

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

AUDIT REPORT

FOR THE FISCAL YEAR ENDED JUNE 30, 2009



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, 2008 through June 30, 2009. 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

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Auditor of State

January 22, 2010

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**OBERLIN CITY SCHOOL DISTRICT
LORAIN COUNTY, OHIO
AUDIT REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

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

Certified Public Accountants

5240 East 98th Street

Garfield Hts., Ohio 44125

Member American Institute of Certified Public Accountants

(216) 475 - 6136

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, 2009, 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.

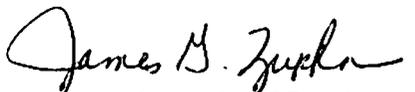
We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and 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, 2009, 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 4, 2009, 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 should be considered in 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 4, 2009

OBERLIN CITY SCHOOL DISTRICT
LORAIN COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2009
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, 2009. 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 2009 are as follows:

In total, net assets decreased by \$ 707,133.

Revenues for governmental activities totaled \$ 14,844,116 in 2009. Of this total, 85 percent consisted of general revenues while program revenues accounted for the remaining balance of 15 percent.

Program expenses totaled \$ 15,551,249. Instructional expenses made up 58 percent of this total while supporting services accounted for 37 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 2009?" 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, 2009
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 statements 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.

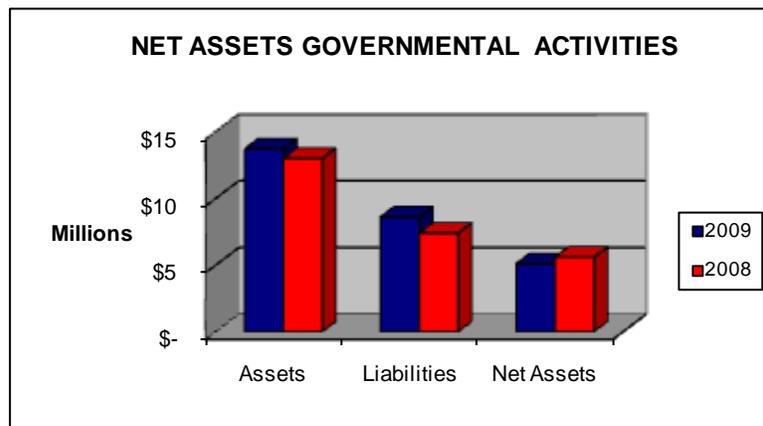
OBERLIN CITY SCHOOL DISTRICT
LORAIN COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2009
UNAUDITED

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 2009 compared to 2008:

TABLE 1

	<u>2009</u>	<u>2008 Restated</u>	<u>Change</u>
Assets			
Current and other assets	\$ 7,701,878	\$ 7,292,439	409,439
Capital assets, net	5,955,442	6,044,337	(88,895)
Total assets	<u>13,657,320</u>	<u>13,336,776</u>	<u>320,544</u>
Liabilities			
Current liabilities	6,544,884	5,831,030	713,854
Long term liabilities			
Due within one year	464,069	255,633	208,436
Due in more than one year	1,627,102	1,521,715	105,387
Total liabilities	<u>8,636,055</u>	<u>7,608,378</u>	<u>1,027,677</u>
Net assets			
Invested in capital assets, net of related debt	5,518,424	5,539,492	(21,068)
Restricted	636,839	736,393	(99,554)
Unrestricted (deficit)	(1,133,998)	(547,487)	(586,511)
Total net assets	<u>\$ 5,021,265</u>	<u>\$ 5,728,398</u>	<u>(707,133)</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 \$ 707,133.

The vast majority of revenue supporting all governmental activities is from general revenues. General revenue totaled \$ 12,571,801 or 85 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 \$ 2,272,315 or only 15 percent of total revenue.

OBERLIN CITY SCHOOL DISTRICT
LORAIN COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2009
UNAUDITED

Table 2 summarizes the revenue, expenses and the changes in net assets for fiscal years 2009 and 2008.

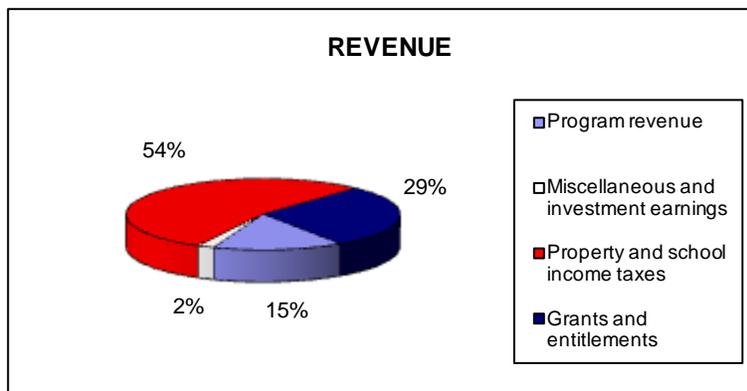
Table 2

	2009	2008	Change
Revenues			
Program revenues			
Charges for services and sales	\$ 496,479	\$ 462,901	\$ 33,578
Operating grants, interest and contributions	1,775,836	1,447,643	328,193
Total program revenues	<u>2,272,315</u>	<u>1,910,544</u>	<u>361,771</u>
General revenues			
Property taxes	4,383,616	5,060,809	(677,193)
School income tax	3,617,504	2,861,448	756,056
Grants and entitlements	4,265,155	4,031,129	234,026
Investment earnings	51,840	93,189	(41,349)
Miscellaneous	253,686	228,716	24,970
Total general revenues	<u>12,571,801</u>	<u>12,275,291</u>	<u>296,510</u>
Total revenues	<u>14,844,116</u>	<u>14,185,835</u>	<u>658,281</u>
Program expenses			
Instruction			
Regular	7,168,017	6,549,191	618,826
Special	1,178,956	1,119,277	59,679
Vocational	97,882	94,062	3,820
Other instruction	523,235	478,999	44,236
Supporting services			
Pupil	1,045,927	963,243	82,684
Instructional staff	477,222	475,930	1,292
Board of education	87,583	85,957	1,626
Administration	1,488,164	1,443,980	44,184
Fiscal services	399,813	412,399	(12,586)
Business	191,276	237,720	(46,444)
Operation and maintenance	1,583,473	1,700,424	(116,951)
Pupil transportation	463,755	475,073	(11,318)
Central services	49,935	59,426	(9,491)
Operation of non-instructional			
Food service operation	394,603	401,344	(6,741)
Extracurricular	380,279	355,296	24,983
Interest	21,129	24,293	(3,164)
Total expenses	<u>15,551,249</u>	<u>14,876,614</u>	<u>674,635</u>
Change in net assets	(707,133)	(690,779)	(16,354)
Net assets at beginning of year, restated	<u>5,728,398</u>	<u>6,419,177</u>	<u>(690,779)</u>
Net assets at end of year	<u>\$ 5,021,265</u>	<u>\$ 5,728,398</u>	<u>\$ (707,133)</u>

OBERLIN CITY SCHOOL DISTRICT
LORAIN COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2009
UNAUDITED

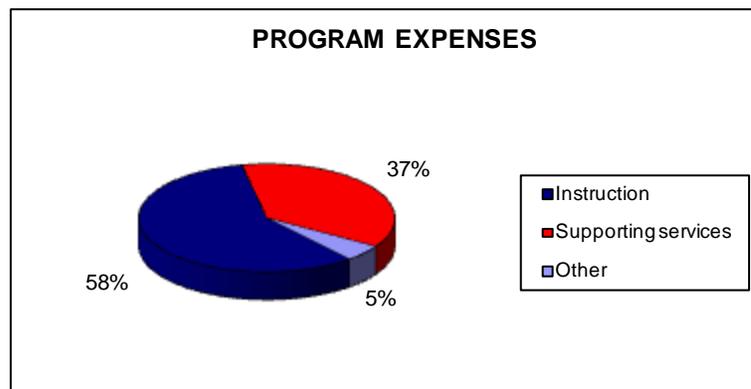
The School District has carefully planned its financial future by forecasting its revenues and expenditures over the next five years. In October of 2008, the School District submitted its yearly five-year forecast to the Ohio Department of Education. Based upon the current five-year financial forecast, the School District has adequate operating funds through fiscal year 2009- 2010. 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. Nearly 54 percent of revenue is from local property and school income taxes. Grants and entitlements not restricted to specific programs comprise 29 percent, while investments and other miscellaneous type revenues comprise the remaining 2 percent. Program revenues make up only 15 percent of all governmental revenues.



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

Approximately 58 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 37 percent. The remaining program expenses of 5 percent are budgeted to facilitate other obligations of the School District, such as the food service program and numerous extracurricular activities.



OBERLIN CITY SCHOOL DISTRICT
LORAIN COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2009
UNAUDITED

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 2009	Net Cost of Services 2009
Governmental activities		
Instruction		
Regular	\$ 7,168,017	\$ (6,502,024)
Special	1,178,956	(620,458)
Vocational	97,882	(97,882)
Other instruction	523,235	2,130
Supporting services		
Pupil	1,045,927	(986,764)
Instructional staff	477,222	(445,397)
Board of education	87,583	(87,583)
Administration	1,488,164	(1,488,164)
Fiscal services	399,813	(399,813)
Business	191,276	(191,276)
Operation and maintenance	1,583,473	(1,583,473)
Pupil transportation	463,755	(463,755)
Central services	49,935	(37,935)
Operation of non-instructional		
Food service operation	394,603	(6,581)
Extracurricular		
Academic and subject oriented	71,972	(71,972)
Sports oriented	233,304	(201,855)
Co-curricular	75,003	(75,003)
Interest	21,129	(21,129)
Total program expenses	<u>\$ 15,551,249</u>	<u>\$(13,278,934)</u>

OBERLIN CITY SCHOOL DISTRICT
LORAIN COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2009
UNAUDITED

School District Funds

Information regarding the School District's funds can be found on page 14. These funds are accounted for using the modified accrual basis of accounting. The most significant fund is the General Fund which had an increase in total asset of \$ 268,444 due to due from other government increase of \$ 508,992 and a decrease in property tax receivable of \$ 306,134, total liabilities increased \$ 807,847 due to increases in unearned revenue and matured compensated absences payable. The General Fund's fund balance decreased by \$ 539,403 to \$ (16,624).

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 \$ 177,716.

Capital Assets and Debt Administration

Capital Assets

All capital assets, except land, are reported net of depreciation. At the end of fiscal 2009, the School District had \$5,955,442 invested in land, land improvements, buildings and improvements, furniture and equipment, and vehicles. Table 4 shows fiscal 2009 values compared to 2008.

	<u>2009</u>	<u>2008 Restated</u>
Land	\$ 2,279,070	\$ 2,279,070
Land improvements	115,981	154,494
Building and improvements	2,840,849	2,999,920
Furniture and equipment	471,689	484,162
Vehicles	247,853	126,691
Total capital assets	<u>\$ 5,955,442</u>	<u>\$ 6,044,337</u>

During fiscal 2009, the School District purchased \$ 301,345 of capital assets, which included land and buildings improvements, miscellaneous equipment and buses. 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, 2009 the School District had no outstanding bonds.

OBERLIN CITY SCHOOL DISTRICT
LORAIN COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2009
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.

Several areas of funding for school districts are uncertain in these difficult financial times. The state funding portion is calculated using an evidence based model approach under HB 1. Local income tax and property tax revenue is shrinking, due to current economic conditions.

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, 2009

	Governmental Activities
Assets	
Equity in pooled cash	\$ 1,253,687
Due from other governments	615,092
Inventories and supplies	7,080
Taxes receivable	5,826,019
Capital assets	
Nondepreciable capital assets	2,279,070
Depreciable capital assets	3,676,372
Total assets	13,657,320
Liabilities	
Accounts and contracts payable	136,733
Accrued salaries, wages and benefits	1,404,244
Claims payable	165,300
Due to other governments	419,679
Unearned revenue	4,418,928
Long term liabilities	
Due within one year	464,069
Due in more than one year	1,627,102
Total liabilities	8,636,055
Net assets	
Invested in capital assets, net of related debt	5,518,424
Restricted for:	
Capital projects	117,268
State Grants	92,612
Federal Grants	8,998
Other purposes	417,961
Unrestricted (deficit)	(1,133,998)
Total net assets	\$ 5,021,265

See the accompanying notes to the Basic Financial Statements.

OBERLIN CITY SCHOOL DISTRICT
LORAIN COUNTY
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2009

		Program Revenues		Net (Expense)
Expenses	Charges for Services and Sales	Operating Grants Interest and Contributions	Revenue and Changes in Net Assets	
Governmental activities				
Instruction				
Regular	\$ 7,168,017	\$ 346,204	\$ 319,789	\$ (6,502,024)
Special	1,178,956	-	558,498	(620,458)
Vocational	97,882	-	-	(97,882)
Other instruction	523,235	-	525,365	2,130
Supporting services				
Pupil	1,045,927	-	59,163	(986,764)
Instructional staff	477,222	-	31,825	(445,397)
Board of education	87,583	-	-	(87,583)
Administration	1,488,164	-	-	(1,488,164)
Fiscal services	399,813	-	-	(399,813)
Business	191,276	-	-	(191,276)
Operation and maintenance	1,583,473	-	-	(1,583,473)
Pupil transportation	463,755	-	-	(463,755)
Central services	49,935	-	12,000	(37,935)
Operation of non-instructional				
Food service operation	394,603	118,826	269,196	(6,581)
Extracurricular activities				
Academic and subject oriented	71,972	-	-	(71,972)
Sports oriented	233,304	31,449	-	(201,855)
Co-curricular	75,003	-	-	(75,003)
Interest	21,129	-	-	(21,129)
Totals	\$ 15,551,249	\$ 496,479	\$ 1,775,836	\$ (13,278,934)
General revenues				
Property taxes levied for:				
General purpose				4,086,813
Capital improvements				296,803
School income tax				3,617,504
Grants and entitlements not restricted to specific purposes				4,265,155
Investment earnings				51,840
Miscellaneous				253,686
Total general revenues				12,571,801
Change in net assets				(707,133)
Net assets at beginning of year, restated				5,728,398
Net assets at end of year				\$ 5,021,265

See the accompanying notes to the Basic Financial Statements.

OBERLIN CITY SCHOOL DISTRICT
LORAIN COUNTY
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2009

	General	Other Governmental Funds	Total Governmental Funds
Assets			
Equity in pooled cash	\$ 226,471	\$ 720,063	\$ 946,534
Receivables, net of allowance			
Taxes, current	3,595,697	537,199	4,132,896
Taxes, delinquent	169,778	25,237	195,015
Income tax	1,498,108	-	1,498,108
Due from other governments	508,992	106,100	615,092
Interfund receivable	2,160	28,775	30,935
Inventories and supplies	-	7,080	7,080
Total assets	\$ 6,001,206	\$ 1,424,454	\$ 7,425,660
Liabilities and fund balances			
Liabilities			
Accounts and contracts payable	\$ 29,082	\$ 107,651	\$ 136,733
Accrued wages and benefits	1,216,947	187,297	1,404,244
Due to other governments	383,444	36,235	419,679
Interfund payable	-	30,935	30,935
Unearned revenue	4,056,368	557,575	4,613,943
Matured compensated absences payable	331,989	-	331,989
Total liabilities	6,017,830	919,693	6,937,523
Fund balances			
Reserved for inventories	-	7,080	7,080
Reserved for property taxes	218,099	30,323	248,422
Reserved for encumbrances	19,672	69,830	89,502
Unreserved (deficit), reported in			
General Fund	(254,395)	-	(254,395)
Special Revenue Funds	-	324,089	324,089
Capital Projects Funds	-	73,439	73,439
Total fund balances	(16,624)	504,761	488,137
Total liabilities and fund balances	\$ 6,001,206	\$ 1,424,454	\$ 7,425,660

See the accompanying notes to the Basic Financial Statements.

OBERLIN CITY SCHOOL DISTRICT
 LORAIN COUNTY
 RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO
 NET ASSETS OF GOVERNMENTAL ACTIVITIES
 JUNE 30, 2009

Total governmental fund balances	\$	488,137
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.		5,955,442
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.		195,015
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.		141,853
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:		
Compensated absences		(1,322,164)
Capital leases		(437,018)
		(1,759,182)
Net assets of governmental activities	\$	5,021,265

See the accompanying notes to the Basic Financial Statements.

OBERLIN CITY SCHOOL DISTRICT
LORAIN COUNTY

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

FOR THE YEAR ENDED JUNE 30, 2009

	General	Other Governmental Funds	Total Governmental Funds
Revenues			
Taxes	\$ 7,446,622	\$ 508,073	\$ 7,954,695
Tuition and fees	346,204	-	346,204
Interest	51,840	-	51,840
Intergovernmental	4,230,049	1,810,942	6,040,991
Charges for services	-	118,826	118,826
Extracurricular	-	31,449	31,449
Other	41,027	217,965	258,992
Total revenues	12,115,742	2,687,255	14,802,997
Expenditures			
Current			
Instruction			
Regular	6,123,010	593,229	6,716,239
Special	767,758	439,299	1,207,057
Vocational	95,031	-	95,031
Other instruction	23,874	455,638	479,512
Supporting services			
Pupil	941,269	70,419	1,011,688
Instructional staff	391,045	75,132	466,177
Board of education	85,616	-	85,616
Administration	1,430,892	42,893	1,473,785
Fiscal services	380,271	9,519	389,790
Business	152,265	41,534	193,799
Operation and maintenance	1,142,670	429,658	1,572,328
Pupil transportation	567,913	14,465	582,378
Central services	37,850	12,085	49,935
Operation of non-instructional			
Food service operation	-	404,678	404,678
Extracurricular activities	348,707	29,712	378,419
Debt service			
Principal	67,827	-	67,827
Interest	21,129	-	21,129
Total expenditures	12,577,127	2,618,261	15,195,388
Excess (deficiency) of revenues over expenditures	(461,385)	68,994	(392,391)
Other financing sources (uses)			
Transfers-in	-	78,018	78,018
Transfers-out	(78,018)	-	(78,018)
Total other financing sources (uses)	(78,018)	78,018	-
Net change in fund balances	(539,403)	147,012	(392,391)
Fund balances, beginning of year	522,779	357,749	880,528
Fund balances (deficit), end of year	\$ (16,624)	\$ 504,761	\$ 488,137

See the accompanying notes to the Basic Financial Statements.

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, 2009

Net change in fund balances - total governmental funds	\$	(392,391)
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		301,345
Depreciation expense		<u>(390,240)</u>
		(88,895)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		46,425
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.		67,827
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.		(207,121)
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>(132,978)</u>
Change in net assets of governmental activities	\$	<u><u>(707,133)</u></u>

See the accompanying notes to the Basic Financial Statements.

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, 2009

	General			Variance with Final Budget Positive (Negative)
	Budget Amounts		Actual	
	Original	Final		
Revenue and other financing sources	\$ 12,373,891	\$ 12,381,896	\$ 12,392,784	\$ 10,888
Expenditures and other financing uses	12,373,891	12,539,082	12,527,433	11,649
Net change in fund balances	-	(157,186)	(134,649)	22,537
Prior year encumbrances	124,282	124,282	124,282	-
Fund balances, beginning of year	188,083	188,083	188,083	-
Fund balances, end of year	<u>\$ 312,365</u>	<u>\$ 155,179</u>	<u>\$ 177,716</u>	<u>\$ 22,537</u>

See the accompanying notes to the Basic Financial Statements.

OBERLIN CITY SCHOOL DISTRICT
LORAIN COUNTY
STATEMENT OF FUND NET ASSETS -
INTERNAL SERVICE FUND
JUNE 30, 2009

	<u>Self Insurance</u>
Assets	
Equity in pooled cash	\$ 307,153
Liabilities	
Claims payable	<u>165,300</u>
Net assets	
Unrestricted	<u>\$ 141,853</u>

See the accompanying notes to the Basic Financial Statements.

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, 2009

	<u>Self Insurance</u>
Operating revenue	
Charges for services	\$ 1,228,109
Operating expenses	
Claims	1,361,087
Operating loss	(132,978)
Net assets, beginning of year	274,831
Net assets, end of year	\$ 141,853

See the accompanying notes to the Basic Financial Statements.

OBERLIN CITY SCHOOL DISTRICT
 LORAIN COUNTY
 STATEMENT OF CASH FLOWS -
 INTERNAL SERVICE FUND
 FOR THE YEAR ENDED JUNE 30, 2009

	<u>Self Insurance</u>
Cash flows from operating activities	
Cash received from interfund services	\$ 1,228,109
Cash payments for claims	(1,350,387)
Net cash used in operating activities	(122,278)
Cash and cash equivalents, beginning of year	429,431
Cash and cash equivalents, end of year	\$ 307,153
Reconciliation of operating loss to net cash used for operating activities	
Operating loss	\$ (132,978)
Adjustments	
Increase in claims payable	10,700
Net cash provided by operating activities	\$ (122,278)

See the accompanying notes to the Basic Financial Statements.

OBERLIN CITY SCHOOL DISTRICT
 LORAIN COUNTY
 STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
 AGENCY FUND
 JUNE 30, 2009

	Student Activities
Assets	
Equity in pooled cash	\$ 27,248
Total assets	27,248
 Liabilities	
Accounts payable	317
Due to students	26,931
Total liabilities	\$ 27,248

See the accompanying notes to the Basic Financial Statements.

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OBERLIN CITY SCHOOL DISTRICT
LORAIN COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2009

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, 2008 was 1,198. 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 Schools Council which are considered to be jointly governed organizations. These organizations and their relationships with the District are described in more detail in Note 18 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, 2009

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, 2009

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, 2009

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 fund 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 unearned 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, 2009

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, 2009, but which were levied to finance fiscal year 2010 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, 2009

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, 2009 totaled \$ 51,840 which includes \$ 41,005 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, 2009.

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:

<u>Asset</u>	<u>Estimated Useful Life</u>
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, 2009

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 and compensated absences that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment during the current 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 \$ 636,839 of restricted net assets, of which \$ 214,831 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, 2009

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 inventories, 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, 2009

NOTE 3 – CHANGE IN ACCOUNTING PRINCIPLE AND PRIOR PERIOD RESTATEMENT

A. CHANGE IN ACCOUNTING PRINCIPLE

For fiscal year 2009, the District has implemented Governmental Accounting Standards Board (GASB) Statement No. 49, "Accounting and Financial Reporting for Pollution Remediation Obligations," GASB Statement No. 52, "Land and Other Real Estate Held as Investments by Endowments" and GASB Statement No. 53, "Accounting and Financial Reporting for Derivative Instruments." GASB 49 addresses accounting and financial reporting standards for pollution (including contamination) remediation obligations. The implementation of this Statement did not result in any change to the District's financial statements. GASB 52 establishes standards for accounting and financial reporting for land and other real estate held as investments by endowments which includes permanent and term endowments and permanent funds. The District does not currently have these types of funds. GASB 53 enhances the usefulness and comparability of derivative instrument information reported by state and local governments. Per Ohio Revised Code (ORC) the District is prohibited from investing in this type of instrument.

B. PRIOR PERIOD RESTATEMENT

The beginning balance of net assets has been restated to adjust the cost and accumulated depreciation for corrections to the capital asset listing and to calculated depreciation on capital assets that were incorrectly entered in previous years. The restatement had the following effect on net assets:

	Beginning Depreciable Capital Assets As Previously Reported	Correction	Beginning Depreciable Capital Assets Restated
Capital assets, being depreciated	\$ 16,208,605	\$ (49,506)	\$ 16,159,099
Accumulated depreciation	(12,717,740)	323,908	(12,393,832)
	\$ 3,490,865	\$ 274,402	\$ 3,765,267

These corrections increased net assets by \$ 274,402 from \$ 5,453,996 to \$ 5,728,398.

NOTE 4 – ACCOUNTABILITY AND COMPLIANCE

At June 30, 2009, the following funds had deficit fund balances: the General Fund of \$ 16,624, the Food Service Fund of \$ 15,744, the Athletic Fund of \$ 1,285, the EMIS Fund of \$ 11,519, the Title VIB of \$ 42,379, and the Title VI-R of \$ 840. 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.

OBERLIN CITY SCHOOL DISTRICT
LORAIN COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2009

NOTE 5 - BUDGETARY BASIS OF ACCOUNTING

While the District is reporting financial position, results of operations, and changes in fund balances/fund equity 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). 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.

	General Fund
Budget basis	\$ (134,649)
Adjustments, increase (decrease)	
Revenue accruals	(277,042)
Expenditure accruals	(127,712)
GAAP basis, as reported	\$ (539,403)

OBERLIN CITY SCHOOL DISTRICT
LORAIN COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2009

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, 2009

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 \$ 200 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 \$ 935,316 and the bank balance was \$ 1,015,061. Of the bank balance, \$ 289,837 was covered by federal depository insurance and \$ 725,224 was uninsured. Of the remaining balance, \$ 725,224 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, 2009, the district had the following investments:

	Maturities	Fair Value
Investment in STAR Ohio	n/a	\$ 345,419

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 2009, the District's investments in StarOhio were rated AAA by Standard & Poor's.

OBERLIN CITY SCHOOL DISTRICT
LORAIN COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2009

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 2009 represents collections of calendar year 2008 taxes. Real property taxes received in calendar year 2009 were levied after April 1, 2008, on the assessed value listed as of January 1, 2008, 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 2008 represents collections of calendar year 2008 taxes. Public utility real and tangible personal property taxes received in calendar year 2009 became a lien December 31, 2007, were levied after April 1, 2008 and are collected in 2009 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 2009 (other than public utility property) represent the collection of calendar year 2008 taxes. Tangible personal property taxes for 2008 were levied after April 1, 2008, on the value as of December 31, 2008. The tangible personal property tax is being phased out – the assessment percentage for all property including inventory was 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, 2009, are available to finance fiscal year 2009 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, 2009 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, 2009

NOTE 7 - PROPERTY TAXES (continued)

The amount available as an advance at June 30, 2009, was \$ 218,099 in the General Fund, \$ 12,750 in the Education Technology Fund, and \$ 17,573 in the Capital Projects Fund. 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.

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 2009 taxes were collected are:

	<u>2008 Second Half Collections</u>		<u>2009 First Half Collections</u>	
	<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>
Agricultural Residential				
Real Estate	\$ 148,837,320	75.66 %	\$ 150,619,332	76.36 %
Other Commercial	42,183,700	21.44	42,774,080	21.68
Public Utility Tangible	3,552,820	1.81	3,604,150	1.83
Tangible Personal Property	<u>2,138,816</u>	<u>1.09</u>	<u>251,952</u>	<u>0.13</u>
	<u>\$ 196,712,656</u>	<u>100.00 %</u>	<u>\$ 197,249,514</u>	<u>100.00 %</u>
Tax Rate per \$ 1,000 of Assessed Valuation:	<u>68.27</u>		<u>55.27</u>	

NOTE 8 - RECEIVABLES

Receivables at June 30, 2009, 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:	<u>Amount</u>
Major fund	
General fund	\$ 508,992
Non-major funds	
Education Tech Levy	8,487
Entry Year	3,500
Preschool Grant	38,274
Title 1	38,864
Capital Projects	<u>16,975</u>
Total Due from Other Governments	<u>\$ 615,092</u>

OBERLIN CITY SCHOOL DISTRICT
LORAIN COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2009

NOTE 9 - CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2009, was as follows:

<u>Governmental Activities</u>	Restated Balance June 30, 2008	Additions	Disposals	Balance June 30, 2009
Nondepreciable capital assets				
Land	\$ 2,279,070	\$ -	\$ -	\$ 2,279,070
Depreciable capital assets				
Land improvements	1,138,365	8,265	-	1,146,630
Buildings and improvements	13,220,334	59,640	-	13,279,974
Furniture and equipment	1,110,377	64,924	-	1,175,301
Vehicles	690,023	168,516	-	858,539
Total capital assets being depreciated	<u>16,159,099</u>	<u>301,345</u>	<u>-</u>	<u>16,460,444</u>
Less accumulated depreciation				
Land improvements	983,871	46,778	-	1,030,649
Buildings and improvements	10,220,414	218,711	-	10,439,125
Furniture and equipment	626,215	77,397	-	703,612
Vehicles	563,332	47,354	-	610,686
Total accumulated depreciation	<u>12,393,832</u>	<u>390,240</u>	<u>-</u>	<u>12,784,072</u>
Depreciable capital assets, net of accumulated depreciation	<u>3,765,267</u>	<u>(88,895)</u>	<u>-</u>	<u>3,676,372</u>
Governmental activities capital assets, net	<u>\$ 6,044,337</u>	<u>\$ (88,895)</u>	<u>\$ -</u>	<u>\$ 5,955,442</u>

Depreciation expense was charged to governmental functions as follows:

Instruction	
Regular	323,509
Supporting services	
Board of education	11,467
Administration	3,809
Operation and maintenance of plant	646
Pupil transportation	47,354
Central services	1,595
Extracurricular activities	
Sports oriented	1,860
Total depreciation expense	<u>390,240</u>

OBERLIN CITY SCHOOL DISTRICT
LORAIN COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2009

NOTE 10 - INTERFUND ACTIVITY

On the fund financial statements at June 30, 2009, interfund balances consisted of the following:

	Receivable	Payable
Major Fund:		
General Fund	\$ 2,160	\$ -
Non-major Funds:		
Athletic Program	-	2,160
Preschool Grant	-	28,775
STEM Grant	28,775	-
	\$ 30,935	\$ 30,935

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, 2009, the General Fund transferred \$ 78,018 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, 2009

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 \$ 165,300 reported at June 30, 2009 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, 2009 and 2008 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, 2009	June 30, 2008
Unpaid claims, beginning of year	\$ 154,600	\$ 191,500
Incurred claims	1,361,087	1,293,766
Claims payments	(1,350,387)	(1,330,666)
Unpaid claims, end of year	\$ 165,300	\$ 154,600

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 School 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 43215-3746.

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute at an actuarially determined rate. The current School District rate is 14 percent of annual covered payroll. A portion of the School District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2009, 9.09 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, 2009, 2008, and 2007 were \$ 161,600, \$ 164,020, and \$ 164,060, respectively. The full amount has been contributed for 2008 and 2007. For 2009, \$ 5,761 (4%) has been contributed.

OBERLIN CITY SCHOOL DISTRICT
LORAIN COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2009

NOTE 12 - DEFINED BENEFIT PENSION PLANS (continued)

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, 2009, 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 2009, 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.

The School District's required contribution for pension obligations to the DB Plan for the fiscal years ended June 30, 2009, 2008, and 2007 were \$ 820,223, \$ 748,952, and \$ 732,439, respectively. For 2009, \$ 669,807 (82%) has been contributed. The full amount has been contributed for 2008 and 2007.

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, 2009, three members of the Board of Education have elected Social Security. The contribution rate is 6.2 percent of wages.

OBERLIN CITY SCHOOL DISTRICT
LORAIN COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2009

NOTE 13 - POSTEMPLOYMENT BENEFITS

A. SCHOOL EMPLOYEES RETIREMENT SYSTEM (SERS)

Postemployment Benefits

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

Medicare Part B Plan

The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries as set forth in Ohio Revised Code (ORC) 3309.69. Qualified benefits recipients who pay Medicare Part B premiums may apply for and receive a monthly reimbursement from SERS. The reimbursement amount is limited by statute to the lesser of the January 1, 1999 Medicare Part B premium or the current premium. The Medicare Part B premium for calendar year 2009 was \$ 96.40, SERS' reimbursement to retirees was \$45.50.

The Retirement Board, acting with the advice of the actuary, allocates a portion of the current employer contribution rate to the Medicare B Fund. For fiscal year 2009, the actuarially required allocation is .75%. The District contributions for the years ended June 30, 2009, 2008, and 2007 were \$ 13,333, \$ 11,818 and \$ 10,554, respectively, which equaled the required contributions each year.

Health Care Plan

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

The ORC provides the statutory authority to fund SERS' postemployment benefits through employer contributions. Active members do not make contributions to the postemployment benefit plans.

The Health Care Fund was established under, and is administered in accordance with Internal Revenue Code 105(e). Each year after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer 14% contribution to the Health Care Fund. For the year ended June 30, 2009, the health care allocation is 4.16%. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. Statutes provide that no employer shall pay a health care surcharge greater than 2% of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5% of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2009, the minimum compensation level was established at \$35,800. The surcharge, added to the unallocated portion of the 14% employer contribution rate is the total amount assigned to the Health Care Fund. The District's contributions for health care for the fiscal years ended June 30, 2009, 2008, and 2007 were \$ 73,955, \$ 74,847, and \$ 51,531, respectively; 82 percent has been contributed for 2009 and 100 percent for fiscal years 2008 and 2007.

OBERLIN CITY SCHOOL DISTRICT
LORAIN COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2009

NOTE 13 - POSTEMPLOYMENT BENEFITS (continued)

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

The SERS Retirement Board establishes the rules for the premiums paid by the retirees for health care coverage for themselves and their dependents or for their surviving beneficiaries. Premiums vary depending on the plan selected, qualified years of service, Medicare eligibility, and retirement status. The financial reports of SERS' Health Care and Medicare B plans are included in its Comprehensive Annual Financial Report. The report can be obtained by contacting SERS, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746 or by calling toll free (800) 878-5853. It is also posted on SERS' website at www.ohsers.org under Employers/Audit Resources.

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, 2009, 2008, and 2007 were \$ 63,094, \$ 60,380, and \$ 56,340, respectively; 82 percent has been contributed for fiscal year 2009 and 100 percent for fiscal years 2008 and 2007.

NOTE 14 - LONG-TERM OBLIGATIONS

Changes in the District's long-term obligations including matured compensated absences during fiscal year 2009 were as follows:

	Balance			Amounts	
	June 30, 2008	Increase	Decrease	Balance	Due In
				June 30, 2009	One Year
Capital lease	\$ 504,845	\$ -	\$ 67,827	\$ 437,018	\$ 31,292
Compensated absences	1,272,503	588,601	206,951	1,654,153	432,777
	<u>\$ 1,777,348</u>	<u>\$ 588,601</u>	<u>\$ 274,778</u>	<u>\$ 2,091,171</u>	<u>\$ 464,069</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, 2008 and 2009, 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, 2009, the District's liability for the retirement incentive plan was \$ 813,223. Of this liability, \$ 331,989 was recorded as part of compensated absences in the General Fund. The remaining balance of \$ 481,234 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, 2009

NOTE 15 – CAPITAL LEASE

The District has entered into a lease agreement for financing certain 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, 2009. The assets acquired through capital leases are as follows:

Asset	Cost	Accumulated Depreciation	Net
HB 264 energy improvements	\$ 547,209	\$ (95,760)	\$ 451,449

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2009, are as follows:

	Year ending June 30,	Lease Obligations
	2010	\$ 50,391
	2011	50,391
	2012	50,391
	2013	50,391
	2014	50,391
	2015-2019	251,950
	2020	54,277
Total minimum lease payments		558,182
Less amount representing interest		121,164
Net present value of minimum lease payments		\$ 437,018

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 2009, expenditures for operating leases totaled \$ 4,665.

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, 2009.

	Year ending June 30,	Amount
	2010	\$ 4,665
	2011	2,333
		\$ 6,998

OBERLIN CITY SCHOOL DISTRICT
LORAIN COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2009

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 2009.

	Textbook	Capital Maintenance
Balance, July 1, 2008	\$ (619,594)	\$ -
Required set aside	178,895	178,895
Qualifying expenditures	(289,716)	(368,738)
Balance June 30, 2009	\$ (730,415)	\$ (189,843)
 Carry forward at June 30, 2009	 \$ (730,415)	 \$ -

Expenditures and offset credits for textbooks and capital maintenance during the year were \$ 289,716 and \$ 368,738, respectively, which exceeded the required set-aside and the reserve balance. Textbook expenditures have exceeded statutory requirements by \$ 730,415 which may be used as offset credits for future years' set aside requirements.

NOTE 18 - JOINTLY GOVERNED ORGANIZATION

A. LAKE ERIE EDUCATIONAL 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, 2009, the District paid \$ 88,377 to LEECA.

OBERLIN CITY SCHOOL DISTRICT
LORAIN COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2009

NOTE 18 - JOINTLY GOVERNED ORGANIZATION (continued)

B. LAKE ERIE REGIONAL COUNCIL OF GOVERNMENTS (LERC)

The Lake Erie Regional Council of Governments (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.

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 121 districts. The jointly governed organization was created by school districts for the purpose of saving money through volume purchases. Each district supports the Council by paying an annual participation fee. Each school district member superintendent serves as a representative of the Assembly. The Assembly elects five of the Council's board members and the remaining four are representatives of the Greater Cleveland School Superintendents' Association. The Council operates under a nine-member Board of Directors (the Board). The Board meets monthly September and June. The Board appoints an Executive Director who is responsible for receiving and disbursing funds, investing available funds, preparing financial reports for the Board and Assembly and carrying out such other responsibilities as designated by the Board. Financial information can be obtained by contacting Dr. David A. Cottrell, the Executive Director of the Ohio Schools Council, 6133 Rockside Road, Suite 10, Independence, Ohio 44131. During the year ended June 30, 2009, the District paid \$ 150,850 to the Ohio Schools Council.

The District participated in the Council's prepaid natural gas program. The Council provides participating school districts the ability to purchase natural gas at reduced rates, if the school district will commit to participating for a twelve year period. There are currently 137 districts in the Program. The participants make monthly payments based on estimated usage. Each September, these estimated payments are compared to their actual usage for the year (July – June). Districts that paid more in estimated billings than their actual billings are issued credits on future billings beginning in September until the credits are exhausted and districts that did not pay enough on estimated billings are invoiced for the difference on the September monthly estimated billing.

OBERLIN CITY SCHOOL DISTRICT
LORAIN COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2009

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, 2009.

**OBERLIN CITY SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2009**

Federal Grantor/ Pass-Through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass Through Grantor Number	Receipts	Non-Cash Receipts	Expenditures	Non-Cash Expenditures
U.S. Department of Agriculture						
<i>Passed through the State Department of Education</i>						
Child Nutrition Cluster:						
National School Breakfast Program	10.553	044594-05PU-09	\$ 60,748	\$ 0	\$ 60,748	\$ 0
National School Lunch Program-See Note 2	10.555	044594-LLP4-09	<u>213,083</u>	<u>18,010</u>	<u>213,083</u>	<u>18,010</u>
Total Child Nutrition Cluster			<u>273,831</u>	<u>18,010</u>	<u>273,831</u>	<u>18,010</u>
Total U.S. Department of Agriculture			<u>273,831</u>	<u>18,010</u>	<u>273,831</u>	<u>18,010</u>
U.S. Department of Education						
<i>Passed through the State Department of Education</i>						
Title I, Financial Assistance to Meet Special Education Needs of Disadvantaged Children						
Title I, Part A, ESEA - FY 09	84.010	044594-C1S1-09	254,414	0	254,414	0
Title I, School Improvement - FY09	84.010	Not Available	<u>81,136</u>	<u>0</u>	<u>86,455</u>	<u>0</u>
Total Title I			<u>335,550</u>	<u>0</u>	<u>340,869</u>	<u>0</u>
Special Education Cluster:						
Special Education Grants to States- IDEA Part B-FY09	84.027	044594-6BSF-09	236,332	0	236,332	0
Special Education Preschool Grants to States - IDEA - FY09	84.173	044594-PGS1-09	8,860	0	8,860	0
Child Outcomes Support - FY09	84.173	044594-PDG106	<u>0</u>	<u>0</u>	<u>3,000</u>	<u>0</u>
Total Special Education Cluster			<u>245,192</u>	<u>0</u>	<u>248,192</u>	<u>0</u>
Safe and Drug Free School and Community States Grants - FY09	84.186	044594-DRS1-09	<u>3,700</u>	<u>0</u>	<u>3,700</u>	<u>0</u>
Innovative Education Program Strategies, Title V - FY09	84.298	044594-C2S1-09	<u>896</u>	<u>0</u>	<u>896</u>	<u>0</u>
Education Technology State Grants, Title II-D - FY09	84.318	04459-TJS1-09	<u>2,383</u>	<u>0</u>	<u>2,383</u>	<u>0</u>
Improving Teacher Quality State Grants, Title II-A - FY09	84.367	04459-TRS1-09	<u>71,320</u>	<u>0</u>	<u>71,320</u>	<u>0</u>
Total U.S. Department of Education			<u>659,041</u>	<u>0</u>	<u>667,360</u>	<u>0</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u>\$ 932,872</u>	<u>\$ 18,010</u>	<u>\$ 941,191</u>	<u>\$ 18,010</u>

See accompanying notes to Supplemental Schedule of Expenditures of Federal Awards

**OBERLIN CITY SCHOOL DISTRICT
NOTES TO THE SUPPLEMENTAL SCHEDULE OF
EXPENDITURES OF FEDERAL AWARDS
JUNE 30, 2009**

NOTE 1: BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards 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 10.555. The value of the food subsidies is determined by using the fair market value of the food items as quoted by local food suppliers.

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

Member American Institute of Certified Public Accountants

(216) 475 - 6136

Ohio Society of Certified Public Accountants

**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, 2009, which collectively comprise the Oberlin City School District, Ohio's basic financial statements and have issued our report thereon dated December 4, 2009. 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.

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.

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.

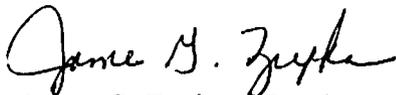
Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies 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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to the management of the Oberlin City School District, Ohio, in a separate letter dated December 4, 2009.

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 4, 2009

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

Certified Public Accountants

5240 East 98th Street

Garfield Hts., Ohio 44125

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(216) 475 - 6136

Ohio Society of Certified Public Accountants

**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 its major federal program for the year ended June 30, 2009. The Oberlin City School District, Ohio's major federal program is identified in the Summary of Auditors' Results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program 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 its major federal program for the year ended June 30, 2009.

Internal Control Over Compliance

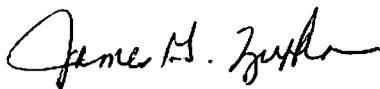
The management of the Oberlin City School District, Ohio, is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the Oberlin 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 4, 2009

**OBERLIN CITY SCHOOL DISTRICT
LORAIN COUNTY, OHIO
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A-133 & .505
JUNE 30, 2009**

1. SUMMARY OF AUDITOR'S RESULTS

2009(i)	Type of Financial Statement Opinion	Unqualified
2009(ii)	Were there any material control weaknesses reported at the financial statement level (GAGAS)?	No
2009(ii)	Were there any other significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
2009(iii)	Was there any reported material noncompliance At the financial statement level (GAGAS)?	No
2009(iv)	Were there any material internal control weaknesses reported for major federal programs?	No
2009(iv)	Were there any other significant deficiencies in internal control reported for major federal programs?	No
2009(v)	Type of Major Program's Compliance Opinion	Unqualified
2009(vi)	Are there any reportable findings under .510?	No
2009(vii)	Major Programs (list): Title I - CFDA #84.010	
2009(viii)	Dollar Threshold: Type A\B Program	Type A: \$300,000 or more Type B: All others less than \$300,000
2009(ix)	Low Risk Auditee?	Yes

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

None.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None.

**OBERLIN CITY SCHOOL DISTRICT
LORAIN COUNTY, OHIO
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2009**

Number	Finding Summary	Fully Corrected
2008-1	Expenditures Exceeding Appropriations	Yes

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

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**INDEPENDENT ACCOUNTANT'S REPORT ON
APPLYING AGREED-UPON PROCEDURES**

Board of Education
Oberlin City School District
Oberlin, Ohio

To the Board of Education:

Ohio Revised Code Section 117.53 states, "the Auditor of State shall identify whether the school district or community school has adopted an anti-harassment policy in accordance with Section 3313.666 of the Revised Code. This determination shall be recorded in the audit report. The Auditor of State shall not prescribe the content or operation of any anti-harassment policy adopted by a school district or community school".

Accordingly, we have performed the procedures enumerated below, which were agreed to by the Board, solely to assist the Board in evaluating whether the Oberlin City School District (the District), Lorain County, Ohio, has adopted an anti-harassment policy in accordance with Ohio Revised Section 3313.666. Management is responsible for complying with this requirement. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of the Board. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

1. We noted that the Board adopted an anti-harassment policy at its meeting on March 8, 2006.
2. We read the policy, noting it included the following requirements from Ohio Revised Code Section 3313.666(B):
 - a) A statement prohibiting harassment, intimidation, or bullying of any student on school property or at school-sponsored events;
 - b) A definition of harassment, intimidation, or bullying that includes the definition in division (A) of Ohio Revised Code Section 3313.666;
 - c) A procedure for reporting prohibited incidents;
 - d) A requirement that school personnel report prohibited incidents of which they are aware to the school principal or other administrator designated by the principal;
 - e) A requirement that parents or guardians of any student involved in a prohibited incident be notified and, to the extent permitted by Section 3319.321 of the Revised Code and the "Family Educational Rights and Privacy Act of 1974", 88 Stat. 571, U.S.C. 1232q, as amended, have access to any written reports pertaining to the prohibited incident;
 - f) A procedure for documenting any prohibited incident that is reported;
 - g) A procedure for responding to and investigating any reported incident;
 - h) A strategy for protecting a victim from additional harassment, intimidation, or bullying, and from retaliation following a report;
 - i) A disciplinary procedure for any student guilty of harassment, intimidation, or bullying, which shall not infringe on any student's rights under the first amendment to the Constitution of the United States;
 - j) A requirement that the District Administration semi-annually provide the President of the District Board a written summary of all reported incidents and post the summary on its web site, if the District has a web site, to the extent permitted by Section 3319.321 of the Revised Code and the "Family Educational Rights and Privacy Act of 1974", 88 Stat. 571, 20 U.S.C. 1232q, as amended.

We were not engaged to and did not conduct an examination, the objective of which would be the expression of an opinion on compliance with the anti-harassment policy. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended for the information and use of the Board 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 4, 2009



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 4, 2010