

**AMHERST EXEMPTED  
VILLAGE SCHOOL DISTRICT  
LORAIN COUNTY, OHIO**

**AUDIT REPORT**

**FOR THE FISCAL YEAR  
ENDED JUNE 30, 2014**

***James G. Zupka, CPA, Inc.***  
**Certified Public Accountants**





# Dave Yost • Auditor of State

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

We have reviewed the *Independent Auditor's Report* of the Amherst Exempted Village School District, Lorain County, prepared by James G. Zupka, CPA, Inc., for the audit period July 1, 2013 through June 30, 2014. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Amherst Exempted Village School District is responsible for compliance with these laws and regulations.

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost  
Auditor of State

December 31, 2014

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**AMHERST EXEMPTED VILLAGE SCHOOL DISTRICT**  
**LORAIN COUNTY, OHIO**  
**AUDIT REPORT**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

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**JAMES G. ZUPKA, C.P.A., INC.**

*Certified Public Accountants*

*5240 East 98<sup>th</sup> Street*

*Garfield Hts., Ohio 44125*

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**INDEPENDENT AUDITOR'S REPORT**

To the Members of the Board of Education  
Amherst Exempted Village School District  
Amherst, Ohio

The Honorable Dave Yost  
Auditor of State  
State of Ohio

**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, as of and for the year ended June 30, 2014, 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 the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

***Auditor's Responsibility***

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers 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 for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Amherst Exempted Village School District, as of June 30, 2014, and the respective changes in financial position, and the respective budgetary comparison for the General Fund, thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Emphasis of Matter***

As described in Note 3 to the financial statements, the District restated its June 30, 2013 net position of governmental activities due to the District removing the accretion of interest related to a capital appreciation bond that matured in the prior period from its books. Our opinion is not modified with respect to this matter.

### ***Other Matters***

#### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

#### ***Other Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Amherst Exempted Village School District's basic financial statements. The Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements.

The Schedule of Expenditures of Federal Awards is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of Federal Awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

## **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated December 19, 2014, on our consideration of the Amherst Exempted Village School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion 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 Amherst Exempted Village School District's internal control over financial reporting and compliance.

James G. Zupka,  
CPA, President

Digitally signed by James G. Zupka, CPA,  
President  
DN: cn=James G. Zupka, CPA, President,  
o=James G. Zupka, CPA, Inc.,  
ou=Accounting,  
email=jzpcpa@bcglobal.net, c=US  
Date: 2014.12.22 12:45:54 -05'00'

James G. Zupka, CPA, Inc.  
Certified Public Accountants

December 19, 2014

**AMHERST EXEMPTED VILLAGE SCHOOL DISTRICT  
LORAIN COUNTY, OHIO  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014  
(UNAUDITED)**

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The Management's Discussion and Analysis of the Amherst Exempted Village School District's (the School District) financial performance provides an overall review of the School District's financial activities for the year ended June 30, 2014. 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 2014 are as follows:

- In total, net position increased by \$2,821,408
- Revenues for governmental activities totaled \$43,025,442 during 2014. Of this total, 88 percent consisted of general revenues while program revenues accounted for the balance of 12 percent.
- Program expenses totaled \$40,204,034. Instructional expenses made up 61 percent of this total while support services accounted for 31 percent. Other expenses rounded out the remaining 8 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 amount of funds available for future spending. The fund financial statements also look at the School District's most significant funds with all other Non-Major funds presented in total in one column. In the case of the School District, the General Fund and Bond Retirement Fund are the most significant 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 2014?" The *Statement of Net Position* and the *Statement of Activities* answers this question. These statements include all Non-Fiduciary 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**  
**LORAIN COUNTY, OHIO**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2014**  
(UNAUDITED)

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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 Non-Fiduciary programs and services are reported here including instruction, support services, operation and maintenance of plant, pupil transportation, operation of food 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 Bond Retirement 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 13.

**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 18.

**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 20.

**AMHERST EXEMPTED VILLAGE SCHOOL DISTRICT  
LORAIN COUNTY, OHIO  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014  
(UNAUDITED)**

**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 2014 compared to 2013.

**Table 1- Net Position**

	Governmental Activities	
	2014	2013 *
<b>ASSETS</b>		
Current and other assets	\$ 32,291,069	\$ 30,551,511
Capital assets, net	25,345,346	25,357,378
<b>Total Assets</b>	<b>57,636,415</b>	<b>55,908,889</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>		
Deferral on Refunding	676,920	728,990
<b>LIABILITIES</b>		
Current and other liabilities	4,877,830	5,043,146
Long-term liabilities:		
Due within one year	3,232,589	1,980,790
Due in more than one year	18,628,306	20,478,278
<b>Total Liabilities</b>	<b>26,738,725</b>	<b>27,502,214</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Property Taxes	17,192,309	17,579,006
Payment in Lieu of Taxes	70,406	66,172
<b>Total Deferred Inflows of Resources</b>	<b>17,262,715</b>	<b>17,645,178</b>
<b>NET POSITION</b>		
Net Investment in Capital Assets	9,551,223	9,239,153
Restricted	2,146,626	1,942,127
Unrestricted	2,614,046	309,207
<b>Total Net Position</b>	<b>\$ 14,311,895</b>	<b>\$ 11,490,487</b>

\* Restated

Total net position of the School District as a whole increased in the amount of \$2,821,408.

Total assets increased by \$1,727,526. The majority of the increase can be attributed to an increase in Equity in Pooled Cash and Cash Equivalents and Investments due to attrition, wage and step freezes.

Total liabilities decreased by \$763,489 due mainly to a decrease in the long-term liabilities due in more than one year offset by the increase of long-term liabilities due within one year. See Note 16 to the basic financial statements for more detailed information related to long-term liabilities.

**AMHERST EXEMPTED VILLAGE SCHOOL DISTRICT  
LORAIN COUNTY, OHIO  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014  
(UNAUDITED)**

Table 2 shows the changes in net position and compares revenue and expenses from fiscal year 2014 and fiscal year 2013. A comparative analysis of government-wide data is presented.

**Table 2 - Changes in Net Position**

	Governmental Activities	
	2014	2013 *
<b>REVENUES</b>		
Program Revenues:		
Charges for services	\$ 3,043,035	\$ 2,990,040
Operating grants and contributions	2,177,160	1,758,801
Capital grants and contributions	14,000	-
<b>Total Program Revenues</b>	<b>5,234,195</b>	<b>4,748,841</b>
General Revenues:		
Property taxes	19,105,995	18,657,452
Payments in lieu of taxes	76,165	63,015
Grants and entitlements not restricted to specific programs	18,091,169	17,587,775
Gifts and Donations not restricted to specific programs	56,932	18,641
Investment income	41,700	12,042
Miscellaneous	419,286	233,871
<b>Total General Revenues</b>	<b>37,791,247</b>	<b>36,572,796</b>
<b>Total Revenues</b>	<b>43,025,442</b>	<b>41,321,637</b>
<b>EXPENSES</b>		
Program Expenses:		
Instruction:		
Regular	19,084,838	19,074,289
Special	5,059,634	5,022,570
Vocational	394,087	394,904
Supporting Services:		
Pupils	1,751,505	1,686,109
Instructional Staff	1,690,511	1,654,230
Board of Education	23,529	17,393
Administration	3,109,605	3,009,662
Fiscal Services	782,036	808,323
Operation and Maintenance of Plant	3,359,127	3,243,975
Pupil Transportation	1,470,861	1,488,448
Central	169,047	36,446
Operation of Non-Instructional Services	1,532,577	1,797,611
Extracurricular Activities	1,006,159	748,331
Interest and Fiscal Charges	770,518	1,011,657
<b>Total Expenses</b>	<b>40,204,034</b>	<b>39,993,948</b>
Change in Net Position	2,821,408	1,327,689
Net Position - Beginning of Year	11,490,487	10,162,798
<b>Net Position - End of Year</b>	<b>\$ 14,311,895</b>	<b>\$ 11,490,487</b>

\* Restated

**AMHERST EXEMPTED VILLAGE SCHOOL DISTRICT  
LORAIN COUNTY, OHIO  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014  
(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 61 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 31 percent. The remaining amount of program expenses, 8 percent, is to facilitate other obligations of the School District such as interest and fiscal charges, the food service program and numerous extracurricular activities.

The Statement of Activities shows the total net cost of program services. Table 3 shows a comparative of the total cost of services for governmental activities and the net cost of those services for fiscal year 2014 to fiscal year 2013. 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
	2014	2013 *	2014	2013 *
Instruction	\$24,538,559	\$24,491,763	\$21,947,141	\$22,463,539
Supporting Services:				
Pupils and Instructional Staff	3,442,016	3,340,339	3,115,283	3,054,723
Board of Education, Administration, and Fiscal Services	3,915,170	3,835,378	3,654,204	3,632,419
Operation and Maintenance of Plant	3,359,127	3,243,975	3,186,769	3,083,381
Pupil Transportation	1,470,861	1,488,448	1,367,670	1,315,379
Central	169,047	36,446	167,325	34,807
Operation of Non-Instructional Services	1,532,577	1,797,611	(98,789)	70,081
Extracurricular Activities	1,006,159	748,331	859,718	579,121
Interest and fiscal charges	770,518	1,011,657	770,518	1,011,657
<b>Total cost of services</b>	<b>\$40,204,034</b>	<b>\$39,993,948</b>	<b>\$34,969,839</b>	<b>\$35,245,107</b>

\* Restated

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 13 percent of all governmental expenses. Program revenues include charges for services, grants and contributions that are program specific.

**AMHERST EXEMPTED VILLAGE SCHOOL DISTRICT  
LORAIN COUNTY, OHIO  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014  
(UNAUDITED)**

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**THE SCHOOL DISTRICT'S FUNDS**

Information regarding the School District's major funds can be found on page 23 of the notes to 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 \$44,195,447 and expenditures and other financing uses totaled \$41,644,708. The General Fund balance increased \$2,872,349.

**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 \$36,367,110 and the final budget basis revenue including other financing sources was \$37,941,086.

Original appropriations including other financing uses was \$37,613,051 and the final appropriations including other financing uses was \$37,613,051. Total actual expenditures were below the total estimates by \$1,613,201.

**CAPITAL ASSETS AND DEBT ADMINISTRATION**

**Capital Assets**

At the end of fiscal year 2014, the School District had \$25,345,346 invested in its capital assets. Table 4 shows the fiscal year 2014 balances compared to 2013.

**Table 4- Capital Assets**

	Governmental Activities	
	2014	2013
Land	\$ 1,421,676	\$ 1,421,676
Land Improvements	728,631	580,032
Buildings and Improvements	22,228,064	22,606,195
Furniture and Equipment	622,924	330,861
Vehicles	344,051	418,614
<b>Total Capital Assets</b>	<b>\$ 25,345,346</b>	<b>\$ 25,357,378</b>

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.

**AMHERST EXEMPTED VILLAGE SCHOOL DISTRICT  
LORAIN COUNTY, OHIO  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014  
(UNAUDITED)**

**Debt**

At June 30, 2014, the School District had \$15,465,000 in bonds and notes outstanding of which \$1,505,000 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	
	2014	2013 *
Advanced Refunding Bonds	\$ 15,165,000	\$ 15,165,000
Capital Appreciation Bonds	-	1,353,503
Energy Conservation Notes	300,000	400,000
<b>Total Outstanding Debt</b>	<b>\$ 15,465,000</b>	<b>\$ 16,918,503</b>

\* Restated

At June 30, 2014, the School District's overall debt margin was \$34,222,476.

**CURRENT ISSUES**

Amherst Exempted Village Schools has a strong financial outlook. The Board of Education and administration closely monitor its revenues and expenditures in accordance with its financial forecast and the School District Continuous Improvement Plan.

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 State has stated that the per pupil revenue for a minimum education should be decreased by one percent per each year of the biennial budget. 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. Barbara Donohue, 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, 2014**

	Governmental Activities
<b>ASSETS</b>	
Equity in Pooled Cash and Cash Equivalents	\$ 8,005,237
Investments	4,018,201
Taxes Receivable	19,815,822
Accounts Receivable	42,532
Accrued Interest Receivable	3,950
Intergovernmental Receivable	382,685
Materials and Supplies Inventory	22,642
Nondepreciable Capital Assets	1,421,676
Depreciable Capital Assets, Net	23,923,670
<b>Total Assets</b>	<b>57,636,415</b>
 <b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Deferral on Refunding	676,920
<b>Total Deferred Outflows of Resources</b>	<b>676,920</b>
 <b>LIABILITIES</b>	
Accounts Payable	276,253
Accrued Wages and Benefits	3,493,293
Intergovernmental Payable	769,151
Accrued Interest Payable	51,635
Matured Compensated Absences Payable	287,498
Long-term Liabilities:	
Due within one year	3,232,589
Due in more than one year	18,628,306
<b>Total Liabilities</b>	<b>26,738,725</b>
 <b>DEFERRED INFLOWS OF RESOURCES</b>	
Property Taxes	17,192,309
Payments in Lieu of Taxes	70,406
<b>Total Deferred Inflows of Resources</b>	<b>17,262,715</b>
 <b>NET POSITION</b>	
Net Investment in Capital Assets	9,551,223
Restricted:	
Capital Projects	535,150
Debt Service	1,172,248
Set-Asides	64,526
State Funded Programs	29,006
Federally Funded Programs	12,484
Student Activities	97,650
Food Service	175,414
Other Purpose	60,148
Unrestricted	2,614,046
<b>Total Net Position</b>	<b>\$ 14,311,895</b>

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, 2014**

	Program Revenues				Net (Expense) Revenue and Changes in Net Position Governmental Activities
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
<b>Governmental activities:</b>					
Instruction:					
Regular	\$ 19,084,838	\$ 1,098,281	\$ 219,203	\$ -	\$ (17,767,354)
Special	5,059,634	203,548	1,052,077	-	(3,804,009)
Vocational	394,087	18,309	-	-	(375,778)
Supporting Services:					
Pupils	1,751,505	84,332	-	-	(1,667,173)
Instructional Staff	1,690,511	64,524	177,877	-	(1,448,110)
Board of Education	23,529	1,060	-	-	(22,469)
Administration	3,109,605	145,935	78,755	-	(2,884,915)
Fiscal Services	782,036	35,216	-	-	(746,820)
Operation and Maintenance of Plant	3,359,127	149,358	9,000	14,000	(3,186,769)
Pupil Transportation	1,470,861	68,914	34,277	-	(1,367,670)
Central	169,047	1,722	-	-	(167,325)
Operation of Non-Instructional Services	1,532,577	1,029,655	601,711	-	98,789
Extracurricular Activities	1,006,159	142,181	4,260	-	(859,718)
Interest and Fiscal Charges	770,518	-	-	-	(770,518)
<b>Total Governmental activities</b>	<b>\$ 40,204,034</b>	<b>\$ 3,043,035</b>	<b>\$ 2,177,160</b>	<b>\$ 14,000</b>	<b>(34,969,839)</b>

**General Revenues:**

Property Taxes levied for:	
General Purposes	16,689,980
Debt Service	1,817,472
Capital Outlay	565,534
Other Purposes	33,009
Payments in Lieu of Taxes	76,165
Grants & Entitlements not restricted to specific programs	18,091,169
Gifts and Donations not restricted to specific programs	56,932
Investment Income	41,700
Miscellaneous	419,286
Total General Revenues	<u>37,791,247</u>
Change in Net Position	2,821,408
Net Position - Beginning of Year, Restated	<u>11,490,487</u>
<b>Net Position - End of Year</b>	<b><u>\$ 14,311,895</u></b>

See accompanying notes to the basic financial statements.

**AMHERST EXEMPTED VILLAGE SCHOOL DISTRICT**  
**LORAIN COUNTY, OHIO**  
**BALANCE SHEET –**  
**GOVERNMENTAL FUNDS**  
**JUNE 30, 2014**

	General	Bond Retirement	Other Governmental Funds	Total Governmental Funds
<b>ASSETS</b>				
Equity in Pooled Cash and Cash Equivalents	\$ 5,632,562	\$ 973,976	\$ 1,334,173	\$ 7,940,711
Investments	4,018,201	-	-	4,018,201
Materials and Supplies Inventory	-	-	22,642	22,642
Accrued Interest Receivable	3,768	-	182	3,950
Accounts Receivable	42,532	-	-	42,532
Interfund Receivable	2,879	-	-	2,879
Intergovernmental Receivable	334,125	-	48,560	382,685
Restricted Assets:				
Equity in Pooled Cash and Cash Equivalents	64,526	-	-	64,526
Taxes Receivable	17,326,207	1,863,997	625,618	19,815,822
<b>Total Assets</b>	<b>\$ 27,424,800</b>	<b>\$ 2,837,973</b>	<b>\$ 2,031,175</b>	<b>\$ 32,293,948</b>
<b>LIABILITIES</b>				
Accounts Payable	\$ 187,168	\$ -	\$ 89,085	\$ 276,253
Accrued Wages and Benefits	3,276,157	-	217,136	3,493,293
Intergovernmental Payable	703,401	-	65,750	769,151
Matured Compensated Absences Payable	287,498	-	-	287,498
Interfund Payable	-	-	2,879	2,879
<b>Total Liabilities</b>	<b>4,454,224</b>	<b>-</b>	<b>374,850</b>	<b>4,829,074</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Property Taxes	15,032,424	1,614,090	545,795	17,192,309
Payments in Lieu of Taxes	70,406	-	-	70,406
Unavailable Revenue-Delinquent Property Taxes	174,768	18,995	6,329	200,092
Unavailable Revenue - Grants	-	-	48,560	48,560
Unavailable Revenue-Other	91,783	-	-	91,783
<b>Total Deferred Inflows of Resources</b>	<b>15,369,381</b>	<b>1,633,085</b>	<b>600,684</b>	<b>17,603,150</b>
<b>FUND BALANCES</b>				
Nonspendable	-	-	22,642	22,642
Restricted	64,526	1,204,888	1,089,142	2,358,556
Committed	236,800	-	-	236,800
Assigned	623,992	-	-	623,992
Unassigned (Deficits)	6,675,877	-	(56,143)	6,619,734
<b>Total Fund Balances</b>	<b>7,601,195</b>	<b>1,204,888</b>	<b>1,055,641</b>	<b>9,861,724</b>
<b>Total Liabilities, Deferred Inflows of Resources and Fund Balances</b>	<b>\$ 27,424,800</b>	<b>\$ 2,837,973</b>	<b>\$ 2,031,175</b>	<b>\$ 32,293,948</b>

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, 2014**

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**Total Governmental Fund Balances** \$ 9,861,724

*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 25,345,346

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

Delinquent property taxes	\$	200,092	
Intergovernmental		140,343	
Total			340,435

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. (831,334)

Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds:

Refunding bonds		(15,165,000)	
Energy Conservation Note		(300,000)	
Accrued Interest payable		(51,635)	
Deferral on Refunding		676,920	
Capital leases		(174,709)	
Judgment Payable		(859,201)	
Compensated absences		(4,530,651)	
Total			(20,404,276)

**Net Position of Governmental Activities** \$ 14,311,895

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, 2014**

	General	Bond Retirement	Other Governmental Funds	Total Governmental Funds
<b>REVENUES</b>				
Property Taxes	\$ 17,669,729	\$ 1,831,144	\$ 602,884	\$ 20,103,757
Intergovernmental	17,899,102	268,561	2,038,649	20,206,312
Interest	40,543	-	1,157	41,700
Tuition	1,476,234	-	87,780	1,564,014
Extracurricular Activities	402,377	-	112,285	514,662
Rentals	18,050	-	-	18,050
Gifts and Donations	56,932	-	18,260	75,192
Payments in Lieu of Taxes	76,165	-	-	76,165
Customer Sales and Services	4,434	-	941,875	946,309
Miscellaneous	246,622	-	172,664	419,286
<b>Total Revenues</b>	<u>37,890,188</u>	<u>2,099,705</u>	<u>3,975,554</u>	<u>43,965,447</u>
<b>EXPENDITURES</b>				
Current:				
Instruction:				
Regular	18,344,298	-	139,764	18,484,062
Special	4,206,923	-	905,374	5,112,297
Vocational	382,801	-	-	382,801
Supporting Services:				
Pupils	1,777,483	-	-	1,777,483
Instructional Staff	1,298,483	-	413,330	1,711,813
Board of Education	23,529	-	-	23,529
Administration	2,981,377	-	67,944	3,049,321
Fiscal Services	731,298	29,223	11,971	772,492
Operation and Maintenance of Plant Services	3,032,438	-	238,777	3,271,215
Pupil Transportation	1,405,829	-	7,769	1,413,598
Central	41,200	-	-	41,200
Operation of Non-Instructional Services:				
Food Service Operations	-	-	1,342,323	1,342,323
Community Services	-	-	212,832	212,832
Extracurricular Activities	644,030	-	326,769	970,799
Capital Outlay	-	-	831,422	831,422
Debt Service:				
Principal Retirement	100,000	386,932	25,291	512,223
Interest and Fiscal Charges	18,150	1,733,662	7,586	1,759,398
<b>Total Expenditures</b>	<u>34,987,839</u>	<u>2,149,817</u>	<u>4,531,152</u>	<u>41,668,808</u>
Excess of Revenues Over (Under) Expenditures	<u>2,902,349</u>	<u>(50,112)</u>	<u>(555,598)</u>	<u>2,296,639</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Inception of Capital Lease	-	-	200,000	200,000
Transfers In	-	-	30,000	30,000
Transfers Out	(30,000)	-	-	(30,000)
<b>Total Other Financing Sources (Uses)</b>	<u>(30,000)</u>	<u>-</u>	<u>230,000</u>	<u>200,000</u>
Net Change in Fund Balances	2,872,349	(50,112)	(325,598)	2,496,639
Fund Balances - Beginning of Year	4,728,846	1,255,000	1,381,239	7,365,085
<b>Fund Balances - End of Year</b>	<u>\$ 7,601,195</u>	<u>\$ 1,204,888</u>	<u>\$ 1,055,641</u>	<u>\$ 9,861,724</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, 2014**

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**Net Change in Fund Balances-Total Governmental Funds** \$ 2,496,639

*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 depreciation exceeded capital outlays in the current period.

Capital Outlay	\$ 851,797	
Depreciation	<u>(863,829)</u>	
Total		(12,032)

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

Delinquent property taxes	(138,561)	
Intergovernmental	<u>(73,585)</u>	
Total		(212,146)

Other financing sources in the Governmental funds increase long-term liabilities in the Statement of Net Position. These sources were attributed to the inception of a capital lease. (200,000)

Repayment of bond principal and the accretion on bonds are expenditures in the Governmental funds, but the repayments reduce long-term liabilities in the Statement of Net Position. 1,610,291

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	114,631	
Bond Accretion	(131,497)	
Accrued interest	2,844	
Amortization of bond premiums	63,949	
Judgment Payable	(859,201)	
Deferred Amount on Refunding	<u>(52,070)</u>	
Total		<u>(861,344)</u>

**Change in Net Position of Governmental Activities** \$ 2,821,408

**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, 2014**

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget
				Positive (Negative)
<b>Revenues</b>				
Property Taxes	\$ 16,925,922	\$ 17,664,059	\$ 17,393,062	\$ (270,997)
Intergovernmental	17,219,982	17,970,943	17,695,238	(275,705)
Earnings on Investment	26,499	27,654	27,230	(424)
Tuition and Fees	1,291,886	1,348,225	1,327,541	(20,684)
Extracurricular Activities	309,771	323,280	318,320	(4,960)
Rentals	17,565	18,331	18,050	(281)
Customer Sales and Services	4,315	4,503	4,434	(69)
Gifts and Donations	27,637	28,842	28,400	(442)
Payments in Lieu of Taxes	74,119	77,352	76,165	(1,187)
Miscellaneous	194,509	202,992	199,877	(3,115)
<b>Total Revenues</b>	<u>36,092,205</u>	<u>37,666,181</u>	<u>37,088,317</u>	<u>(577,864)</u>
<b>Expenditures</b>				
Current:				
Instruction				
Regular	19,301,262	19,301,262	18,389,028	912,234
Special	4,539,106	4,539,106	4,379,496	159,610
Vocational	408,282	408,282	384,631	23,651
Supporting Services				
Pupils	1,880,596	1,880,596	1,781,183	99,413
Instructional Staff	1,438,871	1,438,871	1,356,580	82,291
Board of Education	23,631	23,631	23,413	218
Administration	3,254,322	3,254,322	3,132,316	122,006
Fiscal Services	785,302	785,302	776,068	9,234
Operation and Maintenance of Plant Services	3,328,364	3,328,364	3,214,797	113,567
Pupil Transportation	1,536,772	1,536,772	1,457,102	79,670
Central	38,392	38,392	36,023	2,369
Extracurricular Activities	666,683	666,683	665,513	1,170
Debt Service:				
Principal	106,575	106,575	100,000	6,575
Interest & Fiscal Charges	19,343	19,343	18,150	1,193
<b>Total Expenditures</b>	<u>37,327,501</u>	<u>37,327,501</u>	<u>35,714,300</u>	<u>1,613,201</u>
Excess of Revenues Over (Under) Expenditures	<u>(1,235,296)</u>	<u>338,680</u>	<u>1,374,017</u>	<u>1,035,337</u>
<b>Other Financing Sources (Uses)</b>				
Refund of Prior Year Expenditures	164,354	164,354	164,354	-
Advances In	110,551	110,551	110,551	-
Advances Out	(18,750)	(18,750)	(18,750)	-
Transfers Out	(266,800)	(266,800)	(266,800)	-
<b>Total Other Financings Sources (Uses)</b>	<u>(10,645)</u>	<u>(10,645)</u>	<u>(10,645)</u>	<u>-</u>
Net Change in Fund Balance	(1,245,941)	328,035	1,363,372	1,035,337
Fund Balance - Beginning of Year	6,399,909	6,399,909	6,399,909	-
Prior Year Encumbrances Appropriated	933,160	933,160	933,160	-
Fund Balance - End of Year	<u>\$ 6,087,128</u>	<u>\$ 7,661,104</u>	<u>\$ 8,696,441</u>	<u>\$ 1,035,337</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, 2014**

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	Private Purpose Trust	Agency Funds
<b>Assets</b>		
Equity in Pooled Cash, Cash Equivalents, and Investments	\$ 135,406	\$ 115,609
<b>Liabilities</b>		
Due to Students	-	\$ 115,609
<b>Net Position</b>		
Held in Trust for Scholarships	135,406	
Total Net Position	\$ 135,406	

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, 2014**

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	Private Purpose Trust
<b>Additions</b>	
Gifts and Donations	\$ 403,014
<b>Deductions</b>	
Disbursements in Accordance with Trust	368,678
 <i>Change in Net Position</i>	 34,336
 <i>Net Position Beginning of Year</i>	 101,070
 <i>Net Position End of Year</i>	 \$ 135,406

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, 2014**

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**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 184 non-certified employees and 266 certified full time teaching personnel and administrators, who provide services to 3,937 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 three elementary schools (preK-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, 2014  
(CONTINUED)**

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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 the North Coast Council Ohio, 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 the 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, 2014  
(CONTINUED)**

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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.

**Bond Retirement Fund**

The Bond Retirement Fund is a debt service fund used to account for the accumulation of financial resources restricted, committed, or assigned for the payment of general long-term debt. The major source of revenue for this fund is tax levy proceeds.

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, 2014  
(CONTINUED)**

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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, 2014  
(CONTINUED)**

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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 District, deferred outflows of resources include a deferral on refunding 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.

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 District, deferred inflows of resources include property taxes, payments in lieu of taxes 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, 2014, but which were levied to finance fiscal year 2015 operations. These amounts have been recorded as deferred inflows on both the government-wide statement of net position and the governmental fund financial statements.

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LORAIN COUNTY, OHIO  
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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 District, unavailable revenue includes delinquent property taxes, grants and other revenues. These amounts are deferred and recognized as inflows of resources in the period the amounts become available.

*Expenses/Expenditures* On the accrual basis of accounting, expenses are recognized at the time they are incurred. 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.

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.

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

**F. Cash and Cash Equivalents**

During fiscal year 2014, investments were limited to STAR Ohio, the State Treasurer's Investment Pool, money markets, commercial paper, U.S. Treasury Notes, and federal agency securities. Except for investment contracts and money market investments that had a remaining maturity of one year or less at the time of purchase, investments are reported at fair market value which is based on quoted market prices. Investment contracts, and money market investments that had a remaining maturity of one year or less at the time of purchase are reported at cost or amortized cost.

The School District has invested funds in the State Treasury Asset Reserve of Ohio ("STAR Ohio") during fiscal year 2014. 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, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price which is the price the investment could be sold for on June 30, 2014.

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 2014 amounted to \$40,543, which \$6,868 was assigned from other funds of the School District.

For the fiscal year ended June 30, 2014, the School District reported \$64,526 in "Restricted Equity in pooled cash and cash equivalents" on the balance sheet. This amount represents a set aside (capital improvements).

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

**G. Restricted Assets**

Assets are reported as restricted when limitations on their use change the nature or normal understanding of the availability of the asset. Such restraints are either imposed by creditors, contributors, grantors, laws of other governments, or imposed by law through constitutional provisions or enabling legislation. Restricted assets include amounts required to be set aside by the School District for capital improvements.

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

H. **Capital Assets** (Continued)

The School District’s only capital assets are general capital assets. General capital assets are those assets specifically related to governmental activities. 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 fair market values as of the date received. The School District maintains a capitalization threshold of five thousand dollars. The School District does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend 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 Improvemer	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**

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

Sick leave benefits are accrued as a liability using the termination 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.

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

**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 and special termination benefits that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are normally expected to be paid with expendable available financial resources. Bonds are recognized as a liability on the governmental fund financial statements when due.

**L. 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 \$2,146,626 of the restricted component of net position, none of which is restricted by enabling legislation. The District applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted components of net position are available.

**M. 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.

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

M. **Fund Balance** (Continued)

*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.

*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 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.

N. **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.

O. **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.

**AMHERST EXEMPTED VILLAGE SCHOOL DISTRICT  
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**NOTE 3: CHANGES IN ACCOUNTING PRINCIPLES AND PRIOR PERIOD ADJUSTMENTS**

**A. Changes in Accounting Principles**

GASB Statement Number 66, *Technical Corrections-2012-an amendment of GASB Statement No. 10 and No. 62*. The objective of this Statement is to improve accounting and financial reporting for a governmental financial reporting entity by resolving conflicting guidance that resulted from the issuance of two pronouncements, Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, and No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 GASB and AICPA Pronouncements*. The requirements of this Statement are effective for financial statements for periods beginning after December 15, 2012 and have been implemented by the District.

GASB Statement Number 67, *Financial Reporting for Pension Plans-an amendment of GASB Statement No. 25*. The objective of this Statement is to improve financial reporting by state and local governmental pension plans. The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2013 and have been implemented by the District.

GASB Statement Number 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*. The objective of this Statement is to improve the recognition, measurement, and disclosure guidance for state and local governments that have extended or received financial guarantees that are nonexchange transactions. The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2013 and have been implemented by the District.

**B. Prior Period's Adjustments**

In prior periods, the School District recorded a liability for accretion of interest on capital appreciation bonds. The capital appreciation bonds had matured in the prior period and the related liability for accretion of interest was not removed. The following prior period adjustment is necessary to reflect this adjustment:

	Governmental Activities
Net Position as of June 30, 2013	\$ 10,433,508
Restatement:	
Accretion on Bonds	1,056,979
Net Position as of June 30, 2013, as Restated	\$ 11,490,487

**AMHERST EXEMPTED VILLAGE SCHOOL DISTRICT  
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**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>Bond Retirement</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<i>Nonspendable</i>				
Inventories	\$ -	\$ -	\$ 22,642	\$ 22,642
<i>Restricted for</i>				
Food Service Operations	-	-	282,629	282,629
Federal Programs	-	-	84,260	84,260
Athletics	-	-	97,650	97,650
Capital Projects	-	-	529,221	529,221
Capital Improvements	64,526	-	-	64,526
Debt Service	-	1,204,888	-	1,204,888
Auxiliary Services	-	-	35,634	35,634
Other Purposes	-	-	59,748	59,748
<i>Total Restricted</i>	<u>64,526</u>	<u>1,204,888</u>	<u>1,089,142</u>	<u>2,358,556</u>
<i>Committed to</i>				
Underground Storage Tanks	22,000	-	-	22,000
Judgment	214,800	-	-	214,800
<i>Total Committed</i>	<u>236,800</u>	<u>-</u>	<u>-</u>	<u>236,800</u>
<i>Assigned to</i>				
Student Instruction	335,270	-	-	335,270
Student Staff and Support	288,722	-	-	288,722
<i>Total Assigned</i>	<u>623,992</u>	<u>-</u>	<u>-</u>	<u>623,992</u>
<i>Unassigned (Deficit)</i>	6,675,877	-	(56,143)	6,619,734
<b>Total Fund Balances</b>	<u><u>\$ 7,601,195</u></u>	<u><u>\$ 1,204,888</u></u>	<u><u>\$ 1,055,641</u></u>	<u><u>\$ 9,861,724</u></u>

**AMHERST EXEMPTED VILLAGE SCHOOL DISTRICT  
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**NOTE 5: ACCOUNTABILITY**

There are fund deficits in the Special Enterprise, Part B-IDEA, IDEA and Improving Teacher Quality, Non-major Special Revenue Funds of \$49,263, \$1,257, and \$5,623 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	\$ 2,872,349
Advances In	102,301
Net Adjustment for Revenue Accruals	(339,580)
Net Adjustments for Expenditure Accruals	(335,370)
Funds with Separate Legally Adopted Budgets	(246,659)
Adjustment for Encumbrances	(689,669)
Budget Basis	\$ 1,363,372

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**LORAIN COUNTY, OHIO**  
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**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);

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

7. Certain bankers' acceptances for a period not to exceed one hundred eighty days and commercial paper notes for a period not to exceed one hundred eighty days in an amount not to exceed twenty-five percent of the interim moneys available for investment at any one time;
8. Linked deposits as authorized by ordinance adopted pursuant to section 135.80 of the Revised Code;
9. Commercial paper notes issued by any entity that is defined in division (D) of section 1705.01 of the Revised Code and has assets exceeding five hundred million dollars, and to which notes are rated at the time of purchase in the highest classification established by at least two standard rating services; the aggregate value of the notes does not exceed ten percent of the aggregate value of the outstanding commercial paper of the issuing corporation; the notes mature no later than one hundred eighty days after purchase; and
10. Bankers' acceptances of banks that are members of the federal deposit insurance corporation to which obligations both the following apply: obligations are eligible for purchase by the federal reserve system and the obligations mature no later than one hundred eighty days after purchase.

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

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(CONTINUED)**

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

**Deposits**

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

As of June 30, 2014, \$1,445,522 of the School District's bank balance of \$7,092,692 was covered by FDIC while the remaining balance of \$5,647,170 was exposed to custodial credit risk because it was uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the School District's name.

**Investments**

As of June 30, 2014, the School District had the following investments and maturities:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Investment Maturities (in Years)</u>		
		<u>Less Than 1</u>	<u>1-2</u>	<u>2-4</u>
STAR Ohio	\$ 1,300,768	\$ 1,300,768	\$ -	\$ -
Money Market	6,619	6,619	-	-
U.S. Government Agency Notes	3,333,157	330,536	1,279,942	1,722,679
U.S. Treasury Notes	225,193	-	225,193	-
Commercial Paper	459,851	459,851	-	-
<b>Total Investments</b>	<b>\$ 5,325,588</b>	<b>\$ 2,097,774</b>	<b>\$ 1,505,135</b>	<b>1,722,679</b>

***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 and Treasury Notes were rated AA+ by Standard & Poor's and Aaa by Moody's. Investments in Commercial Paper were rated A-1+ by Standard & Poor's and Aaa by Moody's. Investments in money markets were rated AAA by Standard & Poor's and Aaa by Moody's. Investments in STAROhio were rated AAAM by Standard & Poor's.

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

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

**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 STAROhio, 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, 2014:

Investment Type	Fair Value	Percent of Total
STAR Ohio	\$ 1,300,768	24.43%
Money Market	6,619	0.12%
U.S. Government Agency Notes	3,333,157	62.59%
U.S. Treasury Notes	225,193	4.23%
Commercial Paper	459,851	8.63%
Total Investments	\$ 5,325,588	100.00%

**Custodial Credit Risk** Custodial credit risk is the risk that in the event of the failure of the counterparty, the School District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The School District's investment policy does not address custodial credit risk beyond the requirements of the Ohio Revised Code. All of the School District's securities are held in the name of the School District.

**NOTE 8: PROPERTY TAXES**

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

Property taxes include amounts levied against all real and public utility property located in the School District. Real property tax revenue received in calendar year 2014 represents collections of calendar year 2013 taxes. Real property taxes received in calendar year 2014 were levied after April 1, 2013, on the assessed value listed as of January 1, 2013, 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.

Public utility property tax revenue received in calendar year 2014 represents collections of calendar year 2013 taxes. Public utility property taxes received in calendar year 2014 became a lien on December 31, 2012, were levied after April 1, 2013, and are collected in 2014 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.

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(CONTINUED)**

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

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, 2014, are available to finance fiscal year 2014 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, 2014 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, 2014, was \$2,048,609, \$230,912 and \$73,494 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 2014 taxes were collected are:

	<u>2013 Second Half Collections</u>		<u>2014 First Half Collections</u>	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/Residential and Other Real Estate	\$ 520,352,630	97.58%	\$ 521,541,390	97.42%
Public Utility	12,887,700	2.42%	13,820,700	2.58%
Total Assessed Value	<u>\$ 533,240,330</u>	<u>100.00%</u>	<u>\$ 535,362,090</u>	<u>100.00%</u>
 Tax Rate (per \$1,000 of Assessed Valuation)	 <u>\$ 74.65</u>		 <u>\$ 74.57</u>	

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**NOTE 9: RECEIVABLES**

Receivables at June 30, 2014 consisted of property taxes, interest, accounts, intergovernmental, and interfund 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. A summary of the principal items of intergovernmental receivables follows:

<i>Revenue Description</i>	<i>Amount</i>
State Employee Retirement System	\$ 91,783
Catastrophic Cost	242,342
Special Education, Part B-IDEA	43,862
Title II-A	3,574
Early Childhood Special Education, IDEA	1,124
Total Intergovernmental Receivables	\$ 382,685

**NOTE 10: INTERFUND TRANSACTIONS**

Interfund balances at June 30, 2014 consist of the following:

<i>Fund</i>	<i>Receivable</i>	<i>Payable</i>
General	\$ 2,879	\$ -
Other Governmental Funds:		
Race to the Top	-	2,879
Total All Funds	\$ 2,879	\$ 2,879

The primary purpose of the interfund balances is to cover costs in specific funds where revenues were not received by June 30. These interfund balances will be repaid once the anticipated revenues are received.

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**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 2014, the School District participated in the Ohio School Boards Association Workers' Compensation Group Rating 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. 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 Compmangement provides administrative, cost control, and actuarial services to the GRP.

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NOTE 12: **CAPITAL ASSETS**

A summary of the changes in Governmental capital assets during fiscal year 2014 follows:

	<u>Balance 6/30/2013</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 6/30/2014</u>
<b><u>Governmental Activities</u></b>				
Capital Assets, not being depreciated:				
Land	\$ 1,421,676	\$ -	\$ -	\$ 1,421,676
Total Capital Assets, not being depreciated	<u>1,421,676</u>	<u>-</u>	<u>-</u>	<u>1,421,676</u>
Capital Assets, being depreciated:				
Land Improvements	2,214,555	207,930	-	2,422,485
Buildings and Improvements	35,169,790	279,450	-	35,449,240
Furniture and Equipment	1,100,848	364,417	(5,884)	1,459,381
Vehicles	1,841,794	-	-	1,841,794
Total Capital Assets, being depreciated	<u>40,326,987</u>	<u>851,797</u>	<u>(5,884)</u>	<u>41,172,900</u>
Less Accumulated Depreciation:				
Land Improvements	(1,634,523)	(59,331)	-	(1,693,854)
Buildings and Improvements	(12,563,595)	(657,581)	-	(13,221,176)
Furniture and Equipment	(769,987)	(72,354)	5,884	(836,457)
Vehicles	(1,423,180)	(74,563)	-	(1,497,743)
Total Accumulated Depreciation	<u>(16,391,285)</u>	<u>(863,829)</u>	<u>5,884</u>	<u>(17,249,230)</u>
Total Capital Assets being depreciated, Net	<u>23,935,702</u>	<u>(12,032)</u>	<u>-</u>	<u>23,923,670</u>
<b><u>Governmental Activities</u></b>				
<b>Capital Assets, Net</b>	<u>\$25,357,378</u>	<u>\$ (12,032)</u>	<u>\$ -</u>	<u>\$25,345,346</u>

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NOTES TO THE BASIC FINANCIAL STATEMENTS  
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NOTE 12: **CAPITAL ASSETS** (Continued)

Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$ 671,674
Supporting Services:	
Instructional Staff	1,763
Operation and Maintenance of Plant	66,752
Pupil Transportation	70,530
Operation of Non-Instructional Services	21,594
Extracurricular Activities	31,516
<b>Total Depreciation Expense</b>	<b><u><u>\$ 863,829</u></u></b>

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 25 days of vacation per year, depending upon length of service and hours worked. Accumulated unused vacation time 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 CIGNA.

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NOTE 14: **DEFINED BENEFIT PENSION PLAN**

**School Employees Retirement System**

The School District contributes to the School Employees Retirement System (SERS), a cost-sharing, multiple employer defined benefit pension plan. 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 Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report can be obtained on SERS' website, [www.ohsers.org](http://www.ohsers.org), under *Employers/Audit Resources*.

Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute 14 percent of annual covered payroll. The contribution requirement of plan members and employer are established and may be amended, up to statutory maximum amounts, by the SERS' Retirement Board. The Retirement Board acting with the advice of the actuary, allocates the employer contribution rate among four of the funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund) of the System. For fiscal year 2014, the allocation to pension and death benefits is 13.10 percent. The remaining .90 percent of the 14 percent employer contribution rate is allocated to the Health Care and Medicare B Fund.

The School District's contributions to SERS which were allocated for pension and death benefits for the fiscal years ended June 30, 2014, 2013 and 2012 were \$634,356, \$612,738, and \$634,764, respectively; 82 percent of the required contribution has been made for fiscal year 2014 and 100 percent of the required contribution has been made for fiscal years 2013 and 2012.

**State Teachers Retirement System**

The School District participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple-employer public employee retirement system.

STRS Ohio is a statewide retirement plan for licensed teachers and other faculty members employed in the public schools of Ohio or any school, community school, college, university, institution or other agency controlled, managed and supported, in whole or in part, by the state or any political subdivision thereof.

**Plan Options** - New members have a choice of three retirement plan options. In addition to the Defined Benefit (DB) Plan, new members are offered a Defined Contribution (DC) Plan and a Combined Plan. The DC Plan allows members to allocate all their member contributions and employer contributions equal to 10.5 percent of earned compensation among various investment choices. The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are allocated to investment choices by the member, and employer contributions are used to fund a defined benefit payment at a reduced level from the regular DB Plan. Contributions into the DC Plan and the Combined Plan are credited to member accounts as employers submit their payroll information to STRS Ohio, generally on a biweekly basis. DC and Combined Plan members may transfer to a different STRS Ohio retirement plan during their fifth year of membership. Eligible members who do not make a choice during the reselection period will permanently remain in their current plan.

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

**DB Plan Benefits** – Plan benefits are established under Chapter 3307 of the Revised Code. Any member may retire who has (i) five years of service credit and attained age 60; (ii) 25 years of service credit and attained age 55; or (iii) 30 years of service credit regardless of age. The annual retirement allowance, payable for life, is the greater of the “formula benefit” or the “money-purchase benefit” calculation. Under the “formula benefit,” the retirement allowance is based on years of credited service and final average salary, which is the average of the member’s three highest salary years. The annual allowance is calculated by using a base percentage of 2.2 percent multiplied by the total number of years of service credit (including Ohio-valued purchased credit) times the final average salary. The 31st year of earned Ohio service credit is calculated at 2.5 percent. An additional one-tenth of a percent is added to the calculation of every year of earned Ohio service over 31 years (2.6 percent for 32 years, 2.7 percent for 33 years and so on) until 100 percent of final average salary is reached. For members with 35 or more years of Ohio contributing service, the first 30 years will be calculated at 2.5 percent instead of 2.2 percent. Under the “money-purchase benefit” calculation, a member’s lifetime contributions plus interest at specified rates are matched by an equal amount from other STRS Ohio funds. This total is then divided by an actuarially determined annuity factor to determine the maximum annual retirement allowance.

**DC Plan Benefits** – Benefits are established under Sections 3307.80 to 3307.89 of the Revised Code. For members who select the DC Plan, all member contributions and employer contributions at a rate of 10.5 percent are placed in an investment account. The member determines how to allocate the member and employer money among various investment choices. 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. Employer contributions into members’ accounts are vested after the first anniversary of the first day of paid service. Members in the DC Plan who become disabled are entitled only to their account balance. If a member dies before retirement benefits begin, the member’s designated beneficiary is entitled to receive the member’s account balance.

**Combined Plan Benefits** – Member contributions are allocated by the member, and employer contributions are used to fund a defined benefit payment. A member’s defined benefit is determined by multiplying 1 percent of the member’s final average salary by the member’s years of service credit. The defined benefit portion of the Combined Plan payment is payable to a member on or after age 60. The defined contribution portion of the account may be taken as a lump sum or converted to a lifetime monthly annuity at age 50.

A retiree of STRS Ohio or another Ohio public retirement system is eligible for reemployment as a teacher following the elapse of two months from the date of retirement. Contributions are made by the reemployed member and employer during the reemployment. Upon termination of reemployment or age 65, whichever comes later, the retiree is eligible for an annuity benefit or equivalent lump-sum payment in addition to the original retirement allowance. A reemployed retiree may alternatively receive a refund of only member contributions with interest before age 65, once employment is terminated.

Benefits are increased annually by 3 percent of the original base amount for Defined Benefit Plan participants.

The Defined Benefit and Combined Plans offer access to health care coverage to eligible retirees who participated in the plans and their eligible dependents. Coverage under the current program includes hospitalization, physicians’ fees, prescription drugs and partial reimbursement of monthly Medicare Part B premiums. By Ohio law, health care benefits are not guaranteed.

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NOTES TO THE BASIC FINANCIAL STATEMENTS  
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(CONTINUED)**

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

**State Teachers Retirement System** (Continued)

A Defined Benefit or Combined Plan member with five or more years' credited service who becomes disabled may qualify for a disability benefit. Eligible spouses and dependents of these active members who die before retirement may qualify for survivor benefits. A death benefit of \$1,000 is payable to the beneficiary of each deceased retired member who participated in the Defined Benefit Plan. Death benefit coverage up to \$2,000 can be purchased by participants in the DB, DC or Combined Plans. Various other benefits are available to members' beneficiaries.

Chapter 3307 of the Revised Code provides statutory authority for member and employer contributions. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers.

For the fiscal year ended June 30, 2014, plan members were required to contribute 11 percent of their annual covered salaries and 10 percent for years ended June 30, 2013, and 2012. The School District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations.

The School District's contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2014, 2013, and 2012 were \$2,149,797, \$2,207,514, and \$2,316,074, respectively; 84 percent of the required contribution has been made for fiscal year 2014 and 100 percent of the required contribution has been made for fiscal years 2013 and 2012.

STRS Ohio issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to STRS Ohio, 275 E. Broad St., Columbus, Ohio 43215-3771 or by calling (888) 227-7877, or by visiting the STRS Ohio website at [www.strsoh.org](http://www.strsoh.org).)

**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, 2014, one member of the Board of Education had elected Social Security. The Board's liability is 6.2 percent of wages paid.

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NOTE 15: **POST-EMPLOYMENT BENEFITS**

**State Teachers Retirement System**

STRS Ohio administers a pension plan that is comprised of: a defined benefit plan; a self-directed defined contribution plan; and a combined plan which is a hybrid of the defined benefit and defined contribution plan.

Ohio law authorizes STRS Ohio to offer a cost-sharing, multiple-employer health care plan. STRS Ohio provides access to health care coverage to eligible retirees who participated in the defined benefit or combined plans. Coverage under the current program includes hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare Part B premiums. Pursuant to Section 3307 of the Ohio Revised Code, the Retirement Board has discretionary authority over how much, if any, of the associated health care costs will be absorbed by STRS Ohio. All benefit recipients, for the most recent year, pay a portion of the health care costs in the form of a monthly premium.

STRS Ohio issues a stand-alone financial report. Interested parties can view the most recent Comprehensive Financial Annual Report by visiting [www.strsoh.org](http://www.strsoh.org) or by requesting a copy by calling toll-free 1-888-227-7877.

Under Ohio law, funding for post-employment health care may be deducted from employer contributions. Of the 14 percent employer contribution rate, 1 percent of covered payroll was allocated to post-employment health care for the years ended June 30, 2014, 2013 and 2012. The 14 percent employer contribution rate is the maximum rate established under Ohio law. For the School District, these amounts equaled \$165,369, \$169,809, and \$178,160 for fiscal years 2014, 2013, and 2012, respectively; 84 percent of the required contribution has been made for fiscal year 2014 and 100 percent of the required contribution has been made for fiscal years 2013 and 2012.

**School Employees Retirement System**

In addition to a cost-sharing, multiple-employer defined benefit pension plan, the School Employees Retirement System (SERS) administers two post employment benefit plans.

**Medicare Part B Plan**

The Medicare B plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries as set forth in Ohio Revised Code 3309.69. Qualified benefit recipients who pay Medicare Part B premiums may apply for and receive a monthly reimbursement from SERS. The reimbursement amount is limited by statute to the lesser of the January 1, 1999 Medicare Part B premium or the current premium. The Medicare Part B premium for calendar year 2014 was \$104.90 for most participants, but could be as high as \$335.70 per month depending on their income. SERS' reimbursement to retirees was \$45.50.

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NOTE 15: POST-EMPLOYMENT BENEFITS (Continued)

School Employees Retirement System (Continued)

Medicare Part B Plan (Continued)

The Retirement Board, acting with the advice of the actuary, allocates a portion of the current employer contribution rate to the Medicare B Fund. For fiscal years 2014, 2013, and 2012, the actuarially required allocation was 0.76 percent, 0.74 percent, and 0.75 percent. For the School District, contributions for the years ended June 30, 2014, 2013, and 2012, were \$36,802, \$34,613, and \$37,486, respectively; 82 percent of the required contribution has been made for fiscal year 2014 and 100 percent of the required contribution has been made for fiscal years 2013 and 2012.

Health Care Plan

Ohio Revised Code 3309.375 and 3309.69 permit SERS to offer health care benefits to eligible retirees and beneficiaries. SERS' Retirement Board reserves the right to change or discontinue any health plan or program. SERS offers several types of health plans from various vendors, including HMO's, PPO's, Medicare Advantage, and traditional indemnity plans. A prescription drug program is also available to those who elect health coverage. SERS employs two third-party administrators and a pharmacy benefit manager to manage the self-insurance and prescription drug plans, respectively.

The Ohio Revised Code provides the statutory authority to fund SERS' post-employment benefits through employer contributions. Active members do not make contributions to the post-employment benefit plans.

The Health Care Fund was established under, and is administered in accordance with, Internal Revenue Code 105(e). Each year after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer 14 percent contribution to the Health Care Fund. For the year ended June 30, 2014, the health care allocation is 0.14 percent. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. 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 2014, the minimum compensation level was established at \$20,250. The surcharge, added to the unallocated portion of the 14 percent employer contribution rate is the total amount assigned to the Health Care Fund. At June 30, 2014, 2013, and 2012 the health care allocations were 0.14 percent, 0.16 percent, and 0.55 percent, respectively. For the School District, the amount contributed to fund health care benefits, including the surcharge, during the 2014, 2013 and 2012 fiscal years equaled \$89,984, \$89,055, and \$127,453, respectively; 82 percent of the required contribution has been made for fiscal year 2014 and 100 percent of the required contribution has been made for fiscal years 2013 and 2012.

The SERS Retirement Board establishes 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 upon the plan selected, qualified years of service, Medicare eligibility, and retirement status.

The financial reports of SERS' Health Care and Medicare B plans are included in its *Comprehensive Annual Financial Report*. The report can be obtained on SERS' website at [www.ohsers.org](http://www.ohsers.org) under *Employers/Audit Resources*.

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**NOTE 16: LONG-TERM OBLIGATIONS**

The changes in the School District's long-term obligations during fiscal year 2014 were as follows:

	Restated Balance as of 6/30/2013	Issuances	Retirements	Balance as of 6/30/2014	Amounts Due In One Year
Energy Conservation Note, Series 2002 5.0%	\$ 400,000	\$ -	\$ (100,000)	\$ 300,000	\$ 100,000
Refunding Bonds, Series 2006 4.0% - 4.375%					
Maturing December 1, 2027:					
Serial and Term Bonds	15,165,000	-	-	15,165,000	1,405,000
Premium	895,283	-	(63,949)	831,334	-
Capital Appreciation Bonds	386,932	-	(386,932)	-	-
Accretion on Bonds	966,571	131,497	(1,098,068)	-	-
Total Refunding Bonds, Series 2006	<u>17,413,786</u>	<u>131,497</u>	<u>(1,548,949)</u>	<u>15,996,334</u>	<u>1,405,000</u>
Judgment Payable	-	859,201	-	859,201	171,840
Capital Lease	-	200,000	(25,291)	174,709	26,313
Compensated Absences	4,645,282	1,379,227	(1,493,858)	4,530,651	1,529,436
Total Long-Term Obligations	<u>22,459,068</u>	<u>2,569,925</u>	<u>(3,168,098)</u>	<u>21,860,895</u>	<u>3,232,589</u>

Compensated absences will be paid from the fund from which employee's salaries are paid with the General Fund being the most significant fund.

During August 2001, the School District issued Energy Conservation notes in the amount of \$1,312,000. The notes were issued in accordance with House Bill 264 and were used to finance HVAC upgrades and other allowable energy conservation projects throughout the School District. These notes will also be paid with voted and unvoted general property taxes receipted into the General Fund and are scheduled to mature in December, 2017.

On August 30, 2006, the School District issued \$17,394,953 in general obligation bonds which include serial and capital appreciation bonds with interest rates varying from 4.0 percent - 4.375 percent for the serial bonds and 19.43 percent (4.0 percent-4.09 percent yield) for the capital appreciation bonds. The final amount of the 2006 capital appreciation bonds is \$3,025,000 and has fully matured in fiscal year 2014. The bond proceeds consisted of bond principal and \$1,342,925 of premium.

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

The net proceeds of \$18,488,480 (after payment of underwriting fees, insurance, and other issuance costs) was deposited in an irrevocable trust with an escrow agent to provide for future debt service payments of the portion of School Improvement Bonds refunded. As a result, the bonds are considered to be defeased and the liability is not reported by the School District. The premium on the new debt was significant and is amortized over the life of the new bonds using the bonds outstanding method of amortization. The School District advance refunded the School Improvement Bonds to reduce their total debt payments over the next twenty years and to obtain an economic gain (difference between the present values of the debt services payments on the old and new debt) of \$601,736.

See further discussion of Judgment payable at Note 19.

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 \$34,222,476 at June 30, 2014. The following is a summary of the School District's Future annual principal and interest requirements to retire the refunding bonds series 2006 and the energy conservation note.

Fiscal Year Ending June 30,	Refunding Bonds		Energy Conservation Notes	
	Principal	Interest	Principal	Interest
2015	\$ 1,405,000	\$ 606,544	\$ 100,000	\$ 13,075
2016	1,395,000	549,594	100,000	7,900
2017	1,380,000	489,184	100,000	2,650
2018	1,370,000	429,274	-	-
2019	1,350,000	374,875	-	-
2020-2024	5,340,000	1,161,866	-	-
2025-2027	2,925,000	188,634	-	-
	<u>\$ 15,165,000</u>	<u>\$3,799,971</u>	<u>\$ 300,000</u>	<u>\$ 23,625</u>

Fiscal Year Ending June 30,	Total		Total
	Principal	Interest	
2015	\$ 1,505,000	\$ 619,619	\$ 2,124,619
2016	1,495,000	557,494	2,052,494
2017	1,480,000	491,834	1,971,834
2018	1,370,000	429,274	1,799,274
2019	1,350,000	374,875	1,724,875
2020-2024	5,340,000	1,161,866	6,501,866
2025-2027	2,925,000	188,634	3,113,634
	<u>\$ 15,465,000</u>	<u>\$3,823,596</u>	<u>\$ 19,288,596</u>

**AMHERST EXEMPTED VILLAGE SCHOOL DISTRICT  
LORAIN COUNTY, OHIO  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014  
(CONTINUED)**

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**NOTE 17: JOINTLY GOVERNED ORGANIZATIONS**

**A. North Coast Council Ohio**

The North Coast Council Ohio (“NCCO”), is a jointly governed computer service organization among thirty-one school districts. NCCO was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member districts. Each of the governments of these districts supports NCCO based upon a per pupil charge, dependent upon the software package utilized. The NCCO assembly consists of a superintendent or designated representative from each participating member. NCCO has a Board of Directors chosen from the general membership of the NCCO assembly. The board of directors consists of a representative from the fiscal agent, chairmen of each operating committee, and at least one assembly member from each county from which participating districts are located. The School District paid \$227,903 in fees to NCOCC during fiscal year 2014. Financial information can be obtained by writing the Treasurer of the Educational Service Center of Lorain County (fiscal agent), 5700 West Canal, 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 2014, the School District did not pay any money to the Lorain County Joint Vocational School District. Financial Information can be obtained by contacting the Treasurer of the Lorain County Joint Vocational School District, 15181 State Route 58, Oberlin, Ohio 44074.

**C. Ohio Schools Council**

The Ohio Schools Council Association (Council) is a jointly governed organization among 199 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 2014, the School District paid \$159,028 to the Council. Financial information can be obtained by contacting David A. Cottrell, the Executive Director/Treasurer of the Ohio Schools at 6133 Rockside Road, Suite 10, Independence, Ohio, 44131.

**AMHERST EXEMPTED VILLAGE SCHOOL DISTRICT  
LORAIN COUNTY, OHIO  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014  
(CONTINUED)**

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

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. Compass Energy is serving as the supplier and program manager for the period from October 1, 2010 through March 31, 2016. There are currently 151 participants in the program. The participants make monthly payments based on estimated usage. Each September, these estimated payments are compared to their actual usage for the year (July to June). School Districts that paid more in estimated billings than their actual billings are issued credits on future billings in September until the credits are exhausted and School Districts that did not pay enough on estimated billings are invoiced for the difference on the September monthly estimated billing.

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

The Lake Erie Regional Council (LERC) is a jointly governed organization comprised of eleven school districts. The jointly governed organization was formed for the purpose of promoting cooperative agreements to its members in dealing with problems of mutual concern such as health insurance. The LERC assembly consists of a superintendent or designated representative from each participating school district and the fiscal agent. LERC is governed by a Board of Directors chosen from the general membership. The degree of control exercised by any participating school district is limited to its representation on the Board. In fiscal year 2014, the School District paid \$4,635,112 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.

**AMHERST EXEMPTED VILLAGE SCHOOL DISTRICT  
LORAIN COUNTY, OHIO  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014  
(CONTINUED)**

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**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.

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.

**NOTE 20: SET-ASIDE CALCULATIONS**

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

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

	Capital Improvements <u>Reserve</u>
Set-Aside Balance as of June 30, 2013	\$ 507,956
Current Year Set-Aside Requirements	670,979
Qualifying Disbursements	(1,114,409)
Total	<u>\$ 64,526</u>
Set-Aside Balance Carried Forward to Future Fiscal Years	<u>\$ 64,526</u>
Set-Aside Balance as of June 30, 2014	<u>\$ 64,526</u>

**AMHERST EXEMPTED VILLAGE SCHOOL DISTRICT  
LORAIN COUNTY, OHIO  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014  
(CONTINUED)**

**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, 2014, the School District's significant commitments for encumbrances in the governmental funds were as follows:

	Outstanding Encumbrances
General Fund	\$ 547,636
Nonmajor governmental funds	226,364
	\$ 774,000

**NOTE 22: CAPITALIZED LEASE – LESSEE DISCLOSURE**

On July 9, 2013, the District entered into a capitalized lease for the Stadium Lighting Project. This lease agreement meets the criteria of a capital lease as defined by FASB Statement No. 13, *Accounting for Leases*, which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee. 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, 2014, was \$3,617, leaving a current book value of \$196,383. A corresponding liability is recorded in the government-wide financial statements. Principal payments in fiscal year 2014 totaled \$25,291 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, 2014:

Fiscal Year Ending June 30,	Amount
2015	\$ 32,877
2016	32,877
2017	32,877
2018	32,877
2019	32,877
2020	32,877
Total	197,262
Less: Amount representing interest	(22,553)
Total	\$ 174,709

**AMHERST EXEMPTED VILLAGE SCHOOL DISTRICT  
LORAIN COUNTY, OHIO  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014  
(CONTINUED)**

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NOTE 23: **OPERATING LEASES**

The District leases various copiers, computers and electronic equipment and software throughout the District. Total cost for the leases were \$251,302 for the fiscal year ended June 30, 2014. The future minimum lease payments for these leases are as follows:

Fiscal Year Ending June 30,	Apple, Inc.	RS Business Machines, Inc.	Total
2015	\$ 74,998	\$ 176,304	\$ 251,302
2016	74,998	176,304	251,302
2017	-	176,304	176,304
2018	-	88,152	88,152
Total	\$ 149,996	\$ 617,064	\$ 767,060

**AMHERST EXEMPTED VILLAGE SCHOOL DISTRICT  
LORAIN COUNTY, OHIO  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2014**

Federal Grantor/ Pass-Through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass-Through Grantor Number	Receipts	Non-Cash Receipts	Expenditures	Non-Cash Expenditures
<b>U.S. Department of Agriculture</b>						
<b>Passed through Ohio Department of Education</b>						
<i>Child Nutrition Cluster:</i>						
National School Breakfast Program	10.553	050674-05PU-09	\$ 49,735	\$ 0	\$ 49,735	\$ 0
National School Lunch Program-See Note 2	10.555	050674-LLP4-09	<u>330,213</u>	<u>53,509</u>	<u>330,213</u>	<u>53,509</u>
<i>Total Child Nutrition Cluster</i>			<u>379,948</u>	<u>53,509</u>	<u>379,948</u>	<u>53,509</u>
Farm to School Grant	10.575		<u>4,769</u>	<u>0</u>	<u>120</u>	<u>0</u>
<b>Total U.S. Department of Agriculture</b>			<u>384,717</u>	<u>53,509</u>	<u>380,068</u>	<u>53,509</u>
<b>U.S. Department of Education</b>						
<b>Passed through Ohio Department of Education</b>						
<i>Title I Grant Cluster:</i>						
Title I - Financial Assistance to Meet Special Education Needs of Disadvantaged Children						
Title I, Part A, ESEA	84.010		<u>489,888</u>	<u>0</u>	<u>292,576</u>	<u>0</u>
<i>Special Education Cluster:</i>						
Special Education Grants to States - IDEA, Part B	84.027		808,785	0	718,736	0
Special Education Pre-School	84.173		<u>20,531</u>	<u>0</u>	<u>17,739</u>	<u>0</u>
<i>Total Special Education Cluster</i>			<u>829,316</u>	<u>0</u>	<u>736,475</u>	<u>0</u>
ARRA - Race to the Top	84.395		<u>62,028</u>	<u>0</u>	<u>60,962</u>	<u>0</u>
Improving Teacher Quality State Grants, Title II-A	84.367		<u>91,888</u>	<u>0</u>	<u>79,136</u>	<u>0</u>
<b>Total U.S. Department of Education</b>			<u>1,473,120</u>	<u>0</u>	<u>1,169,147</u>	<u>0</u>
<b>TOTAL EXPENDITURES OF FEDERAL AWARDS</b>			<u>\$ 1,857,837</u>	<u>\$ 53,509</u>	<u>\$ 1,549,217</u>	<u>\$ 53,509</u>

See accompanying notes to the Schedule of Expenditures of Federal Awards.

**AMHERST EXEMPTED VILLAGE SCHOOL DISTRICT  
LORAIN COUNTY, OHIO  
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2014**

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NOTE 1: **SIGNIFICANT ACCOUNTING POLICIES**

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

NOTE 2: **CHILD NUTRITION CLUSTER**

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

NOTE 3: **FOOD DONATION PROGRAM**

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

**JAMES G. ZUPKA, C.P.A., INC.**  
*Certified Public Accountants*  
5240 East 98<sup>th</sup> Street  
Garfield Hts., Ohio 44125

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(216) 475 - 6136

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**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING  
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF  
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH  
GOVERNMENT AUDITING STANDARDS**

Board of Education  
Amherst Exempted Village School District  
Amherst, Ohio

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, 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, Ohio (the District), as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated December 19, 2014, wherein we noted that the District restated its June 30, 2013 net position of governmental activities due the District removing the accretion of interest related to a capital appreciation bond that matured in the prior period from its books.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Amherst Exempted Village School District, Ohio's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the District's financial statements will not be prevented, or detected and corrected on a timely basis. *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 deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

## Compliance and Other Matters

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

## Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

James G. Zupka,  
CPA, President

Digitally signed by James G. Zupka, CPA,  
President  
DN: cn=James G. Zupka, CPA, President,  
o=James G. Zupka, CPA, Inc.,  
ou=Accounting,  
email=jgzcpa@sbglobal.net, c=US  
Date: 2014.12.22 12:46:51 -05'00'

James G. Zupka, CPA, Inc.  
Certified Public Accountants

December 19, 2014

**JAMES G. ZUPKA, C.P.A., INC.**

*Certified Public Accountants*

*5240 East 98<sup>th</sup> Street*

*Garfield Hts., Ohio 44125*

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(216) 475 - 6136

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**REPORT ON COMPLIANCE FOR  
EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE  
REQUIRED BY OMB CIRCULAR A-133**

Board of Education  
Amherst Exempted Village School District  
Amherst, Ohio

**Report on Compliance for Each Major Federal Program**

We have audited the Amherst Exempted Village School District, Lorain County, Ohio's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on the Amherst Exempted Village School District, Ohio's major federal program for the year ended June 30, 2014. The Amherst Exempted Village School District, Ohio's major federal program is identified in the Summary of Auditors' Results section of the accompanying Schedule of Findings and Questioned Costs.

**Management's Responsibility**

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

**Auditor's Responsibility**

Our responsibility is to express an opinion on compliance of the Amherst Exempted Village School District's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on 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 that our audit provides a reasonable basis for our opinion on compliance for its major federal program. However, our audit does not provide a legal determination of the District's compliance.

## Opinion on Each Major Federal Program

In our opinion, the Amherst Exempted Village School District, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2014.

## Report on Internal Control Over Compliance

Management of the Amherst Exempted Village School District, is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the District's internal control over compliance with the types of requirements that could have a direct and material effect on a major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion 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, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *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 type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program 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 was not designed to 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.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

James G. Zupka,  
CPA, President

James G. Zupka, CPA, Inc.  
Certified Public Accountants

Digitally signed by James G. Zupka, CPA, President  
DN: cn=James G. Zupka, CPA, President, o=James G.  
Zupka, CPA, Inc., ou=Accounting,  
email=jgzcpa@sbcglobal.net, c=US  
Date: 2014.12.22 12:47:17 -05'00'

December 19, 2014

**AMHERST EXEMPTED VILLAGE SCHOOL DISTRICT  
LORAIN COUNTY, OHIO  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
OMB CIRCULAR A-133 & §.505  
JUNE 30, 2014**

**1. SUMMARY OF AUDITOR'S RESULTS**

2014(i)	Type of Financial Statement Opinion	Unmodified
2014(ii)	Were there any material control weaknesses reported at the financial statement level (GAGAS)?	No
2014(ii)	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
2014(iii)	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
2014(iv)	Were there any material internal control weaknesses reported for major federal programs?	No
2014(iv)	Were there any significant deficiencies in internal control reported for major federal programs?	No
2014(v)	Type of Major Program's Compliance Opinion	Unmodified
2014(vi)	Are there any reportable findings under .510(a)?	No
2014(vii)	Major Programs (list):  Special Education Cluster: Title I - Financial Assistance to Meet Special Education Needs of Disadvantage Children - CFDA #84.010 Special Education Grants to States - IDEA, Part B - CFDA #84.027 Special Education Pre-School - CFDA #84.173	
2014(viii)	Dollar Threshold: Type A\B Program	Type A: \$300,000 or more Type B: All others less than \$300,000
2014(ix)	Low Risk Auditee?	No

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

None

**3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS**

None

**AMHERST EXEMPTED VILLAGE SCHOOL DISTRICT  
STATUS OF PRIOR YEAR FINDINGS AND RECOMMENDATIONS  
FOR THE YEAR ENDED JUNE 30, 2014**

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Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b>Explain.</b>
2013-001	Appropriation vs. Expenditures	No	Reissued as Management Comment

Management letter recommendations have been corrected, repeated, or procedures instituted to prevent occurrences in this audit period.



# Dave Yost • Auditor of State

**AMHERST EXEMPTED VILLAGE SCHOOL DISTRICT**

**LORAIN COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
JANUARY 08, 2015**