785,775	6,081,163
Debt Service:				
Principal Retirement	85,920	-	1,170,341	1,256,261
Interest and Fiscal Charges	-	-	963,964	963,964
Total Expenditures	36,173,565	3,198,178	8,062,638	47,434,381
Excess of Revenues Over (Under) Expenditures	4,864,986	3,853,768	(1,307,608)	7,411,146
OTHER FINANCING SOURCES (USES)				
Transfers In	-	-	313,976	313,976
Transfers Out	-	-	(313,976)	(313,976)
Total Other Financing Sources (Uses)	-	-	-	-
Net Change in Fund Balances	4,864,986	3,853,768	(1,307,608)	7,411,146
Fund Balances - Beginning of Year	13,777,170	9,667,816	9,310,398	32,755,384
Fund Balances - End of Year	$ 18,642,156	$ 13,521,584	$ 8,002,790	$ 40,166,530

See accompanying notes to the basic financial statements.

AMHERST EXEMPTED VILLAGE SCHOOL DISTRICT
LORAIN COUNTY, OHIO
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, 2018

Net Change in Fund Balances-Total Governmental Funds		$ 7,411,146
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 those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlay exceeded depreciation in the current period.		
Capital Outlay	$ 6,138,733	
Depreciation	(862,003)	
Total		5,276,730
In the Statement of Activities, only the loss on the disposal of capital assets is reported, whereas, in the Governmental Funds, the proceeds from the disposals increase financial resources. Thus, the change in net position differs from the change in fund balance by the net book value of the capital assets.		(367,327)
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.		
Delinquent Property Taxes	(798)	
Intergovernmental	(321,421)	
Total		(202,354)
Repayment of principal on bonds, notes, capital leases and judgments are expenditures in the Governmental funds, but the repayments reduce long-term liabilities in the Statement of Net Position.		1,256,261
Contractually required contributions are reported as expenditures in governmental funds; however, the statement of net position reports these amounts as deferred outflows		
Pension		2,998,663
OPEB		113,208
Except for amounts reported as deferred inflows/outflows, changes in the net pension liability are reported as pension expense in the Statement of Activities.		
Pension		14,477,472
OPEB		1,514,211
Some expenses 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.		
Compensated Absences	159,792	
Accrued Interest	2,759	
Amortization of Bond Premiums	61,632	
Deferred Amount on Refunding	(10,111)	
Total		214,072
Change in Net Position of Governmental Activities		$ 32,692,082

See accompanying notes to the basic financial statements.

AMHERST EXEMPTED VILLAGE SCHOOL DISTRICT
LORAIN COUNTY, OHIO
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL (BUDGETARY BASIS)
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	Budgeted Amounts			Variance with Final Budget Positive
	Original	Final	Actual	(Negative)
Revenues				
Property Taxes	$ 17,535,723	$ 17,535,723	$ 17,884,969	$ 349,246
Intergovernmental	18,589,906	18,589,906	17,555,457	(1,034,449)
Interest	448,246	177,511	284,628	107,117
Tuition	2,314,186	916,444	1,469,466	553,022
Extracurricular Activities	519,980	205,918	330,178	124,260
Rentals	79	31	50	19
Customer Sales and Services	200	79	127	48
Contributions and Donations	9,449	3,742	6,000	2,258
Payments in Lieu of Taxes	71,095	28,154	45,144	16,990
Miscellaneous	279,219	110,574	177,299	66,725
Total Revenues	39,768,083	37,568,082	37,753,318	185,236
Expenditures				
Current:				
Instruction				
Regular	19,649,462	19,649,462	18,745,751	903,711
Special	4,337,722	4,337,722	3,997,520	340,202
Vocational	416,561	416,561	397,988	18,573
Supporting Services				
Pupils	1,876,643	1,876,643	1,846,463	30,180
Instructional Staff	2,134,014	2,134,014	1,879,014	255,000
Board of Education	28,890	28,890	24,735	4,155
Administration	2,864,412	2,864,412	2,736,321	128,091
Fiscal Services	883,394	883,394	848,245	35,149
Operation and Maintenance of Plant Services	3,977,833	3,977,833	4,317,220	(339,387)
Pupil Transportation	1,470,189	1,470,189	1,427,263	42,926
Central	138,871	138,871	127,226	11,645
Operation of Non-Instructional Services	10,467	10,467	10,000	467
Extracurricular Activities	845,166	845,166	801,429	43,737
Debt Service:				
Principal	89,932	89,932	171,840	(81,908)
Total Expenditures	38,723,556	38,723,556	37,331,015	1,392,541
Excess of Revenues Over Expenditures	1,044,527	(1,155,474)	422,303	1,577,777
Other Financing Sources (Uses)				
Refund of Prior Year Expenditures	215,629	215,629	215,629	-
Advances In	325,513	325,513	325,513	-
Advances Out	(209,516)	(209,516)	(209,516)	-
Total Other Financings Sources (Uses)	331,626	331,626	331,626	-
Net Change in Fund Balance	1,376,153	(823,848)	753,929	1,577,777
Fund Balance - Beginning of Year	14,911,740	14,911,740	14,911,740	-
Prior Year Encumbrances Appropriated	1,239,460	1,239,460	1,239,460	-
Fund Balance - End of Year	$ 17,527,353	$ 15,327,352	$ 16,905,129	$ 1,577,777

See accompanying notes to the basic financial statements.

AMHERST EXEMPTED VILLAGE SCHOOL DISTRICT
LORAIN COUNTY, OHIO
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2018

	Private Purpose Trust	Agency Funds
Assets		
Equity in Pooled Cash, Cash Equivalents, and Investments	$ 61,968	$ 156,965
Liabilities		
Due to Students	-	$ 156,965
Net Position		
Held in Trust for Scholarships	61,968	
Total Net Position	$ 61,968	

See accompanying notes to the basic financial statements.

AMHERST EXEMPTED VILLAGE SCHOOL DISTRICT
LORAIN COUNTY, OHIO
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION –
FIDUCIARY FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	Private Purpose Trust
Additions	
Gifts and Donations	$ 65,925
Deductions	
Disbursements in Accordance with Trust	55,976
Change in Net Position	9,949
Net Position Beginning of Year	52,019
Net Position End of Year	$ 61,968

See accompanying notes to the basic financial statements.

Notes to the Basic Financial Statements

NOTE 1: DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY

Description of the School District

Amherst Exempted Village School District (the “School District”) was established for the purposes 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 Board form of government consisting of five members elected at-large for staggered four year terms. The School District provides educational services as authorized by State statute and/or Federal guidelines. The Board controls the School District’s five instructional/support facilities staffed by 160 non-certified employees and 244 certified full time teaching personnel and administrators, who provide services to 3,268 student and community members.

The School District boundaries include the City of Amherst, Amherst Township, and a portion of the City of Lorain, an area extending approximately 32 square miles. The School District operates one elementary school (preK-4), one middle school (5-6), one junior high school (7-8) and one high school (9-12).

Reporting Entity

The reporting entity is comprised 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.

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 19 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 not responsible for any debt and has no influence over these organizations or clubs.

Within the School District’s 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.

NOTE 1: **DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY** (Continued)

Reporting Entity (Continued)

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

The School District is associated with organizations which are defined as jointly governed organizations. These organizations include Connect, the Lorain County Joint Vocational School District, Ohio Schools Council Association and Lake Erie Regional Council of Governments. These organizations are presented in Note 17 to the basic financial statements.

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 of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. Following are the more significant of the School District's accounting policies.

A. **Basis of Presentation**

The School District's basic financial statements consist of government-wide statements, including a Statement of Net Position 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 Position 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 the fiduciary funds.

The Statement of Net Position 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. Revenues which are not classified as program revenues are presented as general revenues of the School District, within 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.

NOTE 2: **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

A. **Basis of Presentation** (Continued)

Fund Financial Statements During the fiscal 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 statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Non-major 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. Fund accounting is designed to demonstrate legal compliance and to aid management by segregating transactions related to certain School District functions or activities. A fund is defined as a fiscal and accounting entity with a self balancing set of accounts. The various funds of the School District are grouped into the categories governmental and fiduciary.

Governmental Funds Governmental funds are those through which most governmental functions typically are financed. Governmental funds focus on the sources, uses, and balances of current financial resource. 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 deferred outflows of resources compared to liabilities and deferred inflows of resources are reported as fund balance. The following are the School District's major governmental funds:

General Fund
The General Fund is the general operating fund of the School District and is used to account for all financial resources, not accounted for and reported in another fund. The General Fund is available to the School District for any purpose provided it is expended or transferred according to the school laws of Ohio.

Classroom Facilities Fund
The Classroom Facilities Fund is a capital projects fund used to account for local and state share of the new elementary school.

The other governmental funds of the School District account for grants and other resources and capital projects whose uses are restricted for a particular purpose.

NOTE 2: **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

B. **Fund Accounting** (Continued)

Fiduciary Funds Fiduciary fund reporting focuses on net position and changes in net position. 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. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. In accordance with GASB Statement No. 34, fiduciary funds are not included in the government-wide statements. The School District's fiduciary funds consist of a private purpose trust fund and an agency fund which are used to maintain financial activity of the School District's college scholarship donations and student managed activities.

C. **Measurement Focus**

Government-wide Financial Statements The government-wide financial statements are prepared using the economic resources measurement focus. All assets and deferred outflows of resources and all liabilities and deferred inflows of resources associated with the operation of the School District are included on the Statement of Net Position. The Statement of Activities presents increases (i.e. revenues) and decreases (i.e. expenses) in total net position.

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 deferred outflows of resources and current liabilities and deferred inflows of resources 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 a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

D. **Basis of Accounting**

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. Fiduciary funds also use the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Differences in the accrual basis and the modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred outflows/inflows of resources, and in the presentation of expenses versus expenditures.

NOTE 2: **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

D. **Basis of Accounting** (Continued)

Revenues - 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. “Measurable” means the amount of the transaction can be determined. “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 fiscal 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. On the accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied (See Note 8). 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 a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

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

Deferred Outflows/Inflows of Resources In addition to assets, the statements of financial position will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources, represents a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. For the School District, deferred outflows of resources include a deferral on refunding, pension and OPEB that are reported in the government-wide Statement of Net Position. A deferral on refunding results from the difference in the carrying value of the refunding debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. The deferred outflows of resources related to pension and OPEB plans are explained in Notes 14 and 15.

In addition to liabilities, the statements of financial position report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. For the School District, deferred inflows of resources include property taxes, payments in lieu of taxes, pension, OPEB and unavailable revenues. Property taxes and payments in lieu of taxes represent amounts for which there is an enforceable legal claim as of June 30, 2018, but which were levied to finance fiscal year 2019 operations. These amounts have been recorded as deferred inflows on both the government-wide Statement of Net Position and the governmental fund financial statements.

NOTE 2: **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

D. **Basis of Accounting** (Continued)

Deferred Outflows/Inflows of Resources (Continued)

Unavailable revenue is reported only on the governmental funds balance sheet, and represents receivables which will not be collected within the available period. For the School District, unavailable revenue includes delinquent property taxes, grants and other revenues. These amounts are deferred and recognized as inflows of resources in the period the amounts become available. Deferred inflows of resources related to pension and OPEB plans are reported on the government-wide Statement of Net Position. (See Notes 14 and 15)

Expenses/Expenditures On the accrual basis of accounting, expenses are recognized at the time they are incurred. The entitlement value of donated commodities used during the year is reported in the Statement of Revenues, Expenditures and Changes in Fund Balances as an expenditure with a like amount reported as intergovernmental revenue. Unused donated commodities are reported as intergovernmental revenue.

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

E. **Budgetary Process**

The budgetary process is prescribed by the provisions of the Ohio Revised Code and entails the preparations of budgetary documents within an established timetable. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriation resolution, all of which are prepared on the budgetary basis of accounting. The certificate of estimated resources and the appropriation resolution are subject to amendment throughout the year with the legal restriction that appropriations cannot exceed estimated resources, as certified.

All funds, other than the agency fund, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the appropriation resolution, and the certificate of estimated resources, which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amounts that the Board of Education may appropriate. The appropriation resolution is the Board's authorization to spend resources and set annual limits on expenditures plus encumbrances at a level of control selected by the Board. The legal level of control has been established by the Board of Education at the fund level. The Treasurer has been authorized to allocate Board appropriations to the functions and object level within each fund.

The certificate of estimated resources may be amended during the fiscal year if projected increases or decreases in revenue are identified by the School District Treasurer. The amounts reported as the original budgeted amounts in the budgetary statement reflect the amounts in the certificate when the permanent appropriations for the fiscal year were passed. The amounts reported as the final budgeted amounts in the budgetary statement reflect the amounts in the amended certificate in effect when the final appropriations for the fiscal year were passed.

NOTE 2: **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

E. **Budgetary Process** (Continued)

The appropriation resolution is subject to amendment by the Board throughout the fiscal year with the restriction that appropriations may not exceed estimated revenues. The amounts reported as the original budgeted amounts reflect the first appropriation for that fund that covered the entire fiscal year, including amounts automatically carried over from prior fiscal years. The amounts reported as the final budgeted amounts represent the final appropriation amounts passed by the Board during the fiscal year.

F. **Cash and Cash Equivalents**

During fiscal year 2018, investments were limited to STAR Ohio, the State Treasurer's Investment Pool, money market, negotiable CD's, commercial paper, and federal agency securities. Except for investment contracts and money market investments that had a remaining maturity of one year or less at the time of purchase, investments are reported at fair market value which is based on quoted market prices. Investment contracts, and money market investments that had a remaining maturity of one year or less at the time of purchase are reported at cost or amortized cost.

The School District's investment in the State Treasury Asset Reserve of Ohio (STAR Ohio) is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company and is recognized as an external investment pool by the School District. The School District measures their investment in STAR Ohio at the net asset value (NAV) per share provided by STAR Ohio. The NAV per share is calculated on an amortized cost basis that provides a NAV per share that approximates fair value.

For the fiscal year 2018, there were no limitation or restrictions on any participant withdrawals due to redemption notice periods, liquidity fees, or redemption gates. However, notice must be given 24 hours in advance of all deposits and withdrawals exceeding $25 million. STAR Ohio reserves the right to limit the transaction to $100 million, requiring the excess amount to be transacted the following business day(s), but only to the $100 million limit. All accounts of the participant will be combined for these purposes.

Under existing Ohio statutes, the Governing Board may, by resolution, identify the funds to receive an allocation of interest earnings. Interest revenue credited to the General Fund in fiscal year 2018 amounted to $236,738, which $28,741 was assigned from other funds of the School District.

G. **Inventory**

Inventories of the Governmental Funds are presented at the lower of cost or market on a first-in, first-out basis and expended/expensed when used. Inventories consist of donated foods, purchased foods, and expendable supplies held for consumption.

H. **Capital Assets**

The School District's only capital assets are general capital assets. General capital assets are those assets specifically related to governmental activities.

NOTE 2: **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

H. **Capital Assets** (Continued)

These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide Statement of Net Position but are not reported in the fund financial statements. All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the fiscal year. Donated capital assets are recorded at their acquisition 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 an asset's life are not capitalized.

All reported capital assets, except land, are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives:

Description	Estimated Useful Lives
Land Improvements	20 years
Buildings and Improvements	25 to 50 years
Furniture and Equipment	5 to 15 years
Vehicles	8 years

I. **Interfund Balances**

On the fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "Interfund Receivables" and "Interfund Payables". These amounts are eliminated in the governmental activities column of the Statement of Net Position.

J. **Compensated Absences**

Sick leave benefits are accrued as a liability using the termination method. The liability is based on an estimate of the amount of accumulated sick leave that will be paid as a termination benefit.

For governmental funds, compensated absences are recognized as liabilities and expenditures as payments come due each period upon the occurrence of employee resignations and retirement. These amounts are recorded in the account "matured compensated absences payable" in the funds from which the employee will be paid.

K. **Accrued Liabilities and Long-Term Obligations**

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements. In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources, are reported as obligations of the funds. However, claims and judgments, compensated absences 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 fiscal year. Net pension/OPEB liability should be recognized in the governmental funds to the extent that benefit payments are due and payable and the pension/OPEB plan's fiduciary net position is not sufficient for payment of those benefits.

NOTE 2: **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

L. **Bond Premiums**

On the government-wide financial statements, bond premiums are deferred and amortized over the term of the bonds using the straight line method. Bond premiums are presented as an increase in the face amount of the general obligation bonds payable. On the fund financial statements, premiums are receipted in the year bonds are issued.

M. **Net Position**

Net Position is the residual amount when comparing assets and deferred outflows of resources to liabilities and deferred inflows of resources. The net investment in capital assets component of net position consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. The restricted component of net position is reported when there are limitations imposed on their use either through constitutional provisions or enabling legislation or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments.

The government-wide Statement of Net Position reports $11,248,024 of the restricted component of net position, none of which is restricted by enabling legislation. The School District applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted components of net position are available.

N. **Fund Balance**

Fund balance is divided into five classifications based primarily on the extent to which the School District is bound to observe constraints imposed upon the use of the resources in the governmental funds. The classifications are as follows:

Nonspendable The nonspendable fund balance classification includes amounts that cannot be spent because they are not in the spendable form, or legally or contractually required to be maintained intact. The "not in spendable form" criterion includes items that are not expected to be converted to cash.

Restricted Fund balance is reported as restricted when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or is imposed by law through constitutional provisions.

Committed The committed fund balance classification includes amounts that can be used only for the specific purposes imposed by a formal action (resolution) of the School District Board of Education. Those committed amounts cannot be used for any other purpose unless the School District Board of Education removes or changes the specified use by taking the same type of action (resolution) it employed to previously commit those amounts. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

NOTE 2: **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

N. **Fund Balance** (Continued)

Assigned Amounts in the assigned fund balance classification are intended to be used by the School District for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the General Fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the General Fund, assigned amounts represent intended uses established by policies of the School District's Board of Education.

Unassigned Unassigned fund balance is the residual classification for the General Fund and includes all spendable amounts not contained in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned.

The School District applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

O. **Interfund Activity**

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements. Interfund transactions are eliminated in the governmental activities column of the Statement of Activities.

P. **Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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. **Pensions/Other Postemployment Benefits (OPEB)**

For purposes of measuring the net pension/OPEB liability, deferred outflows of resources and deferred inflows of resources related to pensions/OPEB, and pension/OPEB expense, information about the fiduciary net position of the pension/OPEB plans and additions to/deductions from their fiduciary net position have been determined on the same basis as they are reported by the pension/OPEB plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. The pension/OPEB plans report investments at fair value.

NOTE 3: CHANGES IN ACCOUNTING PRINCIPLES AND RESTATEMENT OF NET POSITION

For fiscal year 2018, the School District implemented Governmental Accounting Standards Board (GASB) Statement No. 85, Omnibus 2017, Statement No. 86, Certain Debt Extinguishment Issues, Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*, and related guidance from (GASB) Implementation Guide No. 2017-3, *Accounting and Financial Reporting for Postemployment Benefits other Than Pensions (and Certain Issues Related to OPEB Plan Reporting).*

GASB 85 addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits (OPEB)). These changes were incorporated in the School District's fiscal year 2018 financial statements; however, there was no effect on beginning net position/fund balance.

The primary objective of GASB 86 is to improve consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources – resources other than the proceeds of refunding debt – are placed in an irrevocable trust for the sole purpose of extinguishing debt. This Statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt that is defeased in substance. The implementation of this Statement did not have an effect on the financial statements of the School District.

GASB 75 established standards for measuring and recognizing Postemployment benefit liabilities, deferred outflows of resources, deferred inflows of resources and expense/expenditure. The implementation of this pronouncement had the following effect on net position as reported June 30, 2017:

Net Position June 30, 2017	$ (29,383,520)
Adjustments:	
Net OPEB liability	(12,729,038)
Deferred Outflow - Payments Subsequent to Measurement Date	106,678
Restated Net Position June 30, 2017	$ (42,005,880)

Other than employer contributions subsequent to the measurement date, the School District made no restatement for deferred inflows/outflows of resources as the information needed to generate these restatements was not available.

NOTE 4: FUND BALANCES

Fund balance is classified as nonspendable, restricted, committed, assigned and/or unassigned based primarily in the extent to which the School District is bound to observe constraints imposed upon the use of the resources in the governmental funds. The constraints placed on the fund balance for the major governmental funds and all other governmental funds are presented below:

Fund Balances	General	Classroom Facilities	Other Governmental Funds	Total Governmental Funds
Nonspendable				
Prepaids	$ 128,817	$ -	$ -	$ 128,817
Inventories	-	-	13,374	13,374
Total Nonspendable	128,817	-	13,374	142,191
Restricted for				
Food Service Operations	-	-	127,183	127,183
Federal Programs	-	-	91	91
Athletics	-	-	38,305	38,305
Capital Projects	-	13,521,584	5,557,860	19,079,444
Classroom Facilities Maintenance	-	-	272,025	272,025
Debt Service	-	-	1,889,024	1,889,024
Auxiliary Services	-	-	33,680	33,680
Other Purposes	-	-	256,018	256,018
Total Restricted	-	13,521,584	8,174,186	21,695,770
Committed to				
Underground Storage Tanks	22,000	-	-	22,000
Total Committed	22,000	-	-	22,000
Assigned to				
Student Instruction	512,766	-	-	512,766
Student Staff and Support	623,151	-	-	623,151
Total Assigned	1,135,917	-	-	1,135,917
Unassigned (Deficit)	17,355,422	-	(184,770)	17,170,652
Total Fund Balances	$ 18,642,156	$ 13,521,584	$ 8,002,790	$ 40,166,530

NOTE 5: ACCOUNTABILITY

There are fund deficits in the Title I, Part B-IDEA, and Improving Teacher Quality, (all non-major Special Revenue Funds) of $8,777, $161,128, and $14,865 respectively. These deficits are caused by the application of generally accepted accounting principles to these funds. The General Fund is liable for any deficits in these funds and provides operating transfers when cash is required, not when accruals occur.

NOTE 6: BUDGETARY BASIS OF ACCOUNTING

While the School District is reporting financial position, results of operations and changes in fund balance on the basis of accounting principles generally accepted in the United States of America (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances. The Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget (Budgetary Basis) and Actual – presented 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 (modified accrual) 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 (budget basis) rather than as a part of restricted, committed, or assigned fund balance (GAAP basis).

4. Advances in and advances out are operating transactions (budget basis) as opposed to balance sheet transactions (GAAP basis).

5. Some funds are included in the General Fund (GAAP basis), but have separate legally adopted budgets (budget basis).

The following table summarizes the adjustments necessary to reconcile the GAAP and budgetary basis statements for the General Fund:

Net Change in Fund Balance	
GAAP Basis	$ 4,864,986
Net Adjustment for Revenue Accruals	(2,792,911)
Net Adjustments for Expenditure Accruals	84,810
Advances In	325,513
Advances Out	(209,516)
Funds with Separate Legally Adopted Budgets	153
Adjustment for Encumbrances	(1,519,106)
Budget Basis	$ 753,929

NOTE 7: **DEPOSITS AND INVESTMENTS**

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

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

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

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

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

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

1. United States Treasury notes, bills, bonds, or other obligations of or securities issued by the United States Treasury or any other obligation guaranteed as to the payment of principal and interest by the United States;

2. Bonds, notes, debentures, or other obligations or securities issued by any federal government agency or instrumentality, including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;

3. Written repurchase agreements in the securities listed above, provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;

4. Bonds and other obligations of the State of Ohio;

5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;

6. The State Treasurer's investment pool (STAR Ohio);

NOTE 7: **DEPOSITS AND INVESTMENTS** (Continued)

7. Certain banker's acceptance and commercial paper notes for a period not to exceed one hundred and eighty days in an amount not to exceed 40% of the interim monies available for investment at any one time; and,

8. Linked deposits as authorized by ordinance adopted pursuant to Section 135.80 of the Revised Code;

9. Commercial paper notes issued by any entity that is defined in division (D) of Section 1705.01 of the Revised Code and has assets exceeding five hundred million dollars, and to which notes are rated at the time of purchase in the highest classification established by at least two standard rating services; the aggregate value of the notes does not exceed ten percent of the aggregate value of the outstanding commercial paper of the issuing corporation; the notes mature no later than one hundred eighty days after purchase; and

10. Bankers' acceptances of banks that are members of the federal deposit insurance corporation to which obligations both the following apply: obligations are eligible for purchase by the federal reserve system and the obligations mature no later than one hundred eighty days after purchase.

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

Deposits

Custodial credit risk for deposits is the risk that in the event of bank failure, the School District will not be able to recover deposits or collateral securities that are in the possession of an outside party. As of June 30, 2018, $250,000 of the School District's bank balance of $611,516 was covered by FDIC while the remaining balance of $361,516 was exposed to custodial credit risk because it was uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the School District's name.

Protection of the School District's cash and deposits is provided by the Federal Deposit Insurance Corporation (FDIC), as well as qualified securities pledged by the institution holding the assets. Ohio law requires that deposits either be insured or protected by:

Eligible securities pledged to the School District and deposited with a qualified trustee by the financial institution as security for repayment whose fair value at all times shall be at least 105 percent of the deposits being secured; or

NOTE 7: **DEPOSITS AND INVESTMENTS** (Continued)

Deposits (Continued)

Participation in the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution. OPCS requires the total fair value of the securities pledged to be 102 percent of the deposits being secured or a rate set by the Treasurer of State. The School District's financial institution had enrolled in OPCS as of June 30, 2018.

Investments

The School District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets. Level 2 inputs are significant other observable inputs. Level 3 inputs are significant unobservable inputs. The below tables identify the School District's recurring fair value measurement as of June 30, 2018. As previously discussed Star Ohio is reported at its net asset value. The District's investments in U.S. Government money market accounts are valued using quoted market prices in active markets (Level 1 inputs). The District's investments in federal agency notes, treasury notes and bills, commercial paper, and negotiable CDs are valued using quoted prices in markets that are not considered to be active, dealer quotations or alternative pricing sources for similar assets or liabilities for which all significant inputs are observable, either directly or indirectly (Level 2 inputs). As of June 30, 2018, the School District had the following investments and maturities:

		Investment Maturities (in Years)		
Investment Type	Measurement Value	Less Than 1	1-2	2-4
STAR Ohio	$ 15,854,876	$ 15,854,876	$ -	$ -
Money Market	45,043	45,043	-	-
U.S. Government Agency Notes	9,329,175	5,320,777	1,672,895	2,335,502
U.S. Treasury Notes	527,640	527,640	-	-
U.S. Treasury Bills	4,443,631	4,443,631	-	-
Commerical Paper	10,660,752	10,660,752	-	-
Negotiable CD's	1,711,656	495,378	490,447	725,831
Total Investments	$ 42,572,773	$ 37,348,097	$ 2,163,342	$ 3,061,333

Interest Rate Risk Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. In accordance with its investment policy, the School District manages it exposure to declines in fair values by maintaining adequate liquidity to pay current obligations, diversification of maturities, and diversification of assets.

Credit Risk Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The School District limits their investments to securities issued by federal government agencies or instrumentalities, commercial paper, and money market accounts. Investments in U.S Government Agency Notes were rated AA+ by Standard & Poor's and Aaa by Moody's. The credit ratings for the School District's investments in negotiable CD's were not available. Investments in money markets were rated AAA by Standard & Poor's and Aaa by Moody's. Investments in STAROhio were rated AAAm by Standard & Poor's.

NOTE 7: **DEPOSITS AND INVESTMENTS** (Continued)

Investments (Continued)

Investments in Treasury Notes, Treasury Bills, and Commercial Paper were rated A-1+ by Standard & Poor's and P-1 by Moody's.

Concentration of Credit Risk Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The School District's investment policy allows investments in STAR Ohio, repurchase agreements, certificates of deposit or investments within financial institutions within the State of Ohio as designated by the Federal Reserve Board. The School District's places no limit on the amount that may be invested to any one issuer.

The following table includes the percentage of total of each investment type held by the School District at June 30, 2018:

Investment Type	Measurement Value	Percent of Total
STAR Ohio	$ 15,854,876	37.24%
Money Market	45,043	0.11%
U.S. Government Agency Notes	9,329,175	21.91%
U.S. Treasury Notes	527,640	1.24%
U.S. Treasury Bills	4,443,631	10.44%
Commerical Paper	10,660,752	25.04%
Negotiable CD's	1,711,656	4.02%
Total Investments	$ 42,572,773	100.00%

Custodial Credit Risk Custodial credit risk is the risk that in the event of the 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 investment policy does not address custodial credit risk beyond the requirements of the Ohio Revised Code. All of the School District's securities are held in the name of the School District.

NOTE 8: **PROPERTY TAXES**

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

Property taxes include amounts levied against all real and public utility property located in the School District. Real property tax revenue received in calendar year 2018 represents collections of calendar year 2017 taxes. Real property taxes received in calendar year 2018 were levied after April 1, 2017, on the assessed value listed as of January 1, 2017, the lien date. Assessed values for real property taxes are established by State law at thirty-five percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

NOTE 8: **PROPERTY TAXES** (Continued)

Public utility property tax revenue received in calendar year 2018 represents collections of calendar year 2017 taxes. Public utility property taxes received in calendar year 2018 became a lien on December 31, 2016, were levied after April 1, 2017, and are collected in 2018 with real property taxes.

Public utility real property is assessed at thirty-five percent of true value; public property currently is assessed at varying percentages of true value.

The School District receives property taxes from Lorain County. The County Auditors periodically advance to the School District its portion of the taxes collected. Second-half real property tax payments collected by the Counties by June 30, 2018, are available to finance fiscal year 2018 operations. The amount available to be advanced can vary based on the date the tax bills are sent. Accrued property taxes receivable includes delinquent taxes outstanding and real and public utility property taxes which were measurable as of June 30, 2018 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reported as revenue at fiscal year end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred inflow of resources.

The amount available as an advance at June 30, 2018, was $4,101,953, $452,099 and $148,063 to the General Fund, Bond Retirement fund, and other governmental funds, respectively.

On a full accrual basis, collectible delinquent property taxes have been recorded as a receivable and revenue, while on a modified accrual basis the revenue has been reflected as a deferred inflow of resources.

The assessed values upon which the fiscal year 2018 taxes were collected are:

	2017 Second Half Collections		2018 First Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential and Other Real Estate	$ 531,572,760	96.65%	$ 537,220,120	96.68%
Public Utility	18,452,320	3.35%	18,430,200	3.32%
Total Assessed Value	$ 550,025,080	100.00%	$ 555,650,320	100.00%
Tax Rate (per $1,000 of Assessed Valuation)	$ 74.21		$ 73.13	

NOTE 9: **RECEIVABLES**

Receivables at June 30, 2018 consisted of property taxes, interest, accounts, and intergovernmental, amounts. 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. All receivables are expected to be received within one year.

NOTE 9: **RECEIVABLES** (Continued)

A summary of the principal items of intergovernmental receivables follows:

Revenue Description	Amount
State Employee Retirement System	$ 119,865
Foundation	4,459
Special Education, Part B-IDEA	236,110
Title I	109,115
Improving Teacher Quality	7,294
Title II-A	25,287
Total Intergovernmental Receivables	$ 502,130

NOTE 10: **INTERFUND TRANSACTIONS**

During fiscal year 2018, the Education Foundation Special Revenue fund transferred $41,951 to the Permanent Improvement Capital Projects fund for monies that were approved and earmarked for the construction of the learning center. The Permanent Improvement Capital Projects fund transferred $272,025 to the Classroom Facilities Maintenance Special Revenue fund for the project through the Ohio Facilities Construction Commission fund to be used as maintenance on the new building.

Interfund balances as of June 30, 2018 are as follows:

Fund	*Receivable*	*Payable*
General	$ 209,517	$ -
Other Governmental Funds:		
IDEA-B Special Education	-	78,546
Title I	-	103,232
Improving Teacher Quality	-	10,603
IDEA Preschool	-	7,294
Miscellaneous Federal Grant	-	9,842
Total Other Governmental Funds	-	209,517
Total All Funds	$ 209,517	$ 209,517

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. Settled claims have not exceeded this commercial coverage in any of the past three years. All administrators carry coverage equal to two times their calculated retirement salaries approximated to the nearest thousand. For fiscal year 2018, the School District participated in the Ohio School Boards Association Workers' Compensation Group Retro Plan (GRP), an insurance purchasing pool. The intent of the GRP is to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate.

NOTE 11: **RISK MANAGEMENT** (Continued)

Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of the GRP. A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund". This "equity pooling" arrangement ensures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of Compmanagement provides administrative, cost control, and actuarial services to the GRP.

NOTE 12: **CAPITAL ASSETS**

A summary of the changes in Governmental capital assets during fiscal year 2018 follows:

	Balance 6/30/2017	Additions	Deletions	Balance 6/30/2018
Governmental Activities				
Capital Assets, not being depreciated:				
Land	$ 1,421,676	$ -	$ -	$ 1,421,676
Construction in Progress	394,686	5,960,624	-	6,355,310
Total Capital Assets, not being depreciated	1,816,362	5,960,624	-	7,776,986
Capital Assets, being depreciated:				
Land Improvements	3,144,541	63,782	(185,322)	3,023,001
Buildings and Improvements	36,536,344	-	(1,998,900)	34,537,444
Furniture and Equipment	1,851,231	94,827	(144,184)	1,801,874
Vehicles	1,982,995	19,500	(104,572)	1,897,923
Total Capital Assets, being depreciated	43,515,111	178,109	(2,432,978)	41,260,242
Less Accumulated Depreciation:				
Land Improvements	(1,889,784)	(69,091)	180,495	(1,778,380)
Buildings and Improvements	(15,198,391)	(627,801)	1,659,520	(14,166,672)
Furniture and Equipment	(1,053,560)	(95,584)	121,064	(1,028,080)
Vehicles	(1,654,474)	(69,527)	104,572	(1,619,429)
Total Accumulated Depreciation	(19,796,209)	(862,003)	2,065,651	(18,592,561)
Total Capital Assets being depreciated, Net	23,718,902	(683,894)	(367,327)	22,667,681
Governmental Activities Capital Assets, Net	$ 25,535,264	$ 5,276,730	$ (367,327)	$ 30,444,667

Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	$ 632,325
Special	2,172
Supporting Services:	
Pupil	696
Instructional Staff	5,116
Operation and Maintenance of Plant	101,805
Pupil Transportation	67,910
Operation of Non-Instructional Services	11,294
Extracurricular Activities	40,685
Total Depreciation Expense	$ 862,003

NOTE 13: EMPLOYEE BENEFITS

A. Compensated Absences

The criteria for determining vested vacation and sick leave benefits are derived from negotiated agreements and State laws. Classified, full-time administrators and non-bargaining unit employees earn 10 to 30 days of vacation per year, depending upon length of service and hours worked. Unused vacation time earned in the current year is paid to classified employees and administrators upon termination of employment. Teachers and elementary principals do not earn vacation time.

Teachers, administrators and classified employees earn sick leave at the rate of one and one-fourth days per month. Sick leave accumulation for a year is fifteen days. Payment of one-third of the total sick leave accumulation is made to certified employees and one-half to classified employees, up to a maximum accumulation of 85 days upon retirement. Administrators are required to have 5 years of service with the District, while all other employees must have 10 years of service with the District to qualify for payment.

B. Life Insurance

The School District provides life insurance and accidental death and dismemberment insurance to most employees. Full time employees are provided with $50,000 of group life insurance coverage and part time employees are provided with $30,000 of group life insurance coverage. Life insurance is provided through One America.

NOTE 14: DEFINED BENEFIT PENSION PLAN

A. Net Pension Liability

The net pension liability reported on the Statement of Net Position represents a liability to employees for pensions. Pensions are a component of exchange transactions-–between an employer and its employees—of salaries and benefits for employee services. Pensions are provided to an employee—on a deferred-payment basis—as part of the total compensation package offered by an employer for employee services each financial period. The obligation to sacrifice resources for pensions is a present obligation because it was created as a result of employment exchanges that already have occurred.

The net pension liability represents the School District's proportionate share of each pension plan's collective actuarial present value of projected benefit payments attributable to past periods of service, net of each pension plan's fiduciary net position. The net pension liability calculation is dependent on critical long-term variables, including estimated average life expectancies, earnings on investments, cost of living adjustments and others. While these estimates use the best information available, unknowable future events require adjusting this estimate annually.

Ohio Revised Code limits the School District's obligation for this liability to annually required payments. The School District cannot control benefit terms or the manner in which pensions are financed; however, the School District does receive the benefit of employees' services in exchange for compensation including pension.

NOTE 14: **DEFINED BENEFIT PENSION PLAN** (Continued)

A. **Net Pension Liability** (Continued)

GASB 68 assumes the liability is solely the obligation of the employer, because (1) they benefit from employee services; and (2) State statute requires all funding to come from these employers. All contributions to date have come solely from these employers (which also includes costs paid in the form of withholdings from employees). State statute requires the pension plans to amortize unfunded liabilities within 30 years. If the amortization period exceeds 30 years, each pension plan's board must propose corrective action to the State legislature. Any resulting legislative change to benefits or funding could significantly affect the net pension liability. Resulting adjustments to the net pension liability would be effective when the changes are legally enforceable.

The proportionate share of each plan's unfunded benefits is presented as a long-term *net pension liability* on the accrual basis of accounting. Any liability for the contractually-required pension contribution outstanding at the end of the year is included in *intergovernmental payable* on both the accrual and modified accrual bases of accounting.

B. **Plan Description - School Employees Retirement System (SERS)**

Plan Description –District non-teaching employees participate in SERS, a cost-sharing, multiple-employer defined benefit pension plan administered by SERS. SERS provides retirement, disability, and survivor benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Ohio Revised Code Chapter 3309. SERS issues a publicly available, stand-alone financial report that includes financial statements, required supplementary information, and detailed information about SERS' fiduciary net position. That report can be obtained by visiting the SERS website at www.ohsers.org under Employers/Audit Resources.

Age and service requirements for retirement are as follows:

	Eligible to Retire on or before August 1, 2017*	Eligible to Retire on or affter August 1, 2017
Full Benefits	Any age with 30 years of service credit	Age 67 with 10 years of service credit; or Age 57 with 30 years of service credit
Acturially Reduced Benefits	Age 60 with 5 years of service credit Age 55 with 25 years of service credit	Age 62 with 10 years of service credit; or Age 60 with 25 years of service credit

* Members with 25 years of service credit as of August 1, 2017, will be include in this plan.

Annual retirement benefits are calculated based on final average salary multiplied by a percentage that varies based on years of service; 2.2 percent for the first thirty years of service and 2.5 percent for years of service credit over 30. Final average salary is the average of the highest three years of salary.

When a benefit recipient has received benefits for 12 months, an annual COLA is provided. This COLA is calculated on the base retirement benefit at the date of retirement and is not compounded. For those retiring prior to January 7, 2013, the COLA will continue to be a 3% simple annual COLA. For those retiring after January 7, 2013, beginning in calendar year 2019, the COLA will be based on the average percentage increase in the Consumer Price Index, capped at 3%.

NOTE 14: **DEFINED BENEFIT PENSION PLAN** (Continued)

B. **Plan Description - School Employees Retirement System (SERS)** (Continued)

Funding Policy – Plan members are required to contribute 10 percent of their annual covered salary and the District is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to statutory maximum amounts of 10 percent for plan members and 14 percent for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the System's funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund). For the fiscal year ended June 30, 2018, the allocation to pension, death benefits, and Medicare B was 13.5 percent. The remaining 0.5 percent of the employer contribution rate was allocated to the Health Care Fund.

The School District's contractually required contribution to SERS was $717,798 for fiscal year 2018. Of this amount $63,062 is reported as an intergovernmental payable.

C. **Plan Description - State Teachers Retirement System (STRS)**

Plan Description –District licensed teachers and other faculty members participate in STRS Ohio, a cost-sharing, multiple-employer public employee retirement system administered by STRS. STRS provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS issues a stand-alone financial report that includes financial statements, required supplementary information, and detailed information about STRS' fiduciary net position. That report can be obtained by writing to STRS, 275 E. Broad St., Columbus, OH 43215-3771, by calling (888) 227-7877, or by visiting the STRS Web site 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. Benefits are established by Ohio Revised Code Chapter 3307. The DB plan offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service. Effective August 1, 2015, the calculation will be 2.2 percent of final average salary for the five highest years of earnings multiplied by all years of service. Effective July 1, 2017 the cost-of-living adjustment was reduced to zero. Members are eligible to retire at age 60 with five years of qualifying service credit, or age 55 with 26 years of service, or 31 years of service regardless of age. Eligibility changes will be phased in until August 1, 2026, when retirement eligibility for unreduced benefits will be five years of service credit and age 65, or 35 years of service credit and at least age 60.

The DC Plan allows members to place all their member contributions and 9.5 percent of the 14 percent employer contributions into an investment account. Investment allocation decisions are determined by the member. The remaining 4.5 percent of the 14 percent employer rate is allocated to the defined benefit unfunded liability. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal.

NOTE 14: **DEFINED BENEFIT PENSION PLAN** (Continued)

C. **Plan Description - State Teachers Retirement System (STRS)** (Continued)

The Combined Plan offers features of both the DB Plan and the DC Plan. In the Combined Plan, 12.0 of the 14.0 percent member rates goes to the DC Plan and the remaining 2.0 percent goes to the DB plan. Member contributions to the DC plan are allocated among investment choices by the member, and contributions to the DB plan from the employer and the member are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The defined benefit portion of the Combined Plan payment is payable to a member on or after age 60 with five years of services. The defined contribution portion of the account may be taken as a lump sum payment or converted to a lifetime monthly annuity after termination of employment at age 50 or later.

New members who choose the DC plan or Combined Plan will have another opportunity to reselect a permanent plan during their fifth year of membership. Members may remain in the same plan or transfer to another STRS plan. The optional annuitization of a member's defined contribution account or the defined contribution portion of a member's Combined Plan account to a lifetime benefit results in STRS bearing the risk of investment gain or loss on the account. STRS has therefore included all three plan options in the GASB 68 schedules of employer allocation and pension amounts by employer.

A DB or Combined Plan member with five or more years of credited service who is determined to be disabled may qualify for a disability benefit. Eligible survivors of members who die before service retirement may qualify for monthly benefits. New members on or after July 1, 2013, must have at least ten years of qualifying service credit that apply for disability benefits. Members in the DC Plan who become disabled are entitled only to their account balance. If a member of the DC Plan dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

Funding Policy – Employer and member contribution rates are established by the State Teachers Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. For the fiscal year ended June 30, 2018, plan members were required to contribute 14 percent of their annual covered salary. The District was required to contribute 14 percent; the entire 14 percent was the portion used to fund pension obligations. The fiscal year 2018 contribution rates were equal to the statutory maximum rates.

The School District's contractually required contributions to STRS was $2,280,865 for fiscal year 2018. Of this amount $424,382 is reported as an intergovernmental payable.

NOTE 14: **DEFINED BENEFIT PENSION PLAN** (Continued)

D. **Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions**

The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The School District's proportion of the net pension liability was based on the School District's share of contributions to the pension plan relative to the contributions of all participating entities.

	SERS	STRS	Total
Proportionate Share of the Net Pension Liability Prior Measurement Date	0.16312760%	0.15001044%	
Proportionate Share of the Net Pension Liability Current Measurement Date	0.1617061%	0.14606795%	
Change in Proportionate Share	-0.0014215%	-0.0039425%	
Proportion of the Net Pension Liability	$9,661,582	$34,698,755	$44,360,337
Pension Expense	($422,371)	($14,055,101)	($14,477,472)

At June 30, 2018, the School District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	SERS	STRS	Total
Deferred Outflows of Resources			
Differences between expected and actual experience	$ 415,802	$ 1,339,906	$ 1,755,708
Changes of assumptions	499,607	7,588,999	8,088,606
Changes in proportion and differences between School District contributions and proportionate share of contributions	89,306	-	89,306
School District contributions subsequent to the measurement date	717,798	2,280,865	2,998,663
Total Deferred Outflows of Resources	$ 1,722,513	$ 11,209,770	$ 12,932,283
Deferred Inflows of Resources			
Differences between expected and actual experience	$ -	$ 279,658	$ 279,658
Net difference between projected and actual earnings on pension plan investments	45,859	1,145,098	1,190,957
Changes in proportion and differences between School District contributions and proportionate share of contributions	275,719	1,886,472	2,162,191
Total Deferred Inflows of Resources	$ 321,578	$ 3,311,228	$ 3,632,806

NOTE 14: **DEFINED BENEFIT PENSION PLAN** (Continued)

D. **Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions** (Continued)

$2,998,663 reported as deferred outflows of resources related to pension resulting from School District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

	SERS	STRS	Total
Fiscal Year Ending June 30:			
2019	$ 312,875	$ 905,882	$ 1,218,757
2020	475,148	2,463,611	2,938,759
2021	120,347	1,873,370	1,993,717
2022	(225,233)	374,814	149,581
Total	$ 683,137	$ 5,617,677	$ 6,300,814

E. **Actuarial Assumptions - SERS**

SERS' total pension liability was determined by their actuaries in accordance with GASB Statement No. 67 as part of their annual actuarial valuation for each defined benefit retirement plan. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts (e.g., salaries, credited service) and assumptions about the probability of occurrence of events far into the future (e.g., mortality, disabilities, retirements, employment termination). Actuarially determined amounts are subject to continual review and potential modifications, as actual results are compared with past expectations and new estimates are made about the future.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing benefit costs between the employers and plan members to that point. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations.

Actuarial calculations reflect a long-term perspective. For a newly hired employee, actuarial calculations will take into account the employee's entire career with the employer and also take into consideration the benefits, if any, paid to the employee after termination of employment until the death of the employee and any applicable contingent annuitant. In many cases actuarial calculations reflect several decades of service with the employer and the payment of benefits after termination.

NOTE 14: **DEFINED BENEFIT PENSION PLAN** (Continued)

E. **Actuarial Assumptions – SERS** (Continued)

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation, prepared as of June 30, 2017, are presented below:

Wage Inflation	3.00 percent
Future Salary Increases, including inflation	3.50 percent to 18.20 percent
COLA or Ad Hoc COLA	2.5 percent
Investment Rate of Return	7.50 percent net of investments expense, including inflation
Actuarial Cost Method	Entry Age Normal

Prior to 2017, an assumption of 3 percent was used for COLA or Ad Hoc COLA

For 2017, the mortality rates were based on the RP-2014 Blue Collar Mortality Table with fully generational projection and a five-year age set-back for both males and females. Mortality among service retired members, and beneficiaries were based upon the RP-2014 Blue Collar Mortality Table with fully generational projection with Scale BB, 120 percent of male rates, and 110 percent of female rates. Mortality among disable members were based upon the RP-2000 Disabled Mortality Table, 90 percent for male rates and 100 percent for female rates, set back five years is used for the period after disability retirement.

The most recent experience study was completed June 30, 2015.

The long-term return expectation for the Pension Plan Investments has been determined using a building-block approach and assumes a time horizon, as defined in SERS' *Statement of Investment Policy*. A forecasted rate of inflation serves as the baseline for the return expectation. Various real return premiums over the baseline inflation rate have been established for each asset class. The long-term expected nominal rate of return has been determined by calculating a weighted averaged of the expected real return premiums for each asset class, adding the projected inflation rate, and adding the expected return from rebalancing uncorrelated asset classes. The target allocation and best estimates of arithmetic real rates of return for each major assets class are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Cash	1.00 %	0.50 %
US Stocks	22.50	4.75
International Stocks	22.50	7.00
Fixed Income	19.00	1.50
Private Equity	10.00	8.00
Real Assets	15.00	5.00
Multi-Asset Stratagies	10.00	3.00
Total	100.00 %	

NOTE 14: **DEFINED BENEFIT PENSION PLAN** (Continued)

E. **Actuarial Assumptions – SERS** (Continued)

Discount Rate The total pension liability was calculated using the discount rate of 7.50 percent. The projection of cash flows used to determine the discount rate assumed the contributions from employers and from the members would be computed based on contribution requirements as stipulated by State statute. Projected inflows from investment earning were calculated using the long-term assumed investment rate of return (7.50 percent). Based on those assumptions, the plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefits to determine the total pension liability.

Sensitivity of the School District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate Net pension liability is sensitive to changes in the discount rate, and to illustrate the potential impact the following table presents the net pension liability calculated using the discount rate of 7.50 percent, as well as what each plan's net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.50 percent), or one percentage point higher (8.50 percent) than the current rate.

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
School District's proportionate share of the net pension liability	$13,407,765	$9,661,582	$6,523,390

F. **Actuarial Assumptions – STRS**

Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results used in the July 1, 2017, actuarial valuation, compared with July 1, 2016 are presented below:

	July 1, 2017
Inflation	2.50 percent
Projected salary increases	2.50 percent at age 65 to 12.50 percent at age 20
Investment Rate of Return	7.45 percent, net of investment expenses, including inflation
Payroll Increases	3 percent
Cost-of-Living Adjustments (COLA)	0.0 percent, effective July 1, 2017

	July 1, 2016
Inflation	2.75 percent
Projected salary increases	2.75 percent at age 70 to 12.25 percent at age 20
Investment Rate of Return	7.75 percent, net of investment expenses, including inflation
Payroll Increases	3.5 percent
Cost-of-Living Adjustments (COLA)	2 percent simple applied as follows: for members retiring before August 1, 2013, 2 percent per year; for members retiring August 1, 2013, or later, 2 percent COLA paid on fifth anniversary of retirement date.

NOTE 14: **DEFINED BENEFIT PENSION PLAN** (Continued)

F. **Actuarial Assumptions – STRS** (Continued)

For July 1, 2017, actuarial valuations, post-retirement mortality rates for healthy retirees are based on the RP-2014 Annuitant Mortality Table with 50% of rates through age 69, 70% of rates between ages 70 and 79, 90% of rates between ages 80 and 84, and 100% of rates thereafter, projected forward generationally using mortality improvement scale MP-2016. Post-retirement disabled mortality rates are based on the RP-2014 Disabled Mortality Table with 90% of rates for males and 100% of rates for females, projected forward generationally using mortality improvement scale MP-2016. Pre-retirement mortality rates are based on RP-2014 Employee Mortality Table, projected forward generationally using mortality improvement scale MP-2016.

For the July 1, 2016 actuarial valuation, mortality rates were based on the RP-2000 Combined Mortality Table (Projection 2022—Scale AA) for Males and Females. Males' ages are set-back two years through age 89 and no set-back for age 90 and above. Females younger than age 80 are set back four years, one year set back from age 80 through 89, and no set back from age 90 and above.

Actuarial assumptions used in the July 1 2017, valuation are based on the results of an actuarial experience study for the period July 1, 2011 through June 30, 2016. Actuarial assumptions used in the June 30, 2016, valuation are based on the results of an actuarial experience study, effective July 1, 2012.

STRS Ohio's investment consultant develops an estimate range for the investment return assumption based on the target allocation adopted by the Retirement Board. The target allocation and long-term expected rate of return for each major asset class are summarized as follows:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return *
Domestic Equity	28.00 %	7.35 %
International Equity	23.00	7.55
Alternatives	17.00	7.09
Fixed Income	21.00	3.00
Real Estate	10.00	6.00
Liquidity Reserves	1.00	2.25
Total	100.00 %	

* 10-Year annualized geometric nominal returns, which include the real rate of return and inflation of 2.25% and does not include investment expenses. Over a 30-year period, STRS Ohio's investment consultant indicates that the above target allocations should generate a return above the actuarial rate of return, without net value added by management.

NOTE 14: **DEFINED BENEFIT PENSION PLAN** (Continued)

F. **Actuarial Assumptions – STRS** (Continued)

Discount Rate The discount rate used to measure the total pension liability was 7.45 percent as of June 30, 2017. The projection of cash flows used to determine the discount rate assumes member and employer contributions will be made at the statutory contribution rates in accordance with rate increases described above. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on those assumptions, STRS' fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2017. Therefore, the long-term expected rate of return on pension plan investments of 7.45 percent was applied to all periods of projected benefit payment to determine the total pension liability as of June 30, 2017.

Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate The following table presents the District's proportionate share of the net pension liability calculated using the current period discount rate assumption of 7.45 percent, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one-percentage-point lower (6.45 percent) or one-percentage-point higher (8.45 percent) than the current rate:

	1% Decrease (6.45%)	Current Discount Rate (7.45%)	1% Increase (8.45%)
School District's proportionate share of the net pension liability	$49,739,484	$34,698,755	$22,029,195

G. **Social Security System**

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System have an option to choose Social Security or the School Employees Retirement System/State Teachers Retirement System. As of June 30, 2018, one member of the Board of Education had elected Social Security. The Board's liability is 6.2 percent of wages paid.

NOTE 15: **DEFINED BENEFIT OPEB PLANS**

A. **Net OPEB Liability**

The net OPEB liability reported on the statement of net position represents a liability to employees for OPEB. OPEB is a component of exchange transactions-–between an employer and its employees—of salaries and benefits for employee services. OPEB are provided to an employee—on a deferred-payment basis—as part of the total compensation package offered by an employer for employee services each financial period. The obligation to sacrifice resources for OPEB is a present obligation because it was created as a result of employment exchanges that already have occurred.

NOTE 15: **DEFINED BENEFIT OPEB PLANS** (Continued)

A. **Net OPEB Liability** (Continued)

The net OPEB liability represents the School District's proportionate share of each OPEB plan's collective actuarial present value of projected benefit payments attributable to past periods of service, net of each OPEB plan's fiduciary net position. The net OPEB liability calculation is dependent on critical long-term variables, including estimated average life expectancies, earnings on investments, cost of living adjustments and others. While these estimates use the best information available, unknowable future events require adjusting these estimates annually.

Ohio Revised Code limits the School District's obligation for this liability to annually required payments. The School District cannot control benefit terms or the manner in which OPEB are financed; however, the School District does receive the benefit of employees' services in exchange for compensation including OPEB.

GASB 75 assumes the liability is solely the obligation of the employer, because they benefit from employee services. OPEB contributions come from these employers and health care plan enrollees which pay a portion of the health care costs in the form of a monthly premium. The Ohio revised Code permits, but does not require the retirement systems to provide healthcare to eligible benefit recipients. Any change to benefits or funding could significantly affect the net OPEB liability. Resulting adjustments to the net OPEB liability would be effective when the changes are legally enforceable. The retirement systems may allocate a portion of the employer contributions to provide for these OPEB benefits.

The proportionate share of each plan's unfunded benefits is presented as a long-term *net OPEB liability* on the accrual basis of accounting. Any liability for the contractually-required OPEB contribution outstanding at the end of the year is included in *intergovernmental payable* on both the accrual and modified accrual bases of accounting.

B. **Plan Description - School Employees Retirement System (SERS)**

Health Care Plan Description - The School District contributes to the SERS Health Care Fund, administered by SERS for non-certificated retirees and their beneficiaries. For GASB 75 purposes, this plan is considered a cost-sharing other postemployment benefit (OPEB) plan. SERS' Health Care Plan provides healthcare benefits to eligible individuals receiving retirement, disability, and survivor benefits, and to their eligible dependents. Members who retire after June 1, 1986, need 10 years of service credit, exclusive of most types of purchased credit, to qualify to participate in SERS' health care coverage. In addition to age and service retirees, disability benefit recipients and beneficiaries who are receiving monthly benefits due to the death of a member or retiree, are eligible for SERS' health care coverage. Most retirees and dependents choosing SERS' health care coverage are over the age of 65 and therefore enrolled in a fully insured Medicare Advantage plan; however, SERS maintains a traditional, self-insured preferred provider organization for its non-Medicare retiree population. For both groups, SERS offers a self-insured prescription drug program. Health care is a benefit that is permitted, not mandated, by statute. The financial report of the Plan is included in the SERS Comprehensive Annual Financial Report which can be obtained on SERS' website at www.ohsers.org under Employers/Audit Resources.

NOTE 15: **DEFINED BENEFIT OPEB PLANS** (Continued)

B. **Plan Description - School Employees Retirement System (SERS)** (Continued)

Access to health care for retirees and beneficiaries is permitted in accordance with Section 3309 of the Ohio Revised Code. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). SERS' Retirement Board reserves the right to change or discontinue any health plan or program. Active employee members do not contribute to the Health Care Plan. The SERS Retirement Board established the rules for the premiums paid by the retirees for health care coverage for themselves and their dependents or for their surviving beneficiaries. Premiums vary depending on the plan selected, qualified years of service, Medicare eligibility, and retirement status.

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required pensions and benefits, the Retirement Board may allocate the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund in accordance with the funding policy. For fiscal year 2018, .5 percent of covered payroll was made to health care. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated if less than a full year of service credit was earned. For fiscal year 2018, this amount was $23,700. Statutes provide that no employer shall pay a health care surcharge greater than 2 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2018, the School District's surcharge obligation was $87,489.

The surcharge, added to the allocated portion of the 14 percent employer contribution rate is the total amount assigned to the Health Care Fund. The School District's contractually required contribution to SERS was $113,208 for fiscal year 2018. Of this amount $87,489 is reported as an intergovernmental payable.

C. Plan Description - State Teachers Retirement System (STRS)

Plan Description – The State Teachers Retirement System of Ohio (STRS) administers a cost-sharing Health Plan administered for eligible retirees who participated in the defined benefit or combined pension plans offered by STRS. Ohio law authorizes STRS to offer this plan. Benefits include hospitalization, physicians' fees, prescription drugs and partial reimbursement of monthly Medicare Part B premiums. Medicare Part B premium reimbursements will be discontinued effective January 1, 2020. The Plan is included in the report of STRS which can be obtained by visiting www.strsoh.org or by calling (888) 227-7877.

Funding Policy – Ohio Revised Code Chapter 3307 authorizes STRS to offer the Plan and gives the Retirement Board discretionary authority over how much, if any, of the health care costs will be absorbed by STRS. Active employee members do not contribute to the Health Care Plan. Nearly all health care plan enrollees, for the most recent year, pay a portion of the health care costs in the form of a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2018, STRS did not allocate any employer contributions to post-employment health care.

NOTE 15: **DEFINED BENEFIT OPEB PLANS** (Continued)

D. OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

The net OPEB liability was measured as of June 30, 2017, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The School District's proportion of the net OPEB liability was based on the School District's share of contributions to the respective retirement systems relative to the contributions of all participating entities. Following is information related to the proportionate share and OPEB expense:

	SERS	STRS	Total
Proportion of the Net OPEB Liability Prior Measurement Date	0.16511686%	0.15001044%	
Proportion of the Net OPEB Liability Current Measurement Date	0.16408500%	0.14606795%	
Change in Proportionate Share	-0.00103186%	-0.00394249%	
Proportionate Share of the Net OPEB Liability	$4,403,610	$5,699,033	$10,102,643
OPEB Expense	$254,946	($1,769,157)	($1,514,211)

At June 30, 2018, the School District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	SERS	STRS	Total
Deferred Outflows of Resources			
Differences between expected and actual experience	$ -	$ 328,983	$ 328,983
School District contributions subsequent to the measurement date	113,208	-	113,208
Total Deferred Outflows of Resources	$ 113,208	$ 328,983	$ 442,191
Deferred Inflows of Resources			
Changes of assumptions	$ 417,880	$ 459,076	$ 876,956
Net difference between projected and actual earnings on OPEB plan investments	11,629	243,590	255,219
Changes in Proportionate Share and Difference between School District contributions and proportionate share of contributions	21,590	180,724	202,314
Total Deferred Inflows of Resources	$ 451,099	$ 883,390	$ 1,334,489

NOTE 15: **DEFINED BENEFIT OPEB PLANS** (Continued)

D. OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB (Continued)

$113,208 reported as deferred outflows of resources related to OPEB resulting from School District contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ending June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

	SERS	STRS	Total
Fiscal Year Ending June 30:			
2019	($162,135)	($112,700)	($274,835)
2020	(162,135)	(112,700)	(274,835)
2021	(123,921)	(112,700)	(236,621)
2022	(2,908)	(112,702)	(115,610)
2023	0	(51,803)	(51,803)
Thereafter	0	(51,802)	(51,802)
Total	($451,099)	($554,407)	($1,005,506)

E. Actuarial Assumptions - SERS

The total OPEB liability is determined by SERS' actuaries in accordance with GASB Statement No. 74, as part of their annual actuarial valuation for each retirement plan. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts (e.g., salaries, credited service) and assumptions about the probability of occurrence of events far into the future (e.g., mortality, disabilities, retirements, employment terminations). Actuarially determined amounts are subject to continual review and potential modifications, as actual results are compared with past expectations and new estimates are made about the future.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing benefit costs between the employers and plan members to that point. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations.

Actuarial calculations reflect a long-term perspective. For a newly hired employee, actuarial calculations will take into account the employee's entire career with the employer and also take into consideration the benefits, if any, paid to the employee after termination of employment until the death of the employee and any applicable contingent annuitant. In many cases, actuarial calculations reflect several decades of service with the employer and the payment of benefits after termination.

NOTE 15: **DEFINED BENEFIT OPEB PLANS** (Continued)

E. Actuarial Assumptions – SERS (Continued)

Key methods and assumptions used in calculating the total OPEB liability in the latest actuarial valuation date of June 30, 2017, are presented below:

Wage Inflation	3.00 percent
Future Salary Increases, including inflation	3.50 percent to 18.20 percent
Investment Rate of Return	7.50 percent net of investments expense, including inflation
Municipal Bond Index Rate:	
Measurement Date	3.56 percent
Prior Measurement Date	2.92 percent
Single Equivalent Interest Rate, net of plan investment expense, including price inflation	
Measurement Date	3.63 percent
Prior Measurement Date	2.98 percent
Medical Trend Assumption	
Medicare	5.50 to 5.00 percent
Pre-Medicare	7.50 to 5.00 percent

Mortality rates were based on the RP-2014 Blue Collar Mortality Table with fully generational projection and Scale BB, 120 percent of male rates and 110 percent of female rates. RP-2000 Disabled Mortality Table with 90 percent for male rates and 100 percent for female rates set back five years.

The most recent experience study was completed for the five year period ended June 30, 2015.

The long-term expected rate of return on plan assets is reviewed as part of the actuarial five-year experience study. The most recent study covers fiscal years 2010 through 2015, and was adopted by the Board on April 21, 2016. Several factors are considered in evaluating the long-term rate of return assumption including long-term historical data, estimates inherent in current market data, and a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return were developed by the investment consultant for each major asset class. These ranges were combined to produce the long-term expected rate of return, 7.50 percent, by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation. The capital market assumptions developed by the investment consultant are intended for use over a 10-year horizon and may not be useful in setting the long-term rate of return for funding pension plans which covers a longer timeframe. The assumption is intended to be a long-term assumption and is not expected to change absent a significant change in the asset allocation, a change in the inflation assumption, or a fundamental change in the market that alters expected returns in future years.

NOTE 15: **DEFINED BENEFIT OPEB PLANS** (Continued)

E. Actuarial Assumptions – SERS (Continued)

The target asset allocation and best estimates of arithmetic real rates of return for each major asset class, as used in the June 30, 2015 five-year experience study, are summarized as follows:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Cash	1.00 %	0.50 %
US Stocks	22.50	4.75
Non-US Stocks	22.50	7.00
Fixed Income	19.00	1.50
Private Equity	10.00	8.00
Real Assets	15.00	5.00
Multi-Asset Strategies	10.00	3.00
Total	100.00 %	

Discount Rate The discount rate used to measure the total OPEB liability at June 30, 2017 was 3.63 percent. The discount rate used to measure total OPEB liability prior to June 30, 2017 was 2.98 percent. The projection of cash flows used to determine the discount rate assumed that contributions will be made from members and the System at the state statute contribution rate of 2.00 percent of projected covered employee payroll each year, which includes a 1.50 percent payroll surcharge and 0.50 percent of contributions from the basic benefits plan. Based on these assumptions, the OPEB plan's fiduciary net position was projected to become insufficient to make future benefit payments during the fiscal year ending June 30, 2025. Therefore, the long-term expected rate of return on OPEB plan assets was used to present value the projected benefit payments through the fiscal year ending June 30, 2024 and the Fidelity General Obligation 20-year Municipal Bond Index rate of 3.56 percent, as of June 30, 2017 (i.e. municipal bond rate), was used to present value the projected benefit payments for the remaining years in the projection. The total present value of projected benefit payments from all years was then used to determine the single rate of return that was used as the discount rate. The projection of future benefit payments for all current plan members was until the benefit payments ran out.

Sensitivity of the School District's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate and Changes in the Health Care Cost Trend Rates The net OPEB liability is sensitive to changes in the discount rate and the health care cost trend rate. The following table presents the net OPEB liability of SERS, what SERS' net OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (2.63%) and higher (4.63%) than the current discount rate (3.63%). Also shown is what SERS' net OPEB liability would be based on health care cost trend rates that are 1 percentage point lower (6.5% decreasing to 4.0%) and higher (8.5% decreasing to 6.0%) than the current rate.

NOTE 15: **DEFINED BENEFIT OPEB PLANS** (Continued)

E. Actuarial Assumptions – SERS (Continued)

	1% Decrease (2.63%)	Current Discount Rate (3.63%)	1% Increase (4.63%)
School District's proportionate share of the net OPEB liability	$5,317,920	$4,403,610	$3,679,243

	1% Decrease (6.5 % decreasing to 4.0 %)	Current Trend Rate (7.5 % decreasing to 5.0 %)	1% Increase (8.5 % decreasing to 6.0 %)
School District's proportionate share of the net OPEB liability	$3,573,200	$4,403,610	$5,502,673

F. Actuarial Assumptions – STRS

Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results used in the June 30, 2017, actuarial valuation are presented below:

Inflation	2.50 percent
Projected salary increases	12.50 percent at age 20 to 2.50 percent at age 65
Investment Rate of Return	7.45 percent, net of investment expenses, including inflation
Payroll Increases	3 percent
Cost-of-Living Adjustments (COLA)	0.0 percent, effective July 1, 2017
Blended Discount Rate of Return	4.13 percent
Health Care Cost Trends	6 to 11 percent initial, 4.5 percent ultimate

Projections of benefits include the historical pattern of sharing benefit costs between the employers and retired plan members.

For healthy retirees the mortality rates are based on the RP-2014 Annuitant Mortality Table with 50 percent of rates through age 69, 70 percent of rates between ages 70 and 79, 90 percent of rates between ages 80 and 84, and 100 percent of rates thereafter, projected forward generationally using mortality improvement scale MP-2016. For disabled retirees, mortality rates are based on the RP-2014 Disabled Mortality Table with 90 percent of rates for males and 100 percent of rates for females, projected forward generationally using mortality improvement scale MP-2016.

Actuarial assumptions used in the June 30, 2017, valuation are based on the results of an actuarial experience study for the period July 1, 2011 through June 30, 2016.

NOTE 15: **DEFINED BENEFIT OPEB PLANS** (Continued)

F. Actuarial Assumptions – STRS (Continued)

Since the prior measurement date, the discount rate was increased from 3.26 percent to 4.13 percent based on the methodology defined under GASB *Statement No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans (OPEB)* and the long term expected rate of return was reduced from 7.75 percent to 7.45 percent. Valuation year per capita health care costs were updated, and the salary scale was modified. The percentage of future retirees electing each option was updated based on current data and the percentage of future disabled retirees and terminated vested participants electing health coverage were decreased. The assumed mortality, disability, retirement, withdrawal and future health care cost trend rates were modified along with the portion of rebated prescription drug costs.

Also since the prior measurement date, the subsidy multiplier for non-Medicare benefit recipients was reduced from 2.1 percent to 1.9 percent per year of service. Medicare Part B premium reimbursements were discontinued for certain survivors and beneficiaries and all remaining Medicare Part B premium reimbursements will be discontinued beginning January 2019. Subsequent to the current measurement date, the date for discontinuing remaining Medicare Part B premium reimbursements was extended to January 2020.

STRS' investment consultant develops an estimate range for the investment return assumption based on the target allocation adopted by the Retirement Board. The target allocation and long-term expected rate of return for each major asset class are summarized as follows:

Asset Class	Target Allocation	Long-Term Expected Rate of Return *
Domestic Equity	28.00 %	7.35 %
International Equity	23.00	7.55
Alternatives	17.00	7.09
Fixed Income	21.00	3.00
Real Estate	10.00	6.00
Liquidity Reserves	1.00	2.25
Total	100.00 %	

* 10 year annualized geometric nominal returns, which include the real rate of return and inflation of 2.25 percent and does not include investment expenses. Over a 30-year period, STRS' investment consultant indicates that the above target allocations should generate a return above the actual rate of return, without net value added by management.

NOTE 15: **DEFINED BENEFIT OPEB PLANS** (Continued)

F. Actuarial Assumptions – STRS (Continued)

Discount Rate The discount rate used to measure the total OPEB liability was 4.13 percent as of June 30, 2017. The projection of cash flows used to determine the discount rate assumes STRS Ohio continues to allocate no employer contributions to the health care fund. Based on these assumptions, the OPEB plan's fiduciary net position was not projected to be sufficient to make all projected future benefit payments of current plan members. The OPEB plan's fiduciary net position was projected to become insufficient to make future benefit payments during the fiscal year ending June 30, 2037. Therefore, the long-term expected rate of return on OPEB plan assets was used to determine the present value of the projected benefit payments through the fiscal year ending June 30, 2036 and the Bond Buyer 20-year municipal bond rate of 3.58 percent as of June 30, 2017 (i.e. municipal bond rate), was used to determine the present value of the projected benefit payments for the remaining years in the projection. The total present value of projected benefit payments from all years was then used to determine the single rate of return that was used as the discount rate. The blended discount rate of 4.13 percent, which represents the long-term expected rate of return of 7.45 percent for the funded benefit payments and the Bond Buyer 20-year municipal bond rate of 3.58 percent for the unfunded benefit payments, was used to measure the total OPEB liability as of June 30, 2017. A blended discount rate of 3.26 percent which represents the long term expected rate of return of 7.75 percent for the funded benefit payments and the Bond Buyer 20-year municipal bond rate of 2.85 percent for the unfunded benefit payments was used to measure the total OPEB liability at June 30, 2016.

Sensitivity of the School District's Proportionate Share of the Net OPEB Liability to Changes in the Discount and Health Care Cost Trend Rate The following table represents the net OPEB liability as of June 30, 2017, calculated using the current period discount rate assumption of 4.13 percent, as well as what the net OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (3.13 percent) or one percentage point higher (5.13 percent) than the current assumption. Also shown is the net OPEB liability as if it were calculated using health care cost trend rates that are one percentage point lower or one percentage point higher than the current health care cost trend rates.

	1% Decrease (3.13%)	Current Discount Rate (4.13%)	1% Increase (5.13%)
School District's proportionate share of the net OPEB liability	$7,650,860	$5,699,033	$4,156,451

	1% Decrease	Current Trend Rate	1% Increase
School District's proportionate share of the net OPEB liability	$3,959,443	$5,699,033	$7,988,535

NOTE 16: **LONG-TERM OBLIGATIONS**

The changes in the School District's long-term obligations during fiscal year 2018 were as follows:

	Restated Balance as of 6/30/2017	Issuances	Retirements	Balance as of 6/30/2018	Amounts Due In One Year
General Long-Term Bonds					
Refunding Bonds, Series 2016 4.0% - 3.780%					
Maturing December 1, 2029:					
Term Bonds	$ 10,980,000	$ -	$ (485,000)	$ 10,495,000	$ 710,000
Premium	302,058	-	(24,327)	277,731	-
Classroom Facilities and School Improvement					
Bonds, Series 2017A 2.0% -4.0%					
Maturing December 1, 2038:					
Serial and Term Bonds	8,975,000	-	(195,000)	8,780,000	155,000
Premium	154,013	-	(7,513)	146,500	-
Classroom Facilities and School Improvement					
Bonds, Series 2017B 3.0% -4.0%					
Maturing December 1, 2038:					
Serial Bonds	7,835,000	-	(165,000)	7,670,000	290,000
Premium	610,736	-	(29,792)	580,944	-
Total General Long-Term Bonds	28,856,807	-	(906,632)	27,950,175	1,155,000
Tax Anticipation Note, Series 2016 1.45%	1,209,000	-	(296,000)	913,000	300,000
Net Pension Liability:					
STRS	50,213,017	-	(15,514,262)	34,698,755	-
SERS	11,939,436	-	(2,277,854)	9,661,582	-
Total Net Pension Liability	62,152,453	-	(17,792,116)	44,360,337	-
Net OPEB Liability:					
STRS	8,022,597	-	(2,323,564)	5,699,033	-
SERS	4,706,441	-	(302,831)	4,403,610	-
Total Net OPEB Liability	12,729,038	-	(2,626,395)	10,102,643	-
Judgment Payable	257,761	-	(85,920)	171,841	171,841
Capital Lease	99,765	-	(29,341)	70,424	30,526
Compensated Absences	5,344,768	(2,280,061)	2,120,269	5,184,976	1,935,552
Total Long-Term Obligations	$ 110,649,592	$ (2,280,061)	$ (19,616,135)	$ 88,753,396	$ 3,592,919

There is no repayment schedule for the net pension liability and net OPEB liability; however, employer pension and OPEB contributions are made from the fund in which employee's salaries are paid, with the General fund being the most significant. Compensated absences will also be paid from the fund from which employee's salaries are paid with the General Fund being the most significant fund.

NOTE 16: **LONG-TERM OBLIGATIONS** (Continued)

On June 2, 2016, the School District issued $10,980,000 in general obligation bonds with an interest rate of 3.780 percent to advance refund the callable portion of the School District's outstanding refunding bonds, series 2006. The serial and term bonds mature on December 1, 2026, and are callable on December 1, 2016. The general obligation bonds proceeds consisted of bond principal and $328,412 of premium and, after paying issuance costs of $110,200 and $3,295 deposited in the School District's Bond Retirement Fund, the net proceeds were $11,194,917. The net proceeds were deposited in an irrevocable trust with an escrow agent to provide debt service payments until the term bonds are called on December 1, 2016. The advance refunding met the requirements of a debt defeasance and the serial and term bonds were removed from the District's government-wide financial statements.

As a result of the advance refunding, the School District reduced its total debt service requirements by $990,325, which resulted in an economic gain of $461,547.

On February 27, 2017, the School District issued $8,975,000 in Classroom Facilities and School Improvement Bonds with an interest rate of 2.00 to 4.00 percent. The serial and term bonds mature on December 1, 2038.

On March 20, 2017, the School District issued $7,835,000 in Classroom Facilities and School Improvement Bonds with an interest rate of 3.00 to 4.00 percent. The serial bonds mature on December 1, 2038.

During 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 were used to finance HVAC upgrades and other allowable energy conservation projects throughout the School District. These notes will also be paid with voted and unvoted general property taxes receipted into the General Fund and was paid in full as of June 30, 2017.

On March 17, 2016, the School District issued a Tax Anticipation Note in the amount of $1,500,000 with an interest rate of 1.45%. These notes will also be paid with voted and unvoted general property taxes receipted into the General Fund and are scheduled to mature December 1, 2020.

The Cleveland Clinic has occupied buildings in Lorain County since 2006 and applied for tax exemption on those buildings. The Clinic was granted permanent tax exemption by the Tax Commissioner in 2013. On June 30, 2014, the District entered into an agreement with The Cleveland Clinic Foundation to reimburse $859,201 in real estate taxes. $171,840 will be due each fiscal year, from fiscal year 2015 through fiscal year 2019 and is recorded as a judgment payable.

See further discussion of Net Pension Liability at Note 14 and Net OPEB Liability at Note 15.

See further discussion of capital leases at Note 22.

All bonds and notes are direct obligations of the School District for which its full faith and credit are pledged for repayment. The School District's overall debt limitation was $24,039,553 at June 30, 2018.

NOTE 16: **LONG-TERM OBLIGATIONS** (Continued)

The following is a summary of the School District's Future annual principal and interest requirements:

Fiscal Year	Classroom Facilities and School Improvement Bonds		Refunding Bonds		Tax Anticipation Note	
Ending June 30,	Principal	Interest	Principal	Interest	Principal	Interest
2019	$ 445,000	$ 526,685	$ 710,000	$ 383,292	$ 300,000	$ 11,064
2020	455,000	511,785	735,000	355,982	305,000	6,677
2021	475,000	500,260	760,000	327,726	308,000	2,233
2022	480,000	491,485	790,000	298,431	-	-
2023	490,000	482,191	820,000	268,002	-	-
2024-2028	2,635,000	2,222,306	4,590,000	841,807	-	-
2029-2033	4,280,000	1,672,323	2,090,000	79,758	-	-
2034-2038	5,890,000	787,532	-	-	-	-
2039	1,300,000	24,275	-	-	-	-
	$ 16,450,000	$ 7,218,842	$ 10,495,000	$ 2,554,998	$ 913,000	$ 19,974

Fiscal Year	Judgement Payable	Total	
Ending June 30,	Principal	Principal	Interest
2019	$ 171,841	$ 1,626,841	$ 921,041
2020	-	1,495,000	874,444
2021	-	1,543,000	830,219
2022	-	1,270,000	789,916
2023	-	1,310,000	750,193
2024-2028	-	7,225,000	3,064,113
2029-2033	-	6,370,000	1,752,081
2034-2038	-	5,890,000	787,532
2039	-	1,300,000	24,275
	$ 171,841	$ 28,029,841	$ 9,793,814

NOTE 17: **JOINTLY GOVERNED ORGANIZATIONS**

A. **Connect**

Connect (formerly known as North Coast Council) is a jointly governed computer service bureau owned and operated by 3 educational service centers and 26 public school districts. The primary function of Connect is to provide to its members the support and leadership which enables organizations to achieve their objectives through innovative and cost effective shared technology solutions. Major areas of service provided by Connect include accounting, payroll, inventory, career guidance services, handicapped student tracking, pupil scheduling, attendance reporting and grade reporting. Connect is wholly owned by its member districts and is governed by a Board of Directors. Connect's current membership includes the Educational Service Center of Northeast Ohio, Educational Service Center of Lorain County, Educational Service Center of Medina County, and 26 school districts in Cuyahoga, Lorain, and Medina counties. Each year, the Board of Directors elects a Chairman, a Vice Chairman and a Recording Secretary. The Treasurer of the fiscal agent is a nonvoting, ex-officio member of the Board of Directors. The Educational Service Center of Northeast Ohio serves as the fiscal agent of Connect. The degree of control exercised by any participating school district is limited to its representation on the Board. Each school district supports Connect based upon a per pupil charge dependent upon the software packages used.

NOTE 17: **JOINTLY GOVERNED ORGANIZATIONS** (Continued)

In fiscal year 2018, the School District paid $153,303 to Connect. Financial information can be obtained by contacting the Treasurer of the fiscal agent at 5700 West Canal Road, Valley View, Ohio 44125.

B. **Lorain County Joint Vocational School District**

The Lorain County Joint Vocational School is a distinct political subdivision of the State of Ohio operated under the direction of a Board consisting of one representative from each of the participating school district's elected boards, 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. During fiscal year 2017, the School District paid $1,270 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.

C. **Ohio Schools Council**

The Ohio Schools Council Association (Council) is a jointly governed organization among 203 school districts. The organization was formed to purchase quality products and services at the lowest possible cost to the member School Districts. Each School District supports the Council by paying an annual participation fee. The Council's Board consists of nine superintendents of the participating School Districts whose term rotates every year. The degree of control exercised by any school district is limited to its representation on the Board. In fiscal year 2018, the School District paid $125,386 to the Council. Financial information can be obtained by contacting William J. Zelei, the Executive Director/Treasurer of the Ohio Schools at 6393 Oak Tree Boulevard, Suite 377, Independence, Ohio, 44131.

Prepaid/Natural Gas Program

The School District participates in the Council's natural gas purchase program. This program allows the School District to purchase natural gas at reduced rates. Constellation New Energy (formerly Compass as of July 1, 2017) is serving as the supplier and program through June 30, 2018. There are currently 157 participants in the program. The participants make monthly payments based on estimated usage. Each September, these estimated payments are compared to their actual usage for the year (July to June). School Districts that paid more in estimated billings than their actual billings are issued credits on future billings in September until the credits are exhausted and School Districts that did not pay enough on estimated billings are invoiced for the difference on the September monthly estimated billing.

D. **Lake Erie Regional Council of Governments**

The Lake Erie Regional Council (LERC) is a jointly governed organization comprised of eleven school districts. The jointly governed organization was formed for the purpose of promoting cooperative agreements to its members in dealing with problems of mutual concern such as health insurance. 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.

NOTE 17: **JOINTLY GOVERNED ORGANIZATIONS** (Continued)

The degree of control exercised by any participating school district is limited to its representation on the Board. In fiscal year 2018, the School District paid $3,837,949 to the Council. Financial information can be obtained by contacting the Treasurer at the Educational Service Center of Lorain County, who serves as fiscal agent, at 1885 Lake Avenue, Elyria, Ohio.

NOTE 18: **RELATED ORGANIZATIONS**

The Amherst Public Library (the "Library") is a distinct and 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 a taxing authority and issues 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 financial statements. Financial information can be obtained by contacting the Clerk-Treasurer of the Amherst Public Library at 221 Spring Street, Amherst, Ohio 44001.

NOTE 19: **CONTINGENCIES**

A. Grants

The School District received financial assistance from federal and State agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and 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.

B. **Litigation and Other Matters**

The School District is not currently party to any legal proceedings.

C. **State Foundation Funding**

School district Foundation funding is based on the annualized full -time equivalent (FTE) enrollment of each student. The Ohio Department of Education (ODE) is legislatively required to adjust/reconcile funding as enrollment information is updated by schools throughout the State, which can extend past the fiscal year end. As of the date of this report, ODE has finalized the impact of enrollment adjustments to the June 30, 2018 Foundation funding for the School District. The financial statement impact was determined to be immaterial and is not reported as an asset or liability of the School District.

NOTE 20: SET-ASIDE CALCULATIONS

The School District is required by State statute to annually set aside, in the General fund, an amount based on a statutory formula for acquisition and construction of capital improvements. Amounts not spent by year-end or offset by similarly restricted resources received during the year must be held in cash at year-end and carried forward to be used for the same purposes in future years.

The following cash basis information describes the change in the year-end set-aside amounts for capital improvements. Disclosure of this information is required by State statute.

	Capital Improvements Reserve
Set-Aside Balance as of June 30, 2017	$ -
Current Year Set-Aside Requirements	667,933
Qualifying Disbursements	(1,138,670)
Total	$ (470,737)
Set-Aside Balance Carried Forward to Future Fiscal Years	$ -
Set-Aside Balance as of June 30, 2018	$ -

NOTE 21: COMMITMENTS

The School District utilizes encumbrance accounting as part of its budgetary controls. Encumbrances outstanding at year-end are constraints imposed on fund balance for subsequent-year expenditures and may be reported as part of restricted, committed or assigned classifications of fund balance on the balance sheet. As of June 30, 2018, the School District's significant commitments for encumbrances in the governmental funds were as follows:

	Outstanding Encumbrances
General Fund	$ 1,036,640
Classroom Facilities	1,555,866
Nonmajor governmental funds	1,560,668
	$ 4,153,174

NOTE 22: CAPITALIZED LEASE – LESSEE DISCLOSURE

On July 9, 2013, the District entered into a capitalized lease for the Stadium Lighting Project. Capital lease payments are reflected as debt service expenditures in the financial statements for the governmental funds.

Capital assets consisting of land improvement have been capitalized in the amount of $200,000. This amount represents the present value of the minimum lease payments at the time of acquisition. Accumulated depreciation as of June 30, 2018, was $19,616, leaving a current book value of $180,384. A corresponding liability is recorded in the government-wide financial statements. Principal payments in fiscal year 2018 totaled $29,341 paid by the Recreation Fund (a nonmajor governmental fund).

The following is a schedule of the future long-term minimum lease payments required under the capital lease and the present value of the future minimum lease payments as of June 30, 2018:

Fiscal Year Ending June 30,	Amount
2019	$ 32,877
2020	32,877
2021	8,219
Total	73,973
Less: Amount representing interest	(3,549)
Total	$ 70,424

NOTE 23: OPERATING LEASES

The District leases various copiers, computers and electronic equipment and software throughout the District. Total cost for the leases were $199,056 for the fiscal year ended June 30, 2018. The future minimum lease payments for the remaining lease is as follows:

Fiscal Year Ending June 30,	Apple, Inc.
2019	110,904
2020	110,904
Total	$ 221,808

AMHERST EXEMPTED VILLAGE SCHOOL DISTRICT
LORAIN COUNTY, OHIO
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE SCHOOL DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
SCHOOL EMPLOYEES RETIREMENT SYSTEM OF OHIO
LAST FIVE FISCAL YEARS (1)

	2018	2017	2016	2015	2014
School District's Proportion of the Net Pension Liability	0.1617061%	0.1631276%	0.1700268%	0.164437%	0.164437%
School District's Proportionate Share of the Net Pension Liability	$9,661,582	$11,939,436	$9,701,894	$8,322,063	$ 9,778,541
School District's Covered Payroll	$5,143,879	$ 5,075,421	$5,125,015	$4,756,154	$ 4,677,392
School District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	187.83%	235.24%	189.30%	174.97%	209.06%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	69.50%	62.98%	69.16%	71.70%	65.52%

(1) Information prior to 2014 is not available. Schedule is intended to show ten years of information, and additional years' will be displayed as it becomes available.

Amounts presented as of the School District's measurement date which is the prior fiscal period end.

See accompanying notes to the required supplementary information

AMHERST EXEMPTED VILLAGE SCHOOL DISTRICT
LORAIN COUNTY, OHIO
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE SCHOOL DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
STATE TEACHERS RETIREMENT SYSTEM OF OHIO
LAST FIVE FISCAL YEARS (1)

	2018	2017	2016	2015	2014
School District's Proportion of the Net Pension Liability	0.14606795%	0.15001044%	0.15198722%	0.15744926%	0.15744926%
School District's Proportionate Share of the Net Pension Liability	$ 34,698,755	$ 50,213,017	$ 42,004,823	$ 38,297,109	$ 45,619,266
School District's Covered Payroll	$ 16,174,721	$ 15,677,036	$ 16,064,057	$ 15,921,238	$ 16,980,877
School District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	214.52%	320.30%	261.48%	240.54%	268.65%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	75.30%	66.80%	72.10%	74.70%	69.30%

(1) Information prior to 2014 is not available. Schedule is intended to show ten years of information, and additional years' will be displayed as it becomes available.

Amounts presented as of the School District's measurement date which is the prior fiscal period end.

See accompanying notes to the required supplementary information

AMHERST EXEMPTED VILLAGE SCHOOL DISTRICT
LORAIN COUNTY, OHIO
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE SCHOOL DISTRICT CONTRIBUTIONS - PENSION
SCHOOL EMPLOYEES RETIREMENT SYSTEM OF OHIO
LAST TEN FISCAL YEARS

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Contractually Required Contribution	$ 717,798	$ 720,143	$ 710,559	$ 675,477	$ 659,203	$ 647,351	$ 672,250	$ 738,022	$ 837,890	$ 452,311
Contributions in Relation to the Contractually Required Contribution	(717,798)	(720,143)	(710,559)	(675,477)	(659,203)	(647,351)	(672,250)	(738,022)	(837,890)	(452,311)
Contribution Deficiency (Excess)	-	-	-	-	-	-	-	-	-	-
School District Covered Payroll	$ 5,317,022	$ 5,143,879	$ 5,075,421	$ 5,125,015	$ 4,756,154	$ 4,677,392	$ 4,998,141	$ 5,871,297	$ 6,188,257	$ 4,596,657
Contributions as a Percentage of Covered Payroll	13.50%	14.00%	14.00%	13.18%	13.86%	13.84%	13.45%	12.57%	13.54%	9.84%

See accompanying notes to the required supplementary information

AMHERST EXEMPTED VILLAGE SCHOOL DISTRICT
LORAIN COUNTY, OHIO
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE SCHOOL DISTRICT CONTRIBUTIONS - PENSION
STATE TEACHERS RETIREMENT SYSTEM OF OHIO
LAST TEN FISCAL YEARS

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Contractually Required Contribution	$ 2,280,865	$ 2,264,461	$ 2,194,785	$ 2,248,968	$ 2,069,761	$ 2,207,514	$ 2,316,074	$ 2,385,184	$ 2,237,009	$ 2,193,806
Contributions in Relation to the Contractually Required Contribution	(2,280,865)	(2,264,461)	(2,194,785)	(2,248,968)	(2,069,761)	(2,207,514)	(2,316,074)	(2,385,184)	(2,237,009)	(2,193,806)
Contribution Deficiency (Excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
School District Covered Payroll	$ 16,291,893	$ 16,174,721	$ 15,677,036	$ 16,064,057	$ 15,921,238	$ 16,980,877	$ 17,815,954	$ 18,347,569	$ 17,207,762	$ 16,875,431
Contributions as a Percentage of Covered Payroll	14.00%	14.00%	14.00%	14.00%	13.00%	13.00%	13.00%	13.00%	13.00%	13.00%

See accompanying notes to the required supplementary information

AMHERST EXEMPTED VILLAGE SCHOOL DISTRICT
LORAIN COUNTY, OHIO
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE SCHOOL DISTRICT'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY
SCHOOL EMPLOYEES RETIREMENT SYSTEM OF OHIO
LAST TWO FISCAL YEARS (1)

	2018	2017
School District's Proportion of the Net OPEB Liability	0.1640850%	0.1651169%
School District's Proportionate Share of the Net OPEB Liability	$ 4,403,610	$ 4,706,441
School District's Covered Payroll	$ 5,143,879	$ 5,075,421
School District's Proportionate Share of the Net OPEB Liability as a Percentage of its Covered Payroll	85.61%	92.73%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	12.46%	11.49%

(1) Information prior to 2017 is not available. Schedule is intended to show ten years of information, and additional years' will be displayed as it becomes available.

Amounts presented as of the School District's measurement date which is the prior fiscal period end.

See accompanying notes to the required supplementary information

AMHERST EXEMPTED VILLAGE SCHOOL DISTRICT
LORAIN COUNTY, OHIO
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE SCHOOL DISTRICT'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY
STATE TEACHERS RETIREMENT SYSTEM OF OHIO
LAST TWO FISCAL YEARS (1)

	2018	2017
School District's Proportion of the Net OPEB Liability	0.14606795%	0.15001044%
School District's Proportionate Share of the Net OPEB Liability	$ 5,699,033	$ 8,022,597
School District's Covered Payroll	$ 16,174,721	$ 15,677,036
School District's Proportionate Share of the Net OPEB Liability as a Percentage of its Covered Payroll	35.23%	51.17%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	47.10%	37.30%

(1) Information prior to 2017 is not available. Schedule is intended to show ten years of information, and additional years' will be displayed as it becomes available.

Amounts presented as of the School District's measurement date which is the prior fiscal period end.

See accompanying notes to the required supplementary information

AMHERST EXEMPTED VILLAGE SCHOOL DISTRICT
LORAIN COUNTY, OHIO
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE SCHOOL DISTRICT CONTRIBUTIONS - OPEB
SCHOOL EMPLOYEES RETIREMENT SYSTEM OF OHIO
LAST TEN FISCAL YEARS

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Contractually Required Contribution (1)	$ 113,208	$ 106,678	$ 82,713	$ 125,230	$ 89,984	$ 89,055	$ 127,453	$ 178,358	$ 119,697	$ 92,019
Contributions in Relation to the Contractually Required Contribution	(113,208)	(106,678)	(82,713)	(125,230)	(89,984)	(89,055)	(127,453)	(178,358)	(119,697)	(92,019)
Contribution Deficiency (Excess)	-	-	-	-	-	-	-	-	-	-
School District Covered Payroll	$ 5,317,022	$ 5,143,879	$ 5,075,421	$ 5,125,015	$ 4,756,154	$ 4,677,392	$ 4,998,141	$ 5,871,297	$ 6,188,257	$ 4,596,657
OPEB Contributions as a Percentage of Covered Payroll (1)	2.13%	2.07%	1.63%	2.44%	1.89%	1.90%	2.55%	3.04%	1.93%	2.00%

(1) Includes Surcharge

See accompanying notes to the required supplementary information

AMHERST EXEMPTED VILLAGE SCHOOL DISTRICT
LORAIN COUNTY, OHIO
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE SCHOOL DISTRICT CONTRIBUTIONS - OPEB
STATE TEACHERS RETIREMENT SYSTEM OF OHIO
LAST TEN FISCAL YEARS

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Contractually Required Contribution	$ -	$ -	$ -	$ -	$ 159,212	$ 169,809	$ 178,160	$ 183,476	$ 172,078	$ 168,754
Contributions in Relation to the Contractually Required Contribution	-	-	-	-	(159,212)	(169,809)	(178,160)	(183,476)	(172,078)	(168,754)
Contribution Deficiency (Excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
School District Covered Payroll	$ 16,291,893	$ 16,174,721	$ 15,677,036	$ 16,064,057	$ 15,921,238	$ 16,980,877	$ 17,815,954	$ 18,347,569	$ 17,207,762	$ 16,875,431
Contributions as a Percentage of Covered Payroll	0.00%	0.00%	0.00%	0.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%

See accompanying notes to the required supplementary information

Net Pension Liability

Changes of benefit terms- SERS

There were no changes in benefit terms from the amounts reported for fiscal years 2014-2017.

The following changes were made to the benefit terms in 2018 as identified: The COLA was changed from a fixed 3.00% to a COLA that is indexed to CPI-W not greater than 2.5% with a floor of 0% beginning January 1, 2018. In addition, with the authority granted the Board under HB 49, the Board has enacted a three-year COLA suspension for benefit recipients in calendar years 2018, 2019 and 2020.

Changes in assumptions- SERS

There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal years 2014-2016 and 2018. For fiscal year 2017, the following changes of assumptions affected the total pension liability since the prior measurement date: (a) the assumed rate of inflation was reduced from 3.25% to 3.00%, (b) payroll growth assumption was reduced from 4.00% to 3.50%, (c) assumed real wage growth was reduced from 0.75% to 0.50%, (d) Rates of withdrawal, retirement and disability were updated to reflect recent experience, (e) mortality among active members was updated to RP-2014 Blue Collar Mortality Table with fully generational projection and a five year age set-back for both males and females, (f) mortality among service retired members, and beneficiaries was updated to the following RP-2014 Blue Collar Mortality Table with fully generational projection with Scale BB, 120% of male rates, and 110% of female rates and (g) mortality among disable member was updated to RP-2000 Disabled Mortality Table, 90% for male rates and 100% for female rates, set back five years is used for the period after disability retirement (h) change in discount rate from 7.75% to 7.5%.

Changes in benefit terms – STRS

There were no changes in benefit terms from the amounts reported for fiscal years 2014-2018.

Changes in assumptions – STRS

There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal years 2014-2017. For fiscal year 2018, the following changes of assumptions affected the total pension liability since the prior measurement date: (a) inflation assumption lowered from 2.75% to 2.50%, (b) investment return assumption lowered from 7.75% to 7.45%, (c) total salary increases rates lowered by decreasing the merit component of the individual salary increases, as well as by 0.25% due to lower inflation, (d) payroll growth assumption lowered to 3.00%, (e) updated the healthy and disable mortality assumption to the “RP-2014” mortality tables with generational improvement scale MP-2016, (f) rates of retirement, termination and disability were modified to better reflect anticipated future experience.

Net OPEB Liability

Changes in Assumptions – SERS

Amounts reported for fiscal year 2018 incorporate changes in key methods and assumptions used in calculating the total OPEB liability as presented below:

Municipal Bond Index Rate:	
Fiscal year 2018	3.56 percent
Fiscal year 2017	2.92 percent
Single Equivalent Interest Rate, net of plan investment expense, including price inflation	
Fiscal year 2018	3.63 percent
Fiscal year 2017	2.98 percent

Changes in Assumptions – STRS

For fiscal year 2018, the discount rate was increased from 3.26 percent to 4.13 percent based on the methodology defined under GASB Statement No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans (OPEB) and the long term expected rate of return was reduced from 7.75 percent to 7.45 percent. Valuation year per capita health care costs were updated, and the salary scale was modified. The percentage of future retirees electing each option was updated based on current data and the percentage of future disabled retirees and terminated vested participants electing health coverage were decreased. The assumed mortality, disability, retirement, withdrawal and future health care cost trend rates were modified along with the portion of rebated prescription drug costs.

Also, for fiscal year 2018, the subsidy multiplier for non-Medicare benefit recipients was reduced from 2.1 percent to 1.9 percent per year of service. Medicare Part B premium reimbursements were discontinued for certain survivors and beneficiaries and all remaining Medicare Part B premium reimbursements will be discontinued beginning January 2019.

AMHERST EXEMPTED VILLAGE SCHOOL DISTRICT
LORAIN COUNTY

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2018

FEDERAL GRANTOR ***Pass Through Grantor*** **Program / Cluster Title**	**Federal CFDA Number**	**Pass Through Entity Identifying Number**	**Passed Through to Subrecipients**	**Total Federal Expenditures**
U.S. DEPARTMENT OF AGRICULTURE				
Passed Through Ohio Department of Education				
Child Nutrition Cluster				
School Breakfast Program	10.553	N/A		$43,430
Non-Cash Assistance/Commodities NSLP	10.555	N/A		81,190
National School Lunch Program	10.555	N/A		313,702
Total Child Nutrition Cluster				438,322
Total U.S. Department of Agriculture				**438,322**
U.S. DEPARTMENT OF EDUCATION				
Passed Through Ohio Department of Education				
Special Education Cluster				
IDEA Part-B (FY17)	84.027	N/A		95,184
IDEA Part-B (FY18)	84.027	N/A		749,641
Total IDEA Part-B				844,825
Early Childhood Special Education (FY18)	84.173	N/A		26,423
Total Special Education Cluster				871,248
Title I Grants to LEA's (FY17)	84.010	N/A		8,357
Title I Grants to LEA's (FY18)	84.010	N/A		386,163
Total Title I Grants to LEA's				394,520
Title II-A Improving Teacher Quality Grants to LEA's (FY17)	84.367	N/A		11,540
Title II-A Improving Teacher Quality Grants to LEA's (FY18)	84.367	N/A		74,250
Total Title II-A Improving Teacher Quality Grants to LEA's				85,790
Title IV-A Student Support & Academic Enrichment	84.424	N/A		410
Passed Through Educational Service Center of Lorain County				
English Language Acquisition Grants to LEA's (subgrantee) (FY18)	84.365	N/A	$1,617	1,617
Total U.S. Department of Education			**1,617**	**1,353,585**
Total Expenditures of Federal Awards			**$1,617**	**$1,791,907**

The accompanying notes are an integral part of this schedule.

AMHERST EXEMPTED VILLAGE SCHOOL DISTRICT
LORAIN COUNTY

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
2 CFR 200.510(b)(6)
FOR THE YEAR ENDED JUNE 30, 2018

NOTE A – BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal award activity of Amherst Exempted Village School District (the District) under programs of the federal District for the year ended June 30, 2018. The information on this Schedule is prepared in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the District, it is not intended to and does not present the financial position, changes in net position, or cash flows of the District.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the cash basis of accounting. Such expenditures are recognized following the cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirement, Cost Principles, and Audit Requirements for Federal Awards* wherein certain types of expenditures may or may not be allowable or may be limited as to reimbursement.

NOTE C – INDIRECT COST RATE

The District has elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

NOTE D - SUBRECIPIENTS

The District passes certain federal awards received from the Educational Service Center of Lorain County to other Districts or not-for-profit agencies (subrecipients). As Note B describes, the District reports expenditures of Federal awards to subrecipients when paid in cash.

As a subrecipient, the District has certain compliance responsibilities, such as monitoring its subrecipients to help assure they use these subawards as authorized by laws, regulations, and the provisions of contracts or grant agreements, and that subrecipients achieve the award's performance goals.

NOTE D - CHILD NUTRITION CLUSTER

The District commingles cash receipts from the U.S. Department of Agriculture with similar State grants. When reporting expenditures on this Schedule, the District assumes it expends federal monies first.

NOTE E – FOOD DONATION PROGRAM

The District reports commodities consumed on the Schedule at the entitlement value. The District allocated donated food commodities to the respective program that benefitted from the use of those donated food commodities.

NOTE F - MATCHING REQUIREMENTS

Certain Federal programs require the District to contribute non-Federal funds (matching funds) to support the Federally-funded programs. The District has met its matching requirements. The Schedule does not include the expenditure of non-Federal matching funds.

NOTE G - TRANSFERS BETWEEN PROGRAM YEARS

Federal regulations require schools to obligate certain federal awards by June 30. However, with ODE's consent, schools can transfer unobligated amounts to the subsequent fiscal year's program. The District transferred the following amounts from 2018 to 2019 programs:

Program Title	CFDA Number	Amount Transferred
Title I Grants to Local Educational Agencies	84.010	$ 55,466
Title II-A Improving Teacher Quality Grants	84.367	$ 5,918
Title IV-A Student Support & Academic Enrichment	84.424	$ 9,590
IDEA-B Special Education Grants	84.027	$ 33,142

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

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

To the Board of Education:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Amherst Exempted Village School District, Lorain County, (the District) as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated March 27, 2019, wherein we noted the District adopted new accounting guidance in Governmental Accounting Standards Board Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinions on the financial statements, but not to the extent necessary to opine on the effectiveness of the District's internal control. Accordingly, we have not opined on it.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the District's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. However, unidentified material weaknesses may exist.

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, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

Purpose of this Report

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Keith Faber
Auditor of State
Columbus, Ohio

March 27, 2019

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO THE MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

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

To the Board of Education:

Report on Compliance for the Major Federal Program

We have audited the Amherst Exempted Village School District's (the District) compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could directly and materially affect the Amherst Exempted Village School District's major federal program for the year ended June 30, 2018. The *Summary of Auditor's Results* in the accompanying schedule of findings identifies the District's major federal program.

Management's Responsibility

The District's Management is responsible for complying with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal program.

Auditor's Responsibility

Our responsibility is to opine on the District's compliance for the District's major federal program based on our audit of the applicable compliance requirements referred to above. Our compliance audit followed auditing standards generally accepted in the United States of America; the standards for financial audits included in the Comptroller General of the United States' *Government Auditing Standards*; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). These standards and the Uniform Guidance require us to plan and perform the audit to reasonably assure whether noncompliance with the applicable compliance requirements referred to above that could directly and materially affect a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe our audit provides a reasonable basis for our compliance opinion on the District's major program. However, our audit does not provide a legal determination of the District's compliance.

Opinion on the Major Federal Program

In our opinion, the Amherst Exempted Village School District complied, in all material respects with the compliance requirements referred to above that could directly and materially affect the major federal program for the year ended June 30, 2018.

Report on Internal Control Over Compliance

The District's management is responsible for establishing and maintaining effective internal control over compliance with the applicable compliance requirements referred to above. In planning and performing our compliance audit, we considered the District's internal control over compliance with the applicable requirements that could directly and materially affect a major federal program, to determine our auditing procedures appropriate for opining on the major federal program's compliance and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not to the extent needed to opine on the effectiveness of internal control over compliance. Accordingly, we have not opined on the effectiveness of the District's internal control over compliance.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, when performing their assigned functions, to prevent, or to timely detect and correct, noncompliance with a federal program's applicable compliance requirement. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a federal program compliance requirement will not be prevented, or timely detected and corrected. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with federal program's applicable compliance requirement that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance**.**

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

This report only describes the scope of our internal control over compliance tests and the results of this testing based on Uniform Guidance requirements. Accordingly, this report is not suitable for any other purpose.

Keith Faber

Keith Faber
Auditor of State
Columbus, Ohio

March 27, 2019

AMHERST EXEMPTED VILLAGE SCHOOL DISTRICT
LORAIN COUNTY

SCHEDULE OF FINDINGS
2 CFR § 200.515
JUNE 30, 2018

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	**Type of Financial Statement Opinion**	Unmodified
(d)(1)(ii)	**Were there any material weaknesses in internal control reported at the financial statement level (GAGAS)?**	No
(d)(1)(ii)	**Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?**	No
(d)(1)(iii)	**Was there any reported material noncompliance at the financial statement level (GAGAS)?**	No
(d)(1)(iv)	**Were there any material weaknesses in internal control reported for major federal programs?**	No
(d)(1)(iv)	**Were there any significant deficiencies in internal control reported for major federal programs?**	No
(d)(1)(v)	**Type of Major Programs' Compliance Opinion**	Unmodified
(d)(1)(vi)	**Are there any reportable findings under 2 CFR § 200.516(a)?**	No
(d)(1)(vii)	**Major Programs (list):**	Special Education Cluster: IDEA Part-B - CFDA #84.027 Early Childhood Special Education – CFDA #84.173
(d)(1)(viii)	**Dollar Threshold: Type A\B Programs**	Type A: > $ 750,000 Type B: all others
(d)(1)(ix)	**Low Risk Auditee under 2 CFR § 200.520?**	Yes

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

None.

3. FINDINGS FOR FEDERAL AWARDS

None.

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OHIO AUDITOR OF STATE
KEITH FABER

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
APRIL 9, 2019

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