



OHIO AUDITOR OF STATE
KEITH FABER



**AMHERST EXEMPTED VILLAGE SCHOOL DISTRICT
LORAIN COUNTY**

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LORAIN COUNTY

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INDEPENDENT AUDITOR'S REPORT

Amherst Exempted Village School District
Lorain County
550 Milan Avenue
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, 2019, 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.

Efficient • Effective • Transparent

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 the Amherst Exempted Village School District, Lorain County, Ohio, as of June 30, 2019, 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.

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 30, 2020, 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 30, 2020

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**AMHERST EXEMPTED VILLAGE SCHOOL DISTRICT
LORAIN COUNTY, OHIO
MANAGEMENT’S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019
(UNAUDITED)**

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, 2019. 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 2019 are as follows:

- In total, net position increased by \$16,016,465. The increase in net position is primarily due to the decrease in net pension liability and net OPEB liability and the increase in capital assets, net.
- Revenues for governmental activities totaled \$50,823,857 during 2019. Of this total, 77 percent consisted of general revenues while program revenues accounted for the balance of 23 percent.
- Program expenses totaled \$34,807,392. Instructional expenses made up 58 percent of this total while support services accounted for 33 percent. Other expenses rounded out the remaining 9 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 2019?” 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.

AMHERST EXEMPTED VILLAGE SCHOOL DISTRICT
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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.

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LORAIN COUNTY, OHIO
MANAGEMENT'S DISCUSSION AND ANALYSIS
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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 70 through 79 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 2019 compared to 2018.

Table 1- Net Position

	Governmental Activities	
	2019	2018
ASSETS		
Current and other assets	\$ 55,861,687	\$ 63,757,030
Capital assets, net	49,476,601	30,444,667
Total Assets	105,338,288	94,201,697
DEFERRED OUTFLOWS OF RESOURCES		
Deferral on Refunding	80,895	91,006
Pension	9,967,251	12,932,283
OPEB	464,703	442,191
Total Deferred Outflows of Resources	10,512,849	13,465,480
LIABILITIES		
Current and other liabilities	7,762,167	7,441,691
Long-term liabilities:		
Due within one year	2,851,451	3,592,919
Due in more than one year:		
Net Pension Liability	40,072,443	44,360,337
Net OPEB Liability	4,398,348	10,102,643
Other Amounts	28,717,788	30,697,497
Total Liabilities	83,802,197	96,195,087
DEFERRED INFLOWS OF RESOURCES		
Property Taxes	16,410,923	15,728,412
Payment in Lieu of Taxes	80,197	90,181
Pension	4,510,220	3,632,806
OPEB	4,344,933	1,334,489
Total Deferred Inflows of Resources	25,346,273	20,785,888
NET POSITION		
Net Investment in Capital Assets	25,879,947	11,868,576
Restricted	6,080,467	11,248,024
Unrestricted	(25,257,747)	(32,430,398)
Total Net Position	\$ 6,702,667	\$ (9,313,798)

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MANAGEMENT’S DISCUSSION AND ANALYSIS
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(UNAUDITED)**

The net pension liability (NPL), net OPEB liability (NOL), and net OPEB asset are reported by the School at June 30, 2019 pursuant to GASB Statement 68, “Accounting and Financial Reporting for Pensions—an Amendment of GASB Statement 27”, and GASB Statement 75, “Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions.” 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 and net OPEB asset.

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.

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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/asset, respectively, not accounted for as deferred inflows/outflows.

Total net position of the School District as a whole increased in the amount of \$16,016,465.

Total assets increased by \$11,136,591. The majority of the increase can be attributed to an increase in capital assets, net, which was offset by a decrease in equity in pooled cash and cash equivalents. The increase in capital assets, net was due to the increase in construction in progress mainly for the Ohio Facilities Construction Commission (OFCC) project. The decrease in equity in pooled cash and cash equivalents was due to the drawdown of funds received from the Ohio Facilities Construction Commission for the Classroom Facilities Assistance Program in fiscal year 2018 and the increase in project expenses in fiscal year 2019 due to the start of the project. Use of those funds are restricted to the co-funded building project for the PK-3 school building.

Total liabilities decreased by \$12,392,890 due mainly to a decrease in net pension liability and net OPEB liability. The changes in deferred outflows and inflows of resources and net OPEB asset are due to recording of 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/asset.

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, 2019 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	\$	6,702,667
Add:		
Net Pension liability		40,072,443
Net OPEB Liability		4,398,348
Deferred Inflows - Pension		4,510,220
Deferred Inflows - OPEB		4,344,933
Less:		
Net OPEB Asset		(2,276,170)
Deferred Outflows - Pension		(9,967,251)
Deferred Outflows - OPEB		(464,703)
Total Net Position without GASB 68 and GASB 75	<u>\$</u>	<u>47,320,487</u>

**AMHERST EXEMPTED VILLAGE SCHOOL DISTRICT
LORAIN COUNTY, OHIO
MANAGEMENT'S DISCUSSION AND ANALYSIS
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(UNAUDITED)**

Table 2 shows the changes in net position and compares revenue and expenses from fiscal year 2019 and fiscal year 2018.

Table 2- Changes in Net Position

	Governmental Activities	
	2019	2018
REVENUES		
Program Revenues:		
Charges for services	\$ 2,884,549	\$ 3,168,861
Operating grants and contributions	2,111,066	2,135,385
Capital grants and contributions	6,513,656	6,938,952
Total Program Revenues	11,509,271	12,243,198
General Revenues:		
Property taxes	20,245,410	23,781,228
Payments in lieu of taxes	93,632	85,678
Grants and entitlements not restricted to specific programs	17,691,235	17,590,743
Contributions and Donations not restricted to specific programs	20,308	6,000
Investment income	1,047,835	474,882
Miscellaneous	216,166	461,444
Total General Revenues	39,314,586	42,399,975
Total Revenues	50,823,857	54,643,173
EXPENSES		
Program Expenses:		
Instruction:		
Regular	15,706,555	8,853,317
Special	4,090,082	2,388,184
Vocational	272,143	118,854
Supporting Services:		
Pupils	1,459,360	738,867
Instructional Staff	1,669,189	1,180,148
Board of Education	29,932	17,633
Administration	2,501,274	1,233,094
Fiscal Services	1,047,215	687,252
Operation and Maintenance of Plant	3,108,427	3,114,742
Pupil Transportation	1,454,966	995,689
Central	149,918	53,918
Operation of Non-Instructional Services	1,533,606	1,272,197
Extracurricular Activities	843,935	387,512
Interest and Fiscal Charges	940,790	909,684
Total Expenses	34,807,392	21,951,091
Change in Net Position	16,016,465	32,692,082
Net Position - Beginning of Year	(9,313,798)	(42,005,880)
Net Position - End of Year	\$ 6,702,667	\$ (9,313,798)

**AMHERST EXEMPTED VILLAGE SCHOOL DISTRICT
LORAIN COUNTY, OHIO
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019
(UNAUDITED)**

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 58 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 33 percent. The remaining amount of program expenses, 9 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 decreased \$3,819,316 in fiscal year 2019 mainly due to the decrease in property tax revenue. Property tax revenue decreased mainly due to a decrease in property tax amount available for advance at fiscal year end. Capital grants and contributions decreased by \$425,296 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 increased by \$12,856,301 mainly due to the recording of GASB 68 and 75.

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 2019 to fiscal year 2018. 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	Total Cost of Services	Net Cost of Services	Net Cost of Services
	2019	2018	2019	2018
Instruction	\$ 20,068,780	\$ 11,360,355	\$ 17,765,574	\$ 8,740,185
Supporting Services:				
Pupils and Instructional Staff	3,128,549	1,919,015	2,870,263	1,681,406
Board of Education, Administration, and Fiscal Services	3,578,421	1,937,979	3,423,490	1,777,266
Operation and Maintenance of Plant	3,108,427	3,114,742	(3,555,946)	(3,981,489)
Pupil Transportation	1,454,966	995,689	1,391,743	938,544
Central	149,918	53,918	145,091	48,918
Operation of Non-Instructional Services	1,533,606	1,272,197	(58,969)	(257,737)
Extracurricular Activities	843,935	387,512	376,085	(148,884)
Interest and Fiscal Charges	940,790	909,684	940,790	909,684
Total Cost of Services	\$ 34,807,392	\$ 21,951,091	\$ 23,298,121	\$ 9,707,893

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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 23 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 increase 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 starting 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 and other financing sources of \$51,348,169 and expenditures and other financing uses of \$62,267,197. The General Fund balance increased \$718,524 and the Classroom Facilities Fund balance decreased \$,7,862,500. The decrease in the Classroom Facilities Fund is mainly due to the project expenses for the building project of 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 \$38,075,167 and the final budget basis revenue including other financing sources was \$38,365,168. Actual revenues were \$309,321 less than final budget basis revenue including other financing sources.

For the General Fund, the original appropriations including other financing uses was \$37,519,104 and the final appropriations including other financing uses was \$41,647,058. Actual expenditures were \$677,380 less than the final appropriations including other financing uses.

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**AMHERST EXEMPTED VILLAGE SCHOOL DISTRICT
LORAIN COUNTY, OHIO
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019
(UNAUDITED)**

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of fiscal year 2019, the School District had \$49,476,601 invested in its capital assets. Table 4 shows the fiscal year 2019 balances compared to 2018.

Table 4- Capital Assets

	Governmental Activities	
	2019	2018
Land	\$ 1,295,676	\$ 1,295,676
Construction in Progress	22,193,418	6,355,310
Land Improvements	1,115,209	1,381,305
Buildings and Improvements	23,718,185	20,358,493
Furniture and Equipment	698,206	775,389
Vehicles	455,907	278,494
Total Capital Assets	\$ 49,476,601	\$ 30,444,667

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, 2019, the School District had \$26,403,000 in bonds and notes outstanding of which \$1,495,000 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- Outstanding Debt at Year End

	Governmental Activities	
	2019	2018
Refunding Bonds	\$ 9,785,000	\$ 10,495,000
Classroom Facilities and School Improvement	16,005,000	16,450,000
Tax Anticipation Note	613,000	913,000
Total Outstanding Debt	\$ 26,403,000	\$ 27,858,000

At June 30, 2019, the School District's overall debt margin was \$30,015,267.

**AMHERST EXEMPTED VILLAGE SCHOOL DISTRICT
LORAIN COUNTY, OHIO
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019
(UNAUDITED)**

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 or 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, 2019

	Governmental Activities
ASSETS	
Equity in Pooled Cash and Cash Equivalents	\$ 32,020,654
Taxes Receivable	21,047,375
Accounts Receivable	24,515
Accrued Interest Receivable	53,095
Intergovernmental Receivable	372,479
Materials and Supplies Inventory	14,959
Prepaid Items	52,440
Net OPEB Asset	2,276,170
Nondepreciable Capital Assets	23,489,094
Depreciable Capital Assets, Net	25,987,507
Total Assets	105,338,288
DEFERRED OUTFLOWS OF RESOURCES	
Deferral on Refunding	80,895
Pension	9,967,251
OPEB	464,703
Total Deferred Outflows of Resources	10,512,849
LIABILITIES	
Accounts Payable	100,724
Contracts Payable	3,141,859
Accrued Wages and Benefits	3,627,241
Intergovernmental Payable	618,009
Accrued Interest Payable	74,841
Matured Compensated Absences Payable	199,493
Long-term Liabilities:	
Due within one year	2,851,451
Due in more than one year:	
Net Pension Liability	40,072,443
Net OPEB Liability	4,398,348
Other Amounts	28,717,788
Total Liabilities	83,802,197
DEFERRED INFLOWS OF RESOURCES	
Property Taxes	16,410,923
Payments in Lieu of Taxes	80,197
Pension	4,510,220
OPEB	4,344,933
Total Deferred Inflows of Resources	25,346,273
NET POSITION	
Net Investment in Capital Assets	25,879,947
Restricted:	
Capital Projects	3,258,243
Debt Service	1,821,804
Classroom Facilities Maintenance	505,360
State Funded Programs	54,346
Federally Funded Programs	23,793
Student Activities	36,310
Food Service	72,435
Other Purpose	308,176
Unrestricted	(25,257,747)
Total Net Position	\$ 6,702,667

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, 2019**

	Expenses	Program Revenues			Net (Expense)
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Revenue and Changes in Net Position
					Governmental Activities
Governmental activities:					
Instruction:					
Regular	\$ 15,706,555	\$ 836,740	\$ 118,890	\$ -	\$ (14,750,925)
Special	4,090,082	143,823	1,153,301	-	(2,792,958)
Vocational	272,143	14,852	35,600	-	(221,691)
Supporting Services:					
Pupils	1,459,360	62,640	132,510	-	(1,264,210)
Instructional Staff	1,669,189	63,136	-	-	(1,606,053)
Board of Education	29,932	1,124	-	-	(28,808)
Administration	2,501,274	105,842	12,704	-	(2,382,728)
Fiscal Services	1,047,215	35,261	-	-	(1,011,954)
Operation and Maintenance of Plant	3,108,427	143,517	7,200	6,513,656	3,555,946
Pupil Transportation	1,454,966	63,223	-	-	(1,391,743)
Central	149,918	4,827	-	-	(145,091)
Operation of Non-Instructional Services	1,533,606	950,656	641,919	-	58,969
Extracurricular Activities	843,935	458,908	8,942	-	(376,085)
Interest and Fiscal Charges	940,790	-	-	-	(940,790)
Total Governmental activities	\$ 34,807,392	\$ 2,884,549	\$ 2,111,066	\$ 6,513,656	(23,298,121)

General Revenues:

Property Taxes levied for:

General Purposes	17,663,908
Debt Service	1,932,439
Capital Outlay	601,508
Other Purposes	47,555
Payments in Lieu of Taxes	93,632
Grants & Entitlements not restricted to specific programs	17,691,235
Contributions and Donations not restricted to specific programs	20,308
Investment Income	1,047,835
Miscellaneous	216,166
Total General Revenues	39,314,586
Change in Net Position	16,016,465
Net Position - Beginning of Year	(9,313,798)
Net Position - End of Year	\$ 6,702,667

See accompanying notes to the basic financial statements.

AMHERST EXEMPTED VILLAGE SCHOOL DISTRICT
LORAIN COUNTY, OHIO
BALANCE SHEET –
GOVERNMENTAL FUNDS
JUNE 30, 2019

	General	Classroom Facilities	Other Governmental Funds	Total Governmental Funds
ASSETS				
Equity in Pooled Cash and Cash Equivalents	\$ 19,470,222	\$ 8,696,283	\$ 3,854,149	\$ 32,020,654
Materials and Supplies Inventory	-	-	14,959	14,959
Accrued Interest Receivable	48,440	32	4,623	53,095
Accounts Receivable	18,715	-	5,800	24,515
Interfund Receivable	93,342	-	-	93,342
Intergovernmental Receivable	150,221	-	222,258	372,479
Prepaid Items	49,425	-	3,015	52,440
Taxes Receivable	18,412,490	-	2,634,885	21,047,375
Total Assets	\$ 38,242,855	\$ 8,696,315	\$ 6,739,689	\$ 53,678,859
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES				
LIABILITIES				
Accounts Payable	\$ 88,918	\$ -	\$ 11,806	\$ 100,724
Contracts Payable	84,281	3,037,231	20,347	3,141,859
Accrued Wages and Benefits	3,404,506	-	222,735	3,627,241
Intergovernmental Payable	595,551	-	22,458	618,009
Matured Compensated Absences Payable	199,493	-	-	199,493
Interfund Payable	-	-	93,342	93,342
Total Liabilities	4,372,749	3,037,231	370,688	7,780,668
DEFERRED INFLOWS OF RESOURCES				
Property Taxes	14,345,722	-	2,065,201	16,410,923
Payments in Lieu of Taxes	80,197	-	-	80,197
Unavailable Revenue-Delinquent Property Taxes	83,507	-	11,612	95,119
Unavailable Revenue - Grants	-	-	64,450	64,450
Total Deferred Inflows of Resources	14,509,426	-	2,141,263	16,650,689
FUND BALANCES				
Nonspendable	49,425	-	17,974	67,399
Restricted	-	5,659,084	4,279,876	9,938,960
Committed	22,000	-	-	22,000
Assigned	6,431,217	-	-	6,431,217
Unassigned (Deficits)	12,858,038	-	(70,112)	12,787,926
Total Fund Balances	19,360,680	5,659,084	4,227,738	29,247,502
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 38,242,855	\$ 8,696,315	\$ 6,739,689	\$ 53,678,859

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, 2019**

Total Governmental Fund Balances \$ 29,247,502

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 49,476,601

Other long-term assets are not available to pay for current-period expenditures and, therefore, are unavailable revenue in the funds:

Delinquent Property Taxes	\$ 95,119	
Intergovernmental	64,450	
Total		159,569

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. (943,543)

The net pension liability and net OPEB liability are not due and payable in the current period; and the net OPEB asset is not available for spending in the current period; therefore, the asset, the liability and related deferred inflows/outflows are not reported in governmental funds:

Deferred Outflows - Pension	9,967,251	
Deferred Inflows - Pension	(4,510,220)	
Net Pension Liability	(40,072,443)	
Deferred Outflows - OPEB	464,703	
Deferred Inflows - OPEB	(4,344,933)	
Net OPEB Liability	(4,398,348)	
Net OPEB Asset	2,276,170	
Total		(40,617,820)

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	(25,790,000)	
Long Term Notes	(613,000)	
Accrued Interest Payable	(74,841)	
Deferral on Refunding	80,895	
Capital Leases	(39,898)	
Compensated Absences	(4,182,798)	
Total		(30,619,642)

Net Position of Governmental Activities \$ 6,702,667

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, 2019

	General	Classroom Facilities	Other Governmental Funds	Total Governmental Funds
REVENUES				
Property Taxes	\$ 17,673,363	\$ -	\$ 2,583,060	\$ 20,256,423
Intergovernmental	17,611,620	6,513,656	2,285,435	26,410,711
Interest	547,106	365,119	137,118	1,049,343
Tuition and Fees	1,473,425	-	141,670	1,615,095
Extracurricular Activities	340,551	-	118,357	458,908
Rentals	100	-	-	100
Contributions and Donations	35,046	-	8,942	43,988
Payments in Lieu of Taxes	93,632	-	-	93,632
Customer Sales and Services	1,460	-	808,986	810,446
Miscellaneous	253,491	-	78,232	331,723
Total Revenues	<u>38,029,794</u>	<u>6,878,775</u>	<u>6,161,800</u>	<u>51,070,369</u>
EXPENDITURES				
Current:				
Instruction:				
Regular	18,732,854	-	80,897	18,813,751
Special	4,085,418	-	1,067,111	5,152,529
Vocational	446,280	-	-	446,280
Supporting Services:				
Pupils	1,711,011	-	85,341	1,796,352
Instructional Staff	1,749,813	-	-	1,749,813
Board of Education	30,562	-	-	30,562
Administration	2,883,218	-	12,183	2,895,401
Fiscal Services	1,051,343	9,143	64,971	1,125,457
Operation and Maintenance of Plant Services	3,705,207	-	41,665	3,746,872
Pupil Transportation	1,755,548	-	-	1,755,548
Central	138,721	-	-	138,721
Operation of Non-Instructional Services:				
Food Service Operations	-	-	1,274,777	1,274,777
Community Services	11,590	-	261,914	273,504
Other Operations	10,000	-	-	10,000
Extracurricular Activities	773,492	-	153,674	927,166
Capital Outlay	57,172	14,732,132	4,485,438	19,274,742
Debt Service:				
Principal Retirement	171,841	-	1,485,526	1,657,367
Interest and Fiscal Charges	-	-	923,355	923,355
Total Expenditures	<u>37,314,070</u>	<u>14,741,275</u>	<u>9,936,852</u>	<u>61,992,197</u>
Excess of Revenues Over (Under) Expenditures	<u>715,724</u>	<u>(7,862,500)</u>	<u>(3,775,052)</u>	<u>(10,921,828)</u>
OTHER FINANCING SOURCES (USES)				
Sale of Capital Assets	2,800	-	-	2,800
Transfers In	-	-	275,000	275,000
Transfers Out	-	-	(275,000)	(275,000)
Total Other Financing Sources (Uses)	<u>2,800</u>	<u>-</u>	<u>-</u>	<u>2,800</u>
Net Change in Fund Balances	718,524	(7,862,500)	(3,775,052)	(10,919,028)
Fund Balances - Beginning of Year	18,642,156	13,521,584	8,002,790	40,166,530
Fund Balances - End of Year	<u>\$ 19,360,680</u>	<u>\$ 5,659,084</u>	<u>\$ 4,227,738</u>	<u>\$ 29,247,502</u>

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, 2019**

Net Change in Fund Balances-Total Governmental Funds \$ (10,919,028)

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	\$ 20,124,892	
Depreciation	(1,092,958)	
Total		19,031,934

Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.

Delinquent Property Taxes	(11,013)	
Intergovernmental	(118,434)	
Miscellaneous revenues	(119,865)	
Total		(249,312)

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. 1,657,367

Contractually required contributions are reported as expenditures in governmental funds; however, the statement of net position reports these amounts as deferred outflows

Pension		3,027,276
OPEB		127,045

Except for amounts reported as deferred inflows/outflows, changes in the net pension liability, net OPEB liability, and net OPEB asset are reported as pension and OPEB expense in the Statement of Activities.

Pension		(2,581,828)
OPEB		4,865,488

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	1,002,178	
Accrued Interest	3,824	
Amortization of Bond Premiums	61,632	
Deferred Amount on Refunding	(10,111)	
Total		1,057,523

Change in Net Position of Governmental Activities **\$ 16,016,465**

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, 2019

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget
				Positive (Negative)
Revenues				
Property Taxes	\$ 17,723,832	\$ 17,723,832	\$ 17,872,252	\$ 148,420
Intergovernmental	17,662,309	17,662,309	17,598,869	(63,440)
Interest	421,484	471,422	403,524	(67,898)
Tuition	1,369,578	1,531,844	1,311,218	(220,626)
Extracurricular Activities	308,455	345,000	295,311	(49,689)
Rentals	104	117	100	(17)
Customer Sales and Services	1,525	1,706	1,460	(246)
Contributions and Donations	21,212	23,725	20,308	(3,417)
Payments in Lieu of Taxes	97,799	109,387	93,632	(15,755)
Miscellaneous	227,534	254,491	217,838	(36,653)
Total Revenues	<u>37,833,832</u>	<u>38,123,833</u>	<u>37,814,512</u>	<u>(309,321)</u>
Expenditures				
Current:				
Instruction				
Regular	18,232,579	20,288,974	18,502,783	1,786,191
Special	3,892,357	4,330,818	3,990,508	340,310
Vocational	393,524	438,803	407,308	31,495
Supporting Services				
Pupils	1,717,848	1,908,812	1,725,788	183,024
Instructional Staff	1,710,508	1,902,984	1,733,875	169,109
Board of Education	29,780	33,207	30,926	2,281
Administration	2,858,861	3,181,531	2,924,300	257,231
Fiscal Services	943,357	1,050,853	968,631	82,222
Operation and Maintenance of Plant Services	4,555,297	4,992,824	3,935,803	1,057,021
Pupil Transportation	1,745,165	1,937,908	1,743,848	194,060
Central	136,356	151,071	132,363	18,708
Operation of Non-Instructional Services	20,859	23,259	285,806	(262,547)
Extracurricular Activities	748,131	834,212	774,355	59,857
Capital Outlay	158,325	176,542	3,517,327	(3,340,785)
Debt Service:				
Principal	251,941	271,044	171,841	99,203
Total Expenditures	<u>37,394,888</u>	<u>41,522,842</u>	<u>40,845,462</u>	<u>677,380</u>
Excess of Revenues Over Expenditures	438,944	(3,399,009)	(3,030,950)	368,059
Other Financing Sources (Uses)				
Sale of Capital Assets	2,800	2,800	2,800	-
Refund of Prior Year Receipts	(27,562)	(27,562)	(27,562)	-
Advances In	209,517	209,517	209,517	-
Advances Out	(93,342)	(93,342)	(93,342)	-
Transfers In	29,018	29,018	29,018	-
Transfers Out	(3,312)	(3,312)	(3,312)	-
Total Other Financing Sources (Uses)	<u>117,119</u>	<u>117,119</u>	<u>117,119</u>	<u>-</u>
Net Change in Fund Balance	556,063	(3,281,890)	(2,913,831)	368,059
Fund Balance - Beginning of Year	16,905,129	16,905,129	16,905,129	-
Prior Year Encumbrances Appropriated	1,519,106	1,519,106	1,519,106	-
Fund Balance - End of Year	<u>\$ 18,980,298</u>	<u>\$ 15,142,345</u>	<u>\$ 15,510,404</u>	<u>\$ 368,059</u>

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, 2019**

	Private Purpose Trust	Agency Funds
Assets		
Equity in Pooled Cash, Cash Equivalents, and Investments	\$ 62,660	\$ 154,781
Liabilities		
Due to Students	-	\$ 154,781
Net Position		
Held in Trust for Scholarships	62,660	
Total Net Position	\$ 62,660	

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, 2019**

	<u>Private Purpose Trust</u>
Additions	
Gifts and Donations	<u>\$ 68,520</u>
Deductions	
Disbursements in Accordance with Trust	<u>67,828</u>
<i>Change in Net Position</i>	692
<i>Net Position Beginning of Year</i>	<u>61,968</u>
<i>Net Position End of Year</i>	<u><u>\$ 62,660</u></u>

See accompanying notes to the basic financial statements.

Notes to the Basic Financial Statements

**AMHERST EXEMPTED VILLAGE SCHOOL DISTRICT
LORAIN COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

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 199 non-certified employees and 231 certified full-time teaching personnel and administrators, who provide services to 3,636 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 18 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.

**AMHERST EXEMPTED VILLAGE SCHOOL DISTRICT
LORAIN COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019
(CONTINUED)**

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.

**AMHERST EXEMPTED VILLAGE SCHOOL DISTRICT
LORAIN COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019
(CONTINUED)**

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.

**AMHERST EXEMPTED VILLAGE SCHOOL DISTRICT
LORAIN COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019
(CONTINUED)**

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.

**AMHERST EXEMPTED VILLAGE SCHOOL DISTRICT
LORAIN COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019
(CONTINUED)**

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, 2019, but which were levied to finance fiscal year 2020 operations. These amounts have been recorded as deferred inflows on both the government-wide Statement of Net Position and the governmental fund financial statements.

**AMHERST EXEMPTED VILLAGE SCHOOL DISTRICT
LORAIN COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019
(CONTINUED)**

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 and grants. 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.

**AMHERST EXEMPTED VILLAGE SCHOOL DISTRICT
LORAIN COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019
(CONTINUED)**

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 2019, investments were limited to STAR Ohio, money market funds, negotiable CD's, commercial paper, U.S. Government Agency notes, and U.S. Treasury notes. 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 2019, 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 2019 amounted to \$547,106.

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.

**AMHERST EXEMPTED VILLAGE SCHOOL DISTRICT
LORAIN COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019
(CONTINUED)**

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:

<u>Description</u>	<u>Estimated Useful Lives</u>
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.

**AMHERST EXEMPTED VILLAGE SCHOOL DISTRICT
LORAIN COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019
(CONTINUED)**

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 received 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 \$6,080,467 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.

**AMHERST EXEMPTED VILLAGE SCHOOL DISTRICT
LORAIN COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019
(CONTINUED)**

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, net OPEB asset, 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.

AMHERST EXEMPTED VILLAGE SCHOOL DISTRICT
LORAIN COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019
(CONTINUED)

NOTE 3: CHANGES IN ACCOUNTING PRINCIPLES

During the fiscal year, the School District implemented the following Governmental Accounting Standards Board (GASB) Statements:

GASB Statement No. 83, *Certain Asset Retirement Obligations*. This Statement addresses accounting and financial reporting for certain asset retirement obligations (AROs). The implementation of this Statement did not have an effect on the financial statements of the School District.

GASB Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*. The objective of this Statement is to improve the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt. The implementation of this Statement did not have an effect on the financial statements of the School District.

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:

<u>Fund Balances</u>	<u>General</u>	<u>Classroom Facilities</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<i>Nonspendable</i>				
Prepays	\$ 49,425	\$ -	\$ 3,015	\$ 52,440
Inventories	-	-	14,959	14,959
<i>Total Nonspendable</i>	<u>49,425</u>	<u>-</u>	<u>17,974</u>	<u>67,399</u>
<i>Restricted for</i>				
Food Service Operations	-	-	160,783	160,783
Federal Programs	-	-	1,797	1,797
Athletics	-	-	36,179	36,179
Capital Projects	-	5,659,084	1,305,217	6,964,301
Classroom Facilities Maintenance	-	-	505,360	505,360
Debt Service	-	-	1,888,063	1,888,063
Auxiliary Services	-	-	30,946	30,946
Special Enterprise	-	-	192,673	192,673
Other Purposes	-	-	158,858	158,858
<i>Total Restricted</i>	<u>-</u>	<u>5,659,084</u>	<u>4,279,876</u>	<u>9,938,960</u>
<i>Committed to</i>				
Underground Storage Tanks	22,000	-	-	22,000
<i>Total Committed</i>	<u>22,000</u>	<u>-</u>	<u>-</u>	<u>22,000</u>
<i>Assigned to</i>				
FY20 appropriations	2,697,257	-	-	2,697,257
Student Instruction	158,216	-	-	158,216
Student Staff and Support	3,575,744	-	-	3,575,744
<i>Total Assigned</i>	<u>6,431,217</u>	<u>-</u>	<u>-</u>	<u>6,431,217</u>
<i>Unassigned (Deficit)</i>	<u>12,858,038</u>	<u>-</u>	<u>(70,112)</u>	<u>12,787,926</u>
Total Fund Balances	<u>\$ 19,360,680</u>	<u>\$ 5,659,084</u>	<u>\$ 4,227,738</u>	<u>\$ 29,247,502</u>

**AMHERST EXEMPTED VILLAGE SCHOOL DISTRICT
LORAIN COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019
(CONTINUED)**

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 \$3,999, \$59,853, and \$6,260 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	\$ 718,524
Net Adjustment for Revenue Accruals	(161,231)
Net Adjustments for Expenditure Accruals	167,786
Advances In	209,517
Advances Out	(93,342)
Funds with Separate Legally Adopted Budgets	(42,962)
Adjustment for Encumbrances	<u>(3,712,123)</u>
Budget Basis	<u><u>\$ (2,913,831)</u></u>

**AMHERST EXEMPTED VILLAGE SCHOOL DISTRICT
LORAIN COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019
(CONTINUED)**

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);

**AMHERST EXEMPTED VILLAGE SCHOOL DISTRICT
LORAIN COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019
(CONTINUED)**

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 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, 2019, \$250,000 of the School District's bank balance of \$1,094,078 was covered by FDIC and \$529,133 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, and \$314,945 was uninsured and uncollateralized. The School District's financial institution was approved for a reduced collateral rate of fifty percent through the Ohio Pooled Collateral System, resulting in the uninsured and uncollateralized balance.

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

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(CONTINUED)**

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 is enrolled in OPCS.

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, 2019. 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, 2019, the School District had the following investments and maturities:

<u>Investment Type</u>	<u>Measurement Value</u>	<u>Investment Maturities (in Years)</u>		
		<u>Less Than 1</u>	<u>1-2</u>	<u>2-4</u>
STAR Ohio	\$ 5,785,957	\$ 5,785,957	\$ -	\$ -
Money Market	714,251	714,251	-	-
U.S. Government Agency Notes	7,053,682	1,099,756	4,086,347	1,867,579
U.S. Treasury Notes	2,378,735	1,152,831	-	1,225,904
Commerical Paper	8,855,610	-	-	8,855,610
Negotiable CD's	6,472,780	-	493,418	5,979,362
Total Investments	\$ 31,261,015	\$ 8,752,795	\$ 4,579,765	\$ 17,928,455

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 its 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+ and A-1+ by Standard & Poor's and Aaa by Moody's. Investments in U.S Government Treasury 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 and money markets were not available. Investments in STAROhio were rated AAAM by Standard & Poor's.

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(CONTINUED)**

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

Investments (Continued)

Investments in Commercial Paper were rated A-1 and 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, 2019:

<u>Investment Type</u>	<u>Measurement Value</u>	<u>Percent of Total</u>
STAR Ohio	\$ 5,785,957	18.51%
Money Market	714,251	2.28%
U.S. Government Agency Notes	7,053,682	22.56%
U.S. Treasury Notes	2,378,735	7.61%
Commerical Paper	8,855,610	28.33%
Negotiable CD's	6,472,780	20.71%
Total Investments	<u>\$ 31,261,015</u>	<u>100.00%</u>

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. The School District's investment in negotiable CD's was fully insured by Federal depository insurance.

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 2019 represents collections of calendar year 2018 taxes. Real property taxes received in calendar year 2019 were levied after April 1, 2018, on the assessed value listed as of January 1, 2018, 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.

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(CONTINUED)**

NOTE 8: PROPERTY TAXES (Continued)

Public utility property tax revenue received in calendar year 2019 represents collections of calendar year 2018 taxes. Public utility property taxes received in calendar year 2019 became a lien on December 31, 2017, were levied after April 1, 2018, and are collected in 2019 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, 2019, are available to finance fiscal year 2019 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, 2019 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, 2019, was \$3,903,064, \$417,418 and \$140,654 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 2019 taxes were collected are:

	<u>2018 Second Half Collections</u>		<u>2019 First Half Collections</u>	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/Residential and Other Real Estate	\$ 537,220,120	96.68%	\$ 579,897,240	96.80%
Public Utility	18,430,200	3.32%	19,182,800	3.20%
Total Assessed Value	<u>\$ 555,650,320</u>	<u>100.00%</u>	<u>\$ 599,080,040</u>	<u>100.00%</u>
 Tax Rate (per \$1,000 of Assessed Valuation)	 <u>\$ 73.13</u>		 <u>\$ 72.31</u>	

NOTE 9: RECEIVABLES

Receivables at June 30, 2019 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.

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(CONTINUED)**

NOTE 9: RECEIVABLES (Continued)

A summary of the principal items of intergovernmental receivables follows:

Revenue Description	Amount
State Employee Retirement System	\$ 133,011
Foundation	17,210
Special Education, Part B-IDEA	171,560
Title I	27,669
Improving Teacher Quality	4,475
Title IV-A	300
Title II-A	18,254
Total Intergovernmental Receivables	\$ 372,479

NOTE 10: INTERFUND TRANSACTIONS

During fiscal year 2019, the Permanent Improvement Capital Projects fund transferred \$275,000 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, 2019 are as follows:

<i>Fund</i>	<i>Receivable</i>	<i>Payable</i>
General	\$ 93,342	\$ -
Other Governmental Funds:		
IDEA-B Special Education	-	57,993
Title I	-	27,668
Improving Teacher Quality	-	6,085
IDEA Preschool	-	1,596
Total Other Governmental Funds	-	93,342
Total All Funds	\$ 93,342	\$ 93,342

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 2019, 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.

AMHERST EXEMPTED VILLAGE SCHOOL DISTRICT
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(CONTINUED)

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 2019 follows:

	Balance 6/30/2018	Additions	Deletions	Balance 6/30/2019
<u>Governmental Activities</u>				
Capital Assets, not being depreciated:				
Land *	\$ 1,295,676	\$ -	\$ -	\$ 1,295,676
Construction in Progress	<u>6,355,310</u>	<u>19,820,228</u>	<u>(3,982,120)</u>	<u>22,193,418</u>
Total Capital Assets, not being depreciated	<u>7,650,986</u>	<u>19,820,228</u>	<u>(3,982,120)</u>	<u>23,489,094</u>
Capital Assets, being depreciated:				
Land Improvements *	2,682,204	-	-	2,682,204
Buildings and Improvements *	34,517,406	3,982,120	-	38,499,526
Furniture and Equipment *	2,288,709	23,313	-	2,312,022
Vehicles	<u>1,897,923</u>	<u>281,351</u>	<u>(56,537)</u>	<u>2,122,737</u>
Total Capital Assets, being depreciated	<u>41,386,242</u>	<u>4,286,784</u>	<u>(56,537)</u>	<u>45,616,489</u>
Less Accumulated Depreciation:				
Land Improvements *	(1,300,899)	(266,096)	-	(1,566,995)
Buildings and Improvements *	(14,158,913)	(622,428)	-	(14,781,341)
Furniture and Equipment *	(1,513,320)	(100,496)	-	(1,613,816)
Vehicles	<u>(1,619,429)</u>	<u>(103,938)</u>	<u>56,537</u>	<u>(1,666,830)</u>
Total Accumulated Depreciation	<u>(18,592,561)</u>	<u>(1,092,958)</u>	<u>56,537</u>	<u>(19,628,982)</u>
Total Capital Assets being depreciated, Net	<u>22,793,681</u>	<u>3,193,826</u>	<u>-</u>	<u>25,987,507</u>
<u>Governmental Activities</u>				
Capital Assets, Net	<u>\$ 30,444,667</u>	<u>\$ 23,014,054</u>	<u>\$ (3,982,120)</u>	<u>\$ 49,476,601</u>

* As of June 30, 2018 certain reclassifications were made between assets in the table above.

Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$ 953,729
Special	417
Supporting Services:	
Pupil	291
Instructional Staff	2,451
Operation and Maintenance of Plant	45,657
Pupil Transportation	31,325
Operation of Non-Instructional Services	8,068
Extracurricular Activities	<u>51,020</u>
Total Depreciation Expense	<u>\$ 1,092,958</u>

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NOTES TO THE BASIC FINANCIAL STATEMENTS
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(CONTINUED)**

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.

**AMHERST EXEMPTED VILLAGE SCHOOL DISTRICT
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(CONTINUED)**

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 after 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
Actuarially 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%.

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LORAIN COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
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(CONTINUED)**

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, 2019, 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 \$749,818 for fiscal year 2019. Of this amount \$67,715 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 9.53 percent of the 14 percent employer contributions into an investment account. Investment allocation decisions are determined by the member. The remaining 4.47 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.

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NOTES TO THE BASIC FINANCIAL STATEMENTS
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(CONTINUED)**

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, 2019, 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 2019 contribution rates were equal to the statutory maximum rates.

The School District's contractually required contributions to STRS was \$2,277,458 for fiscal year 2019. Of this amount \$403,188 is reported as an intergovernmental payable.

**AMHERST EXEMPTED VILLAGE SCHOOL DISTRICT
LORAIN COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
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(CONTINUED)**

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, 2018, 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.

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Proportionate Share of the Net Pension Liability Prior Measurement Date	0.16170610%	0.14606795%	
Proportionate Share of the Net Pension Liability Current Measurement Date	<u>0.1558667%</u>	<u>0.14165006%</u>	
Change in Proportionate Share	<u>-0.0058394%</u>	<u>-0.0044179%</u>	
Proportion of the Net Pension Liability	\$8,926,775	\$31,145,668	\$40,072,443
Pension Expense	\$515,329	\$2,066,499	\$2,581,828

At June 30, 2019, the School District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Deferred Outflows of Resources			
Differences between expected and actual experience	\$ 489,579	\$ 718,937	\$ 1,208,516
Changes of assumptions	201,587	5,519,599	5,721,186
Changes in proportion and differences between School District contributions and proportionate share of contributions	10,273	-	10,273
School District contributions subsequent to the measurement date	<u>749,818</u>	<u>2,277,458</u>	<u>3,027,276</u>
Total Deferred Outflows of Resources	<u>\$ 1,451,257</u>	<u>\$ 8,515,994</u>	<u>\$ 9,967,251</u>
Deferred Inflows of Resources			
Differences between expected and actual experience	\$ -	\$ 203,400	\$ 203,400
Net difference between projected and actual earnings on pension plan investments	247,333	1,888,638	2,135,971
Changes in proportion and differences between School District contributions and proportionate share of contributions	<u>303,307</u>	<u>1,867,542</u>	<u>2,170,849</u>
Total Deferred Inflows of Resources	<u>\$ 550,640</u>	<u>\$ 3,959,580</u>	<u>\$ 4,510,220</u>

**AMHERST EXEMPTED VILLAGE SCHOOL DISTRICT
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NOTES TO THE BASIC FINANCIAL STATEMENTS
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(CONTINUED)**

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)

\$3,027,276 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, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

Fiscal Year Ending June 30:	SERS	STRS	Total
2020	\$ 445,083	\$ 1,805,987	\$ 2,251,070
2021	74,522	1,243,044	1,317,566
2022	(292,953)	(206,800)	(499,753)
2023	(75,853)	(563,275)	(639,128)
Total	\$ 150,799	\$ 2,278,956	\$ 2,429,755

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.

**AMHERST EXEMPTED VILLAGE SCHOOL DISTRICT
LORAIN COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
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(CONTINUED)**

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, 2018, 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

The mortality rates were based on the RP-2014 Blue Collar Mortality Table with fully generational projection and Scale BB, 120% of male rates and 110% of female rates is used to evaluate allowances to be paid. The RP-2000 Disabled Mortality Table with 90% for male rates and 100% 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:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
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 Strategies	10.00	3.00
Total	<u>100.00 %</u>	

**AMHERST EXEMPTED VILLAGE SCHOOL DISTRICT
LORAIN COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
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(CONTINUED)**

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	\$12,574,035	\$8,926,775	\$5,868,791

F. **Actuarial Assumptions – STRS**

Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results used in the July 1, 2018, actuarial valuation:

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

**AMHERST EXEMPTED VILLAGE SCHOOL DISTRICT
LORAIN COUNTY, OHIO
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(CONTINUED)**

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

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

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.

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.

Discount Rate The discount rate used to measure the total pension liability was 7.45 percent as of June 30, 2018. 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. 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, 2018. 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, 2018.

**AMHERST EXEMPTED VILLAGE SCHOOL DISTRICT
LORAIN COUNTY, OHIO
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(CONTINUED)**

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

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

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	\$45,484,148	\$31,145,668	\$19,010,090

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, 2019, two members 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/Asset**

The net OPEB liability and net OPEB asset reported on the statement of net position represents a liability or asset 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.

The net OPEB liability and net OPEB asset represent 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 and net OPEB asset calculations are 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.

**AMHERST EXEMPTED VILLAGE SCHOOL DISTRICT
LORAIN COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
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(CONTINUED)**

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

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

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 and net OPEB asset. Resulting adjustments to the net OPEB liability and net OPEB asset 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.

**AMHERST EXEMPTED VILLAGE SCHOOL DISTRICT
LORAIN COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
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(CONTINUED)**

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 2019, .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 2019, this amount was \$21,600. 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 2019, the School District's surcharge obligation was \$99,274.

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 \$127,045 for fiscal year 2019. Of this amount \$101,782 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, 2019, STRS did not allocate any employer contributions to post-employment health care.

**AMHERST EXEMPTED VILLAGE SCHOOL DISTRICT
LORAIN COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
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(CONTINUED)**

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

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

The net OPEB liability and net OPEB asset were measured as of June 30, 2018, and the total OPEB liability and OPEB asset 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 and net OPEB asset were 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:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Proportion of the Net OPEB Liability Prior Measurement Date	0.16408500%	0.14606795%	
Proportion of the Net OPEB Liability Current Measurement Date	<u>0.15854070%</u>	<u>0.14165006%</u>	
Change in Proportionate Share	<u>-0.00554430%</u>	<u>-0.00441789%</u>	
Proportionate Share of the Net OPEB Liability	\$4,398,348	(\$2,276,170)	\$2,122,178
OPEB Expense	\$127,834	(\$4,993,322)	(\$4,865,488)

At June 30, 2019, the School District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Deferred Outflows of Resources			
Differences between expected and actual experience	\$ 71,797	\$ 265,861	\$ 337,658
School District contributions subsequent to the measurement date	<u>127,045</u>	<u>-</u>	<u>127,045</u>
Total Deferred Outflows of Resources	<u>\$ 198,842</u>	<u>\$ 265,861</u>	<u>\$ 464,703</u>
Deferred Inflows of Resources			
Differences between expected and actual experience	\$ -	\$ 132,617	\$ 132,617
Changes of assumptions	395,158	3,101,464	3,496,622
Net difference between projected and actual earnings on OPEB plan investments	6,599	260,032	266,631
Changes in Proportionate Share and Difference between School District contributions and proportionate share of contributions	<u>141,027</u>	<u>308,036</u>	<u>449,063</u>
Total Deferred Inflows of Resources	<u>\$ 542,784</u>	<u>\$ 3,802,149</u>	<u>\$ 4,344,933</u>

**AMHERST EXEMPTED VILLAGE SCHOOL DISTRICT
LORAIN COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
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(CONTINUED)**

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

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

\$127,045 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, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Fiscal Year Ending June 30:	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
2020	(\$192,167)	(\$634,342)	(\$826,509)
2021	(155,181)	(634,342)	(789,523)
2022	(38,055)	(634,340)	(672,395)
2023	(68,413)	(627,761)	(696,174)
2024	(12,180)	(528,324)	(540,504)
Thereafter	<u>(4,991)</u>	<u>(477,179)</u>	<u>(482,170)</u>
Total	<u>(\$470,987)</u>	<u>(\$3,536,288)</u>	<u>(\$4,007,275)</u>

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.

**AMHERST EXEMPTED VILLAGE SCHOOL DISTRICT
LORAIN COUNTY, OHIO
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(CONTINUED)**

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, 2018, 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	3.62 percent
Prior Measurement Date	3.56 percent
Single Equivalent Interest Rate, net of plan investment expense, including price inflation	
Measurement Date	3.70 percent
Prior Measurement Date	3.63 percent
Medical Trend Assumption	
Medicare	5.375 to 4.75 percent
Pre-Medicare	7.25 to 4.75 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.

**AMHERST EXEMPTED VILLAGE SCHOOL DISTRICT
LORAIN COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
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(CONTINUED)**

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:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
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	<u>100.00 %</u>	

Discount Rate The discount rate used to measure the total OPEB liability at June 30, 2018 was 3.70 percent. The discount rate used to measure total OPEB liability prior to June 30, 2018 was 3.63 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 3.62 percent, as of June 30, 2018 (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 table on the next page 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 (2.70%) and higher (4.70%) than the current discount rate (3.70%). Also shown is what SERS' net OPEB liability would be based on health care cost trend rates that are 1 percentage point lower (6.25% decreasing to 3.75%) and higher (8.25% decreasing to 5.75%) than the current rate.

**AMHERST EXEMPTED VILLAGE SCHOOL DISTRICT
LORAIN COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
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(CONTINUED)**

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

E. Actuarial Assumptions – SERS (Continued)

	1% Decrease (2.70%)	Current Discount Rate (3.70%)	1% Increase (4.70%)
School District's proportionate share of the net OPEB liability	\$5,337,049	\$4,398,348	\$3,655,072

	1% Decrease (6.25 % decreasing to 3.75%)	Current Trend Rate (7.25 % decreasing to 4.75%)	1% Increase (8.25 % decreasing to 5.75%)
School District's proportionate share of the net OPEB liability	\$3,548,659	\$4,398,348	\$5,523,487

F. Actuarial Assumptions – STRS

Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results used in the June 30, 2018, actuarial valuation is presented below:

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	
Discount Rate of Return	7.45 percent	
Health Care Cost Trends	Initial	Ultimate
Medical		
Pre-Medicare	6.00 percent	4.00 percent
Medicare	5.00 percent	4.00 percent
Prescription Drug		
Pre-Medicare	8.00 percent	
Medicare	-5.23 percent	4.00 percent

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

**AMHERST EXEMPTED VILLAGE SCHOOL DISTRICT
LORAIN COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
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(CONTINUED)**

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

F. Actuarial Assumptions – STRS (Continued)

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, 2018, valuation are based on the results of an actuarial experience study for the period July 1, 2011 through June 30, 2016.

Assumption Changes Since the Prior Measurement Date The discount rate was increased from the blended rate of 4.13% to the long-term expected rate of return of 7.45% based on the methodology defined under GASB Statement No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans (OPEB). Valuation year per capita health care costs were updated.

Benefit Term Changes Since the Prior Measurement Date The subsidy multiplier for non-Medicare benefit recipients was increased from 1.9% to 1.944% per year of service effective January 1, 2019. The non-Medicare frozen subsidy base premium was increased effective January 1, 2019 and all remaining Medicare Part B premium reimbursements will be discontinued beginning January 1, 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:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Rate of Return *</u>
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	<u>100.00 %</u>	

* 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.

**AMHERST EXEMPTED VILLAGE SCHOOL DISTRICT
LORAIN COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019
(CONTINUED)**

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

F. Actuarial Assumptions – STRS (Continued)

Discount Rate The discount rate used to measure the total OPEB asset was 7.45 percent as of June 30, 2018. 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 projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term expected rate of return on health care plan investments of 7.45 percent was used to measure the total OPEB asset as of June 30, 2018.

Sensitivity of the School District’s Proportionate Share of the Net OPEB Asset to Changes in the Discount and Health Care Cost Trend Rate The following table represents the net OPEB asset as of June 30, 2018, calculated using the current period discount rate assumption of 7.45 percent, as well as what the net OPEB asset 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 assumption. Also shown is the net OPEB asset 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 (6.45%)	Current Discount Rate (7.45%)	1% Increase (8.45%)
School District's proportionate share of the net OPEB asset	\$1,950,892	\$2,276,170	\$2,549,554
	1% Decrease	Current Trend Rate	1% Increase
School District's proportionate share of the net OPEB asset	\$2,534,121	\$2,276,170	\$2,014,204

AMHERST EXEMPTED VILLAGE SCHOOL DISTRICT
LORAIN COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019
(CONTINUED)

NOTE 16: LONG-TERM OBLIGATIONS

The changes in the School District's long-term obligations during fiscal year 2019 were as follows:

	Balance as of 6/30/2018	Issuances	Retirements	Balance as of 6/30/2019	Amounts Due In One Year
<i>General Long-Term Bonds</i>					
Refunding Bonds, Series 2016 4.0% - 3.780%					
Maturing December 1, 2029:					
Term Bonds	\$ 10,495,000	\$ -	\$ (710,000)	\$ 9,785,000	\$ 735,000
Premium	277,731	-	(24,327)	253,404	-
Classroom Facilities and School Improvement					
Bonds, Series 2017A 2.0% -4.0%					
Maturing December 1, 2038:					
Serial and Term Bonds	8,780,000	-	(155,000)	8,625,000	155,000
Premium	146,500	-	(7,513)	138,987	-
Classroom Facilities and School Improvement					
Bonds, Series 2017B 3.0% -4.0%					
Maturing December 1, 2038:					
Serial Bonds	7,670,000	-	(290,000)	7,380,000	300,000
Premium	580,944	-	(29,792)	551,152	-
Total General Long-Term Bonds	<u>27,950,175</u>	<u>-</u>	<u>(1,216,632)</u>	<u>26,733,543</u>	<u>1,190,000</u>
Tax Anticipation Note, Series 2016 1.45%	<u>913,000</u>	<u>-</u>	<u>(300,000)</u>	<u>613,000</u>	<u>305,000</u>
Net Pension Liability:					
STRS	34,698,755	-	(3,553,087)	31,145,668	-
SERS	9,661,582	-	(734,807)	8,926,775	-
Total Net Pension Liability	<u>44,360,337</u>	<u>-</u>	<u>(4,287,894)</u>	<u>40,072,443</u>	<u>-</u>
Net OPEB Liability:					
STRS	5,699,033	-	(5,699,033)	-	-
SERS	4,403,610	-	(5,262)	4,398,348	-
Total Net OPEB Liability	<u>10,102,643</u>	<u>-</u>	<u>(5,704,295)</u>	<u>4,398,348</u>	<u>-</u>
Judgment Payable	171,841	-	(171,841)	-	-
Capital Lease	70,424	-	(30,526)	39,898	31,759
Compensated Absences	5,184,976	933,374	(1,935,552)	4,182,798	1,324,692
Total Long-Term Obligations	<u>\$ 88,753,396</u>	<u>\$ 933,374</u>	<u>\$ (13,646,740)</u>	<u>\$ 76,040,030</u>	<u>\$ 2,851,451</u>

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.

AMHERST EXEMPTED VILLAGE SCHOOL DISTRICT
LORAIN COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019
(CONTINUED)

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. This bond is paid out of the Bond Retirement Fund. 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. This bond is paid out of the Bond Retirement Fund

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. This bond is paid out of the Bond Retirement Fund

On March 17, 2016, the School District issued a Tax Anticipation Note for capital acquisitions 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.

There is no repayment schedule for the net pension liability and net OPEB liability; however, employer pension and OPEB contributions are made from the General Fund. For additional information related to the net pension liability and net OPEB liability see Notes 14 and 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 \$23,901,937 at June 30, 2019.

**AMHERST EXEMPTED VILLAGE SCHOOL DISTRICT
LORAIN COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019
(CONTINUED)**

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

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

Fiscal Year Ending June 30,	Classroom Facilities and School			
	Improvement Bonds		Refunding Bonds	
	Principal	Interest	Principal	Interest
2020	\$ 455,000	\$ 511,785	\$ 735,000	\$ 355,982
2021	475,000	500,260	760,000	327,726
2022	480,000	491,485	790,000	298,431
2023	490,000	482,191	820,000	268,002
2024	505,000	472,648	850,000	236,439
2025-2029	2,705,000	2,139,071	4,765,000	664,998
2030-2034	4,805,000	1,518,031	1,065,000	20,128
2035-2039	6,090,000	576,686	-	-
	<u>\$ 16,005,000</u>	<u>\$ 6,692,157</u>	<u>\$ 9,785,000</u>	<u>\$ 2,171,706</u>

Fiscal Year Ending June 30,	Tax Anticipation Note		Total	
	Principal	Interest	Principal	Interest
	2020	\$ 305,000	\$ 6,677	\$ 1,495,000
2021	308,000	2,233	1,543,000	830,219
2022	-	-	1,270,000	789,916
2023	-	-	1,310,000	750,193
2024	-	-	1,355,000	709,087
2025-2029	-	-	7,470,000	2,804,069
2030-2034	-	-	5,870,000	1,538,159
2035-2039	-	-	6,090,000	576,686
	<u>\$ 613,000</u>	<u>\$ 8,910</u>	<u>\$ 26,403,000</u>	<u>\$ 8,872,773</u>

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.

**AMHERST EXEMPTED VILLAGE SCHOOL DISTRICT
LORAIN COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019
(CONTINUED)**

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

In fiscal year 2019, the School District paid \$211,760 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 2019, the School District paid \$455 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 249 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 2019, the School District paid \$101,109 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 is serving as the supplier and program. There are currently over 155 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 twelve 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.

**AMHERST EXEMPTED VILLAGE SCHOOL DISTRICT
LORAIN COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019
(CONTINUED)**

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 2019, the School District paid \$4,221,909 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, 2019 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.

**AMHERST EXEMPTED VILLAGE SCHOOL DISTRICT
LORAIN COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019
(CONTINUED)**

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.

	<u>Capital Improvements Reserve</u>
Set-Aside Balance as of June 30, 2018	\$ -
Current Year Set-Aside Requirements	656,400
Qualifying Disbursements	(1,087,330)
Total	<u>\$ (430,930)</u>
Set-Aside Balance Carried Forward to Future Fiscal Years	<u>\$ -</u>
Set-Aside Balance as of June 30, 2019	<u>\$ -</u>

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, 2019, the School District's significant commitments for encumbrances in the governmental funds were as follows:

	<u>Outstanding Encumbrances</u>
General Fund	\$ 3,591,874
Classroom Facilities	7,228,426
Nonmajor governmental funds	132,606
	<u>\$ 10,952,906</u>

**AMHERST EXEMPTED VILLAGE SCHOOL DISTRICT
LORAIN COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019
(CONTINUED)**

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, 2019, was \$23,615, leaving a current book value of \$176,385. A corresponding liability is recorded in the government-wide financial statements. Principal payments in fiscal year 2019 totaled \$32,877 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, 2019:

Fiscal Year Ending June 30,	Amount
2020	\$ 32,877
2021	8,219
Total	41,096
Less: Amount representing interest	(1,198)
Total	<u>\$ 39,898</u>

NOTE 23: OPERATING LEASES

The District leases through Apple, Inc. various copiers, computers and electronic equipment and software throughout the District. Total cost for the leases were \$110,904 for the fiscal year ended June 30, 2019. With the last payment due in fiscal year 2020 in the amount of \$110,904.

**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 SIX FISCAL YEARS (1)**

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
School District's Proportion of the Net Pension Liability	0.1558667%	0.1617061%	0.1631276%	0.1700268%	0.164437%	0.164437%
School District's Proportionate Share of the Net Pension Liability	\$8,926,775	\$9,661,582	\$11,939,436	\$9,701,894	\$8,322,063	\$9,778,541
School District's Covered Payroll	\$5,317,022	\$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	167.89%	187.83%	235.24%	189.30%	174.97%	209.06%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	71.36%	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 SIX FISCAL YEARS (1)**

	2019	2018	2017	2016	2015	2014
School District's Proportion of the Net Pension Liability	0.14165006%	0.14606795%	0.15001044%	0.15198722%	0.15744926%	0.15744926%
School District's Proportionate Share of the Net Pension Liability	\$ 31,145,668	\$ 34,698,755	\$ 50,213,017	\$ 42,004,823	\$ 38,297,109	\$ 45,619,266
School District's Covered Payroll	\$ 16,291,893	\$ 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	191.17%	214.52%	320.30%	261.48%	240.54%	268.65%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	77.31%	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**

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>
Contractually Required Contribution	\$ 749,818	\$ 717,798	\$ 720,143	\$ 710,559	\$ 675,477	\$ 659,203	\$ 647,351	\$ 672,250	\$ 738,022	\$ 837,890
Contributions in Relation to the Contractually Required Contribution	<u>(749,818)</u>	<u>(717,798)</u>	<u>(720,143)</u>	<u>(710,559)</u>	<u>(675,477)</u>	<u>(659,203)</u>	<u>(647,351)</u>	<u>(672,250)</u>	<u>(738,022)</u>	<u>(837,890)</u>
Contribution Deficiency (Excess)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
School District Covered Payroll	\$ 5,554,207	\$ 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
Contributions as a Percentage of Covered Payroll	13.50%	13.50%	14.00%	14.00%	13.18%	13.86%	13.84%	13.45%	12.57%	13.54%

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**

	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Contractually Required Contribution	\$ 2,277,458	\$ 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
Contributions in Relation to the Contractually Required Contribution	<u>(2,277,458)</u>	<u>(2,280,865)</u>	<u>(2,264,461)</u>	<u>(2,194,785)</u>	<u>(2,248,968)</u>	<u>(2,069,761)</u>	<u>(2,207,514)</u>	<u>(2,316,074)</u>	<u>(2,385,184)</u>	<u>(2,237,009)</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
School District Covered Payroll	\$ 16,267,557	\$ 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
Contributions as a Percentage of Covered Payroll	14.00%	14.00%	14.00%	14.00%	14.00%	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 THREE FISCAL YEARS (1)**

	<u>2019</u>	<u>2018</u>	<u>2017</u>
School District's Proportion of the Net OPEB Liability	0.1585407%	0.1640850%	0.1651169%
School District's Proportionate Share of the Net OPEB Liability	\$4,398,348	\$4,403,610	\$4,706,441
School District's Covered Payroll	\$5,317,022	\$5,143,879	\$5,075,421
School District's Proportionate Share of the Net OPEB Liability as a Percentage of its Covered Payroll	82.72%	85.61%	92.73%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	13.57%	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 THREE FISCAL YEARS (1)**

	<u>2019</u>	<u>2018</u>	<u>2017</u>
School District's Proportion of the Net OPEB Liability/Asset	0.14165006%	0.14606795%	0.15001044%
School District's Proportionate Share of the Net OPEB Liability/(Asset)	\$ (2,276,170)	\$ 5,699,033	\$ 8,022,597
School District's Covered Payroll	\$ 16,291,893	\$ 16,174,721	\$ 15,677,036
School District's Proportionate Share of the Net OPEB Liability/Asset as a Percentage of its Covered Payroll	-13.97%	35.23%	51.17%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability/Asset	176.00%	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**

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>
Contractually Required Contribution (1)	\$ 127,045	\$ 113,208	\$ 106,678	\$ 82,713	\$ 125,230	\$ 89,984	\$ 89,055	\$ 127,453	\$ 178,358	\$ 119,697
Contributions in Relation to the Contractually Required Contribution	<u>(127,045)</u>	<u>(113,208)</u>	<u>(106,678)</u>	<u>(82,713)</u>	<u>(125,230)</u>	<u>(89,984)</u>	<u>(89,055)</u>	<u>(127,453)</u>	<u>(178,358)</u>	<u>(119,697)</u>
Contribution Deficiency (Excess)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
School District Covered Payroll	\$ 5,554,207	\$ 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
OPEB Contributions as a Percentage of Covered Payroll (1)	2.29%	2.13%	2.07%	1.63%	2.44%	1.89%	1.90%	2.55%	3.04%	1.93%

(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**

	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Contractually Required Contribution	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 159,212	\$ 169,809	\$ 178,160	\$ 183,476	\$ 172,078
Contributions in Relation to the Contractually Required Contribution	-	-	-	-	-	(159,212)	(169,809)	(178,160)	(183,476)	(172,078)
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
School District Covered Payroll	\$ 16,267,557	\$ 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
Contributions as a Percentage of Covered Payroll	0.00%	0.00%	0.00%	0.00%	0.00%	1.00%	1.00%	1.00%	1.00%	1.00%

See accompanying notes to the required supplementary information

**AMHERST EXEMPTED VILLAGE SCHOOL DISTRICT
LORAIN COUNTY, OHIO
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 and 2019.

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 2018-2019. 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 2014-2019.

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 and 2019. 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.

**AMHERST EXEMPTED VILLAGE SCHOOL DISTRICT
LORAIN COUNTY, OHIO
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION**

Net OPEB Liability

Changes in Assumptions – SERS

Amounts reported for fiscal year 2018 and 2019 incorporate changes in key methods and assumptions used in calculating the total OPEB liability as presented below:

Municipal Bond Index Rate:

Fiscal year 2019	3.62 percent
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 2019	3.70 percent
Fiscal year 2018	3.63 percent
Fiscal year 2017	2.98 percent

Medicare Trend Assumption

Medicare

Fiscal year 2019	5.375 percent decreasing to 4.75 percent
Fiscal year 2018	5.50 percent decreasing to 5.00 percent

Pre - Medicare

Fiscal year 2019	7.25 percent decreasing to 4.75 percent
Fiscal year 2018	7.50 percent decreasing to 5.00 percent

Changes in Assumptions – STRS

For fiscal year 2018, the discount rate was increased from 3.26 percent to 4.13 percent and in fiscal year 2019 the discount rate was increased from the blended rate of 4.13 percent to the long-term expected rate of return of 7.45 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.

Changes in Benefit Terms – STRS

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, and increased from 1.9 percent to 1.944 percent per year of service effective January 1, 2019. The non-Medicare frozen subsidy base premium was increased effective January 1, 2019 and all remaining Medicare Part B premium reimbursements will be discontinued beginning January 1, 2020.

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**AMHERST EXEMPTED VILLAGE SCHOOL DISTRICT
LORAIN COUNTY**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2019**

FEDERAL GRANTOR Pass Through Grantor Program / Cluster Title	Federal CFDA Number	Pass Through Entity Identifying Number	Provided Through to Subrecipients	Total Federal Expenditures
U.S. DEPARTMENT OF AGRICULTURE				
<i>Passed Through Ohio Department of Education</i>				
Child Nutrition Cluster				
School Breakfast Program	10.553	N/A		\$64,725
Non-Cash Assistance/Commodities NSLP	10.555	N/A		91,242
National School Lunch Program	10.555	N/A		400,900
Total U.S. Department of Agriculture				556,867
U.S. DEPARTMENT OF EDUCATION				
<i>Passed Through Ohio Department of Education</i>				
Special Education Cluster				
IDEA Part-B (FY18)	84.027	N/A		157,564
IDEA Part-B (FY19)	84.027	N/A		624,291
IDEA Part-B (FY19) <i>Restoration</i>	84.027A	N/A		41,733
Early Childhood Special Education (FY19)	84.173	N/A		15,708
Early Childhood Special Education (FY19) <i>Restoration</i>	84.173A	N/A		3,439
Total Special Education Cluster				842,735
Title I Grants to LEA's (FY18)	84.010	N/A		8,818
Title I Grants to LEA's (FY19)	84.010	N/A		360,888
Total Title I Grants				369,706
Title II-A Supporting Effective Instruction Grants (FY18)	84.367	N/A		14,699
Title II-A Supporting Effective Instruction Grants (FY19)	84.367	N/A		62,088
Total Supporting Effective Instruction				76,787
Title IV-A Student Support & Academic Enrichment (FY19)	84.424	N/A		34,982
<i>Passed Through Educational Service Center of Lorain County</i>				
English Language Acquisition Grants to LEA's (subgrantee) (FY18)	84.365	N/A	\$3,510	3,510
Total U.S. Department of Education			3,510	1,327,720
Total Expenditures of Federal Awards			\$3,510	\$1,884,587

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, 2019**

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 government for the year ended June 30, 2019. 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 E - 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.

**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, 2019
(Continued)**

NOTE F – 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 G - 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 H - 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 2019 to 2020 programs:

<u>Program Title</u>	<u>CFDA Number</u>	<u>Amount Transferred</u>
Title I Grants to LEA's	84.010	\$ 17,470
Title II-A Supporting Effective Instruction Grants	84.367	\$ 1,058
Title IV-A Student Support & Academic Enrichment	84.424	\$ 36
IDEA Part-B	84.027	\$ 22,399

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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
550 Milan Avenue
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, 2019, 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 30, 2020.

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. Therefore, unidentified material weaknesses or significant deficiencies may exist. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings that we consider a material weakness. We consider finding 2019-001 to be a material weakness.

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*.

District's Response to Findings

The District's response to the finding identified in our audit is described in the accompanying schedule of findings and corrective action plan. We did not subject the District's response to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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 report is not suitable for any other purpose.



Keith Faber
Auditor of State

Columbus, Ohio

March 30, 2020



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**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
550 Milan Avenue
Amherst, Ohio 44001

To the Board of Education:

Report on Compliance for the Major Federal Program

We have audited 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 Amherst Exempted Village School District's major federal program for the year ended June 30, 2019. 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 programs.

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, Amherst Exempted Village School District complied, in all material respects with the compliance requirements referred to above that could directly and materially affect its major federal program for the year ended June 30, 2019.

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 each 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
Auditor of State

Columbus, Ohio

March 30, 2020

**AMHERST EXEMPTED VILLAGE SCHOOL DISTRICT
LORAIN COUNTY**

**SCHEDULE OF FINDINGS
2 CFR § 200.515
JUNE 30, 2019**

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)?	Yes
(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 IDEA Part-B Restoration – CFDA #84.027A Early Childhood Special Education – CFDA #84.173 Early Childhood Special Education Restoration – CFDA #84.173A
(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

AMHERST EXEMPTED VILLAGE SCHOOL DISTRICT
LORAIN COUNTY

SCHEDULE OF FINDINGS
2 CFR § 200.515
JUNE 30, 2019
(Continued)

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

1. Accounting and Financial Reporting

FINDING NUMBER 2019-001

MATERIAL WEAKNESS

In our audit engagement letter, as required by AU-C Section 210, *Terms of Engagement*, paragraph .06, management acknowledged its responsibility for the preparation and fair presentation of their financial statements; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements free from material misstatement, whether due to fraud or error as discussed in AU-C Section 210 paragraphs .A14 & .A16. Governmental Accounting Standards Board (GASB) Cod. 1100 paragraph .101 states a governmental accounting system must make it possible both: (a) to present fairly and with full disclosure the funds and activities of the governmental unit in conformity with generally accepted accounting principles, and (b) to determine and demonstrate compliance with finance-related legal and contractual provisions.

The following error and subsequent corrections were made to the financial statements, footnotes and accounting records by Management:

- The District inadvertently failed to record a wire transaction that should have been reported as a contract payable. Contracts payable and Nondepreciable Capital Assets in Governmental Activities was understated by \$3,025,689. Additionally, Contracts payable and Capital Outlay in the Classroom Facilities Fund were also understated by this same amount.

The District's accounting software (MUNIS) did not enable the District to properly include direct disbursements in the warrant report that is sent to the GAAP converter for the compilation of contracts payable.

Failure to accurately implement and monitor controls over financial reporting resulted in material errors which decreased the reliability of financial data.

We recommend the District establish and implement procedures to review its annual financial statements to determine the financial statements are presented in accordance with applicable accounting guidelines and principles. In addition, we recommend due care be exercised when posting entries to the financial statement preparation to prevent errors and assist in properly reflecting the District's financial condition.

Official's Response: Through timely and accurate monthly bank reconciliations, the District provides correct and relevant financial information to the Board. The contract payable omitted from the financial statements is due to financial software report constraints. The District will ensure all items are properly recorded as contracts payable. In addition to accurate monthly bank reconciliation procedures, we will work to prepare MUNIS reporting that accurately reflects all expenditures, including direct disbursements. Further, we will ensure proper review of the financial statements prior to submission.

**AMHERST EXEMPTED VILLAGE SCHOOL DISTRICT
LORAIN COUNTY**

**SCHEDULE OF FINDINGS
2 CFR § 200.515
JUNE 30, 2019
(Continued)**

3. FINDINGS FOR FEDERAL AWARDS

None.



**Amherst Exempted Village Schools
Board of Education**

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**AMHERST EXEMPTED VILLAGE SCHOOL DISTRICT
LORAIN COUNTY**

**CORRECTIVE ACTION PLAN
2 C.F.R. § 200.511(c)
JUNE 30, 2019**

Finding Number	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2019-001	District will ensure all items are properly recorded as contracts payable. In addition to accurate monthly bank reconciliation procedures, we will work to prepare MUNIS reporting that accurately reflects all expenditures, including direct disbursements. Further, we will ensure proper review of the financial statements prior to submission.	02/20/2020	Amelia Gioffredo, Treasurer

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 14, 2020**