

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

AUDIT REPORT

**FOR THE FISCAL YEAR
ENDED JUNE 30, 2016**

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, 2015 through June 30, 2016. 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

January 31, 2017

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**AMHERST EXEMPTED VILLAGE SCHOOL DISTRICT
LORAIN COUNTY, OHIO
AUDIT REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

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

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INDEPENDENT AUDITOR'S REPORT

To the Members of 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, (the District) as of and for the year ended June 30, 2016, 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, Lorain County, Ohio, as of June 30, 2016, and the respective changes in financial position and the budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and Schedules of Net Pension Liabilities and Pension Contributions, 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 Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, and is not a required part of the 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. Such 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 November 17, 2016, 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, Inc.
Certified Public Accountants

November 17, 2016

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AMHERST EXEMPTED VILLAGE SCHOOL DISTRICT
LORAIN COUNTY, OHIO
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(UNAUDITED)

The Management's Discussion and Analysis of the Amherst Exempted Village School District's (the School District) financial performance provides an overall review of the School District's financial activities for the year ended June 30, 2016. 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 2016 are as follows:

- In total, net position increased by \$4,414,584.
- Revenues for governmental activities totaled \$44,178,497 during 2016. Of this total, 88 percent consisted of general revenues while program revenues accounted for the balance of 12 percent.
- Program expenses totaled \$39,763,913. Instructional expenses made up 61 percent of this total while support services accounted for 30 percent. Other expenses rounded out the remaining 9 percent.

USING THIS ANNUAL FINANCIAL REPORT

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

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

REPORTING THE DISTRICT AS A WHOLE

Statement of Net Position and the Statement of Activities

While this document contains all the funds used by the School District to provide programs and activities, the view of the School District as a whole considers all financial transaction and asks the question, "How did we do financially during 2016?" The *Statement of Net Position* and the *Statement of Activities* answers this question. These statements include all assets, liabilities and deferred inflows/outflows of resources using the accrual basis of accounting, similar to the accounting used by most private-sector companies. Accrual accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

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MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(UNAUDITED)

These two statements report the School District's net position and changes in that position. This change in net position is important because it tells the reader that, for the School District as a whole, the financial position of the School District has improved or diminished. The causes of this change may be the result of many factors, some financial, some not. Non-financial factors include the School District's performance, demographic and socioeconomic factors and willingness of the community to support the School District. On the other hand, financial factors may include the School District's financial position, liquidity and solvency, fiscal capacity and risk and exposure.

In the *Statement of Net Position* and the *Statement of Activities*, the School District is classified into governmental activities. All of the School District's programs and services are reported here including instruction, support services, operation and maintenance of plant, pupil transportation, 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 17.

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

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

**AMHERST EXEMPTED VILLAGE SCHOOL DISTRICT
LORAIN COUNTY, OHIO
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(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 2016 compared to 2015.

Table 1- Net Position

	Governmental Activities	
	2016	2015
ASSETS		
Current and other assets	\$ 39,002,372	\$ 34,764,564
Capital assets, net	24,819,845	24,818,125
Total Assets	63,822,217	59,582,689
DEFERRED OUTFLOWS OF RESOURCES		
Deferral on Refunding	111,228	624,850
Pension	5,223,824	3,363,968
Total Deferred Outflows of Resources	5,335,052	3,988,818
LIABILITIES		
Current and other liabilities	5,119,189	4,932,118
Long-term liabilities:		
Due within one year	4,055,313	3,381,935
Due in more than one year:		
Net Pension Liability	51,706,717	46,619,172
Other Amounts	16,160,556	16,791,070
Total Liabilities	77,041,775	71,724,295
DEFERRED INFLOWS OF RESOURCES		
Property Taxes	17,308,651	17,620,602
Payment in Lieu of Taxes	85,114	75,300
Pension	4,591,639	8,435,804
Total Deferred Inflows of Resources	21,985,404	26,131,706
NET POSITION		
Net Investment in Capital Assets	10,484,749	10,560,518
Restricted	3,127,192	2,197,079
Unrestricted	(43,481,851)	(47,042,091)
Total Net Position	\$ (29,869,910)	\$ (34,284,494)

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MANAGEMENT’S DISCUSSION AND ANALYSIS
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In 2015, the School District adopted GASB Statement 68, “Accounting and Financial Reporting for Pensions—an Amendment of GASB Statement 27,” which significantly revises accounting for pension costs and liabilities. For reasons discussed below, many end users of this financial statement will gain a clearer understanding of the School District’s actual financial condition by adding deferred inflows related to pension and the net pension liability to the reported net position and subtracting deferred outflows related to pension.

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

Under the new standards required by GASB 68, the net pension liability equals the School District’s proportionate share of each plan’s collective:

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

GASB notes that pension obligations, whether funded or unfunded, are part of the “employment exchange” – that is, the employee is trading his or her labor in exchange for wages, benefits, and the promise of a future pension. GASB noted that the unfunded portion of this pension promise is a present obligation of the government, part of a bargained-for benefit to the employee, and should accordingly be reported by the government as a liability since they received the benefit of the exchange. However, the School District is not responsible for certain key factors affecting the balance of this liability. In Ohio, the employee shares the obligation of funding pension benefits with the employer. Both employer and employee contribution rates are capped by State statute. A change in these caps requires action of both Houses of the General Assembly and approval of the Governor. Benefit provisions are also determined by State statute. The employee enters the employment exchange with the knowledge that the employer’s promise is limited not by contract but by law. The employer enters the exchange also knowing that there is a specific, legal limit to its contribution to the pension system. In Ohio, there is no legal means to enforce the unfunded liability of the pension system *as against the public employer*. State law operates to mitigate/lessen the moral obligation of the public employer to the employee, because all parties enter the employment exchange with notice as to the law. The pension system is responsible for the administration of the plan.

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

**AMHERST EXEMPTED VILLAGE SCHOOL DISTRICT
LORAIN COUNTY, OHIO
MANAGEMENT'S DISCUSSION AND ANALYSIS
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In accordance with GASB 68, the School District's statements prepared on an accrual basis of accounting include an annual pension expense for their proportionate share of each plan's *change* in net pension liability not accounted for as deferred inflows/outflows.

Total net position of the School District as a whole increased in the amount of \$4,414,584.

Total assets increased by \$4,239,528. The majority of the increase can be attributed to an increase in Equity in Pooled Cash and Cash Equivalents due to attrition and revenues exceeding expenses.

Total liabilities increased by \$5,317,480 due mainly to an increase in net pension liability. See Note 14 to the basic financial statements for more detailed information related to net pension liability.

Table 2 shows the changes in net position and compares revenue and expenses from fiscal year 2016 and fiscal year 2015. A comparative analysis of government-wide data is presented.

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**AMHERST EXEMPTED VILLAGE SCHOOL DISTRICT
LORAIN COUNTY, OHIO
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
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Table 2- Changes in Net Position

	Governmental Activities	
	2016	2015
REVENUES		
Program Revenues:		
Charges for services	\$ 2,995,070	\$ 2,961,498
Operating grants and contributions	2,495,116	2,262,540
Total Program Revenues	5,490,186	5,224,038
General Revenues:		
Property taxes	20,315,536	19,139,209
Payments in lieu of taxes	76,849	75,449
Grants and entitlements not restricted to specific programs	17,974,707	18,057,087
Gifts and Donations not restricted to specific programs	18,022	46,188
Investment income	180,401	59,073
Miscellaneous	122,796	78,046
Total General Revenues	38,688,311	37,455,052
Total Revenues	44,178,497	42,679,090
EXPENSES		
Program Expenses:		
Instruction:		
Regular	18,861,861	18,327,949
Special	5,068,554	4,840,777
Vocational	383,942	382,396
Supporting Services:		
Pupils	1,968,770	1,949,201
Instructional Staff	1,703,271	1,633,980
Board of Education	35,200	36,247
Administration	2,644,893	2,422,098
Fiscal Services	877,756	824,229
Operation and Maintenance of Plant	3,164,042	3,123,840
Pupil Transportation	1,420,850	1,505,534
Central	250,022	56,030
Operation of Non-Instructional Services	1,716,960	1,836,569
Extracurricular Activities	993,810	1,060,202
Interest and Fiscal Charges	673,982	607,584
Total Expenses	39,763,913	38,606,636
Change in Net Position	4,414,584	4,072,454
Net Position - Beginning of Year	(34,284,494)	(38,356,948)
Net Position - End of Year	\$ (29,869,910)	\$ (34,284,494)

AMHERST EXEMPTED VILLAGE SCHOOL DISTRICT
LORAIN COUNTY, OHIO
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(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 30 percent. The remaining amount of program expenses, 9 percent, is to facilitate other obligations of the School District such as interest and fiscal charges, the food service program and numerous extracurricular activities.

Total revenues increased \$1,499,407 in fiscal year 2016 mainly due to the increase in property tax revenue. Property tax revenue increased mainly due to an increase in property tax receipts and change in property tax receivable.

Total expenses increased \$1,157,277 in fiscal year 2016 mainly due to the increase in Instruction expenses. Instruction expenses increased mainly due to the purchasing of various instructional equipment and expenses.

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 2016 to fiscal year 2015. 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
	2016	2015	2016	2015
Instruction	\$ 24,314,357	\$ 23,551,122	\$ 21,676,755	\$ 21,090,598
Supporting Services:				
Pupils and Instructional Staff	3,672,041	3,583,181	3,379,264	3,349,307
Board of Education, Administration, and Fiscal Services	3,557,849	3,282,574	3,394,383	3,136,260
Operation and Maintenance of Plant	3,164,042	3,123,840	3,046,519	3,010,680
Pupil Transportation	1,420,850	1,505,534	1,368,385	1,457,599
Central	250,022	56,030	240,543	49,895
Operation of Non-Instructional Services	1,716,960	1,836,569	72,198	264,907
Extracurricular Activities	993,810	1,060,202	421,698	415,768
Interest and Fiscal Charges	673,982	607,584	673,982	607,584
Total Cost of Services	\$ 39,763,913	\$ 38,606,636	\$ 34,273,727	\$ 33,382,598

**AMHERST EXEMPTED VILLAGE SCHOOL DISTRICT
LORAIN COUNTY, OHIO
MANAGEMENT'S DISCUSSION AND ANALYSIS
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The dependence upon general revenues in the form of property taxes and grant and entitlements not restricted to specific programs is apparent. Program revenues only account for 14 percent of all governmental expenses. Program revenues include charges for services, grants and contributions that are program specific.

THE SCHOOL DISTRICT'S FUNDS

Information regarding the School District's major funds can be found on page 27 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 of \$44,219,067 and expenditures totaled \$41,381,586. The General Fund balance increased \$3,433,710.

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 \$36,929,792 and the final budget basis revenue including other financing sources was \$38,402,902.

Original appropriations including other financing uses was \$36,268,193 and the final appropriations including other financing uses was \$37,437,119.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of fiscal year 2016, the School District had \$24,819,845 invested in its capital assets. Table 4 shows the fiscal year 2016 balances compared to 2015.

Table 4- Capital Assets

	Governmental Activities	
	2016	2015
Land	\$ 1,421,676	\$ 1,421,676
Construction in Progress	-	160,300
Land Improvements	1,314,885	733,639
Buildings and Improvements	21,182,593	21,590,497
Furniture and Equipment	570,503	596,196
Vehicles	330,188	315,817
Total Capital Assets	\$ 24,819,845	\$ 24,818,125

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

Debt

At June 30, 2016, the School District had \$13,960,000 in bonds and notes outstanding of which \$1,771,000 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	
	2016	2015
Refunding Bonds	\$ 12,360,000	\$ 13,760,000
Energy Conservation Notes	100,000	200,000
Tax Anticipation Note	1,500,000	-
Total Outstanding Debt	\$ 13,960,000	\$ 13,960,000

At June 30, 2016, the School District's overall debt margin was \$36,451,756.

CURRENT ISSUES

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

The financial future of the School District is not without its challenges though. These challenges are internal and external in nature. The internal challenges will continue to exist as the School District must rely heavily on local property taxes to fund its operation. External challenges continue to evolve as the State of Ohio determines the outcome of the Ohio Supreme Court case dealing with the unconstitutionality of the State's educational funding system.

The School District has not anticipated any meaningful growth in State revenue due to the constraints set by the State for estimating state funding. The affect of passing the operating levy in prior years will continue to have a positive effect on the School District's financial condition.

As a result of the challenges mentioned above, it is imperative the School District's management continue to carefully and prudently plan in order to provide the resources required to meet student needs of the next several years.

CONTACTING THE SCHOOL DISTRICT'S FINANCIAL MANAGEMENT

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

Basic Financial Statements

AMHERST EXEMPTED VILLAGE SCHOOL DISTRICT
LORAIN COUNTY, OHIO
STATEMENT OF NET POSITION
JUNE 30, 2016

	Governmental Activities
ASSETS	
Equity in Pooled Cash and Cash Equivalents	\$ 18,590,094
Taxes Receivable	20,011,918
Accounts Receivable	112,945
Accrued Interest Receivable	28,884
Intergovernmental Receivable	237,609
Materials and Supplies Inventory	20,922
Nondepreciable Capital Assets	1,421,676
Depreciable Capital Assets, Net	23,398,169
Total Assets	63,822,217
DEFERRED OUTFLOWS OF RESOURCES	
Deferral on Refunding	111,228
Pension	5,223,824
Total Deferred Outflows of Resources	5,335,052
LIABILITIES	
Accounts Payable	959,092
Accrued Wages and Benefits	3,398,081
Intergovernmental Payable	632,370
Accrued Interest Payable	38,498
Matured Compensated Absences Payable	40,717
Retainage Payable	50,431
Long-term Liabilities:	
Due within one year	4,055,313
Due in more than one year:	
Net Pension Liability	51,706,717
Other Amounts	16,160,556
Total Liabilities	77,041,775
DEFERRED INFLOWS OF RESOURCES	
Property Taxes	17,308,651
Payments in Lieu of Taxes	85,114
Pension	4,591,639
Total Deferred Inflows of Resources	21,985,404
NET POSITION	
Net Investment in Capital Assets	10,484,749
Restricted:	
Capital Projects	1,481,237
Debt Service	1,321,879
State Funded Programs	18,162
Federally Funded Programs	500
Student Activities	75,378
Food Service	82,882
Other Purpose	147,154
Unrestricted	(43,481,851)
Total Net Position	\$ (29,869,910)

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, 2016**

	Expenses	Program Revenues		Net (Expense)
		Charges for Services	Operating Grants and Contributions	Revenue and Changes in Net Position
				Governmental Activities
Governmental activities:				
Instruction:				
Regular	\$ 18,861,861	\$ 838,026	\$ 161,671	\$ (17,862,164)
Special	5,068,554	151,656	1,439,678	(3,477,220)
Vocational	383,942	14,664	31,907	(337,371)
Supporting Services:				
Pupils	1,968,770	73,103	150,878	(1,744,789)
Instructional Staff	1,703,271	68,796	-	(1,634,475)
Board of Education	35,200	1,362	-	(33,838)
Administration	2,644,893	100,085	30,392	(2,514,416)
Fiscal Services	877,756	31,627	-	(846,129)
Operation and Maintenance of Plant	3,164,042	108,523	9,000	(3,046,519)
Pupil Transportation	1,420,850	52,465	-	(1,368,385)
Central	250,022	9,479	-	(240,543)
Operation of Non-Instructional Services	1,716,960	985,030	659,732	(72,198)
Extracurricular Activities	993,810	560,254	11,858	(421,698)
Interest and Fiscal Charges	673,982	-	-	(673,982)
Total Governmental activities	\$ 39,763,913	\$ 2,995,070	\$ 2,495,116	(34,273,727)

General Revenues:

Property Taxes levied for:

General Purposes	17,807,747
Debt Service	1,860,765
Capital Outlay	605,423
Other Purposes	41,601
Payments in Lieu of Taxes	76,849
Grants & Entitlements not restricted to specific programs	17,974,707
Gifts and Donations not restricted to specific programs	18,022
Investment Income	180,401
Miscellaneous	122,796
Total General Revenues	38,688,311
Change in Net Position	4,414,584
Net Position - Beginning of Year	(34,284,494)
Net Position - End of Year	\$ (29,869,910)

See accompanying notes to the basic financial statements.

AMHERST EXEMPTED VILLAGE SCHOOL DISTRICT
LORAIN COUNTY, OHIO
BALANCE SHEET –
GOVERNMENTAL FUNDS
JUNE 30, 2016

	General	Bond Retirement	Other Governmental Funds	Total Governmental Funds
ASSETS				
Equity in Pooled Cash and Cash Equivalents	\$ 14,834,007	\$ 1,105,258	\$ 2,650,829	\$ 18,590,094
Materials and Supplies Inventory	-	-	20,922	20,922
Accrued Interest Receivable	28,319	-	565	28,884
Accounts Receivable	106,238	-	6,707	112,945
Intergovernmental Receivable	100,927	-	136,682	237,609
Taxes Receivable	17,549,858	1,826,965	635,095	20,011,918
Total Assets	\$ 32,619,349	\$ 2,932,223	\$ 3,450,800	\$ 39,002,372
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES				
LIABILITIES				
Accounts Payable	\$ 288,936	\$ -	\$ 670,156	\$ 959,092
Accrued Wages and Benefits	3,177,562	-	220,519	3,398,081
Intergovernmental Payable	607,254	-	25,116	632,370
Matured Compensated Absences Payable	40,717	-	-	40,717
Retainage Payable	-	-	50,431	50,431
Total Liabilities	4,114,469	-	966,222	5,080,691
DEFERRED INFLOWS OF RESOURCES				
Property Taxes	15,183,423	1,571,846	553,382	17,308,651
Payments in Lieu of Taxes	85,114	-	-	85,114
Unavailable Revenue-Delinquent Property Taxes	124,205	13,062	4,510	141,777
Unavailable Revenue - Grants	-	-	136,682	136,682
Unavailable Revenue-Other	100,927	-	-	100,927
Total Deferred Inflows of Resources	15,493,669	1,584,908	694,574	17,773,151
FUND BALANCES				
Nonspendable	-	-	20,922	20,922
Restricted	-	1,347,315	1,908,293	3,255,608
Committed	22,000	-	-	22,000
Assigned	1,159,108	-	-	1,159,108
Unassigned (Deficits)	11,830,103	-	(139,211)	11,690,892
Total Fund Balances	13,011,211	1,347,315	1,790,004	16,148,530
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 32,619,349	\$ 2,932,223	\$ 3,450,800	\$ 39,002,372

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, 2016**

Total Governmental Fund Balances \$ 16,148,530

Amounts reported for Governmental Activities in the Statement of Net Position are different because:

Capital Assets used in Governmental Activities are not financial resources and, therefore, are not reported in the funds 24,819,845

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

Delinquent Property Taxes	\$	141,777	
Intergovernmental		237,609	
Total			379,386

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. (358,358)

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

Deferred Outflows - Pension		5,223,824	
Deferred Inflows - Pension		(4,591,639)	
Net Pension Liability		(51,706,717)	
Total			(51,074,532)

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		(12,360,000)	
Long Term Notes		(1,600,000)	
Accrued Interest Payable		(38,498)	
Deferral on Refunding		111,228	
Capital Leases		(127,966)	
Judgment Payable		(515,521)	
Compensated Absences		(5,254,024)	
Total			(19,784,781)

Net Position of Governmental Activities **\$ (29,869,910)**

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, 2016

	General	Bond Retirement	Other Governmental Funds	Total Governmental Funds
REVENUES				
Property Taxes	\$ 17,878,606	\$ 1,868,096	\$ 649,591	\$ 20,396,293
Intergovernmental	17,876,926	261,608	2,277,720	20,416,254
Interest	177,957	-	2,444	180,401
Tuition	1,426,364	-	104,972	1,531,336
Extracurricular Activities	406,950	-	153,304	560,254
Rentals	18,050	-	-	18,050
Gifts and Donations	18,022	-	11,858	29,880
Transportation Fees	-	-	1,524	1,524
Payments in Lieu of Taxes	76,849	-	-	76,849
Customer Sales and Services	5,372	-	880,058	885,430
Miscellaneous	97,842	-	24,954	122,796
Total Revenues	<u>37,982,938</u>	<u>2,129,704</u>	<u>4,106,425</u>	<u>44,219,067</u>
EXPENDITURES				
Current:				
Instruction:				
Regular	17,898,747	-	313,669	18,212,416
Special	3,876,599	-	1,233,407	5,110,006
Vocational	381,268	-	-	381,268
Supporting Services:				
Pupils	1,848,421	-	88,573	1,936,994
Instructional Staff	1,680,629	-	4,233	1,684,862
Board of Education	35,233	-	-	35,233
Administration	2,596,858	-	34,303	2,631,161
Fiscal Services	825,080	35,640	13,407	874,127
Operation and Maintenance of Plant Services	2,782,350	-	1,029,648	3,811,998
Pupil Transportation	1,332,591	-	93,686	1,426,277
Central	248,210	-	-	248,210
Operation of Non-Instructional Services:				
Food Service Operations	-	-	1,312,069	1,312,069
Community Services	-	-	299,890	299,890
Extracurricular Activities	758,117	-	249,643	1,007,760
Capital Outlay	-	-	10,793	10,793
Debt Service:				
Principal Retirement	271,840	1,395,000	27,106	1,693,946
Interest and Fiscal Charges	12,371	549,594	6,286	568,251
Bond Issuance Costs	-	110,200	26,125	136,325
Total Expenditures	<u>34,548,314</u>	<u>2,090,434</u>	<u>4,742,838</u>	<u>41,381,586</u>
Excess of Revenues Over (Under) Expenditures	<u>3,434,624</u>	<u>39,270</u>	<u>(636,413)</u>	<u>2,837,481</u>
OTHER FINANCING SOURCES (USES)				
Sale of Capital Assets	1,965	-	-	1,965
Refunding Debt Issued	-	10,980,000	-	10,980,000
Tax Anticipation Note Issued	-	-	1,500,000	1,500,000
Premium on Debt Issuance	-	328,412	-	328,412
Payment to Refunded Bond Escrow Account	-	(11,194,917)	-	(11,194,917)
Transfers In	-	-	64,107	64,107
Transfers Out	(2,879)	-	(61,228)	(64,107)
Total Other Financing Sources (Uses)	<u>(914)</u>	<u>113,495</u>	<u>1,502,879</u>	<u>1,615,460</u>
Net Change in Fund Balances	3,433,710	152,765	866,466	4,452,941
Fund Balances - Beginning of Year	9,577,501	1,194,550	923,538	11,695,589
Fund Balances - End of Year	<u>\$ 13,011,211</u>	<u>\$ 1,347,315</u>	<u>\$ 1,790,004</u>	<u>\$ 16,148,530</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, 2016**

Net Change in Fund Balances-Total Governmental Funds		\$ 4,452,941
<i>Amounts reported for Governmental Activities in the Statement of Activities are different because:</i>		
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlay exceeded depreciation in the current period.		
Capital Outlay	\$ 879,394	
Depreciation	<u>(877,674)</u>	
Total		1,720
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.		
Delinquent Property Taxes	(80,757)	
Intergovernmental	<u>(27,270)</u>	
Total		(108,027)
Other financing sources in the Governmental funds increase long-term liabilities in the Statement of Net Position. These sources were attributed to the issuance of a bond and note.		
		(12,480,000)
Repayment of principal on bonds, notes, capital leases and judgments are expenditures in the Governmental funds, but the repayments reduce long-term liabilities in the Statement of Net Position.		
		12,678,946
Bond premium that increases liabilities in the Statement of Net Assets are not reported in the governmental funds.		
		(328,412)
Contractually required contributions are reported as expenditures in governmental funds; however, the statement of net position reports these amounts as deferred outflows		
		2,905,344
Except for amounts reported as deferred inflows/outflows, changes in the net pension liability are reported as pension expense in the Statement of Activities.		
		(2,288,868)
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	(650,837)	
Accrued Interest	7,960	
Amortization of Bond Premiums	737,439	
Deferred Amount on Refunding	<u>(513,622)</u>	
Total		<u>(419,060)</u>
Change in Net Position of Governmental Activities		\$ 4,414,584

See accompanying notes to the basic financial statements.

AMHERST EXEMPTED VILLAGE SCHOOL DISTRICT
LORAIN COUNTY, OHIO
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL (BUDGETARY BASIS)
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget
				Positive (Negative)
Revenues				
Property Taxes	\$ 16,808,477	\$ 17,462,370	\$ 17,456,275	\$ (6,095)
Intergovernmental	17,261,413	17,932,926	18,008,049	75,123
Interest	102,993	107,000	101,158	(5,842)
Tuition	1,231,309	1,279,210	1,272,661	(6,549)
Extracurricular Activities	313,047	325,225	319,716	(5,509)
Rentals	17,374	18,050	18,050	-
Customer Sales and Services	5,171	5,372	5,372	-
Gifts and Donations	25,127	26,105	7,065	(19,040)
Payments in Lieu of Taxes	73,971	76,849	76,849	-
Miscellaneous	58,045	60,303	54,747	(5,556)
Total Revenues	<u>35,896,927</u>	<u>37,293,410</u>	<u>37,319,942</u>	<u>26,532</u>
Expenditures				
Current:				
Instruction				
Regular	17,980,651	18,144,976	17,935,818	209,158
Special	4,597,393	4,399,536	4,142,465	257,071
Vocational	395,458	395,510	382,399	13,111
Supporting Services				
Pupils	1,969,511	2,155,832	1,933,604	222,228
Instructional Staff	1,577,317	1,673,164	2,203,324	(530,160)
Board of Education	53,657	54,483	35,465	19,018
Administration	2,626,686	2,786,919	2,681,072	105,847
Fiscal Services	820,350	848,484	830,052	18,432
Operation and Maintenance of Plant Services	3,239,532	3,307,107	3,028,937	278,170
Pupil Transportation	1,475,653	1,493,885	1,397,516	96,369
Central	194,832	283,744	267,119	16,625
Extracurricular Activities	700,373	807,777	765,577	42,200
Debt Service:				
Principal	228,880	228,880	228,880	-
Interest & Fiscal Charges	7,900	12,371	12,371	-
Total Expenditures	<u>35,868,193</u>	<u>36,592,668</u>	<u>35,844,599</u>	<u>748,069</u>
Excess of Revenues Over Expenditures	<u>28,734</u>	<u>700,742</u>	<u>1,475,343</u>	<u>774,601</u>
Other Financing Sources (Uses)				
Sale of Capital Assets	2,415	2,415	1,965	(450)
Refund of Prior Year Expenditures	186,000	186,000	42,690	(143,310)
Advances In	-	76,627	76,627	-
Transfers In	844,450	844,450	844,451	1
Transfers Out	(400,000)	(844,451)	(844,451)	-
Total Other Financings Sources (Uses)	<u>632,865</u>	<u>265,041</u>	<u>121,282</u>	<u>(143,759)</u>
Net Change in Fund Balance	661,599	965,783	1,596,625	630,842
Fund Balance - Beginning of Year	10,839,748	10,839,748	10,839,748	-
Prior Year Encumbrances Appropriated	1,059,931	1,059,931	1,059,931	-
Fund Balance - End of Year	<u>\$ 12,561,278</u>	<u>\$ 12,865,462</u>	<u>\$ 13,496,304</u>	<u>\$ 630,842</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, 2016**

	<u>Private Purpose Trust</u>	<u>Agency Funds</u>
Assets		
Equity in Pooled Cash, Cash Equivalents, and Investments	<u>\$ 54,722</u>	<u>\$ 126,163</u>
Liabilities		
Due to Students	<u>-</u>	<u>\$ 126,163</u>
Net Position		
Held in Trust for Scholarships	<u>54,722</u>	
Total Net Position	<u>\$ 54,722</u>	

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, 2016**

	<u>Private Purpose Trust</u>
Additions	
Gifts and Donations	<u>\$ 347,957</u>
Deductions	
Disbursements in Accordance with Trust	<u>391,834</u>
 <i>Change in Net Position</i>	 (43,877)
 <i>Net Position Beginning of Year</i>	 <u>98,599</u>
 <i>Net Position End of Year</i>	 <u>\$ 54,722</u>

See accompanying notes to the basic financial statements.

Notes to the Basic Financial Statements

**AMHERST EXEMPTED VILLAGE SCHOOL DISTRICT
LORAIN COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

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 147 non-certified employees and 247 certified full time teaching personnel and administrators, who provide services to 3,867 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 two elementary schools (preK-4), one middle school (5-6), one junior high school (7-8) and one high school (9-12).

Reporting Entity

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

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

The Amherst Public Library provides the community with various educational and literary resources. This is a related organization and the School District’s participation is disclosed in Note 18 to the basic financial statements.

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

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

**AMHERST EXEMPTED VILLAGE SCHOOL DISTRICT
LORAIN COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(CONTINUED)**

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

Reporting Entity (Continued)

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

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

NOTE 2: **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial statements of the School District have been prepared in 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, 2016
(CONTINUED)

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

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

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

B. **Fund Accounting**

The School District uses funds to maintain its financial records during the fiscal year. Fund accounting is designed to demonstrate legal compliance and to aid management by segregating transactions related to certain School District functions or activities. A fund is defined as a fiscal and accounting entity with a self balancing set of accounts. The various funds of the School District are grouped into the categories governmental and fiduciary.

Governmental Funds Governmental funds are those through which most governmental functions typically are financed. Governmental funds focus on the sources, uses, and balances of current financial resource. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and deferred outflows of resources compared to liabilities and deferred inflows of resources are reported as fund balance. The following are the School District's major governmental funds:

General Fund

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

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, 2016
(CONTINUED)

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

B. Fund Accounting (Continued)

Fiduciary Funds Fiduciary fund reporting focuses on net position and changes in net position. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private purpose trust funds and agency funds. Trust funds are used to account for assets held by the School District under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the School District's own programs. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. In accordance with GASB Statement No. 34, fiduciary funds are not included in the government-wide statements. The School District's fiduciary funds consist of a private purpose trust fund and an agency fund which are used to maintain financial activity of the School District's college scholarship donations and student managed activities.

C. Measurement Focus

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

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

D. Basis of Accounting

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

AMHERST EXEMPTED VILLAGE SCHOOL DISTRICT
LORAIN COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(CONTINUED)

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

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

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

Non-exchange transactions, in which the School District receives value without directly giving equal value in return, include property taxes, grants, entitlements, and donations. On the accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied (See Note 8). Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the School District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the School District on a reimbursement basis. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

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

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

In addition to liabilities, the statements of financial position report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. For the School District, deferred inflows of resources include property taxes, payments in lieu of taxes, pension 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, 2016, but which were levied to finance fiscal year 2017 operations. These amounts have been recorded as deferred inflows on both the government-wide Statement of Net Position and the governmental fund financial statements.

AMHERST EXEMPTED VILLAGE SCHOOL DISTRICT
LORAIN COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(CONTINUED)

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

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

Deferred Outflows/Inflows of Resources (Continued)

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

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

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

E. **Budgetary Process**

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

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

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

**AMHERST EXEMPTED VILLAGE SCHOOL DISTRICT
LORAIN COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(CONTINUED)**

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

E. **Budgetary Process** (Continued)

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

F. **Cash and Cash Equivalents**

During fiscal year 2016, investments were limited to STAR Ohio, the State Treasurer's Investment Pool, money market, negotiable CD's, commercial paper, and federal agency securities. Except for investment contracts and money market investments that had a remaining maturity of one year or less at the time of purchase, investments are reported at fair market value which is based on quoted market prices. Investment contracts, and money market investments that had a remaining maturity of one year or less at the time of purchase are reported at cost or amortized cost.

The School District has invested funds in the State Treasury Asset Reserve of Ohio ("STAR Ohio") during fiscal year 2016. 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.

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 2016 amounted to \$177,957, which \$34,156 was assigned from other funds of the School District.

G. **Inventory**

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

H. **Capital Assets**

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

**AMHERST EXEMPTED VILLAGE SCHOOL DISTRICT
LORAIN COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(CONTINUED)**

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

H. **Capital Assets** (Continued)

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 Improvements	25 to 50 years
Furniture and Equipment	5 to 15 years
Vehicles	8 years

I. **Interfund Balances**

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

J. **Compensated Absences**

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

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

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

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

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources are reported as obligations of the funds. However, claims and judgments 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.

**AMHERST EXEMPTED VILLAGE SCHOOL DISTRICT
LORAIN COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(CONTINUED)**

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

L. Bond Premiums

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

M. Net Position

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

The government-wide Statement of Net Position reports \$3,127,192 of the restricted component of net position, none of which is restricted by enabling legislation. The School District applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted components of net position are available.

N. Fund Balance

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

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

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

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

AMHERST EXEMPTED VILLAGE SCHOOL DISTRICT
LORAIN COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(CONTINUED)

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

N. **Fund Balance** (Continued)

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

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

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

O. **Interfund Activity**

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

P. **Estimates**

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

Q. **Pensions**

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

AMHERST EXEMPTED VILLAGE SCHOOL DISTRICT
LORAIN COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(CONTINUED)

NOTE 3: CHANGES IN ACCOUNTING PRINCIPLES

For the fiscal year ended June 30, 2016, the School District has implemented Governmental Accounting Standards Board (GASB) Statement No. 72, *Fair Value Measurement and Application*, GASB Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*, GASB Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments* and GASB Statement No. 79, *Certain External Investment Pools and Pool Participants*.

GASB Statement No. 72, *Fair Value Measurement of Application*. The objective of this Statement is to address accounting and financial reporting issues related to fair value measurement. This Statement provides guidance for determining a fair value measurement for financial reporting purposes. This Statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements. The School District implemented these changes in the fiscal year 2016 financial statements; however, there was no effect on the beginning net position/fund balance.

GASB Statement No. 73 establishes requirements for defined benefit pensions that are not within the scope of GASB Statement No. 68 as well as for the assets accumulated for purposes of providing those pensions. In addition, it establishes requirements for defined contribution pensions that are not within the scope of Statement 68. It also clarifies the application of certain provisions of GASB Statements 67 and 68. The implementation of GASB Statement No. 73 did not have an effect on the financial statements of the School District.

GASB Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. The objective of this Statement is to identify—in the context of the current governmental financial reporting environment—the hierarchy of generally accepted accounting principles (GAAP). The “GAAP hierarchy” consists of the sources of accounting principles used to prepare financial statements of state and local governmental entities in conformity with GAAP and the framework for selecting those principles. The implementation of GASB Statement No. 76 did not have an effect on the financial statements of the School District.

GASB Statement No. 79, *Certain External Investment Pools and Pool Participants*. This Statement addresses accounting and financial reporting for certain external investment pools and pool participants. Specifically, it establishes criteria for an external investment pool to qualify for making the election to measure all of its investments at amortized cost for financial reporting purposes. The School District implemented these changes in the fiscal year 2016 financial statements; however, there was no effect on the beginning net position/fund balance.

AMHERST EXEMPTED VILLAGE SCHOOL DISTRICT
LORAIN COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(CONTINUED)

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	\$ -	\$ -	\$ 20,922	\$ 20,922
<i>Restricted for</i>				
Food Service Operations	-	-	189,580	189,580
Federal Programs	-	-	1,441	1,441
Athletics	-	-	75,378	75,378
Capital Projects	-	-	1,477,014	1,477,014
Debt Service	-	1,347,315	-	1,347,315
Auxiliary Services	-	-	18,162	18,162
Other Purposes	-	-	146,718	146,718
<i>Total Restricted</i>	<u>-</u>	<u>1,347,315</u>	<u>1,908,293</u>	<u>3,255,608</u>
<i>Committed to</i>				
Underground Storage Tanks	22,000	-	-	22,000
<i>Total Committed</i>	<u>22,000</u>	<u>-</u>	<u>-</u>	<u>22,000</u>
<i>Assigned to</i>				
Student Instruction	393,747	-	-	393,747
Student Staff and Support	761,763	-	-	761,763
Extracurricular	3,598	-	-	3,598
<i>Total Assigned</i>	<u>1,159,108</u>	<u>-</u>	<u>-</u>	<u>1,159,108</u>
<i>Unassigned (Deficit)</i>	<u>11,830,103</u>	<u>-</u>	<u>(139,211)</u>	<u>11,690,892</u>
Total Fund Balances	<u>\$ 13,011,211</u>	<u>\$ 1,347,315</u>	<u>\$ 1,790,004</u>	<u>\$ 16,148,530</u>

**AMHERST EXEMPTED VILLAGE SCHOOL DISTRICT
LORAIN COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(CONTINUED)**

NOTE 5: ACCOUNTABILITY

There are fund deficits in the Part B-IDEA, and Improving Teacher Quality, (all non-major Special Revenue Funds) of \$129,592, and \$9,619 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	\$ 3,433,710
Net Adjustment for Revenue Accruals	(378,153)
Net Adjustments for Expenditure Accruals	(437,620)
Advances In	61,627
Funds with Separate Legally Adopted Budgets	36,014
Adjustment for Encumbrances	(1,118,953)
Budget Basis	\$ 1,596,625

**AMHERST EXEMPTED VILLAGE SCHOOL DISTRICT
LORAIN COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(CONTINUED)**

NOTE 7: DEPOSITS AND INVESTMENTS

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

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

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

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

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

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

1. United States Treasury notes, bills, bonds, or other obligations of or securities issued by the United States Treasury or any other obligation guaranteed as to the payment of principal and interest by the United States;
2. Bonds, notes, debentures, or other obligations or securities issued by any federal government agency or instrumentality, including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above, provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool (STAR Ohio);

AMHERST EXEMPTED VILLAGE SCHOOL DISTRICT
LORAIN COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(CONTINUED)

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.

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, 2016, \$250,000 of the School District's bank balance of \$503,544 was covered by FDIC while the remaining balance of \$253,544 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.

**AMHERST EXEMPTED VILLAGE SCHOOL DISTRICT
LORAIN COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(CONTINUED)**

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

Investments

As of June 30, 2016, the School District had the following investments and maturities:

Investment Type	Fair Value	Investment Maturities (in Years)			
		Less Than 1	1-2	2-4	4-5
STAR Ohio	\$ 7,801,745	\$ 7,801,745	\$ -	\$ -	\$ -
Money Market	6,151	6,151	-	-	-
U.S. Government Agency Notes	5,914,171	726,743	1,356,293	2,575,550	1,255,585
Commercal Paper	2,047,640	2,047,640	-	-	-
Negotiable CD's	2,723,437	464,150	738,237	1,009,748	511,302
Total Investments	<u>\$ 18,493,144</u>	<u>\$ 11,046,429</u>	<u>\$ 2,094,530</u>	<u>\$ 3,585,298</u>	<u>\$ 1,766,887</u>

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 its investments to securities issued by federal government agencies or instrumentalities, commercial paper, and money market accounts. Investments in U.S. Government Agency Notes were rated AA+ by Standard & Poor's and Aaa by Moody's. The credit ratings for the School District's investments in negotiable CD's were not available. Investments in money markets were rated AAA by Standard & Poor's and Aaa by Moody's. Investments in STAROhio were rated AAAM by Standard & Poor's. Investments in Commercial Paper were rated A-1+ by Standard & Poor's and P-1 by Moody's.

Concentration of Credit Risk Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The School District's investment policy allows investments in STAR Ohio, repurchase agreements, certificates of deposit or investments within financial institutions within the State of Ohio as designated by the Federal Reserve Board. The School District 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, 2016:

Investment Type	Fair Value	Percent of Total
STAR Ohio	\$ 7,801,745	42.19%
Money Market	6,151	0.03%
U.S. Government Agency Notes	5,914,171	31.98%
Commercal Paper	2,047,640	11.07%
Negotiable CD's	2,723,437	14.73%
Total Investments	<u>\$ 18,493,144</u>	<u>100.00%</u>

AMHERST EXEMPTED VILLAGE SCHOOL DISTRICT
LORAIN COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(CONTINUED)

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

Investments (Continued)

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 2016 represents collections of calendar year 2015 taxes. Real property taxes received in calendar year 2016 were levied after April 1, 2015, on the assessed value listed as of January 1, 2015, 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 2016 represents collections of calendar year 2015 taxes. Public utility property taxes received in calendar year 2016 became a lien on December 31, 2014, were levied after April 1, 2015, and are collected in 2016 with real property taxes. Public utility real property is assessed at thirty-five percent of true value; public property currently is assessed at varying percentages of true value.

The School District receives property taxes from Lorain County. The County Auditors periodically advance to the School District its portion of the taxes collected. Second-half real property tax payments collected by the Counties by June 30, 2016, are available to finance fiscal year 2016 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, 2016 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.

**AMHERST EXEMPTED VILLAGE SCHOOL DISTRICT
LORAIN COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(CONTINUED)**

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

The amount available as an advance at June 30, 2016, was \$2,157,116, \$242,057 and \$77,203 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 2016 taxes were collected are:

	<u>2015 Second Half Collections</u>		<u>2016 First Half Collections</u>	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/Residential and Other Real Estate	\$ 522,107,840	97.22%	\$ 528,315,510	97.11%
Public Utility	14,930,040	2.78%	15,733,830	2.89%
Total Assessed Value	<u>\$ 537,037,880</u>	<u>100.00%</u>	<u>\$ 544,049,340</u>	<u>100.00%</u>
Tax Rate (per \$1,000 of Assessed Valuation)	<u>\$ 74.41</u>		<u>\$ 74.30</u>	

NOTE 9: **RECEIVABLES**

Receivables at June 30, 2016 consisted of property taxes, interest, accounts, and intergovernmental, amounts. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current year guarantee of federal funds. All receivables are expected to be received within one year. A summary of the principal items of intergovernmental receivables follows:

<u>Revenue Description</u>	<u>Amount</u>
State Employee Retirement System	\$ 100,927
Special Education, Part B-IDEA	127,651
Title II-A	9,031
Total Intergovernmental Receivables	<u>\$ 237,609</u>

AMHERST EXEMPTED VILLAGE SCHOOL DISTRICT
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(CONTINUED)

NOTE 10: INTERFUND TRANSACTIONS

During fiscal year 2016, the General Fund transferred \$2,879 to the Race to the Top fund to convert a previous advance into a transfer. The Education Foundation fund transferred \$61,228 to the Permanent Improvement fund per the revised written grant agreement with the Amherst School Educational Foundation.

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 2016, 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.

AMHERST EXEMPTED VILLAGE SCHOOL DISTRICT
LORAIN COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(CONTINUED)

NOTE 12: **CAPITAL ASSETS**

A summary of the changes in Governmental capital assets during fiscal year 2016 follows:

	<u>Balance</u> <u>6/30/2015</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>6/30/2016</u>
<u>Governmental Activities</u>				
Capital Assets, not being depreciated:				
Land	\$ 1,421,676	\$ -	\$ -	\$ 1,421,676
Construction in Progress	<u>160,300</u>	<u>337,151</u>	<u>(497,451)</u>	<u>-</u>
Total Capital Assets, not being depreciated	<u>1,581,976</u>	<u>337,151</u>	<u>(497,451)</u>	<u>1,421,676</u>
Capital Assets, being depreciated:				
Land Improvements	2,487,581	644,460	-	3,132,041
Buildings and Improvements	35,468,625	248,200	-	35,716,825
Furniture and Equipment	1,468,484	59,950	-	1,528,434
Vehicles	<u>1,864,595</u>	<u>87,084</u>	<u>(55,183)</u>	<u>1,896,496</u>
Total Capital Assets, being depreciated	<u>41,289,285</u>	<u>1,039,694</u>	<u>(55,183)</u>	<u>42,273,796</u>
Less Accumulated Depreciation:				
Land Improvements	(1,753,942)	(63,214)	-	(1,817,156)
Buildings and Improvements	(13,878,128)	(656,104)	-	(14,534,232)
Furniture and Equipment	(872,288)	(85,643)	-	(957,931)
Vehicles	<u>(1,548,778)</u>	<u>(72,713)</u>	<u>55,183</u>	<u>(1,566,308)</u>
Total Accumulated Depreciation	<u>(18,053,136)</u>	<u>(877,674)</u>	<u>55,183</u>	<u>(18,875,627)</u>
Total Capital Assets being depreciated, Net	<u>23,236,149</u>	<u>162,020</u>	<u>-</u>	<u>23,398,169</u>
Governmental Activities				
Capital Assets, Net	<u>\$ 24,818,125</u>	<u>\$ 499,171</u>	<u>\$ (497,451)</u>	<u>\$ 24,819,845</u>

Depreciation expense was charged to governmental functions as follows:

Instruction:		
Regular		\$ 669,409
Special		1,166
Supporting Services:		
Pupil		696
Instructional Staff		4,957
Operation and Maintenance of Plant		70,348
Pupil Transportation		77,875
Operation of Non-Instructional Services		18,329
Extracurricular Activities		34,894
Total Depreciation Expense		<u>\$ 877,674</u>

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

NOTE 13: **EMPLOYEE BENEFITS**

A. **Compensated Absences**

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

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

B. **Life Insurance**

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

NOTE 14: **DEFINED BENEFIT PENSION PLAN**

A. **Net Pension Liability**

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

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

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

**AMHERST EXEMPTED VILLAGE SCHOOL DISTRICT
LORAIN COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(CONTINUED)**

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

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

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

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

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

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

Age and service requirements for retirement are as follows:

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

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

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

One year after an effective benefit date, a benefit recipient is entitled to a three percent cost-of-living adjustment (COLA). This same COLA is added each year to the base benefit amount on the anniversary date of the benefit.

**AMHERST EXEMPTED VILLAGE SCHOOL DISTRICT
LORAIN COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(CONTINUED)**

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

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

Funding Policy – Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to statutory maximum amounts of 10 percent for plan members and 14 percent for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the System's funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund). For the fiscal year ended June 30, 2016, the allocation to pension, death benefits, and Medicare B was 14.00 percent. No allocation was made to the Health Care Fund.

The School District's contractually required contribution to SERS was \$710,559 for fiscal year 2016. Of this amount \$62,158 is reported as an intergovernmental payable.

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

Plan Description – School District licensed teachers and other faculty members participate in STRS Ohio, a cost-sharing multiple-employer public employee retirement system administered by STRS. STRS provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS issues a stand-alone financial report that includes financial statements, required supplementary information and detailed information about STRS' fiduciary net position. That report can be obtained by writing to STRS, 275 E. Broad St., Columbus, OH 43215-3771, by calling (888) 227-7877, or by visiting the STRS Web site at www.strsoh.org.

New members have a choice of three retirement plans; a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. Benefits are established by Ohio Revised Code Chapter 3307. The DB plan offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service. Effective August 1, 2015, the calculation will be 2.2 percent of final average salary for the five highest years of earnings multiplied by all years of service. With certain exceptions, the basic benefit is increased each year by two percent of the original base benefit. For members retiring August 1, 2013, or later, the first two percent is paid on the fifth anniversary of the retirement benefit. Members are eligible to retire at age 60 with five years of qualifying service credit, or age 55 with 25 years of service, or 30 years of service regardless of age. Age and service requirements for retirement will increase effective August 1, 2015, and will continue to increase periodically until they reach age 60 with 35 years of service or age 65 with five years of service on August 1, 2026.

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

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

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

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

The Combined Plan offers features of both the DB Plan and the DC Plan. In the Combined Plan, 11.0 of the 12.0 percent member rates goes to the DC Plan and 1.0 percent goes to the DB plan. Member contributions to the DC plan are allocated among investment choices by the member, and contributions to the DB plan from the employer and the member are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The defined benefit portion of the Combined Plan payment is payable to a member on or after age 60 with five years of services. The defined contribution portion of the account may be taken as a lump sum payment or converted to a lifetime monthly annuity after termination of employment at age 50 or later.

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

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

Funding Policy – Employer and member contribution rates are established by the State Teachers Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. For the fiscal year ended June 30, 2016, plan members were required to contribute 13 percent of their annual covered salary. Effective July 1, 2016, the statutory maximum employee contribution rate was increased one percent to 14 percent. The School District was required to contribute 14 percent; the entire 14 percent was the portion used to fund pension obligations. The fiscal year 2016 contribution rates were equal to the statutory maximum rates.

The School District's contractually required contributions to STRS was \$2,194,785 for fiscal year 2016. Of this amount \$381,680 is reported as an intergovernmental payable.

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

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

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

The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The School District's proportion of the net pension liability was based on the School District's share of contributions to the pension plan relative to the contributions of all participating entities. Following is information related to the proportionate share and pension expense:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Proportionate Share of the Net Pension Liability Prior Measurement Date	0.1644370%	0.15744926%	
Proportionate Share of the Net Pension Liability Current Measurement Date	<u>0.1700268%</u>	<u>0.15198722%</u>	
Change in Proportionate Share	<u>0.0055898%</u>	<u>-0.0054620%</u>	
Proportion of the Net Pension Liability	\$9,701,894	\$42,004,823	51,706,717
Pension Expense	\$693,310	\$1,595,559	\$2,288,869

At June 30, 2016, the School District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Deferred Outflows of Resources			
Differences between expected and actual experience	\$156,218	\$1,914,890	\$2,071,108
Changes in proportion and differences	247,372	0	247,372
School District contributions subsequent to the measurement date	<u>710,559</u>	<u>2,194,785</u>	<u>2,905,344</u>
Total Deferred Outflows of Resources	<u>\$1,114,149</u>	<u>\$4,109,675</u>	<u>\$5,223,824</u>
Deferred Inflows of Resources			
Net difference between projected and actual earnings on pension plan investments	\$ 321,455	\$ 3,020,940	\$ 3,342,395
Changes in proportion and differences	<u>0</u>	<u>1,249,244</u>	<u>1,249,244</u>
Total Deferred Inflows of Resources	<u>\$321,455</u>	<u>\$4,270,184</u>	<u>\$4,591,639</u>

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

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

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

\$2,905,344 reported as deferred outflows of resources related to pension resulting from School District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

Fiscal Year Ending June 30:	SERS	STRS	Total
2017	(\$37,705)	(\$994,037)	(\$1,031,742)
2018	(37,705)	(994,037)	(1,031,742)
2019	(38,445)	(1,306,348)	(1,344,793)
2020	195,990	939,128	1,135,118
Total	\$82,135	(\$2,355,294)	(\$2,273,159)

E. Actuarial Assumptions - SERS

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

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

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

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

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

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

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation, prepared as of June 30, 2015, are presented below:

Wage Inflation	3.25 percent
Future Salary Increases, including inflation	4.00 percent to 22 percent
COLA or Ad Hoc COLA	3 percent
Investment Rate of Return	7.75 percent net of investments expense, including inflation
Actuarial Cost Method	Entry Age Normal

For post-retirement mortality, the table used in evaluating allowances to be paid is the 1994 Group Annuity Mortality Table set back one year for both men and women. Special mortality tables are used for the period after disability retirement.

The most recent experience study was completed June 30, 2010.

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Cash	1.00 %	0.00 %
US Stocks	22.50	5.00
Non-US Stocks	22.50	5.50
Fixed Income	19.00	1.50
Private Equity	10.00	10.00
Real Assets	10.00	5.00
Multi-Asset Strategies	<u>15.00</u>	7.50
Total	<u>100.00 %</u>	

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

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

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

Discount Rate The total pension liability was calculated using the discount rate of 7.75 percent. The projection of cash flows used to determine the discount rate assumed the contributions from employers and from the members would be computed based on contribution requirements as stipulated by State statute. Projected inflows from investment earning were calculated using the long-term assumed investment rate of return (7.75 percent). Based on those assumptions, the plan’s fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefits to determine the total pension liability.

Sensitivity of the School District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate Net pension liability is sensitive to changes in the discount rate, and to illustrate the potential impact the following table presents the net pension liability calculated using the discount rate of 7.75 percent, as well as what each plan’s net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.75 percent), or one percentage point higher (8.75 percent) than the current rate.

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
School District's proportionate share of the net pension liability	\$13,453,041	\$9,701,894	\$6,543,120

F. **Actuarial Assumptions – STRS**

The total pension liability in the June 30, 2015, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

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

Mortality rates were based on the RP-2000 Combined Mortality Table (Projection 2022—Scale AA) for Males and Females. Males’ ages are set-back two years through age 89 and no set-back for age 90 and above. Females younger than age 80 are set back four years, one year set back from age 80 through 89 and not set back from age 90 and above.

Actuarial assumptions used in the June 30, 2015, valuation are based on the results of an actuarial experience study, effective July 1, 2012.

**AMHERST EXEMPTED VILLAGE SCHOOL DISTRICT
LORAIN COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(CONTINUED)**

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

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

The 10 year expected real rate of return on pension plan investments was determined by STRS' investment consultant by developing best estimates of expected future real rates of return for each major asset class. The target allocation and best estimates of geometric real rates of return for each major asset class are summarized as follows:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic Equity	31.00 %	8.00 %
International Equity	26.00	7.85
Alternatives	14.00	8.00
Fixed Income	18.00	3.75
Real Estate	10.00	6.75
Liquidity Reserves	1.00	3.00
Total	100.00 %	

Discount Rate The discount rate used to measure the total pension liability was 7.75 percent as of June 30, 2015. The projection of cash flows used to determine the discount rate assumes member and employer contributions will be made at the statutory contribution rates in accordance with rate increases described above. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on those assumptions, STRS' fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2015. Therefore, the long-term expected rate of return on pension plan investments of 7.75 percent was applied to all periods of projected benefit payment to determine the total pension liability as of June 30, 2015.

Sensitivity of the School District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate The following table presents the School District's proportionate share of the net pension liability calculated using the current period discount rate assumption of 7.75 percent, as well as what the School District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one-percentage-point lower (6.75 percent) or one-percentage-point higher (8.75 percent) than the current rate:

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
School District's proportionate share of the net pension liability	\$58,347,866	\$42,004,823	\$28,184,341

**AMHERST EXEMPTED VILLAGE SCHOOL DISTRICT
LORAIN COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(CONTINUED)**

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

G. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System have an option to choose Social Security or the School Employees Retirement System/State Teachers Retirement System. As of June 30, 2016, one member of the Board of Education had elected Social Security. The Board's liability is 6.2 percent of wages paid.

NOTE 15: **POST-EMPLOYMENT BENEFITS**

A. School Employees Retirement System

Plan Description – In addition to a cost-sharing multiple-employer defined benefit pension plan described in Note 14, the School Employees Retirement System (SERS) administers two postemployment benefit plans.

Health Care Plan - Sections 3309.375 and 3309.69 of the Ohio Revised Code 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 HMOs, PPOs, 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' postemployment benefits through employer contributions. Active members do not make contributions to the postemployment benefit plan.

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 pensions and benefits, the Retirement Board may allocate the remainder of the employer 14% contribution to the Health Care Fund in accordance with the funding policy. For the year ended June 30, 2016, the health care allocation is 0.00%. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated if less than a full year of service credit was earned. By statute no employer shall pay a health care surcharge greater than 2.0% of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5% of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2016, the minimum compensation level was established at \$23,000. The surcharge, added to the unallocated portion of the 14% employer contribution rate is the total amount assigned to the Health Care Fund. The School District's contributions for health care for the fiscal years ended June 30, 2016, 2015, and 2014 were \$82,713, \$125,230, and \$89,055, respectively. For fiscal year 2016, the full amount is being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2015 and 2014.

**AMHERST EXEMPTED VILLAGE SCHOOL DISTRICT
LORAIN COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(CONTINUED)**

NOTE 15: **POST-EMPLOYMENT BENEFITS** (Continued)

A. **School Employees Retirement System** (Continued)

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 on the plan selected, qualified years of service, Medicare eligibility, and retirement status.

The financial reports of SERS' Health Care plan are included in its Comprehensive Annual Financial Report. That report can be obtained on SERS' website at www.ohsers.org under Employers/Audit Resources.

B. **State Teachers Retirement System**

Plan Description – STRS Ohio administers a pension plan that is comprised of: a Defined Benefit Plan; a self-directed Defined Contribution Plan, and a Combined Plan that is a hybrid of the Defined Benefit Plan and the 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 partial reimbursement of monthly Medicare Part B premiums.

Pursuant to Chapter 3307 of the 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 health care plan enrollees, 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 Annual Financial Report* by visiting www.strsoh.org or by requesting a copy by calling toll-free 1-888-227-7877.

Funding Policy - Under Ohio law, funding for post-employment health care may be deducted from employer contributions. Of the 14.00 percent employer contribution rate, 0.00 percent of covered payroll was allocated to post-employment health care for the year ended June 30, 2015 (latest information available). For the years ended June 30, 2014, and 2013, 1.00 percent of covered payroll was allocated to post-employment health care. The 14.00 percent employer contribution rate is the maximum rate established under Ohio law. The School District's contributions for health care for the fiscal years ended June 30, 2016, 2015, and 2014 were \$0, \$0, and \$165,369 respectively. The full amount has been contributed for fiscal years 2016, 2015 and 2014.

AMHERST EXEMPTED VILLAGE SCHOOL DISTRICT
LORAIN COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(CONTINUED)

NOTE 16: LONG-TERM OBLIGATIONS

The changes in the School District's long-term obligations during fiscal year 2016 were as follows:

	Balance as of 6/30/2015	Issuances	Retirements	Balance as of 6/30/2016	Amounts Due In One Year
<i>Refunding Bonds</i>					
Refunding Bonds, Series 2006 4.0% - 4.375%					
Maturing December 1, 2027:					
Serial and Term Bonds	\$ 13,760,000	\$ -	\$ (12,380,000)	\$ 1,380,000	\$ 1,380,000
Premium	767,385	-	(735,412)	31,973	-
Refunding Bonds, Series 2016 4.0% - 3.780%					
Maturing December 1, 2029:					
Term Bonds	-	10,980,000	-	10,980,000	-
Premium	-	328,412	(2,027)	326,385	-
<i>Total Refunding Bonds</i>	<u>14,527,385</u>	<u>11,308,412</u>	<u>(13,117,439)</u>	<u>12,718,358</u>	<u>1,380,000</u>
Energy Conservation Note, Series 2002 5.0%	<u>200,000</u>	<u>-</u>	<u>(100,000)</u>	<u>100,000</u>	<u>100,000</u>
Tax Anticipation Note, Series 2016 1.45%	<u>-</u>	<u>1,500,000</u>	<u>-</u>	<u>1,500,000</u>	<u>291,000</u>
Net Pension Liability:					
STRS	38,297,109	3,707,714	-	42,004,823	-
SERS	8,322,063	1,379,831	-	9,701,894	-
Total Net Pension Liability	<u>46,619,172</u>	<u>5,087,545</u>	<u>-</u>	<u>51,706,717</u>	<u>-</u>
Judgment Payable	687,361	-	(171,840)	515,521	171,840
Capital Lease	155,072	-	(27,106)	127,966	28,201
Compensated Absences	4,603,187	2,338,826	(1,687,989)	5,254,024	2,084,272
Total Long-Term Obligations	<u>\$ 66,792,177</u>	<u>\$ 20,234,783</u>	<u>\$ (15,104,374)</u>	<u>\$ 71,922,586</u>	<u>\$ 4,055,313</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.

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 to 4.375 percent for the serial bonds and 19.43 percent (4.0 percent to 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.

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

AMHERST EXEMPTED VILLAGE SCHOOL DISTRICT
LORAIN COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(CONTINUED)

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

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

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 received into the General Fund and are scheduled to mature in December 2017.

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

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

See further discussion of Net Pension Liability at Note 14.

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 \$36,451,756 at June 30, 2016. The following is a summary of the School District's Future annual principal and interest requirements:

Fiscal Year Ending June 30,	Refunding Bonds		Energy Conservation Notes		Tax Anticipation Note	
	Principal	Interest	Principal	Interest	Principal	Interest
2017	\$ 1,380,000	\$ 642,228	\$ 100,000	\$ 2,650	\$ 291,000	\$ 19,640
2018	485,000	405,877	-	-	296,000	15,385
2019	710,000	383,292	-	-	300,000	11,064
2020	735,000	355,982	-	-	305,000	6,677
2021	760,000	327,726	-	-	308,000	2,233
2022-2026	4,260,000	1,176,148	-	-	-	-
2027-2030	4,030,000	311,850	-	-	-	-
	<u>\$ 12,360,000</u>	<u>\$ 3,603,103</u>	<u>\$ 100,000</u>	<u>\$ 2,650</u>	<u>\$ 1,500,000</u>	<u>\$ 54,999</u>

**AMHERST EXEMPTED VILLAGE SCHOOL DISTRICT
LORAIN COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(CONTINUED)**

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

Fiscal Year Ending June 30,	Judgment Payable	Total	
	Principal	Principal	Interest
2017	\$ 171,840	\$ 1,942,840	\$ 664,518
2018	171,840	952,840	421,262
2019	171,841	1,181,841	394,356
2020	-	1,040,000	362,659
2021	-	1,068,000	329,959
2022-2026	-	4,260,000	1,176,148
2027-2030	-	4,030,000	311,850
	<u>\$ 515,521</u>	<u>\$ 14,475,521</u>	<u>\$ 3,660,752</u>

NOTE 17: **JOINTLY GOVERNED ORGANIZATIONS**

A. **Connect**

Connect is a jointly governed computer service organization among thirty-one school districts. Connect 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 Connect based upon a per pupil charge, dependent upon the software package utilized. The board of directors consists of the Educational Service Centers of Cuyahoga, Lorain and Medina County and the Ohio Schools Council. The School District paid \$148,303 in fees to Connect during fiscal year 2016. 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 2016, the School District paid \$24 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.

**AMHERST EXEMPTED VILLAGE SCHOOL DISTRICT
LORAIN COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(CONTINUED)**

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

C. Ohio Schools Council

The Ohio Schools Council Association (Council) is a jointly governed organization among 203 school districts. The organization was formed to purchase quality products and services at the lowest possible cost to the member School Districts. Each School District supports the Council by paying an annual participation fee. The Council's Board consists of nine superintendents of the participating School Districts whose term rotates every year. The degree of control exercised by any school district is limited to its representation on the Board. In fiscal year 2016, the School District paid \$82,903 to the Council. Financial information can be obtained by contacting William J. Zelei, the Executive Director/Treasurer of the Ohio Schools at 6393 Oak Tree Boulevard, Suite 377, Independence, Ohio, 44131.

Prepaid/Natural Gas Program

The School District participates in the Council's natural gas purchase program. This program allows the School District to purchase natural gas at reduced rates. 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 2016, the School District paid \$3,693,288 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.

AMHERST EXEMPTED VILLAGE SCHOOL DISTRICT
LORAIN COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(CONTINUED)

NOTE 18: RELATED ORGANIZATIONS

The Amherst Public Library (the “Library”) is a distinct and political subdivision of the State of Ohio governed by a Board of Trustees. The Board of Trustees, appointed by the Board of Education, possesses its own contracting and budgeting authority, hires and fires personnel, and does not depend on the School District for operational subsidies. Although the School District does serve as a taxing authority and issues related debt on behalf of the Library, its role is limited to a ministerial function. The determination to request approval of a tax, the rate, and the purpose are discretionary decisions made solely by the Library Board of Trustees. The Library is not considered part of the School District and its operations are not included within the accompanying financial statements. Financial information can be obtained by contacting the Clerk-Treasurer of the Amherst Public Library at 221 Spring Street, Amherst, Ohio 44001.

NOTE 19: CONTINGENCIES

A. Grants

The School District received financial assistance from federal and State agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds.

B. Litigation and Other Matters

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

C. State Foundation Funding

School District Foundation funding is based on the annualized full-time equivalent (FTE) enrollment of each student. Traditional school districts must comply with minimum hours of instruction, instead of a minimum number of school days each year. The funding formula the Ohio Department of Education (ODE) is legislatively required to follow will continue to adjust as enrollment information is updated by the school district, which can extend past the fiscal year end. As of the date of this report, ODE has not finalized the final impact of enrollment adjustments to the June 30, 2016 Foundation funding for the school district; therefore, the total financial statement impact is not determinable at this time.

**AMHERST EXEMPTED VILLAGE SCHOOL DISTRICT
LORAIN COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(CONTINUED)**

NOTE 20: SET-ASIDE CALCULATIONS

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

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

	<u>Capital Improvements Reserve</u>
Set-Aside Balance as of June 30, 2015	\$ -
Current Year Set-Aside Requirements	638,592
Qualifying Disbursements	<u>(1,061,342)</u>
Total	<u><u>\$ (422,750)</u></u>
Set-Aside Balance Carried Forward to Future Fiscal Years	\$ -
Set-Aside Balance as of June 30, 2016	<u><u>\$ -</u></u>

NOTE 21: COMMITMENTS

The School District utilizes encumbrance accounting as part of its budgetary controls. Encumbrances outstanding at year-end are constraints imposed on fund balance for subsequent-year expenditures and may be reported as part of restricted, committed or assigned classifications of fund balance on the balance sheet. As of June 30, 2016, the School District's significant commitments for encumbrances in the governmental funds were as follows:

	<u>Outstanding Encumbrances</u>
General Fund	\$ 1,040,516
Nonmajor governmental funds	<u>1,044,503</u>
	<u><u>\$ 2,085,019</u></u>

**AMHERST EXEMPTED VILLAGE SCHOOL DISTRICT
LORAIN COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(CONTINUED)**

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, 2016, was \$11,617, leaving a current book value of \$188,383. A corresponding liability is recorded in the government-wide financial statements. Principal payments in fiscal year 2016 totaled \$27,106 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, 2016:

Fiscal Year Ending June 30,	Amount
2017	\$ 32,877
2018	32,877
2019	32,877
2020	32,877
2021	8,219
Total	139,727
Less: Amount representing interest	(11,761)
Total	\$ 127,966

NOTE 23: OPERATING LEASES

The District leases various copiers, computers and electronic equipment and software throughout the District. Total cost for the leases were \$453,040 for the fiscal year ended June 30, 2016. The future minimum lease payments for these leases are as follows:

Fiscal Year Ending June 30,	Apple, Inc.	RS Business Machines, Inc.	Total
2017	\$ 110,904	\$ 176,304	\$ 287,208
2018	110,904	88,152	199,056
2019	110,904	-	110,904
2020	110,904	-	110,904
Total	\$ 443,616	\$ 264,456	\$ 708,072

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

	<u>2015</u>	<u>2014</u>	<u>2013</u>
School District's Proportion of the Net Pension Liability	0.1700268%	0.1644370%	0.1644370%
School District's Proportionate Share of the Net Pension Liability	\$ 9,701,894	\$ 8,322,063	\$ 9,778,541
School District's Covered-Employee Payroll	\$ 5,125,015	\$ 4,756,154	\$ 4,677,392
School District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Employee Payroll	189.30%	174.97%	209.06%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	69.16%	71.70%	65.52%

(1) Information prior to 2013 is not available.

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

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

	2015	2014	2013
School District's Proportion of the Net Pension Liability	0.15198722%	0.15744926%	0.15744926%
School District's Proportionate Share of the Net Pension Liability	\$ 42,004,823	\$ 38,297,109	\$ 45,619,266
School District's Covered-Employee Payroll	\$ 16,064,057	\$ 15,921,238	\$ 16,980,877
School District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Employee Payroll	261.48%	240.54%	268.65%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	72.10%	74.70%	69.30%

(1) Information prior to 2013 is not available.

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

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

	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
Contractually Required Contribution	\$ 710,559	\$ 675,477	\$ 659,203	\$ 647,351	\$ 672,250	\$ 738,022	\$ 837,890	\$ 452,311	\$ 443,151	\$ 481,119
Contributions in Relation to the Contractually Required Contribution	<u>(710,559)</u>	<u>(675,477)</u>	<u>(659,203)</u>	<u>(647,351)</u>	<u>(672,250)</u>	<u>(738,022)</u>	<u>(837,890)</u>	<u>(452,311)</u>	<u>(443,151)</u>	<u>(481,119)</u>
Contribution Deficiency (Excess)	<u>-</u>									
School District Covered-Employee Payroll	\$ 5,075,421	\$ 5,125,015	\$ 4,756,154	\$ 4,677,392	\$ 4,998,141	\$ 5,871,297	\$ 6,188,257	\$ 4,596,657	\$ 4,512,739	\$ 4,504,860
Contributions as a Percentage of Covered-Employee Payroll	14.00%	13.18%	13.86%	13.84%	13.45%	12.57%	13.54%	9.84%	9.82%	10.68%

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

	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Contractually Required Contribution	\$ 2,194,785	\$ 2,248,968	\$ 2,069,761	\$ 2,207,514	\$ 2,316,074	\$ 2,385,184	\$ 2,237,009	\$ 2,193,806	\$ 2,136,346	\$ 2,042,381
Contributions in Relation to the Contractually Required Contribution	<u>(2,194,785)</u>	<u>(2,248,968)</u>	<u>(2,069,761)</u>	<u>(2,207,514)</u>	<u>(2,316,074)</u>	<u>(2,385,184)</u>	<u>(2,237,009)</u>	<u>(2,193,806)</u>	<u>(2,136,346)</u>	<u>(2,042,381)</u>
Contribution Deficiency (Excess)	<u>\$ -</u>									
School District Covered-Employee Payroll	\$ 15,677,036	\$ 16,064,057	\$ 15,921,238	\$ 16,980,877	\$ 17,815,954	\$ 18,347,569	\$ 17,207,762	\$ 16,875,431	\$ 16,433,431	\$ 15,710,623
Contributions as a Percentage of Covered-Employee Payroll	14.00%	14.00%	13.00%	13.00%	13.00%	13.00%	13.00%	13.00%	13.00%	13.00%

**AMHERST EXEMPTED VILLAGE SCHOOL DISTRICT
LORAIN COUNTY, OHIO
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2016**

Federal Grantor/ Pass-Through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass-Through Grantor Number	Expenditures	Non-Cash Expenditures
U.S. Department of Agriculture				
Passed through Ohio Department of Education				
<i>Child Nutrition Cluster:</i>				
National School Breakfast Program	10.553	044594-05PU-16	\$ 57,720	\$ 0
National School Lunch Program	10.555	044594-LLP4-16	<u>367,394</u>	<u>71,576</u>
<i>Total Child Nutrition Cluster</i>			<u>425,114</u>	<u>71,576</u>
Total U.S. Department of Agriculture			<u>425,114</u>	<u>71,576</u>
U.S. Department of Education				
Passed through Ohio Department of Education				
<i>Title I:</i>				
Title 1, Grants to Local Education Agencies	84.010	2015	87,030	0
Title 1, Grants to Local Education Agencies	84.010	2016	<u>493,887</u>	<u>0</u>
Total Title 1			<u>580,917</u>	<u>0</u>
<i>Special Education Cluster:</i>				
Special Education Grants to States	84.027	044594-6BSF-15	119,490	0
Special Education Grants to States	84.027	044594-6BSF-16	711,624	0
Special Education Preschool Grant	84.173	044594-PBSI-15	3,393	0
Special Education Preschool Grant	84.173	044594-PBSI-16	<u>18,143</u>	<u>0</u>
<i>Total Special Education Cluster</i>			<u>852,650</u>	<u>0</u>
Race to the Top	84.395	2015	<u>219</u>	<u>0</u>
Improving Teacher Quality State Grant:				
Improving Teacher Quality State Grants	84.367	044594-TRS1-15	13,755	0
Improving Teacher Quality State Grants	84.367	044594-TRS1-16	<u>60,690</u>	<u>0</u>
Total Improving Teacher Quality State Grants			<u>74,445</u>	<u>0</u>
Total U.S. Department of Education			<u>1,508,231</u>	<u>0</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u>\$ 1,933,345</u>	<u>\$ 71,576</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, 2016**

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.

The District did not use the de minimus rate of 10 percent for indirect costs charged to the federal grants.

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
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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**

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

The Honorable Dave Yost
Auditor of State
State of 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, 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated November 17, 2016.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Amherst Exempted Village School District'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 Amherst Exempted Village School District's internal control. Accordingly, we do not express an opinion on the effectiveness of the Amherst Exempted Village School 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 Amherst Exempted Village School 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'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 instances 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 Amherst Exempted Village School 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 Amherst Exempted Village School District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



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

November 17, 2016

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

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**REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON
INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE
UNIFORM GUIDANCE**

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

The Honorable Dave Yost
Auditor of State
State of Ohio

Report on Compliance for Each Major Federal Program

We have audited the Amherst Exempted Village School District, Lorain County, Ohio's (the District) compliance with the types of compliance requirements described in the OMB Compliance Supplement that could have a direct and material effect on the Amherst Exempted Village School District's major federal program for the year ended June 30, 2016. The Amherst Exempted Village School District's major federal program is identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for 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 the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance 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 Amherst Exempted Village School 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 the major federal program. However, our audit does not provide a legal determination of the Amherst Exempted Village School District's compliance.

Opinion on Each Major Federal Program

In our opinion, the Amherst Exempted Village School District, Lorain County, Ohio, 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, 2016.

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 Amherst Exempted Village School District's internal control over compliance with the types of requirements that could have a direct and material effect on the major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the major federal program and to test and report on internal control over compliance in accordance with Uniform Guidance, 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 Amherst Exempted Village School 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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

James G. Zupka, CPA, Inc.

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

November 17, 2016

**AMHERST EXEMPTED VILLAGE SCHOOL DISTRICT
LORAIN COUNTY, OHIO
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2016**

1. SUMMARY OF AUDITOR'S RESULTS

2016(i)	Type of Financial Statement Opinion	Unmodified
2016(ii)	Were there any material control weaknesses reported at the financial statement level (GAGAS)?	No
2016(ii)	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
2016(iii)	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
2016(iv)	Were there any material internal control weaknesses reported for major federal programs?	No
2016(iv)	Were there any significant deficiencies in internal control reported for major federal programs?	No
2016(v)	Type of Major Program's Compliance Opinion	Unmodified
2016(vi)	Are there any reportable findings under 2 CFR 200.516(a)?	No
2016(vii)	Major Programs (list): Child Nutrition Cluster: National School Breakfast Program - CFDA #10.553 National School Lunch Program - CFDA #10.555	
2016(viii)	Dollar Threshold: Type A\B Program	Type A: \$750,000 or more Type B: All others
2016(ix)	Low Risk Auditee?	Yes

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

None

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None

**AMHERST EXEMPTED VILLAGE SCHOOL DISTRICT
LORAIN COUNTY, OHIO
SCHEDULE OF PRIOR YEAR FINDINGS AND RECOMMENDATIONS
FOR THE YEAR ENDED JUNE 30, 2016**

The prior audit report, as of June 30, 2015, included no citations or instances of noncompliance. Management letter recommendations were corrected, repeated, or procedures instituted to prevent occurrences in this audit period.

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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
FEBRUARY 14, 2017