

**OBERLIN CITY SCHOOL DISTRICT
LORAIN COUNTY, OHIO**

AUDIT REPORT

FOR THE FISCAL YEAR ENDED JUNE 30, 2008



Mary Taylor, CPA
Auditor of State

Board of Education
Oberlin City School District
153 North Main Street
Oberlin, Ohio 44074

We have reviewed the *Independent Auditor's Report* of the Oberlin City School District, Lorain County, prepared by James G. Zupka, CPA, Inc., for the audit period July 1, 2007 through June 30, 2008. 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 Oberlin City School District is responsible for compliance with these laws and regulations.

Mary Taylor

Mary Taylor, CPA
Auditor of State

February 3, 2009

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**OBERLIN CITY SCHOOL DISTRICT
LORAIN COUNTY, OHIO
AUDIT REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

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

Certified Public Accountants

5240 East 98th Street

Garfield Hts., Ohio 44125

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Ohio Society of Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

Board of Education
Oberlin City School District
Oberlin, Ohio

We have audited the accompanying financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of the Oberlin City School District, Lorain County, Ohio, as of and for the year ended June 30, 2008, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Oberlin City School District, Ohio's management. Our responsibility is to express opinions on these financial statements based on our audit.

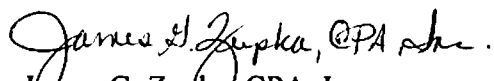
We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the major fund, and the aggregate remaining fund information of the Oberlin City School District, Ohio, as of June 30, 2008, and the respective changes in financial position and cash flows, where applicable, thereof, and the respective budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 5, 2008, on our consideration of the Oberlin City School District, Ohio's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and important for assessing the results of our audit.

The Management's Discussion and Analysis on pages 3 through 10 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the basic financial statements that collectively comprise the Oberlin City School District, Ohio's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and also is not a required part of the basic financial statements of the Oberlin City School District, Ohio. The Schedule of Expenditures of Federal Awards has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.


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

December 5, 2008

OBERLIN CITY SCHOOL DISTRICT
LORAIN COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2008
UNAUDITED

The management discussion and analysis of Oberlin City School District's financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2008. The intent of this management discussion and analysis is to look at the School District's financial performance as a whole. Readers should also review the 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 2008 are as follows:

In total, net assets decreased by \$ 690,779.

Revenues for governmental activities totaled \$ 14,185,835 in 2008. Of this total, 87 percent consisted of general revenues while program revenues accounted for the remaining balance of 13 percent.

Program expenses totaled \$ 14,876,614. Instructional expenses made up 56 percent of this total while supporting services accounted for 39 percent. Other expenses rounded out the remaining 5 percent.

Using this 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 Oberlin City 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 Assets 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 explain how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the School District's most significant fund with all other non-major funds presented in total in one column. In the case of Oberlin City School District, the general fund is the most significant.

Reporting the School District as a Whole

Statement of Net Assets 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 transactions and asks the question, "How did we do financially during 2008?" The Statement of Net Assets and Statement of Activities answers this question. These statements include all assets and liabilities using the accrual basis of accounting, similar to the accounting used by most private-sector companies. Accrual accounting takes into account all the current year's revenues and expenses regardless of when cash is received or paid.

OBERLIN CITY SCHOOL DISTRICT
LORAIN COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2008
UNAUDITED

These two statements report the School District's net assets and changes in those net assets. This change in net assets is important because it tells the reader that, for the 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 Assets 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, pupil transportation, food service operation and extracurricular activities.

Reporting the School District's Most Significant Funds

Fund Financial Statements

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

Governmental Funds

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

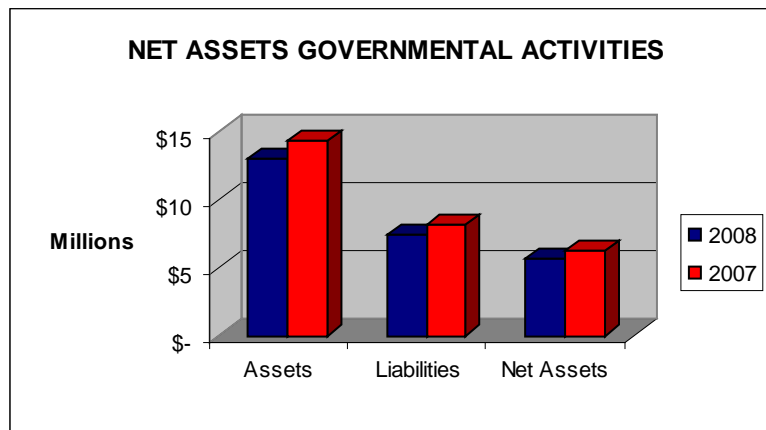
OBERLIN CITY SCHOOL DISTRICT
LORAIN COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2008
UNAUDITED

The School District as a Whole

The Statement of Net Assets provides the perspective of the School District as a whole. Table 1 provides a summary of the School District's net assets for 2008 compared to 2007:

TABLE 1

	2008	2007	Change
Assets			
Current and other assets	\$ 7,292,439	\$ 8,232,115	(939,676)
Capital assets, net	5,769,935	6,048,472	(278,537)
Total assets	<u>13,062,374</u>	<u>14,280,587</u>	<u>(1,218,213)</u>
Liabilities			
Current liabilities	5,831,030	6,518,827	(687,797)
Long term liabilities			
Due within one year	255,633	179,460	76,173
Due in more than one year	1,521,715	1,437,525	84,190
Total liabilities	<u>7,608,378</u>	<u>8,135,812</u>	<u>(527,434)</u>
Net assets			
Invested in capital assets, net of related debt	5,265,090	5,466,109	(201,019)
Restricted	736,393	789,618	(53,225)
Unrestricted (deficit)	(547,487)	(110,952)	(436,535)
Total net assets	<u>\$ 5,453,996</u>	<u>\$ 6,144,775</u>	<u>(690,779)</u>



Governmental Activities

By comparing assets and liabilities, one can see the overall position of the School District has diminished as evidenced by the decrease in net assets of \$ 690,779.

The vast majority of revenue supporting all governmental activities is from general revenues. General revenue totaled \$ 12,275,291 or 87 percent of the total revenue. The most significant portion of the general revenues is local property tax, school district income tax and unrestricted grants and entitlements. The remaining amount of revenue was in the form of program revenues, which equated to \$ 1,910,544 or only 13 percent of total revenue.

OBERLIN CITY SCHOOL DISTRICT
LORAIN COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2008
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Table 2 summarizes the revenue, expenses and the changes in net assets for fiscal years 2008 and 2007.

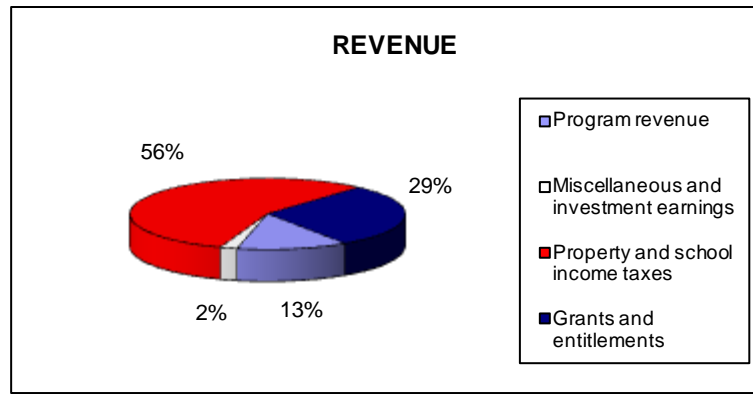
Table 2

	2008	2007	Change
Revenues			
Program revenues			
Charges for services and sales	\$ 462,901	\$ 436,937	\$ 25,964
Operating grants, interest and contributions	1,447,643	1,182,171	265,472
Total program revenues	<u>1,910,544</u>	<u>1,619,108</u>	<u>291,436</u>
General revenues			
Property taxes	5,060,809	4,876,958	183,851
School income tax	2,861,448	2,355,353	506,095
Grants and entitlements	4,031,129	4,019,439	11,690
Investment earnings	93,189	135,920	(42,731)
Miscellaneous	228,716	210,575	18,141
Total general revenues	<u>12,275,291</u>	<u>11,598,245</u>	<u>677,046</u>
Total revenues	<u>14,185,835</u>	<u>13,217,353</u>	<u>968,482</u>
Program expenses			
Instruction			
Regular	6,549,191	6,289,583	259,608
Special	1,119,277	1,051,043	68,234
Vocational	94,062	90,782	3,280
Other instruction	478,999	444,698	34,301
Supporting services			
Pupil	963,243	757,519	205,724
Instructional staff	475,930	387,825	88,105
Board of education	85,957	101,738	(15,781)
Administration	1,443,980	1,456,824	(12,844)
Fiscal services	412,399	385,363	27,036
Business	237,720	125,717	112,003
Operation and maintenance	1,700,424	1,192,964	507,460
Pupil transportation	475,073	557,018	(81,945)
Central services	59,426	63,240	(3,814)
Operation of non-instructional			
Food service operation	401,344	385,463	15,881
Community services	-	-	-
Extracurricular	355,296	293,891	61,405
Interest	24,293	27,423	(3,130)
Total expenses	<u>14,876,614</u>	<u>13,611,091</u>	<u>1,265,523</u>
Change in net assets	(690,779)	(393,738)	(297,041)
Net assets at beginning of year	6,144,775	6,538,513	(393,738)
Net assets at end of year	<u>\$ 5,453,996</u>	<u>\$ 6,144,775</u>	<u>\$ (690,779)</u>

OBERLIN CITY SCHOOL DISTRICT
LORAIN COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2008
UNAUDITED

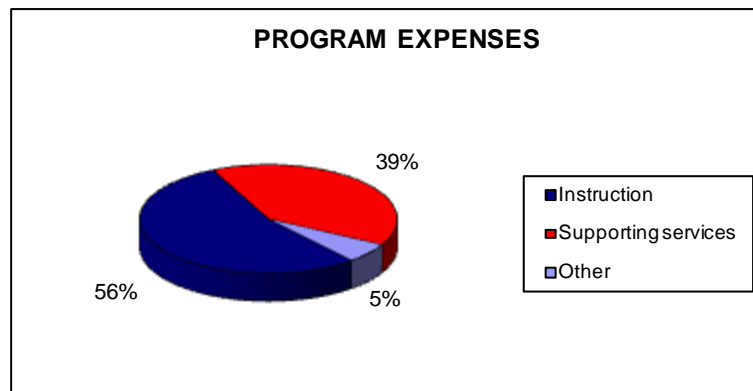
The School District has carefully planned its financial future by forecasting its revenues and expenditures over the next five years. In October of 2007, the School District submitted its yearly five-year forecast to the Ohio Department of Education. Based upon the current five-year financial forecast, the School District has adequate operating funds through fiscal year 2008- 2009. 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.

The reliance upon local tax revenues for governmental activities is crucial. Over 56 percent of expenses are directly supported by local property and school income taxes. Grants and entitlements not restricted to specific programs support 29 percent, while investments and other miscellaneous type revenues support the remaining activity costs of 2 percent. Program revenues fund only 13 percent of all governmental expenses.



Clearly, the Oberlin community is by far the greatest source of financial support for the students of the Oberlin City Schools.

Approximately 56 percent of the School District's budget is used to fund instructional expenses. Additional supporting services for pupils, staff and business operations encompass an additional 39 percent. The remaining program expenses of 5 percent are budgeted to facilitate other obligations of the School District, such as the food service program, numerous extracurricular activities and debt service.



OBERLIN CITY SCHOOL DISTRICT
LORAIN COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2008
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The Statement of Activities shows the total net cost of program services. Table 3 shows the total cost of services for governmental activities and the net cost of those services. It identifies the cost of these services supported by tax revenue and unrestricted State entitlements.

TABLE 3

	Total Cost of Services 2008	Net Cost of Services 2008
Governmental activities		
Instruction		
Regular	\$ 6,549,191	\$ (6,058,795)
Special	1,119,277	(642,861)
Vocational	94,062	(94,062)
Other instruction	478,999	(3,446)
Supporting services		
Pupil	963,243	(963,243)
Instructional staff	475,930	(470,930)
Board of education	85,957	(85,957)
Administration	1,443,980	(1,443,980)
Fiscal services	412,399	(412,399)
Business	237,720	(237,720)
Operation and maintenance	1,700,424	(1,645,268)
Pupil transportation	475,073	(475,073)
Central services	59,426	(47,426)
Operation of non-instructional		
Food service operation	401,344	(43,216)
Extracurricular		
Academic and subject oriented	83,350	(83,350)
Sports oriented	196,479	(158,584)
Co-curricular	75,467	(75,467)
Interest	24,293	(24,293)
Total program expenses	<u>\$ 14,876,614</u>	<u>\$(12,966,070)</u>

OBERLIN CITY SCHOOL DISTRICT
LORAIN COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2008
UNAUDITED

School District Funds

Information regarding the School District's major fund can be found on page 14. These funds are accounted for using the modified accrual basis of accounting.

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 fund to be budgeted is the main operating fund of the School District, the General Fund.

Fluctuations among the budget basis expenditures categories are due to the School District's site-based style of budgeting that is designed to tightly control expenses but provide flexibility for managers to redirect funds as conditions develop during the year.

The School District ended the school year with a General Fund unencumbered cash balance of \$ 188,083.

Capital Assets and Debt Administration

Capital Assets

All capital assets, except land, are reported net of depreciation. At the end of fiscal 2008, the School District had \$5,769,935 invested in land, land improvements, buildings and improvements, furniture and equipment, and vehicles. Table 4 shows fiscal 2008 values compared to 2007.

TABLE 4

	2008	2007
Land	\$ 2,279,070	\$ 2,279,070
Land improvements	154,494	193,708
Building and improvements	2,939,430	3,120,097
Furniture and equipment	376,308	393,928
Vehicles	20,633	61,669
Total capital assets	\$ 5,769,935	\$ 6,048,472

During fiscal 2008, the School District purchased \$ 140,543 of capital assets, which included buildings improvements and miscellaneous equipment. The decrease in capital assets is due to depreciation expense. For more information about the District's capital assets, see Note 9 of the Notes to the Basic Financial Statements.

Debt

At June 30, 2008 the School District had no outstanding bonds.

OBERLIN CITY SCHOOL DISTRICT
LORAIN COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2008
UNAUDITED

Current Financial Related Activities

The School District has a mediocre financial position. The Board of Education and the administration closely monitor the District's revenues and expenditures in accordance with its financial forecast and the School District's Continuous Improvement Plan.

The District relies heavily upon real estate taxes, school district income taxes and state funding as sources of revenue. The School District's financial future took a turn for the better with the passage of a 5.00 mill five year levy on November 8, 2005. An additional levy for .75% income tax was passed on November 6, 2007. The Board also passed a Resolution to reduce property tax to the 20 mill floor. The income tax increase coupled with a property tax decrease provides for a net increase of approximately \$ 400,000 to the School District.

The School District's financial future is not without challenges. The nature of school funding in Ohio severely restricts the growth in the School District's operating revenues and requires the School District to periodically seek additional funds from the taxpayers to offset rising operating costs. The Oberlin voters continue to show their support for the schools as illustrated with the passage of new and replacement levies.

In addition to the problem of limited growth in revenue, school districts are faced with the challenge of losing traditional sources of tax revenue through the Ohio General Assembly legislative actions. In June 1999, the Ohio General Assembly passed House Bill 284 that will phase-out, over a period of 25 years, the taxation on business inventories. Once fully implemented, the School District's operating revenue will be reduced by approximately \$ 900,000 annually. In June 2005, the General Assembly accelerated the phase-out of the inventory tax with HB 66. The tax will be eliminated in just five years.

Financial aid from the State of Ohio through the State Foundation Program has been declining as a major source of operating revenue for the Oberlin City School District. Because Oberlin City Schools is considered a wealthy district in terms of property values, it receives a relatively small amount of revenue from the State to fund operating expenses.

As a result of the challenges mentioned above, the School District's administration continues to carefully plan its expenditures to provide adequate resources to meet student needs over the next several years. The administration is currently reviewing all programs and services provided to students with the goal of reducing operating costs.

Contacting the School District's Financial Management

This report is designed to provide our citizens, taxpayers 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 Diane Wolf, Treasurer at Oberlin City School District, 153 N. Main St., Oberlin, Ohio 44074.

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OBERLIN CITY SCHOOL DISTRICT
LORAIN COUNTY

STATEMENT OF NET ASSETS

JUNE 30, 2008

	Governmental Activities
Assets	
Equity in pooled cash	\$ 1,243,608
Due from other governments	55,446
Inventories and supplies	6,163
Taxes receivable	5,987,222
Capital assets	
Nondepreciable capital assets	2,279,070
Depreciable capital assets	3,490,865
Total assets	<u>13,062,374</u>
Liabilities	
Accounts and contracts payable	147,369
Accrued salaries, wages and benefits	1,350,497
Claims payable	154,600
Due to other governments	409,550
Unearned revenue	3,769,014
Long term liabilities	
Due within one year	255,633
Due in more than one year	1,521,715
Total liabilities	<u>7,608,378</u>
Net assets	
Invested in capital assets, net of related debt	5,265,090
Restricted for:	
Capital projects	217,268
State Grants	26,153
Federal Grants	1,749
Other purposes	491,223
Unrestricted (deficit)	(547,487)
Total net assets	<u>\$ 5,453,996</u>

See accompanying notes and accountant's compilation report.

OBERLIN CITY SCHOOL DISTRICT
LORAIN COUNTY
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2008

	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Assets
		Charges for Services and Sales	Operating Grants Interest and Contributions	
Governmental activities				
Instruction				
Regular	\$ 6,549,191	\$ 310,942	\$ 179,454	\$ (6,058,795)
Special	1,119,277	-	476,416	(642,861)
Vocational	94,062	-	-	(94,062)
Other instruction	478,999	-	475,553	(3,446)
Supporting services				
Pupil	963,243	-	-	(963,243)
Instructional staff	475,930	-	5,000	(470,930)
Board of education	85,957	-	-	(85,957)
Administration	1,443,980	-	-	(1,443,980)
Fiscal services	412,399	-	-	(412,399)
Business	237,720	-	-	(237,720)
Operation and maintenance	1,700,424	-	55,156	(1,645,268)
Pupil transportation	475,073	-	-	(475,073)
Central services	59,426	-	12,000	(47,426)
Operation of non-instructional				
Food service operation	401,344	114,064	244,064	(43,216)
Extracurricular activities				
Academic and subject oriented	83,350	-	-	(83,350)
Sports oriented	196,479	37,895	-	(158,584)
Co-curricular	75,467	-	-	(75,467)
Interest	24,293	-	-	(24,293)
Totals	<u>\$ 14,876,614</u>	<u>\$ 462,901</u>	<u>\$ 1,447,643</u>	<u>\$ (12,966,070)</u>

General revenues	
Property taxes levied for:	
General purpose	4,721,697
Capital improvements	339,112
School income tax	2,861,448
Grants and entitlements not restricted to specific purposes	4,031,129
Investment earnings	93,189
Miscellaneous	228,716
Total general revenues	<u>12,275,291</u>
Change in net assets	(690,779)
Net assets at beginning of year	<u>6,144,775</u>
Net assets at end of year	<u>\$ 5,453,996</u>

See accompanying notes and accountant's compilation report.

OBERLIN CITY SCHOOL DISTRICT
 LORAIN COUNTY
 BALANCE SHEET - GOVERNMENTAL FUNDS
 JUNE 30, 2008

	General	Other Governmental Funds	Total Governmental Funds
Assets			
Equity in pooled cash	\$ 312,365	\$ 501,812	\$ 814,177
Receivables, net of allowance			
Taxes, current	3,938,388	553,616	4,492,004
Taxes, delinquent	133,221	15,369	148,590
Income tax	1,346,628	-	1,346,628
Due from other governments	-	55,446	55,446
Interfund receivable	2,160	-	2,160
Inventories and supplies	-	6,163	6,163
Total assets and other debits	\$ 5,732,762	\$ 1,132,406	\$ 6,865,168
Liabilities and fund balances			
Liabilities			
Accounts and contracts payable	\$ 75,019	\$ 72,350	\$ 147,369
Accrued wages and benefits	1,185,563	164,934	1,350,497
Due to other governments	366,952	42,598	409,550
Interfund payable	-	2,160	2,160
Unearned revenue	3,424,989	492,615	3,917,604
Matured compensated absences payable	157,460	-	157,460
Total liabilities	5,209,983	774,657	5,984,640
Fund balances			
Reserved for inventories	-	6,163	6,163
Reserved for property taxes	646,620	76,370	722,990
Reserved for encumbrances	64,254	112,234	176,488
Unreserved, reported in			
General Fund	(188,095)	-	(188,095)
Special Revenue Funds	-	24,955	24,955
Capital Projects Funds	-	138,027	138,027
Total fund balances	522,779	357,749	880,528
Total liabilities and fund balances	\$ 5,732,762	\$ 1,132,406	\$ 6,865,168

See accompanying notes and accountant's compilation report.

OBERLIN CITY SCHOOL DISTRICT
 LORAIN COUNTY
 RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO
 NET ASSETS OF GOVERNMENTAL ACTIVITIES
 JUNE 30, 2008

Total governmental funds balances	\$	880,528
Amount reported for governmental activities in the statement of net assets are different because:		
Capital assets used in governmental activities are not financial resources and therefore not reported in the funds.		5,769,935
Other long term assets are not available to pay for current period expenditures and therefore are deferred in the funds. These deferrals are attributed to property taxes.		148,590
An internal service fund is used by management to charge the costs of insurance to individual funds. The assets and liabilities of the internal service fund are included in governmental activities in the statement of net assets.		274,831
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:		
Compensated absences		(1,115,043)
Capital leases		(504,845)
		(1,619,888)
Net assets of governmental activities	\$	5,453,996

See accompanying notes and accountant's compilation report.

OBERLIN CITY SCHOOL DISTRICT
LORAIN COUNTY

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
GOVERNMENTAL FUNDS

FOR THE YEAR ENDED JUNE 30, 2008

	General	Other Governmental Funds	Total Governmental Funds
Revenues			
Taxes	\$ 7,409,835	\$ 493,296	\$ 7,903,131
Tuition and fees	310,942	-	310,942
Interest	93,189	-	93,189
Intergovernmental	3,963,876	1,514,896	5,478,772
Charges for services	-	114,064	114,064
Extracurricular	-	37,895	37,895
Other	48,581	181,672	230,253
Total revenues	11,826,423	2,341,823	14,168,246
Expenditures			
Current			
Instruction			
Regular	5,806,184	441,791	6,247,975
Special	692,023	418,253	1,110,276
Vocational	93,210	-	93,210
Other instruction	23,025	463,708	486,733
Supporting services			
Pupil	826,721	135,855	962,576
Instructional staff	401,135	79,494	480,629
Board of education	74,585	-	74,585
Administration	1,406,542	42,247	1,448,789
Fiscal services	377,312	9,021	386,333
Business	195,650	40,048	235,698
Operation and maintenance	1,194,721	519,052	1,713,773
Pupil transportation	422,236	14,340	436,576
Central services	51,381	8,045	59,426
Operation of non-instructional			
Food service operation	-	398,766	398,766
Extracurricular activities	311,273	42,163	353,436
Debt service			
Principal	77,518	-	77,518
Interest	24,293	-	24,293
Total expenditures	11,977,809	2,612,783	14,590,592
Excess (deficiency) of revenues over expenditures	(151,386)	(270,960)	(422,346)
Other financing sources (uses)			
Transfers-in	-	77,200	77,200
Transfers-out	(77,200)	-	(77,200)
Total other financing sources (uses)	(77,200)	77,200	-
Net change in fund balances	(228,586)	(193,760)	(422,346)
Fund balances, beginning of year	751,365	551,509	1,302,874
Fund balances, end of year	\$ 522,779	\$ 357,749	\$ 880,528

See accompanying notes and accountant's compilation report.

OBERLIN CITY SCHOOL DISTRICT
LORAIN COUNTY

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2008

Net change in fund balances - total governmental funds		\$ (422,346)
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their useful lives and reported as depreciation expense. This is the amount by which depreciation exceeded capital outlays in the current period.		
Capital outlay	140,543	
Depreciation expense	<u>(419,080)</u>	(278,537)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		19,126
Repayment of capital lease principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.		77,518
Some expenses reported in the statement of activities, such as compensated absences, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.		(158,817)
The internal service fund used by management to charge the costs of insurance to individual funds is not reported in the district-wide statement of activities. Governmental fund expenditures and the related internal service fund revenues are eliminated. The net revenue (expense) of the internal service fund is allocated among the governmental activities.		<u>72,277</u>
Change in net assets of governmental activities		<u><u>\$ (690,779)</u></u>

See accompanying notes and accountant's compilation report.

OBERLIN CITY SCHOOL DISTRICT
LORAIN COUNTY

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET BASIS (NON-GAAP) AND ACTUAL – GENERAL FUND

FOR THE YEAR ENDED JUNE 30, 2008

	General			Variance with Final Budget Positive (Negative)
	Budget Amounts		Actual	
	Original	Final		
Revenues				
Taxes	\$ 7,695,708	\$ 7,695,708	\$ 7,316,032	\$ (379,676)
Tuition and fees	350,139	350,139	310,942	(39,197)
Interest	140,790	140,790	93,189	(47,601)
Intergovernmental	4,029,045	4,029,045	3,963,876	(65,169)
Other	26,935	26,935	53,441	26,506
Total revenues	<u>12,242,617</u>	<u>12,242,617</u>	<u>11,737,480</u>	<u>(505,137)</u>
Expenditures				
Current				
Instruction				
Regular	5,650,634	5,736,032	5,860,158	(124,126)
Special	666,960	677,040	692,249	(15,209)
Vocational	89,160	90,507	92,092	(1,585)
Other instruction	22,000	22,333	23,025	(692)
Supporting services				
Pupil	793,173	805,161	823,119	(17,958)
Instructional staff	413,376	419,624	428,891	(9,267)
Board of education	96,107	97,560	99,971	(2,411)
Administration	1,374,447	1,395,220	1,425,610	(30,390)
Fiscal services	367,060	372,607	380,167	(7,560)
Business	186,425	189,242	193,397	(4,155)
Operation and maintenance	1,154,443	1,171,891	1,197,544	(25,653)
Pupil transportation	418,008	424,325	433,280	(8,955)
Central services	52,106	52,894	54,177	(1,283)
Extracurricular activities				
Academic and subject oriented	77,580	78,753	80,390	(1,637)
Sports oriented	145,898	148,103	151,756	(3,653)
Co-curricular	71,791	72,876	74,469	(1,593)
Total expenditures	<u>11,579,168</u>	<u>11,754,168</u>	<u>12,010,295</u>	<u>(256,127)</u>
Excess (deficiency) of revenues over expenditures	<u>663,449</u>	<u>488,449</u>	<u>(272,815)</u>	<u>(761,264)</u>
Other financing sources (uses)				
Advances in	74,538	74,538	74,538	-
Transfers-out	(80,000)	(80,000)	(77,200)	2,800
Total other financing sources (uses)	<u>(5,462)</u>	<u>(5,462)</u>	<u>(2,662)</u>	<u>2,800</u>
Net change in fund balances	657,987	482,987	(275,477)	(758,464)
Prior year encumbrances	201,277	201,277	201,277	-
Fund balances, beginning of year	262,283	262,283	262,283	-
Fund balances, end of year	<u>\$ 1,121,547</u>	<u>\$ 946,547</u>	<u>\$ 188,083</u>	<u>\$ (758,464)</u>

See accompanying notes and accountant's compilation report.

OBERLIN CITY SCHOOL DISTRICT
LORAIN COUNTY
STATEMENT OF FUND NET ASSETS -
INTERNAL SERVICE FUND
JUNE 30, 2008

	<u>Self Insurance</u>
Assets	
Equity in pooled cash	\$ 429,431
Liabilities	
Claims payable	<u>154,600</u>
Net assets	
Unrestricted	<u>\$ 274,831</u>

See accompanying notes and accountant's compilation report.

OBERLIN CITY SCHOOL DISTRICT
 LORAIN COUNTY
 STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS -
 INTERNAL SERVICE FUND
 FOR THE YEAR ENDED JUNE 30, 2008

	<u>Self Insurance</u>
Operating revenue	
Charges for services	\$ 1,366,043
Operating expenses	
Claims	1,293,766
Operating income	72,277
Net assets, beginning of year	202,554
Net assets, end of year	\$ 274,831

See accompanying notes and accountant's compilation report.

OBERLIN CITY SCHOOL DISTRICT
 LORAIN COUNTY
 STATEMENT OF CASH FLOWS -
 INTERNAL SERVICE FUND
 FOR THE YEAR ENDED JUNE 30, 2008

	<u>Self Insurance</u>
Cash flows from operating activities	
Cash received from interfund services	\$ 1,366,043
Cash payments for claims	(1,330,666)
Net cash provided by operating activities	35,377
Cash and cash equivalents, beginning of year	394,054
Cash and cash equivalents, end of year	\$ 429,431
Reconciliation of operating loss to net cash used for operating activities	
Operating income	\$ 72,277
Adjustments	
Decrease in claims payable	(36,900)
Net cash provided by operating activities	\$ 35,377

See accompanying notes and accountant's compilation report.

OBERLIN CITY SCHOOL DISTRICT
 LORAIN COUNTY
 STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
 AGENCY FUND
 JUNE 30, 2008

	Student Activities
Assets	
Equity in pooled cash	\$ 58,850
Total assets	58,850
Liabilities	
Accounts payable	1,400
Due to students	57,450
Total liabilities	\$ 58,850

See accompanying notes and accountant's compilation report.

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OBERLIN CITY SCHOOL DISTRICT
LORAIN COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2008

NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY

The Oberlin City School District (the District) was established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The District is a city school district as defined by Section 3311.03 of the Ohio Revised Code. The District operates under an elected Board of Education consisting of five members and is responsible for providing public education to residents of the District. Average daily membership on, or as of, October 1, 2007 was 1,144. The District employs 94 certificated and 70 non-certificated employees.

REPORTING ENTITY

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

Component units are legally separate organizations for which the District is financially accountable. The District is financially accountable for an organization if the District appoints a voting majority of the organizations' governing board and, 1) the District is able to significantly influence the programs or services performed or provided by the organization; or 2) the District is legally entitled to or can otherwise access the organizations' resources; the District is legally obligated or has otherwise assumed the responsibility to finance the deficits of or provided financial support to the organization; or the District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the District in that the District approves the budget, the issuance of debt, or the levying of taxes.

Blended component units, although legally separated entities are, in substance, part of the District's operations and so data from these units are combined with data of the District. The District has no component units.

The District is associated with the Lake Erie Educational Computer Association, the Lake Erie Regional Council of Governments, the Lorain County Joint Vocational School District, and the Ohio School Council Association which are considered to be jointly governed organizations. These organizations and their relationships with the District are described in more detail in Note 17 to these financial statements.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements of District have been prepared in conformity with generally accepted accounting principles (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. The District also applies Financial Accounting Standards Board (FASB) statements and interpretations issued on or before November 30, 1989, to its governmental activities and to its proprietary fund provided they do not conflict with or contradict GASB pronouncements. Following are the more significant of the District's accounting policies.

OBERLIN CITY SCHOOL DISTRICT
LORAIN COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2008

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

A. BASIS OF PRESENTATION

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

Government-wide Financial Statements

The statement of net assets and the statement of activities display information about the District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The activity of the internal service fund is eliminated to avoid "doubling up" revenues and expenses.

The statement of net assets presents the financial condition of the governmental activities of the District at year-end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the 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 for 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 District, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the District.

Fund Financial Statements

During the year, the District segregates transactions related to certain 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 District at this more detailed level. The focus of governmental financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. The internal service fund is presented in a single column on the face of the proprietary fund statements. Fiduciary funds are reported by fund type.

B. FUND ACCOUNTING

The 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 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 District are grouped into the categories governmental, proprietary, and fiduciary.

OBERLIN CITY SCHOOL DISTRICT
LORAIN COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2008

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B. FUND ACCOUNTING (continued)

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 resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance. The following is the District's major governmental fund:

General Fund - the general fund is the operating fund of the District and is used to account for all financial resources, except those required to be accounted for in another fund.

The other governmental funds of the District account for grants and other resources whose use is restricted to a particular purpose.

Proprietary Fund

The proprietary fund focuses on the determination of the changes in net assets, financial position, and cash flows. Proprietary funds are classified as enterprise or internal service. The District's self insurance fund is classified as an internal service fund. The District has no enterprise funds.

Fiduciary Funds

Fiduciary fund reporting focuses on net assets and changes in net assets. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds, and agency funds. Trust funds are used to account for assets held by the District under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the District's own programs. The District has no trust funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The District's agency fund accounts for student activities.

C. MEASUREMENT FOCUS

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

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

OBERLIN CITY SCHOOL DISTRICT
LORAIN COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2008

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C. MEASUREMENT FOCUS (continued)

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

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. Governmental funds use the modified accrual basis of accounting. Proprietary and the fiduciary fund also use the accrual basis of accounting. Differences in the accrual and modified accrual bases of accounting arise in the recognition of revenue, the recording of deferred revenue and in the presentation of expenses versus expenditures.

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, and "available" means collectible within the current fiscal year or soon enough thereafter to be used to pay liabilities of the current fiscal year. For the District, available means expected to be received within sixty days of fiscal year end.

Nonexchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, entitlements, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted; matching requirements, in which the District must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. On a modified accrual basis, revenue from nonexchange 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, grants, investment earnings, tuition, and student fees.

OBERLIN CITY SCHOOL DISTRICT
LORAIN COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2008

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. BASIS OF ACCOUNTING (continued)

Unearned Revenue

Unearned revenue arises when assets are recognized before revenue recognition criteria have been satisfied.

Property taxes for which there is an enforceable legal claim as of June 30, 2008, but which were levied to finance fiscal year 2009 operations, have been recorded as unearned revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as unearned revenue.

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

Expenditures/Expenses

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

E. BUDGETARY PROCESS

All funds, other than agency funds, 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 fund level for all funds.

The certificate of estimated resources may be amended during the year if projected increases or decreases in revenue are identified by the District Treasurer. The amounts reported as the original budgeted amounts in the budgetary statements reflect the amounts in the certificate when the original appropriations were adopted. The amounts reported as the final budgeted amounts in the budgetary statements reflect the amounts in the final amended certificate that were in effect at the time the final appropriations were passed by the Board of Education.

The appropriation resolution is subject to amendment by the Board throughout the 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 years. The amounts reported as the final budgeted amounts represent the final appropriation amounts passed by the Board during the year.

OBERLIN CITY SCHOOL DISTRICT
LORAIN COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2008

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

F. CASH AND INVESTMENTS

Cash received by the District is deposited in one central bank account with individual fund balance integrity maintained through District records. Monies for all funds are maintained in this account or temporarily transferred to the State Treasurer's investment pool (STAROhio) or other short term investments. Under existing Ohio statutes, interest earnings are allocated to funds based on average monthly cash balances. Interest income earned for the year ended June 30, 2008 totaled \$ 93,189 which includes \$ 67,748 assigned from other funds.

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 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 District has invested in the State Treasurer's investment pool (STAROhio) during the year. STAROhio is an investment pool managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAROhio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAROhio are valued at STAROhio's share price, which is the price the investment could be sold for on June 30, 2008.

Investments with an original maturity of three months or less at the time of purchase are considered to be cash equivalents

G. RESTRICTED ASSETS

Assets are reported as restricted assets when limitations on their use change the normal understanding of the availability of the asset. Such constraints are either imposed by creditors, contributors, grantors, or laws of other government or imposed by enabling legislation.

H. CAPITAL ASSETS

General capital assets are those assets not specifically related to activities reported in the proprietary funds. 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 assets but are not reported on the fund financial statements.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and reductions during the year. Donated capital assets are recorded at their fair market values as of the date received. The District maintains a capitalization threshold of five thousand dollars. The 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, other than 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:

Asset	Estimated Useful Life
Land improvements	20 years
Buildings	50 years
Building improvements	20 - 30 years
Furniture and equipment	5 - 20 years
Vehicles	8 years

OBERLIN CITY SCHOOL DISTRICT
LORAIN COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2008

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

I. INTERFUND BALANCES

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

J. COMPENSATED ABSENCES

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

Sick leave benefits are accrued as a liability using the vesting method. The liability is based on an estimate of the amount of accumulated sick leave that will be paid as a termination benefit. The liability includes employees who are currently eligible to receive termination benefits and those the District has identified as probable of receiving payment in the future. The amount is based on accumulated sick leave and employees' wage rates at fiscal year end, taking into consideration any limits specified in the District's termination policy.

For governmental fund financial statements, the current portion of unpaid compensated absences is the amount that is normally expected to be paid using expendable available financial resources. These amounts are recorded in the account "matured compensated absences payable" in the fund from which the employees who have accumulated leave are paid. The noncurrent portion of the liability is not reported.

K. ACCRUED LIABILITIES AND LONG-TERM OBLIGATIONS

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements and all payables and accrued liabilities from proprietary funds are reported on the proprietary fund statements.

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

L. NET ASSETS

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt, consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction, or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors or laws, or regulations of other governments. The government-wide statements of net assets reports \$ 711,243 of restricted net assets, of which \$ 307,834 is restricted by enabling legislation.

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

OBERLIN CITY SCHOOL DISTRICT
LORAIN COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2008

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

M. FUND BALANCE RESERVES AND DESIGNATIONS

The District reserves those portions of fund balance which are legally segregated for a specific future use or which do not represent available expendable resources and therefore are not available for appropriation or expenditure. Unreserved fund balance indicates that portion of fund balance which is available for appropriation in future periods. Fund balance reserves have been established for property taxes and encumbrances.

The reserve for property taxes represents taxes recognized as revenue under generally accepted accounting principles but not available for appropriation under State statute.

N. OPERATING REVENUES AND EXPENSES

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary fund. For the District, these revenues are charges for services for the self-insurance program. Operating expenses are necessary costs incurred to provide the good or service that are the primary activity of this fund. Revenues and expenses not meeting those definitions are reported as non-operating.

O. INTERFUND TRANSACTIONS

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.

P. ESTIMATES

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

Q. INVENTORY

On government wide financial statements, inventories are presented at the lower of cost or market, on a first-in, first-out basis and are expensed when used. Inventories consist of donated food, purchased food and school supplies held for resale, and materials and supplies held for consumption.

OBERLIN CITY SCHOOL DISTRICT
LORAIN COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2008

NOTE 3 – CHANGE IN ACCOUNTING PRINCIPLE

For fiscal year 2008, the District has implemented Governmental Accounting Standards Board (GASB) Statement No. 45, "Accounting and Financial Reporting by Employers for Postemployment Benefits other than Pension." GASB 45 establishes standards for disclosure of information on postemployment benefits other than pension benefits by all state and local government employers. The implementation of GASB 45 had no affect on the District's financial statement.

NOTE 4 – ACCOUNTABILITY AND COMPLIANCE

At June 30, 2008, the following non-major funds had deficit fund balances: the Athletic Fund of \$ 3,022, the EMIS Fund of \$30,294, the Poverty Based Assistance Fund of \$ 17,478, the Title VIB of \$ 41,371, the Title I of \$ 18,444. The General Fund is liable for deficits in the funds and provides transfers when cash is required, not when accruals occur. The deficit fund balances resulted from adjustments for accrued liabilities.

Contrary to Section 5705.41(B), of the Ohio Revised Code, the following funds had expenditures exceeding appropriations for June 30, 2008.

<u>Fund/Function/Object</u>	<u>Final Appropriations</u>	<u>Expenditures</u>	<u>Variance</u>
<u>June 30, 2008</u>			
General Fund	12,035,445	12,087,495	(52,050)
Nonmajor Funds			
Special Revenue Funds			
Food Services	383,754	387,425	(3,671)
Public School Support	53,237	58,492	(5,255)
Other Grants	109,164	143,656	(34,492)
District Managed Student Activity	43,117	47,795	(4,678)
State EMIS Subsidy	80,000	82,188	(2,188)
Miscellaneous State Grants	13,611	50,551	(36,940)
IDEA - Title VI B	272,765	320,470	(47,705)
Title I	181,510	187,358	(5,848)

<u>Fund/Function/Object</u>	<u>Appropriations</u>	<u>Expenditures</u>	<u>Variance</u>
<u>February 29, 2008</u>			
Nonmajor Funds			
Special Revenue Funds			
Other Grants	100,000	105,778	(5,778)
District Managed Student Activity	30,000	55,213	(25,213)
Poverty Aid	353,278	355,471	(2,193)
Miscellaneous State Grants	2,000	49,558	(47,558)
Miscellaneous Federal Grants	249	1,702	(1,453)

OBERLIN CITY SCHOOL DISTRICT
 LORAIN COUNTY
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 JUNE 30, 2008

NOTE 5 - BUDGETARY BASIS OF ACCOUNTING

While the District is reporting financial position, results of operations, and changes in fund balances/retained earnings on the basis of generally accepted accounting principles (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 Balances - Budget (Non-GAAP 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 basis statements are the following:

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 reservation of fund balance (GAAP basis).

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

Net Change in Fund Balance	
	General Fund
Budget basis	\$ (275,477)
Adjustments, increase (decrease)	
Revenue accruals	14,405
Expenditure accruals	32,486
GAAP basis, as reported	\$ (228,586)

OBERLIN CITY SCHOOL DISTRICT
LORAIN COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2008

NOTE 6 - DEPOSITS AND INVESTMENTS

A. LEGAL REQUIREMENTS

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

Active deposits are public deposits necessary to meet current demands on the treasury. Such monies must be maintained either as cash in the 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 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 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 invested in the following securities:

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligation or security 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 2 percent and be marked to market daily, and 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);

OBERLIN CITY SCHOOL DISTRICT
LORAIN COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2008

NOTE 6 - DEPOSITS AND INVESTMENTS (continued)

A. LEGAL REQUIREMENTS (continued)

7. Commercial paper and bankers' acceptances (if authorized by the Board of Education), and
8. Under limited circumstances, corporate debt interests rated in either of the two highest rating classifications by at least two nationally recognized rating agencies.

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 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.

At fiscal year end, the District had \$ 500 in cash on hand which is included on the balance sheet of the District as part of "Equity in Pooled Cash".

B. DEPOSITS

Custodial credit risk is the risk that, in the event of a bank failure, the District's deposits may not be returned. The District does not have a deposit policy for custodial credit risk. At fiscal year end, the carrying amount of the District's deposits was \$ 960,889 and the bank balance was \$ 1,038,537. Of the bank balance, \$ 139,661 was covered by federal depository insurance and \$ 898,876 was uninsured. Of the remaining balance, \$ 898,876 was collateralized with securities held by the pledging institution's trust department not in the District's name.

C. INVESTMENTS

For an investment, custodial credit risk is the risk that, in the event of the failure of the counter party, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. As of June 30, 2008, the district had the following investments:

	Maturities	Fair Value
Investment in STAR Ohio	n/a	\$ 341,069

D. INTEREST RATE RISK

The Ohio Revised Code generally limits security purchases to those that mature within five years of the settlement date.

E. CREDIT RISK

The District follows the Ohio Revised Code that limits its investment choices. As of June 30 2008, the District's investments in Money Market Funds and StarOhio were rated AAA by Standard & Poor's.

OBERLIN CITY SCHOOL DISTRICT
LORAIN COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2008

NOTE 6 - DEPOSITS AND INVESTMENTS (continued)

F. CONCENTRATION OF CREDIT RISK

The district places no limit on the amount that may be invested in any one issuer.

NOTE 7 - 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 distributions are received by the District in the second half of the fiscal year. Second-half tax distributions are received in the first half of the following fiscal year.

Property taxes include amounts levied against all real, public utility, and tangible personal property (used in business) located in the school district. Real property tax revenue received in calendar 2008 represents collections of calendar year 2007 taxes. Real property taxes received in calendar year 2008 were levied after April 1, 2007, on the assessed value listed as of January 1, 2007, 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 2007 represents collections of calendar year 2007 taxes. Public utility real and tangible personal property taxes received in calendar year 2008 became a lien December 31, 2006, were levied after April 1, 2007 and are collected in 2008 with real property taxes. Public utility real property is assessed at thirty-five percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

Tangible personal property tax revenues received in calendar year 2008 (other than public utility property) represent the collection of calendar year 2007 taxes. Tangible personal property taxes for 2007 were levied after April 1, 2007, on the value as of December 31, 2007. The tangible personal property tax is being phased out – the assessment percentage for all property including inventory is 6.25 percent for 2008. This will be reduced to zero for 2009. Payments by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the District prior to June 30.

The School District receives property taxes from Lorain County. The County Auditor periodically advances to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2007, are available to finance fiscal year 2008 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable includes real property, public utility property and tangible personal property taxes which are measurable as of June 30, 2008 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 were 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 unearned revenue.

OBERLIN CITY SCHOOL DISTRICT
LORAIN COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2008

NOTE 7 - PROPERTY TAXES (continued)

The amount available as an advance at June 30, 2008, was \$ 646,620 in the General Fund, \$ 31,936 in the Education Technology Fund, and \$ 44,434 in the Capital Projects Fund. The amount available as an advance at June 30, 2007, was \$832,058 in the General Fund, \$ 25,909 in the Education Technology Fund, and \$ 58,585 in the Capital Projects Fund.

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 unearned.

The assessed values upon which the fiscal year 2008 taxes were collected are:

	2007 Second Half Collections		2008 First Half Collections	
	Amount	%	Amount	%
Agricultural Residential				
Real Estate	\$ 146,515,260	75.52 %	\$ 148,837,320	75.66 %
Other Commercial	38,186,100	19.68	42,183,700	21.44
Public Utility Tangible	4,957,750	2.56	3,552,820	1.81
Tangible Personal Property	4,342,444	2.24	2,138,816	1.09
	\$ 194,001,554	100.00 %	\$ 196,712,656	100.00 %
 Tax Rate per \$ 1,000 of Assessed Valuation:	 67.97		 68.27	

NOTE 8 - RECEIVABLES

Receivables at June 30, 2008, consisted of property taxes, income taxes and intergovernmental revenue. All receivables are considered substantially 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 collected within one year.

A summary of the principal items of due from other governments follows:

Governmental Activities:	Amount
Non-major funds	
Food service	\$ 30,296
Other grants	25,150
Total Due from Other Governments	\$ 55,446

OBERLIN CITY SCHOOL DISTRICT
LORAIN COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2008

NOTE 9 - CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2008, was as follows:

<u>Governmental Activities</u>	Balance June 30, 2007	Additions	Disposals	Balance June 30, 2008
Nondepreciable capital assets				
Land	\$ 2,279,070	\$ -	\$ -	\$ 2,279,070
Depreciable capital assets				
Land improvements	1,131,187	7,178	-	1,138,365
Buildings and improvements	13,086,365	72,888	-	13,159,253
Furniture and equipment	1,252,881	60,477	-	1,313,358
Vehicles	640,829	-	43,200	597,629
Total capital assets being depreciated	<u>16,111,262</u>	<u>140,543</u>	<u>43,200</u>	<u>16,208,605</u>
Less accumulated depreciation				
Land improvements	937,479	46,392	-	983,871
Buildings and improvements	9,966,268	253,555	-	10,219,823
Furniture and equipment	858,953	78,097	-	937,050
Vehicles	579,160	41,036	43,200	576,996
Total accumulated depreciation	<u>12,341,860</u>	<u>419,080</u>	<u>43,200</u>	<u>12,717,740</u>
Depreciable capital assets, net of accumulated depreciation	<u>3,769,402</u>	<u>(278,537)</u>	<u>-</u>	<u>3,490,865</u>
Governmental activities capital assets, net	<u>\$ 6,048,472</u>	<u>\$ (278,537)</u>	<u>\$ -</u>	<u>\$ 5,769,935</u>

Depreciation expense was charged to governmental functions as follows:

Instruction	
Regular	\$ 359,338
Supporting services	
Board of education	11,372
Administration	3,809
Operation and maintenance of plant	435
Pupil transportation	41,036
Central services	1,230
Extracurricular activities	
Sports oriented	1,860
Total depreciation expense	<u>\$ 419,080</u>

OBERLIN CITY SCHOOL DISTRICT
LORAIN COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2008

NOTE 10 - INTERFUND ACTIVITY

On the fund financial statements at June 30, 2008, interfund balances consisted of the following:

	Receivable	Payable	
Major Fund:			
General Fund	\$ 2,160	\$ -	
Non-major Funds:			
Athletic Program	-	2,160	
	\$ 2,160	\$ 2,160	

These amounts are represented as "Interfund Receivable/Payable" on the balance sheet. The loans were made to support programs and projects in the Special Revenue Funds.

During the year ended June 30, 2008, the General Fund transferred \$ 77,200 to the EMIS fund. These transfers were to provide for the payment of expenditures.

NOTE 11 - RISK MANAGEMENT

The 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. The District contracted with the Hartford Insurance Company for property insurance. Professional liability is covered by the Ohio School Plan with a \$ 2,000,000 umbrella and a \$ 3,000,000 aggregate limit. Vehicles are covered by the Ohio School Plan Company. Automobile liability has a \$ 1,000,000 combined single limit of liability. Settled claims have not exceeded this commercial coverage in any of the past several years.

Public officials bonds of \$ 20,000 each are maintained for the Superintendent, Board Members, Principals, Assistant Treasurer, and Athletic Director, and bonds of \$ 2,000 each for the Cafeteria Supervisor and the Confidential Secretary to the Treasurer through Traveler's Insurance Company. A public official bond in the amount of \$ 50,000 is maintained for the Treasurer, also through the Traveler's insurance Company.

The District participates in the Ohio School Boards Association Worker's Compensation Group Rating Program (GRP), an insurance purchasing pool. The GRP's business and affairs are conducted by a three member Board of Directors consisting of the President, the President-Elect, and the Immediate Past President of the Ohio School Boards Association (OSBA). The Executive Director of OSBA, or his designee, serves as coordinator of the program. Each year, the participating school districts pay an enrollment fee to the GRP to cover the costs of administering the program.

The intent of the GRP is to achieve the benefit of a reduced premium for the 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.

OBERLIN CITY SCHOOL DISTRICT
LORAIN COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2008

NOTE 11 - RISK MANAGEMENT (continued)

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 Gates McDonald & Co. provides administrative, cost control and actuarial services to the GRP.

The District has contracted with Medical Mutual of Ohio to provide medical/surgical and dental benefits for its employees and their dependents. This plan contains a stop-loss provision of \$ 50,000 per participant.

The claim liability of \$ 154,600 reported at June 30, 2008 was estimated by the third party administrator and is based on the requirements of Governmental Standards Board Statement No. 30, which requires that a liability for unpaid claims costs, including estimates of costs related to incurred but not reported claims, be reported. The estimate was not affected by incremental claim adjustment expenses and does not include other allocated or unallocated claim adjustment expense. Changes in the balance of claims liability during the years ended June 30, 2008 and 2007 are summarized below. Incurred claims and claims payments are not segregated between current and prior year's claims due to the impracticability of obtaining such information.

	June 30, 2008	June 30, 2007
Unpaid claims, beginning of year	\$ 191,500	\$ 179,400
Incurred claims	1,293,766	1,233,891
Claims payments	(1,330,666)	(1,221,791)
Unpaid claims, end of year	\$ 154,600	\$ 191,500

Life insurance is through the Ohio Educational Employees Insurance Trust. The life insurance is term life with a limit of \$ 45,000 for classified employees and \$ 50,000 for certified employees through UNUM Life Insurance Company of America.

NOTE 12 - DEFINED BENEFIT PENSION PLANS

A. SCHOOL EMPLOYEES RETIREMENT SYSTEM (SERS)

Plan Description – the District contributes to the School Employees Retirement System (SERS), a cost-sharing multiple employer pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3764.

OBERLIN CITY SCHOOL DISTRICT
LORAIN COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2008

NOTE 12 - DEFINED BENEFIT PENSION PLANS (continued)

A. SCHOOL EMPLOYEES RETIREMENT SYSTEM (SERS) (continued)

Funding Policy – Plan members are required to contribute 10 percent of their annual covered salary and the District is required to contribute at an actuarially determined rate. The current District rate is 14 percent of the annual covered payroll. A portion of the District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2008, 9.16 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to a statutory maximum amount of 10 percent for plan members and 14 percent for employers. Chapter 3309 of the Ohio Revised Code provides statutory authority for member and employer contributions. The School District's required contributions for pension obligations to SERS for the years ended June 30, 2008, 2007, and 2006 were \$ 164,020 \$ 164,060, and \$ 147,455, respectively. The full amount has been contributed for 2007 and 2006. For 2008, \$ 24,036 (15%) has been contributed.

B. STATE TEACHERS RETIREMENT SYSTEM (STRS)

Plan Description – The District participates in the State Teachers Retirement System of Ohio (STRS), a cost-sharing, multiple employer public employee retirement plan. STRS provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS issues a stand-alone financial report that may be obtained by writing to STRS Ohio, 275 E. Broad St., Columbus, OH 43215-3771, by calling (888)227-7877, or by visiting the STRS Ohio 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. The DB plan offers an annual retirement allowance based on final average salary times percentage that varies based on years of service, or an allowance based on a member's lifetime contributions and earned interest matched by STRS Ohio funds divided by an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5 percent of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal. The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The DB portion of the Combined Plan payment is payable to a member on or after age 60; the DC portion of the account may be taken as a lump sum or converted to a lifetime monthly annuity at age 50. Benefits are established by Chapter 3307 of the Ohio Revised Code.

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

Funding Policy – For the fiscal year ended June 30, 2008, plan members were required to contribute 10 percent of their annual covered salaries. The District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. For fiscal year 2007, the portion used to fund pension obligations was also 13 percent. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent of employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

OBERLIN CITY SCHOOL DISTRICT
LORAIN COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2008

NOTE 12 - DEFINED BENEFIT PENSION PLANS

B. STATE TEACHERS RETIREMENT SYSTEM (STRS)

The School District's required contribution for pension obligations to the DB Plan for the fiscal years ended June 30, 2008, 2007, and 2006 were \$ 748,952, \$ 732,439, and \$ 682,567, respectively. For 2008, \$633,936 (81%) has been contributed. The full amount has been contributed for 2007 and 2006.

C. SOCIAL SECURITY

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System of Ohio have an option to choose Social Security or the School Employees Retirement System. As of June 30, 2008, three members of the Board of Education have elected Social Security. The contribution rate is 6.2 percent of wages.

NOTE 13 - POSTEMPLOYMENT BENEFITS

A. SCHOOL EMPLOYEES RETIREMENT SYSTEM (SERS) (continued)

Plan Description – The District participates in two cost-sharing employer defined benefit OEPB plans administered by the SERS for non-certificated retirees and the beneficiaries, a Health Care Plan and a Medicare Part B Plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's and traditional indemnity plans as well as a prescription drug program. The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries up to a statutory limit. Benefit provisions and obligation to contribute are established by the System based on authority granted by State Statute. The financial reports of both plans are included in the SERS Comprehensive Annual Financial Report which is available by contracting SERS at 300 East Broad St., suite 100, Columbus, Ohio 43215-3746.

Funding Policy – State Statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 401h. For 2008, 4.18 percent for covered payroll was allocated to health care. In addition employers pay a surcharge for employees earning less than an actually determined amount; the amount was \$36,484.

Active employee members do not contribute to the Health Care Plan. Retirees and their beneficiaries are required to pay a health care premium that varies depending on the plan selected, the number of qualified years of service Medicare eligibility and retirement status.

The District's contributions for health care for the fiscal years ended June 30, 2008, 2007, and 2006 were \$74,847, \$ 51,531 and \$ 46,315, respectively; 81 percent has been contributed for 2007 and 100 percent for fiscal years 2007 and 2006.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contributions to the Medicare B fund. For 2008, this actuarially required allocation was 0.66 percent of covered payroll. The District's contribution for Medicare Part B for the fiscal years ended June 30, 2008, 2007, and 2006 were \$11,818, \$ 10,554 and \$ 8,091, respectively; 15 percent has been contributed for fiscal year 2008 and 100 percent for fiscal years 2007 and 2006.

OBERLIN CITY SCHOOL DISTRICT
LORAIN COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2008

NOTE 13 - POSTEMPLOYMENT BENEFITS

B. STATE TEACHERS RETIREMENT SYSTEM (STRS)

Plan Description – The District contributes to the cost sharing multiple employer defined benefit Health Plan administered by the State Teachers Retirement System of Ohio (STRS Ohio) for eligible retirees who participated in the defined benefit or combined pension plans offered by STRS Ohio. Benefits include hospitalization, physicians; fees, prescription drugs and reimbursement of monthly Medicare Part B premiums. The Plan is included in the report of STRS Ohio which may be obtained by visiting www.strsoh.org or by calling (888) 227-7877.

Funding Policy – Ohio law authorized STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2008, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The District's contributions for health care for the fiscal years ended June 30, 2008, 2007, and 2006 were \$60,380, \$ 56,340, and 52,505 respectively; 81 percent has been contributed for fiscal year 2008 and 100 percent for fiscal years 2007 and 2006.

NOTE 14 - LONG-TERM OBLIGATIONS

Changes in the District's long-term obligations including matured compensated absences during fiscal year 2008 were as follows:

	Balance June 30, 2007	Increase	Decrease	Balance June 30, 2008	Amounts Due In One Year
Capital lease	\$ 582,363	\$ -	\$ 77,518	\$ 504,845	\$ 67,827
Compensated absences	1,098,064	364,481	190,042	1,272,503	187,806
	<u>\$ 1,680,427</u>	<u>\$ 364,481</u>	<u>\$ 267,560</u>	<u>\$ 1,777,348</u>	<u>\$ 255,633</u>

The capital lease will be repaid from the General Fund. The compensated absences will be repaid from the funds from which employees' salaries are paid.

During 2007 and 2008, the Board of Education negotiated a retirement incentive plan for certified non-administrative personnel, who are eligible for STRS retirement and certified non-administrative personnel who are not eligible for STRS retirement with EPC, the early buy-out incentive plan experts. Beginning July of the year of retirement, payment will be made in three equal installments into a retirement account. At June 30, 2008, the District's liability for the retirement incentive plan was \$ 375,210. Of this liability, \$151,202 was recorded as part of compensated absences in the General Fund. The remaining balance of \$224,008 was recorded as part of long term liabilities on the statement of net assets.

OBERLIN CITY SCHOOL DISTRICT
LORAIN COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2008

NOTE 15 – CAPITAL LEASE

The District has entered into a lease agreement for financing certain copier equipment and HB264 energy improvements. This lease agreement qualifies as capital lease for accounting purposes and, therefore, has been recorded at the present value of future minimum lease payments as of June 30, 2008. The assets acquired through capital leases are as follows:

Asset	Cost	Accumulated Depreciation	Net
Copier equipment	\$ 233,642	\$ (210,278)	\$ 23,364
HB 264 energy improvements	547,209	(68,400)	478,809
	<u>\$ 780,851</u>	<u>\$ (278,678)</u>	<u>\$ 502,173</u>

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2008, are as follows:

	Year ending June 30,	Lease Obligations
	2009	\$ 88,956
	2010	50,391
	2011	50,391
	2012	50,391
	2013-2017	251,955
	2018-2020	<u>155,054</u>
Total minimum lease payments		647,138
Less amount representing interest		144,965
Net present value of minimum lease payments		<u>\$ 502,173</u>

NOTE 16 – OPERATING LEASES

The District is obligated under certain leases accounted for as operating leases. Operating leases do not give rise to property rights or lease obligations. During 2008, expenditures for operating leases totaled \$ 2,333.

The following is a schedule of future minimum rental payments required under operating leases that have initial or remaining noncancelable lease terms in excess of one year as of June 30, 2008.

Year ending June 30,	Amount
2009	\$ 4,665
2010	4,665
2011	<u>2,333</u>
	<u>\$ 11,663</u>

OBERLIN CITY SCHOOL DISTRICT
 LORAIN COUNTY
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 JUNE 30, 2008

NOTE 17 - SET-ASIDES

The District is required by State statute to annually set aside, in the General Fund, an amount based on a statutory formula for the purchase of textbooks and other instructional materials, and an equal amount for the acquisition and construction of capital improvements. Amounts not spent by the end of the fiscal year or offset by similarly restricted resources received during the year must be held in cash at year end. These amounts must be carried forward and used for the same purposes in future years. The following cash basis information identifies the changes in the fund balance reserves for textbooks and capital improvements during fiscal year 2008.

	Textbook	Capital Maintenance
Balance, July 1, 2007	\$ (431,216)	\$ -
Required set aside	172,649	172,649
Qualifying expenditures	(361,027)	(411,919)
Balance June 30, 2008	\$ (619,594)	\$ (239,270)
 Carry forward at June 30, 2008	 \$ (619,594)	 \$ -

Expenditures and offset credits for textbooks and capital maintenance during the year were \$ 361,027 and \$ 411,919, respectively, which exceeded the required set-aside and the reserve balance. Textbook expenditures have exceeded statutory requirements by \$ 619,594 which may be used as offset credits for future years' set aside requirements.

NOTE 18 - JOINTLY GOVERNED ORGANIZATION

A. LAKE ERIE EDUCATION COMPUTER ASSOCIATION

The Lake Erie Educational Computer Association (LEECA) is a jointly governed organization comprised of thirty school districts. The jointly governed organization was formed to provide data processing services for accounting, administrative and instructional functions of member districts. Each of the governments of these districts supports LEECA based upon a per pupil charge dependent upon the software packages utilized. The LEECA assembly consists of a superintendent or designated representative from each participating district and a representative from the fiscal agent.

LEECA is governed by a board of directors chosen from the general membership of the LEECA assembly. The board of directors consists of a representative from the fiscal agent, the chairman of each operating committee, and at least one assembly member from each county from which participating districts are located. Financial information can be obtained by contacting the Treasurer at the Educational Service Center of Lorain County, which serves as fiscal agent, located at 1885 Lake Avenue, Elyria, Ohio 44035. During the year ended June 30, 2008, the District paid \$ 111,707 to LEECA.

OBERLIN CITY SCHOOL DISTRICT
LORAIN COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2008

NOTE 18 - JOINTLY GOVERNED ORGANIZATION (continued)

B. LAKE ERIE REGIONAL COUNCIL (LERC)

The Lake Erie Regional Council (LERC) is a jointly governed organization among thirteen districts. The jointly governed organization was formed for the purpose of promoting cooperative agreements and activities among its members in dealing with problems of mutual concern such as a media center, gas consumption, and food service and insurance. Each member provided operating resources to LERC on a per pupil or usage charge except for insurance. The LERC assembly consists of a superintendent or designated representative from each participating 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 district is limited to its representation on the board. Financial information can be obtained by contacting the Treasurer at the Educational Service Center of Lorain County located at 1885 Lake Avenue, Elyria, Ohio 44035. During the year ended June 30, 2008, the District paid \$ 85,079 to LERC.

C. LORAIN COUNTY JOINT VOCATIONAL SCHOOL DISTRICT

The Lorain County Joint Vocational School District is a separate body politic and corporate, established by the Ohio Revised Code to provide vocational and special education needs of the students. The Board of the Lorain County Joint Vocational School District is comprised of representatives from each participating school district and is responsible for approving its own budgets, appointing personnel, accounting, and financing related activities.

Each School District's control is limited to its representation on the board. The School District's students may attend the Lorain County Joint Vocational School District. Financial information can be obtained by contacting the Lorain County Joint Vocational School District, 15181 State Route 58 South, Oberlin, Ohio 44074.

D. OHIO SCHOOLS COUNCIL

The Ohio Schools Council is a jointly governed organization among eighty-three districts. The jointly governed organization was formed for the purpose of promoting cooperative agreements and activities among its members in dealing with problems of mutual concern such as a media center, gas consumption, driver education, food service, and insurance. Each member provided operating resources to Ohio Schools Council on a per pupil or actual usage charge except for insurance.

The Ohio Schools Council assembly consists of a superintendent or designated representative from each participating district and the fiscal agent. Ohio Schools council is governed by a board of directors chosen from the general membership. The degree of control exercised by any participating district is limited to its representation on the board. Financial information can be obtained by contacting the Executive Secretary/Treasurer, Ohio Schools Council, 6133 Rockside Road, Suite 10, Independence, Ohio 44131. During the year ended June 30, 2008, the District paid \$ 46,892 to the Ohio Schools Council.

NOTE 19 - CONTINGENCIES

The 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 is subject to audit by the grantor agencies.

Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the District at June 30, 2008.

OBERLIN CITY SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - CASH
FOR THE YEAR ENDED JUNE 30, 2008

Federal Grantor/ Pass-Through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass Through Entity Number	Cash Receipts	Non-Cash Receipts	Cash Disburse- ments	Non-Cash Disburse- ments
U.S. Department of Agriculture						
<i>Passed through State Department of Education</i>						
Food Distribution-Commodities - See Note 2	10.550	N/A	\$ 0	\$ 14,965	\$ 0	\$ 14,965
Total Food Distribution-Commodities			<u>0</u>	<u>14,965</u>	<u>0</u>	<u>14,965</u>
Child Nutrition Cluster						
National School Breakfast Program	10.553	044594-805PU08	48,174	0	48,174	0
National School Lunch Program	10.555	044594-LLLL408	171,887	0	171,887	0
Total Child Nutrition Cluster			<u>220,061</u>	<u>0</u>	<u>220,061</u>	<u>0</u>
Total U.S. Department of Agriculture			<u>220,061</u>	<u>14,965</u>	<u>220,061</u>	<u>14,965</u>
U.S. Department of Education						
<i>Passed through State Department of Education</i>						
Title I, Financial Assistance to Meet Special Education Needs of Disadvantaged Children						
Title I, Part A, ESEA - FY 08	84.010	044594-C1S1-08	181,510	0	181,510	0
Title I, Part A, ESEA - FY07	84.010	044594-C1S1-07	14,810	0	14,810	0
Total Title I			<u>196,320</u>	<u>0</u>	<u>196,320</u>	<u>0</u>
Special Education Cluster:						
Special Education Grants to States-						
IDEA Part B-FY08	84.027	044594-6BSF-08	283,474	0	283,474	0
IDEA Part B-FY07	84.027	044594-6BSF-07	85,674	0	36,996	0
			<u>369,148</u>	<u>0</u>	<u>320,470</u>	<u>0</u>
Special Education Preschool Grants to States-IDEA-FY 08						
	84.173	044594-PGS1-08	11,432	0	11,432	0
Total Special Education Cluster			<u>380,580</u>	<u>0</u>	<u>331,902</u>	<u>0</u>
Safe and Drug Free School and Community States Grants - FY08						
	84.186	044594-DRS1-08	4,588	0	4,588	0
Innovative Education Program Strategies, Title V - FY08						
	84.298	044594-C2S1-08	2,792	0	2,792	0
Education Technology State Grants, Title II-D - FY2008						
	84.318	04459-TJS1-08	1,838	0	1,838	0
Title II-D - FY2007	84.318	04459-TJS1-07	1,702	0	1,702	0
Total Education Technology State Grants, Title II-D			<u>3,540</u>	<u>0</u>	<u>3,540</u>	<u>0</u>
Improving Teacher Quality, Title II-A - FY2008						
	84.367	04459-TRS1-08	68,066	0	68,066	0
FY2007	84.367	04459-TRS1-07	3,596	0	3,596	0
Total Improving Teacher Quality, Title II-A			<u>71,662</u>	<u>0</u>	<u>71,662</u>	<u>0</u>
Total U.S. Department of Education			<u>659,482</u>	<u>0</u>	<u>610,804</u>	<u>0</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u>\$ 879,543</u>	<u>\$ 14,965</u>	<u>\$ 830,865</u>	<u>\$ 14,965</u>

See accompanying notes to Supplemental Schedule of Expenditures of Federal Awards - Cash

**OBERLIN CITY SCHOOL DISTRICT
NOTES TO THE SUPPLEMENTAL SCHEDULE OF
EXPENDITURES OF FEDERAL AWARDS - CASH
JUNE 30, 2008**

NOTE 1: BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards - Cash includes the federal grant activity of the Oberlin City School District and is presented on the cash basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the basic financial statements.

NOTE 2: NONCASH SUPPORT

The District receives noncash support in the form of food subsidies from the National School Lunch Program (NSLP), CFDA 10.550. The value of the food subsidies is determined by using the fair market value of the food items as quoted by local food suppliers.

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

Board of Education
Oberlin City School District
Oberlin, Ohio

We have audited the accompanying financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of the Oberlin City School District, Lorain County, Ohio, as of and for the year ended June 30, 2008, which collectively comprise the Oberlin City School District, Ohio's basic financial statements and have issued our report thereon dated December 5, 2008. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Oberlin City School District, Ohio's internal control over financial reporting as a basis for designing our auditing procedures 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 Oberlin City School District, Ohio's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Oberlin City School District, Ohio's internal control over financial reporting.

Our consideration of the internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified a deficiency in internal control over financial reporting that we consider significant.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Oberlin City School District, Ohio's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Oberlin City School District, Ohio's financial statements that is more than inconsequential will not be prevented or detected by the Oberlin City School District, Ohio's internal control. We consider the deficiency described as **Item 2008-1** in the accompanying Schedule of Findings and Questioned Costs to be a significant deficiency in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Oberlin City School District, Ohio's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe that the significant deficiency described above is a material weakness. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

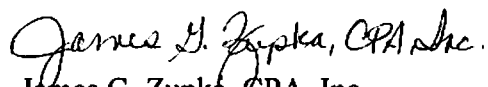
Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Oberlin City School District, Ohio's financial statements are free of 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 an instance of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which is described in the accompanying Schedule of Findings and Questioned Costs as **Item 2008-1**.

We noted certain matters that we reported to the management of the Oberlin City School District, Ohio, in a separate letter dated December 5, 2008.

The Oberlin City School District, Ohio's response to the finding identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. We did not audit the Oberlin City School District, Ohio's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the audit committee, management, the Board of Education, others within the entity, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.


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

December 5, 2008

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

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**REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO
EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE
IN ACCORDANCE WITH OMB CIRCULAR A-133**

Board of Education
Oberlin City School District
Oberlin, Ohio

Compliance

We have audited the compliance of the Oberlin City School District, Lorain County, Ohio, with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 *Compliance Supplement* that are applicable to each of its major federal program for the year ended June 30, 2008. The Oberlin City School District, Ohio's major federal programs are identified in the Summary of Auditors' Results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the Oberlin City School District, Ohio's management. Our responsibility is to express an opinion on the Oberlin City School District, Ohio's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to 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 Oberlin City School District, Ohio'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. Our audit does not provide a legal determination of the Oberlin City School District, Ohio's compliance with those requirements.

In our opinion, the Oberlin City School District, Ohio complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2008.

Internal Control Over Compliance


The management of the Oberlin City School District, Ohio, is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the Oberlin City School District, Ohio's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, 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 Oberlin City School District, Ohio's internal control over compliance.

A control deficiency in an entity's internal control over compliance 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 noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

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

This report is intended solely for the information and use of the audit committee, management, the Board of Education, others within the entity, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.


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

December 5, 2008

**OBERLIN CITY SCHOOL DISTRICT
LORAIN COUNTY, OHIO
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A-133 & .505
JUNE 30, 2008**

1. SUMMARY OF AUDITOR'S RESULTS

2008(I)	Type of Financial Statement Opinion	Unqualified
2008(ii)	Were there any material control weaknesses reported at the financial statement level (GAGAS)?	No
2008(ii)	Were there any other significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
2008(iii)	Was there any reported material noncompliance At the financial statement level (GAGAS)?	Yes
2008(iv)	Were there any material internal control weaknesses reported for major federal programs?	No
2008(iv)	Were there any other significant deficiencies in internal control reported for major federal programs?	No
2008(v)	Type of Major Program's Compliance Opinion	Unqualified
2008(vi)	Are there any reportable findings under .510?	No
2008(vii)	Major Programs (list): Special Education Cluster - CFDA #84.027 and #84.173	
2008(viii)	Dollar Threshold: Type A\B Program	Type A: \$300,000 or more Type B: All others less than \$300,000
2008(ix)	Low Risk Auditee?	Yes

**OBERLIN CITY SCHOOL DISTRICT
LORAIN COUNTY, OHIO
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A-133 & .505
JUNE 30, 2008
(CONTINUED)**

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

Item 2008-1: Expenditures Exceeding Appropriations

Condition and Criteria

Ohio Revised Code Section 5705.41(B) prohibits a school from expending money unless it has been appropriated.

The following funds had expenditures exceeding appropriations for the fiscal year ending June 30, 2008

For Fiscal Year ending June 30, 2008

	<u>Final Appropriation</u>	<u>Total Expenditures</u>	<u>Variance</u>
General Fund	\$ 12,035,445	\$ 12,087,495	\$ (52,050)
Special Revenue Funds:			
Food Services	383,754	387,425	(3,671)
Public School Support	53,237	58,492	(5,255)
Other Grants	109,164	143,656	(34,492)
District Managed Student Activity	43,117	47,795	(4,678)
State EMIS Subsidy	80,000	82,188	(2,188)
Miscellaneous State Grant	13,611	50,551	(36,940)
IDEA - Title VI-B	272,765	320,470	(47,705)
Title I	181,510	187,358	(5,848)

For Month ending February 29, 2008

Special Revenue Funds:			
Other Grants	100,000	105,778	(5,778)
District Managed Student Activity	30,000	55,213	(25,213)
Poverty Aid	353,278	355,471	(2,193)
Miscellaneous State Grants	2,000	49,558	(47,558)
Miscellaneous Federal Grants	249	1,702	(1,453)

Effect

The District did not comply with Ohio Revised Code Section 5705.41(B).

Cause

For the funds noted above, expenditures exceeded appropriations for the fiscal year ending June 30, 2008.

Recommendation

We recommend that the District not expend monies unless it has been appropriated, per Ohio Revised Code Section 5705.41(B).

Corrective Action Plan

The District will monitor appropriations and expenditures closely to ensure there are no further violations.

**OBERLIN CITY SCHOOL DISTRICT
LORAIN COUNTY, OHIO
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A-133 & .505
JUNE 30, 2008
(CONTINUED)**

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None.

**OBERLIN CITY SCHOOL DISTRICT
LORAIN COUNTY, OHIO
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2008**

Number	Finding Summary	Fully Corrected	Not Corrected; Partially Corrected; Significantly Different Corrective Action taken; or Finding No Longer Valid; <i>Explain</i>
2007-1	Expenditures Exceeding Appropriations	No	Not corrected. Reissued as Finding Number 2008-1.

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



Mary Taylor, CPA
Auditor of State

OBERLIN CITY 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 17, 2009**