

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

AUDIT REPORT

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

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



Dave Yost • Auditor of State

Board of Education
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, 2013 through June 30, 2014. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

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

Dave Yost
Auditor of State

December 19, 2014

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**OBERLIN CITY SCHOOL DISTRICT
LORAIN COUNTY, OHIO
AUDIT REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

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

Certified Public Accountants

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INDEPENDENT AUDITOR'S REPORT

Board of Education
Oberlin City School District
Oberlin, Ohio

We have audited the accompanying financial statements of the governmental activities, each 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, 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Oberlin City School District, Ohio's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

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

Other Matters

Required Supplementary Information

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

Other Information

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 7, 2014, on our consideration of the Oberlin City School District, Ohio's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Oberlin City School District, Ohio's internal control over financial reporting and compliance.

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

Digitally signed by James G. Zupka, CPA,
President
DN: cn=James G. Zupka, CPA, President,
o=James G. Zupka, CPA, Inc., ou=Accounting,
email=jgzcpa@sbcglobal.net, c=US
Date: 2014.12.09 08:37:16 -05'00'

November 7, 2014

Oberlin City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2014 (Unaudited)

The management discussion and analysis of the Oberlin City School District's (the District) financial performance provides an overall review of the District's financial activities for the year ended June 30, 2014. The intent of this discussion and analysis is to look at the District's financial performance as a whole. Readers should also review the basic financial statements and notes to those respective statements to enhance their understanding of the District's financial performance.

Financial Highlights

Key financial highlights for 2014 are:

- In total, net position increased by \$408,549.
- Revenues for governmental activities totaled \$15,839,056 in 2014. Of this total, 86 percent consisted of general revenues while program revenues accounted for the remaining balance of 14 percent.
- Program expenses totaled \$15,430,507. Instructional expenses made up 57 percent of this total while supporting services accounted for 37 percent. Other expenses rounded out the remaining 6 percent.

Using this Annual Financial Report

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

The *Statement of Net Position* and *Statement of Activities* provide information about the activities of the whole District, presenting both an aggregate view of the District's finances and a 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 District's most significant funds, with all other nonmajor funds presented in total in one column. In the case of the District, the General Fund is by far the most significant fund.

Reporting the School District as a Whole

Statement of Net Position and Statement of Activities

While this document contains information about the large number of funds used by the District to provide programs and activities, the view of the District as a whole looks at all financial transactions and asks the question, "How did we do financially during 2014?" The *Statement of Net Position* and *Statement of Activities* answer this question. These statements include *all assets and deferred outflows of resources* along with *all liabilities and deferred inflows of resources* using the *accrual basis of accounting* similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

Oberlin City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2014 (Unaudited)

These two statements report the District's *net position* and changes in that position. This change in net position is important because it tells the reader that, for the District as a whole, the *financial position* of the 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 District's property tax base, current property tax laws in Ohio restricting revenue growth, facility conditions, required educational programs, and other factors.

In the Statement of Net Position and Statement of Activities, the District reports governmental activities. Governmental activities are the activities where most of the District's programs and services are reported including, but not limited to, instruction, supporting services, operation and maintenance of plant, pupil transportation, food service operations, and extracurricular activities.

Reporting the District's Most Significant Funds

Fund Financial Statements

The analysis of the District's major funds begins on page 10 of the financial statements. Fund financial reports provide detailed information about the District's major funds. The District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the District's most significant funds. The District's major governmental fund is the General Fund.

Governmental Funds Most of the District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in future periods. These funds are reported using 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 District's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance educational programs. The relationship (or differences) between governmental *activities* (reported in the Statement of Net Position and Statement of Activities) and governmental *funds* is reconciled in the financial statements.

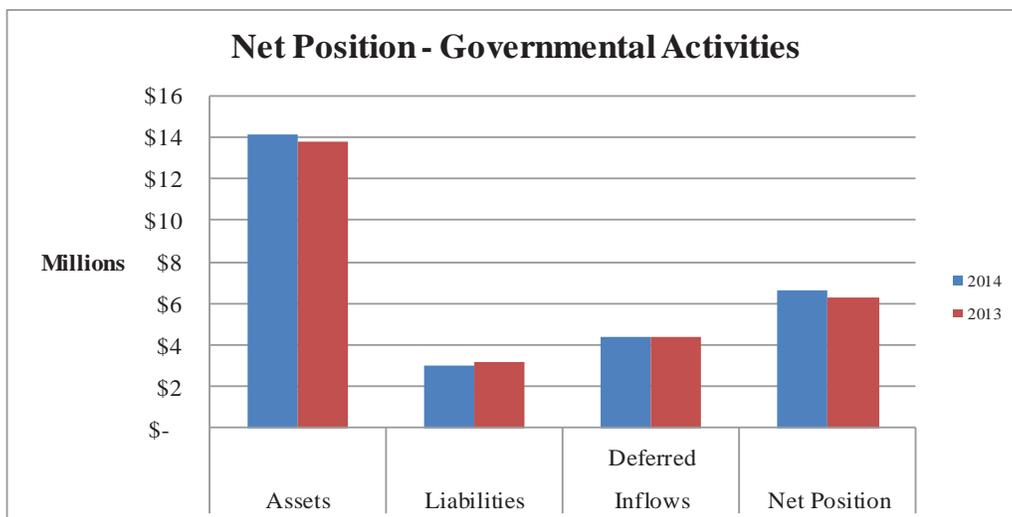
Oberlin City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2014 (Unaudited)

The District as a Whole

Recall that the Statement of Net Position provides the perspective of the District as a whole. Table 1 provides a summary of the District's net position for 2014 compared to 2013:

Table 1 - Net Position

	2014	2013
ASSETS		
Current and other assets	\$ 8,954,608	\$ 8,482,548
Capital assets, net	5,147,957	5,285,074
Total Assets	14,102,565	13,767,622
LIABILITIES		
Current and other liabilities	1,648,308	1,779,460
Long-term liabilities:		
Due within one year	190,653	216,504
Due in more than one year	1,135,676	1,149,884
Total Liabilities	2,974,637	3,145,848
DEFERRED INFLOWS OF RESOURCES		
Property Taxes	4,419,846	4,372,241
Payments in Lieu of Taxes	50,000	-
Total Deferred Inflows of Resources	4,469,846	4,372,241
NET POSITION		
Net Investment in		
Capital Assets	4,786,873	4,822,847
Restricted	360,598	267,795
Unrestricted	1,510,611	1,158,891
Total Net Position	\$ 6,658,082	\$ 6,249,533



Oberlin City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2014 (Unaudited)

By comparing assets to liabilities and deferred inflows, one can see the overall position of the District has grown as evidenced by the increase in net position of \$408,549.

Table 2 shows the changes in net position for fiscal year 2014 and also presents a comparative analysis to fiscal year 2013 for governmental activities.

Table 2 - Change in Net Position

	2014	2013
REVENUES		
Program Revenues:		
Charges for Services	\$ 636,256	\$ 577,927
Operating Grants and Contributions	1,609,972	1,549,358
Total Program Revenues	2,246,228	2,127,285
General Revenues:		
Property Taxes	4,994,784	5,082,377
School District Income Taxes	4,296,099	3,760,528
Grants and Entitlements	3,959,546	4,157,537
Payment in Lieu of Taxes	50,100	-
Investment Income	3,203	4,232
All Other Revenues	289,096	376,919
Total General Revenues	13,592,828	13,381,593
Total Revenues	15,839,056	15,508,878
EXPENSES		
Program Expenses:		
Instruction:		
Regular	7,430,133	7,435,198
Special	1,243,870	1,145,688
Vocational	107,501	105,652
Other	20,552	23,053
Supporting Services:		
Pupil	1,090,707	1,123,962
Instructional Staff	446,481	584,592
Board of Education	122,275	41,549
Administration	1,545,456	1,395,763
Fiscal	454,479	491,153
Business	62,315	77,435
Operation and Maintenance of Plant	1,393,129	1,444,031
Pupil Transportation	518,064	549,574
Central	32,822	33,130
Operation of Non-Instructional Services	448,104	429,090
Extracurricular Activities	496,620	386,754
Interest and Fiscal Charges	17,999	22,271
Total Expenses	15,430,507	15,288,895
Change in Net Position	408,549	219,983
Net Position - Beginning of Year	6,249,533	6,029,550
Net Position - End of Year	\$ 6,658,082	\$ 6,249,533

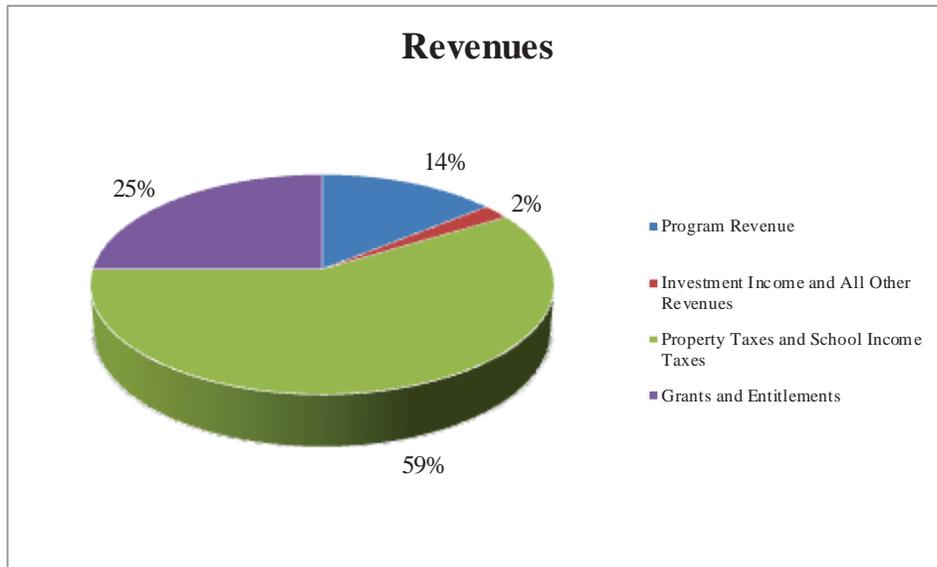
Oberlin City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2014 (Unaudited)

Governmental Activities

The vast majority of revenue supporting all governmental activities is from general revenues. General revenues totaled \$13,592,828, or 86 percent of the total revenue. The most significant portions of the general revenues are property taxes, school district income taxes and unrestricted grants and entitlements. The remaining amount of revenue was in the form of program revenues, which equated to \$2,246,228 or only 14 percent.

The District has carefully planned its financial future by forecasting its revenues and expenditures over the next five years. In October 2013, the District submitted its yearly five-year forecast to the Ohio Department of Education. There is a great deal of uncertainty with the State and school funding. Although the District relies heavily upon local property taxes to support its operations, the District does actively solicit and receive additional grant and entitlement funds to help offset some operating costs.

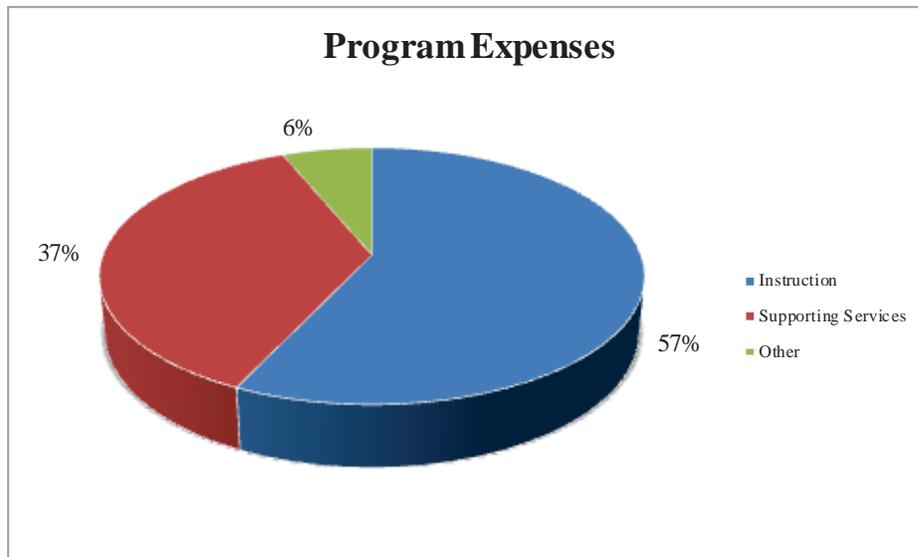
The reliance upon local tax revenues for governmental activities is crucial. Nearly 59 percent of revenue is from property and school income taxes. Grants and entitlements not restricted for a specific program comprise 25 percent. Program revenues make up 14 percent of all governmental revenues, while investment income and other miscellaneous type revenues comprise the remaining 2 percent.



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

Approximately 57 percent of the District's expenses are used to fund instructional expenses. Additional supporting services for pupils, staff and business operations encompass an additional 37 percent. The remaining program expenses of 6 percent are expensed to facilitate other obligations of the District, such as the payment of debt service, the operation of non-instructional services, and numerous extracurricular activities.

Oberlin City School District
Management's Discussion and Analysis
 For the Fiscal Year Ended June 30, 2014 (Unaudited)



The Statement of Activities shows the cost of program services and the charges for services and grants offsetting those services. Table 3 shows, for governmental activities, the total cost of services and the net cost of services. That is, it identifies the cost of these services supported by tax revenue and unrestricted state entitlements. An analysis of fiscal year 2014 is presented.

Table 3 - Governmental Activities

	Total Cost of Services 2014	Net Cost of Services 2014
Instruction	\$ 8,802,056	\$ 7,103,849
Supporting Services:		
Pupils and Instructional Staff	1,537,188	1,480,270
Board of Education, Administration, Fiscal, and Business	2,184,525	2,184,525
Operation and Maintenance of Plant	1,393,129	1,393,129
Pupil Transportation	518,064	467,964
Central	32,822	25,621
Operation of Non-Instructional Services	448,104	56,653
Extracurricular Activities	496,620	454,269
Interest and fiscal charges	17,999	17,999
Total cost of service	\$ 15,430,507	\$ 13,184,279

Oberlin City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2014 (Unaudited)

The District's Funds

Information regarding the 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 fund balance of \$353,941. This increase was mainly due to increases in property and income taxes and current year revenues exceeding current year expenditures. The General Fund's fund balance significantly increased from \$1,725,960 to \$2,079,901.

General Fund Budgeting Highlights

The District's budget is prepared according to Ohio law and is based on accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The most significant budgeted fund is the General Fund.

During the course of fiscal year 2014, the District's General Fund budget remained relatively constant. The District uses a modified site-based budgeting technique which is designed to tightly control total site budgets but provide flexibility for site management.

The District ended the school year with a General Fund unencumbered cash balance of \$1,218,557.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2014, the District had \$5,147,957 invested in land, land improvements, buildings and improvements, furniture and equipment, and vehicles. Table 4 shows fiscal year 2014 balances compared to 2013:

Table 4 - Capital Assets at June 30, (Net of Depreciation)

	2014	2013
Land	\$ 2,279,070	\$ 2,279,070
Land Improvements	181,915	169,899
Buildings and Improvements	2,307,745	2,346,562
Furniture and Equipment	309,610	386,822
Vehicles	69,617	102,721
Total Capital Assets	\$ 5,147,957	\$ 5,285,074

During fiscal year 2014, the District purchased \$150,301 of capital assets, which included various capital improvements to the District's facilities, furniture and equipment. The overall decrease in capital assets is due to the annual depreciation expense exceeding capital outlays. For more information about the District's capital assets, see Note 10.

Debt

At June 30, 2014, the District had no outstanding bonds.

Oberlin City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2014 (Unaudited)

Economic Factors

The 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 District's Continuous Improvement Plan.

The District relies heavily upon real estate taxes, school district income taxes and state funding as sources of revenue. Two levies were renewed on November 6, 2012; 0.75 percent income tax and the Permanent Improvement technology levy of 1.30 mills.

The District's financial future is not without challenges. The nature of school funding in Ohio severely restricts the growth in the District's operating revenues and requires the 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 light of the current economic circumstances and continued uncertainty relative to foundation funding from the State, the District will be facing funding challenges over the next few years. The District is monitoring all funding scenarios.

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 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. This tax has been completely phased out.

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

As a result of the challenges mentioned above, the District's administration continues to carefully plan its expenditures to provide adequate resources to meet student needs over the next several years.

During fiscal year 2014, the State did not provide an overall rating to the District. Two school buildings were designated "Excellent" – Oberlin High School and Prospect Elementary. This emphasizes the District's commitment to providing quality education for the students of Oberlin.

Contacting the District's Financial Management

This financial report is designed to provide our citizens, taxpayers, and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have any questions about this report or need additional information, contact Angela Dotson, CPA, Treasurer at Oberlin City School District, 153 N. Main Street, Oberlin, Ohio 44074.

Oberlin City School District

Statement of Net Position

June 30, 2014

	Governmental Activities
ASSETS	
Equity in Pooled Cash and Cash Equivalents	\$ 1,593,987
Income Taxes Receivable	1,664,762
Property Taxes Receivable	5,350,252
Accounts Receivable	25,831
Accrued Interest Receivable	1,651
Intergovernmental Receivable	314,131
Materials and Supplies Inventory	3,994
Nondepreciable Capital Assets	2,279,070
Depreciable Capital Assets, Net	2,868,887
Total Assets	<u>14,102,565</u>
LIABILITIES	
Accounts Payable	62,752
Accrued Wages and Benefits	1,271,670
Intergovernmental Payable	308,774
Accrued Interest Payable	5,112
Long-term Liabilities:	
Due within one year	190,653
Due in more than one year	1,135,676
Total Liabilities	<u>2,974,637</u>
DEFERRED INFLOWS OF RESOURCES	
Property Taxes	4,419,846
Payments in Lieu of Taxes	50,000
Total Deferred Inflows of Resources	<u>4,469,846</u>
NET POSITION	
Net Investment in Capital Assets	4,786,873
Restricted:	
Capital Projects	63,377
Locally Funded Programs	38,974
State Funded Programs	9,839
Federally Funded Programs	88,377
Student Activities	2,885
Other Purposes	157,146
Unrestricted	1,510,611
Total Net Position	<u>\$ 6,658,082</u>

The notes to the basic financial statements are an integral part of this statement

Oberlin City School District
Statement of Activities
For the Fiscal Year Ended June 30, 2014

	Expenses	Program Revenues		Net (Expense)
		Charges for Services	Operating Grants and Contributions	Revenue and Changes in Net Position
				Governmental Activities
Governmental activities:				
Instruction:				
Regular	\$ 7,430,133	\$ 461,679	\$ 500,665	\$ (6,467,789)
Special	1,243,870	8,900	723,779	(511,191)
Vocational	107,501	-	3,184	(104,317)
Other	20,552	-	-	(20,552)
Supporting Services:				
Pupils	1,090,707	-	22,332	(1,068,375)
Instructional Staff	446,481	-	34,586	(411,895)
Board of Education	122,275	-	-	(122,275)
Administration	1,545,456	-	-	(1,545,456)
Fiscal Services	454,479	-	-	(454,479)
Business	62,315	-	-	(62,315)
Operation and Maintenance of Plant	1,393,129	-	-	(1,393,129)
Pupil Transportation	518,064	31,866	18,234	(467,964)
Central	32,822	-	7,201	(25,621)
Operation of Non-Instructional Services	448,104	91,460	299,991	(56,653)
Extracurricular Activities	496,620	42,351	-	(454,269)
Interest and Fiscal Charges	17,999	-	-	(17,999)
Totals	\$ 15,430,507	\$ 636,256	\$ 1,609,972	(13,184,279)

General Revenues:

Property Taxes levied for:		
General Purposes		4,470,258
Capital Outlay		317,184
Other Purposes		207,342
Income Taxes levied for:		
General Purposes		4,296,099
Payments in Lieu of Taxes		50,100
Grants & Entitlements not restricted to specific programs		3,959,546
Investment Income		3,203
All Other Revenues		289,096
Total General Revenues		<u>13,592,828</u>
Change in Net Position		408,549
Net Position - Beginning of Year		<u>6,249,533</u>
Net Position - End of Year		<u>\$ 6,658,082</u>

The notes to the basic financial statements are an integral part of this statement

Oberlin City School District

Balance Sheet

Governmental Funds

June 30, 2014

	General	Other Governmental Funds	Total Governmental Funds
ASSETS			
Equity in Pooled Cash and Cash Equivalents	\$ 1,316,713	\$ 184,810	\$ 1,501,523
Materials and Supplies Inventory	-	3,994	3,994
Accrued Interest Receivable	1,651	-	1,651
Accounts Receivable	25,831	-	25,831
Interfund Receivable	17,825	-	17,825
Intergovernmental Receivable	77,599	236,532	314,131
Income Taxes Receivable	1,664,762	-	1,664,762
Property Taxes Receivable	4,785,583	564,669	5,350,252
Total Assets	\$ 7,889,964	\$ 990,005	\$ 8,879,969
 LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES			
Liabilities:			
Accounts Payable	\$ 60,831	\$ 1,921	\$ 62,752
Accrued Wages and Benefits	1,136,955	134,715	1,271,670
Intergovernmental Payable	292,773	16,001	308,774
Interfund Payable	-	17,825	17,825
Total Liabilities	1,490,559	170,462	1,661,021
 Deferred Inflows of Resources			
Property Taxes	3,953,882	465,964	4,419,846
Payments in Lieu of Taxes	50,000	-	50,000
Unavailable Revenues - Delinquent Property Taxes	289,423	35,254	324,677
Unavailable Revenues - Grants	-	236,532	236,532
Unavailable Revenues - Other	26,199	-	26,199
Total Deferred Inflows of Resources	4,319,504	737,750	5,057,254
 Fund Balances:			
Nonspendable	-	3,994	3,994
Restricted	-	236,967	236,967
Assigned	887,769	-	887,769
Unassigned (Deficits)	1,192,132	(159,168)	1,032,964
Total Fund Balances	2,079,901	81,793	2,161,694
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 7,889,964	\$ 990,005	\$ 8,879,969

The notes to the basic financial statements are an integral part of this statement

Oberlin City School District
*Reconciliation of Total Governmental Fund Balances to
 Net Position of Governmental Activities
 June 30, 2014*

Total Governmental Fund Balances \$ 2,161,694

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

Capital Assets used in Governmental Activities are not financial resources
 and, therefore, are not reported in the funds 5,147,957

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

Delinquent Property Taxes	\$	324,677	
Intergovernmental Grants		236,532	
All Other Revenues		26,199	
Total		587,408	587,408

An Internal Service fund is used by management to charge the costs
 of certain activities, such as insurance to individual funds. The assets
 and liabilities of the District Internal Service fund is included in
 Governmental Activities in the Statement of Net Position. 92,464

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

Accrued Interest Payable		(5,112)	
Capital Leases		(361,084)	
Compensated Absences		(965,245)	
Total		(1,331,441)	(1,331,441)

Net Position of Governmental Activities \$ 6,658,082

The notes to the basic financial statements are an integral part of this statement

Oberlin City School District
*Statement of Revenues, Expenditures and Changes in Fund Balances -
 Governmental Funds*
 For the Fiscal Year Ended June 30, 2014

	General	Other Governmental Funds	Total Governmental Funds
REVENUES			
Taxes	\$ 8,718,405	\$ 516,146	\$ 9,234,551
Intergovernmental	4,103,975	1,359,861	5,463,836
Investment Income	3,203	-	3,203
Tuition	461,014	-	461,014
Extracurricular Activities	-	42,351	42,351
Rentals	30,707	-	30,707
Transportation Fees	31,866	-	31,866
Classroom Materials and Fees	9,565	-	9,565
Food Services	-	98,713	98,713
Payments in Lieu of Taxes	50,100	-	50,100
All Other Revenues	105,904	150,657	256,561
Total Revenues	<u>13,514,739</u>	<u>2,167,728</u>	<u>15,682,467</u>
EXPENDITURES			
Current:			
Instruction:			
Regular	6,434,100	762,163	7,196,263
Special	708,427	529,553	1,237,980
Vocational	106,580	-	106,580
Other	22,019	75	22,094
Supporting Services:			
Pupils	1,042,836	40,326	1,083,162
Instructional Staff	409,434	33,418	442,852
Board of Education	109,386	-	109,386
Administration	1,521,622	-	1,521,622
Fiscal Services	439,599	9,870	449,469
Business	35,717	33,437	69,154
Operation and Maintenance of Plant Services	1,180,837	336,605	1,517,442
Pupil Transportation	471,040	17,208	488,248
Central	25,850	6,972	32,822
Operation of Non-Instructional Services:			
Food Service Operations	-	428,084	428,084
Community Services	113	18,043	18,156
Extracurricular Activities	423,302	67,690	490,992
Debt Service:			
Principal Retirement	101,143	-	101,143
Interest and Fiscal Charges	18,716	-	18,716
Total Expenditures	<u>13,050,721</u>	<u>2,283,444</u>	<u>15,334,165</u>
Excess of Revenues Over (Under) Expenditures	<u>464,018</u>	<u>(115,716)</u>	<u>348,302</u>
OTHER FINANCING SOURCES (USES)			
Transfers In	-	110,077	110,077
Transfers Out	(110,077)	-	(110,077)
Total Other Financing Sources (Uses)	<u>(110,077)</u>	<u>110,077</u>	<u>-</u>
Net Change in Fund Balances	353,941	(5,639)	348,302
Fund Balances - Beginning of Year	1,725,960	87,432	1,813,392
Fund Balances - End of Year	<u>\$ 2,079,901</u>	<u>\$ 81,793</u>	<u>\$ 2,161,694</u>

The notes to the basic financial statements are an integral part of this statement

Oberlin City School District
*Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances
of Governmental Funds to the Statement of Activities
For the Fiscal Year Ended June 30, 2014*

Net Change in Fund Balances-Total Governmental Funds \$ 348,302

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

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation exceeded capital outlays in the current period.

Capital Outlay	\$	150,301	
Depreciation		(287,418)	
Total			(137,117)

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

Delinquent Property Taxes		56,332	
Intergovernmental Grants		105,682	
All Other Revenues		(5,425)	
Total			156,589

Repayment of capital lease principal is an expenditure in the governmental funds, but the repayment reduces the long-term liabilities in the Statement of Net Position. 101,143

Some expenses reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in Governmental funds.

Compensated Absences		(61,084)	
Accrued Interest		717	
Total			(60,367)

An Internal Service fund is used by management to charge costs to certain activities, such as insurance to individual funds. The net revenue (expense) of the Internal Service fund is reported in the Governmental Activities. (1)

Change in Net Position of Governmental Activities \$ 408,549

The notes to the basic financial statements are an integral part of this statement

Oberlin City School District
*Statement of Revenues, Expenditures, and Changes in Fund Balance –
 Budget (Non-GAAP Basis) and Actual
 General Fund
 For the Fiscal Year Ended June 30, 2014*

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget
				Positive (Negative)
Revenues				
Taxes	\$ 8,157,809	\$ 8,157,809	\$ 8,461,898	\$ 304,089
Intergovernmental	3,956,493	3,956,493	4,103,975	147,482
Investment Income	2,492	2,492	2,585	93
Tuition	444,447	444,447	461,014	16,567
Rentals	29,604	29,604	30,707	1,103
Transportation Fees	27,109	27,109	28,120	1,011
Classroom Materials and Fees	9,221	9,221	9,565	344
All Other Revenues	56,044	56,044	58,133	2,089
Total Revenues	<u>12,683,219</u>	<u>12,683,219</u>	<u>13,155,997</u>	<u>472,778</u>
Expenditures				
Current:				
Instruction				
Regular	6,182,798	6,433,981	6,428,245	5,736
Special	715,945	744,650	733,889	10,761
Vocational	100,737	104,848	105,091	(243)
Other	21,079	21,939	21,990	(51)
Supporting Services				
Pupils	1,024,420	1,066,107	1,069,334	(3,227)
Instructional Staff	403,551	419,811	424,505	(4,694)
Board of Education	104,240	108,228	101,956	6,272
Administration	1,472,248	1,532,282	1,537,652	(5,370)
Fiscal Services	474,045	493,363	495,187	(1,824)
Business	34,663	36,077	37,361	(1,284)
Operation and Maintenance of Plant Services	1,222,534	1,272,089	1,275,910	(3,821)
Pupil Transportation	457,096	475,704	476,726	(1,022)
Central	27,183	28,194	25,885	2,309
Extracurricular Activities	398,647	414,913	416,496	(1,583)
Total Expenditures	<u>12,639,186</u>	<u>13,152,186</u>	<u>13,150,227</u>	<u>1,959</u>
Excess of Revenues (Under) Expenditures	<u>44,033</u>	<u>(468,967)</u>	<u>5,770</u>	<u>474,737</u>
Other Financing Sources (Uses)				
Refund of Prior Year Expenditures	67,615	67,615	67,615	-
Advances In	45,818	45,818	45,818	-
Advances Out	(17,825)	(17,825)	(17,825)	-
Transfers Out	(110,077)	(110,077)	(110,077)	-
Total Other Financing Sources (Uses)	<u>(14,469)</u>	<u>(14,469)</u>	<u>(14,469)</u>	<u>-</u>
Net Change in Fund Balance	29,564	(483,436)	(8,699)	474,737
Fund Balance - Beginning of Year	1,160,168	1,160,168	1,160,168	-
Prior Year Encumbrances Appropriated	67,088	67,088	67,088	-
Fund Balance - End of Year	<u>\$ 1,256,820</u>	<u>\$ 743,820</u>	<u>\$ 1,218,557</u>	<u>\$ 474,737</u>

The notes to the basic financial statements are an integral part of this statement

Oberlin City School District

Statement of Fund Net Position

Internal Service Fund

June 30, 2014

	Governmental Activities - Internal Service Fund
ASSETS	
Current Assets:	
Equity in Pooled Cash and Cash Equivalents	<u>\$ 92,464</u>
NET POSITION	
Unrestricted	<u><u>\$ 92,464</u></u>

The notes to the basic financial statements are an integral part of this statement

Oberlin City School District
Statement of Revenues, Expenses, and Changes in Fund Net Position
Internal Service Fund
For the Fiscal Year Ended June 30, 2014

	<u>Governmental Activities - Internal Service Fund</u>
OPERATING REVENUES	
Charges for Services	\$ 1,649,832
OPERATING EXPENSES	
Purchased Services	<u>1,649,833</u>
Change in Net Position	(1)
Net Position - Beginning of Year	<u>92,465</u>
Net Position - End of Year	<u><u>\$ 92,464</u></u>

The notes to the basic financial statements are an integral part of this statement

Oberlin City School District
Statement of Cash Flows
Internal Service Fund
For the Fiscal Year Ended June 30, 2014

	<u>Governmental Activities - Internal Service Fund</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash Received from Customers	\$ 1,649,832
Cash Payments for Goods and Services	<u>(1,649,833)</u>
Net Decrease in Cash and Cash Equivalents	(1)
Cash and Cash Equivalents - Beginning of Year	<u>92,465</u>
Cash and Cash Equivalents - End of Year	<u><u>\$ 92,464</u></u>
 RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	
Operating Loss	<u>\$ (1)</u>
Net Cash Provided by (Used in) Operating Activities	<u><u>\$ (1)</u></u>

The notes to the basic financial statements are an integral part of this statement

Oberlin City School District
Statement of Fiduciary Assets and Liabilities
Agency Fund
June 30, 2014

	<u>Agency Funds</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	<u>\$ 24,079</u>
Liabilities	
Due to Students	<u>\$ 24,079</u>

The notes to the basic financial statements are an integral part of this statement

Oberlin City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

Note 1 – Description of the 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 a Board of Education consisting of five members and is responsible for providing public education to residents of the District. Average daily membership for fiscal year 2014 was 988. The District employs 95 certificated and 84 non-certificated employees.

The 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 organization’s governing board and:

- (1) the District is able to significantly influence the programs or services performed or provided by the organization;
- (2) the District is legally entitled to or can otherwise access the organizations’ resources;
- (3) the District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to the organization; or
- (4) 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 Tri-Rivers Educational Computer Association (TRECA), 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 19 to these financial statements. Effective July 1, 2011, the District entered into the Suburban Health Consortium which is considered a shared health risk pool. A further description of this shared health risk pool is provided in Note 22 to the financial statements.

Oberlin City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014
(Continued)

Note 2 - Summary of Significant Accounting Policies

The basic financial statements of the 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. Following are the more significant of the District's accounting policies.

A. Basis of Presentation

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

Government-wide Financial Statements

The statement of net position and the statement of activities display information about the 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 position presents the financial condition of 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 of the goods or services offered by the program, and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues which are not classified as program revenues are presented as general revenues of the 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 detail 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.

Oberlin City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014
(Continued)

Note 2 - Summary of Significant Accounting Policies (Continued)

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 financial 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 of governmental, proprietary, and fiduciary.

Governmental Funds

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

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

Fiduciary Fund Types

Fiduciary fund reporting focuses on net position and changes in net position. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds, and agency funds. Trust funds are used to account for assets held by the 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.

Oberlin City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014
(Continued)

Note 2 - Summary of Significant Accounting Policies (Continued)

C. Measurement Focus

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

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

Like the government-wide statements, the internal service fund is accounted for on a flow of economic resources measurement focus. All assets, liabilities, and deferred outflows/inflows of resources associated with the operation of this fund are included on the statement of fund net position. The statement of revenues, expenses and changes in fund net position presents increases (i.e., revenues) and decreases (i.e., expenses) in total net position. 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 fiduciary funds use the accrual basis of accounting. Differences in the accrual and modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred outflows/inflows of resources, and in the presentation of expenses versus expenditures.

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 that 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.

Oberlin City School District
Notes to the Basic Financial Statements
For the Fiscal Year ended June 30, 2014
(Continued)

Note 2 - Summary of Significant Accounting Policies (Continued)

D. Basis of Accounting (Continued)

Revenues - Exchange and Non-exchange Transactions (Continued)

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.

Deferred Outflows/Inflows of Resources - In addition to assets, the statements of financial position will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources, represents a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. As of June 30, 2014, the District did not have any deferred outflows of resources.

In addition to liabilities, the statements of financial position report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. For the District, deferred inflows of resources include property taxes, payments in lieu of taxes, and unavailable revenue. Property taxes and payments in lieu of taxes represent amounts for which there is an enforceable legal claim as of June 30, 2014, but which were levied to finance fiscal year 2015 operations. These amounts have been recorded as a deferred inflow on both the government-wide statement of net position and the governmental fund financial statements. Unavailable revenue is reported only on the governmental funds balance sheet, and represents receivables which will not be collected within the available period. For the District unavailable revenue includes delinquent property taxes, intergovernmental grants, and other revenues. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available.

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.

Oberlin City School District
Notes to the Basic Financial Statements
For the Fiscal Year ended June 30, 2014
(Continued)

Note 2 - Summary of Significant Accounting Policies (Continued)

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.

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, 2014 totaled \$3,203 which includes \$742 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, 2014.

Oberlin City School District
Notes to the Basic Financial Statements
For the Fiscal Year ended June 30, 2014
(Continued)

Note 2 - Summary of Significant Accounting Policies (Continued)

F. Cash and Investments (Continued)

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. As of June 30, 2014, the District did not have any restricted assets.

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 position but are not reported on the fund financial statements.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and reductions during the year. Donated capital assets are recorded at their fair market values as of the date received. The District maintains a capitalization threshold of five thousand dollars. The District does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized.

All reported capital assets, other than land, are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives:

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

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 position.

Oberlin City School District
Notes to the Basic Financial Statements
For the Fiscal Year ended June 30, 2014
(Continued)

Note 2 - Summary of Significant Accounting Policies (Continued)

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 Position

Net Position represents the difference between assets and deferred outflows of resources compared to liabilities and deferred inflows of resources. Net investment in capital assets 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 position is reported as restricted when there are limitations imposed on their use through external restrictions imposed by creditors, grantors or laws or regulations of other governments. Net position restricted for other purposes include resources restricted for other grants and special trusts.

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

Oberlin City School District
Notes to the Basic Financial Statements
For the Fiscal Year ended June 30, 2014
(Continued)

Note 2 - Summary of Significant Accounting Policies (Continued)

M. Fund Balance

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

Nonspendable – The nonspendable fund balance category includes amounts that cannot be spent because they are not spendable in form, or legally or contractually required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash. It also includes the long-term amount of loans receivable, as well as property acquired for resale, unless the use of the proceeds from the collection of those receivables or from the sale of those properties is restricted, committed, or assigned.

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

Committed – The committed fund balance classification includes amounts that can be used only for the specific purposes imposed by a formal action (resolution) of the District’s Board of Education. Those committed amounts cannot be used for any other purpose unless the District’s Board of Education removes or changes the specified use by taking the same type of action (resolution) it employed to previously commit those amounts. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements. This fund classification was not utilized in fiscal year 2014.

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

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

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

Oberlin City School District
Notes to the Basic Financial Statements
For the Fiscal Year ended June 30, 2014
(Continued)

Note 2 - Summary of Significant Accounting Policies (Continued)

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 goods or services that are the primary activity of this fund. Revenues and expenses not meeting those definitions are reported as nonoperating.

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.

Note 3 – Changes in Accounting Principles

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

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

Oberlin City School District
Notes to the Basic Financial Statements
For the Fiscal Year ended June 30, 2014
(Continued)

Note 3 – Changes in Accounting Principles (Continued)

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

These GASB Statements did not have an effect on the District's financial statements.

Note 4 – Accountability and Compliance

At June 30, 2014, the following funds had deficit fund balances: the Food Service Fund of \$31,360, the EMIS Fund of \$785, the Public School Preschool Fund of \$11,528, the Race to the Top Fund of \$2,848, the IDEA, Education of Handicapped Children Fund of \$37,196, the Title I – Disadvantaged Children/Targeted Assistance Fund of \$40,961, the Improving Teacher Quality Fund of \$7,313, and the Miscellaneous Federal Grants Fund of \$23,183. 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.

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);
3. Encumbrances are treated as expenditures (budget basis) rather than restricted, committed, and assigned fund balance (GAAP basis); and
4. Some funds are included in the General Fund (GAAP basis), but have separate legally adopted budgets (Budget basis).

Oberlin City School District
Notes to the Basic Financial Statements
For the Fiscal Year ended June 30, 2014
(Continued)

Note 5 – Budgetary Basis of Accounting (Continued)

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

Net Change in Fund Balance	
GAAP Basis	\$ 353,941
Net Adjustment for Revenue Accruals	(213,003)
Net Adjustments for Expenditure Accruals	(105,584)
Funds with Separate Legally Adopted Budgets	(9,250)
Adjustment for Encumbrances	(34,803)
Budget Basis	\$ (8,699)

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.

Oberlin City School District
Notes to the Basic Financial Statements
For the Fiscal Year ended June 30, 2014
(Continued)

Note 6 – Deposits and Investments (Continued)

A. **Legal Requirements** (Continued)

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);
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.

Oberlin City School District
Notes to the Basic Financial Statements
For the Fiscal Year ended June 30, 2014
(Continued)

Note 6 – Deposits and Investments (Continued)

B. Deposits

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 Pool Cash and Cash Equivalents”.

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 \$1,612,164 and the bank balance was \$1,676,847. Of the bank balance, \$250,003 was covered by federal depository insurance and \$1,426,844 was uninsured and 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, 2014, the District had the following investment:

	Maturities	Fair Value
Investment in STAROhio	N/A	\$ 5,702

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 2014, the District’s investments in STAROhio were rated AAAM by Standard & Poor’s.

F. Concentration of Credit Risk

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

Oberlin City School District
Notes to the Basic Financial Statements
For the Fiscal Year ended June 30, 2014
(Continued)

Note 7 – Receivables

Receivables at June 30, 2014, 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:

	<u>Amount</u>
Governmental Activities:	
Major Fund	
General	\$ 77,599
Nonmajor funds	
Public school preschool	12,894
Race to the top	51,738
IDEA, education of handicapped children	43,321
Title I	91,180
Improving teacher quality	11,592
Miscellaneous federal grant:	
21st century	8,425
Safe routes to school	17,382
Total Intergovernmental Receivables	<u><u>\$ 314,131</u></u>

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Oberlin City School District
Notes to the Basic Financial Statements
For the Fiscal Year ended June 30, 2014
(Continued)

Note 8 – Fund Balances

Fund balance is classified as nonspendable, restricted, committed, assigned and/or unassigned based primarily on the extent to which the District is bound to observe constraints imposed upon the use of the resources in the governmental funds. The constraints placed on fund balance for the General Fund and all other governmental funds are presented below:

<u>Fund Balances</u>	<u>General</u>	<u>Nonmajor Governmental Funds</u>	<u>Total</u>
<i>Nonspendable</i>			
Inventories	\$ -	\$ 3,994	\$ 3,994
<i>Total Nonspendable</i>	<u>-</u>	<u>3,994</u>	<u>3,994</u>
<i>Restricted for</i>			
Educational Technology	-	25,036	25,036
Athletics	-	2,885	2,885
Information System Improvements	-	9,529	9,529
Student Intervention Services	-	96	96
Capital Improvements	-	42,061	42,061
Other Grants	-	149,794	149,794
Other Purposes	-	7,566	7,566
<i>Total Restricted</i>	<u>-</u>	<u>236,967</u>	<u>236,967</u>
<i>Assigned to</i>			
Fiscal Year 2015 Appropriations	794,960	-	794,960
Public School Support	63,232	-	63,232
Purchases on Order	29,577	-	29,577
<i>Total Assigned</i>	<u>887,769</u>	<u>-</u>	<u>887,769</u>
<i>Unassigned (Deficits)</i>	<u>1,192,132</u>	<u>(159,168)</u>	<u>1,032,964</u>
Total Fund Balances	<u><u>\$ 2,079,901</u></u>	<u><u>\$ 81,793</u></u>	<u><u>\$ 2,161,694</u></u>

Oberlin City School District
Notes to the Basic Financial Statements
For the Fiscal Year ended June 30, 2014
(Continued)

Note 9 – Property Taxes

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

Property taxes include amounts levied against all real and public utility personal property located in the School District. Real property tax revenue received in calendar year 2014 represents collections of calendar year 2013 taxes. Real property taxes received in calendar year 2014 were levied after April 1, 2013, on the assessed value listed as of January 1, 2013, the lien date. Assessed values for real property taxes are established by State law at 35 percent of appraised market value. Real property taxes are paid annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenue received in calendar year 2014 represents collections of calendar year 2013 taxes. Public utility personal property taxes received in calendar year 2014 became a lien December 31, 2012, were levied after April 1, 2013 and are collected in 2014 with real property taxes. Public utility personal property is assessed at 35 percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

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, 2014, are available to finance fiscal year 2014 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable includes real property and public utility property taxes which are measurable as of June 30, 2014 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 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 deferred inflows of resources.

The amount available as an advance at June 30, 2014, was \$542,278 in the General Fund, \$25,083 in the Education Technology Fund, and \$38,368 in the Capital Projects Fund. The amount available as an advance at June 30, 2013, was \$540,074 in the General Fund, \$25,328 in the Education Technology Fund, and \$38,740 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 included in deferred inflows of resources.

Oberlin City School District
Notes to the Basic Financial Statements
For the Fiscal Year ended June 30, 2014
(Continued)

Note 9 – Property Taxes (Continued)

The assessed values upon which the fiscal year 2014 taxes were collected are:

	2013 Second Half Collections		2014 First Half Collections	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/Residential and Other Real Estate	\$ 175,364,470	97.48%	\$ 176,913,190	97.31%
Public Utility	4,533,260	2.52%	4,892,920	2.69%
Total Assessed Value	<u>\$ 179,897,730</u>	<u>100.00%</u>	<u>\$ 181,806,110</u>	<u>100.00%</u>
 Tax Rate per \$1,000 of Assessed Valuation	 \$ 60.72		 \$ 60.68	

Note 10 – Capital Assets

Capital asset activity for the fiscal year ended June 30, 2014, was as follows:

	<u>Balance June 30, 2013</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance June 30, 2014</u>
<u>Governmental Activities</u>				
Capital Assets, not being depreciated:				
Land	\$ 2,279,070	\$ -	\$ -	\$ 2,279,070
Capital Assets, being depreciated:				
Land Improvements	1,267,234	26,010	-	1,293,244
Building and Improvements	13,554,977	109,620	-	13,664,597
Furniture and Equipment	1,299,026	14,671	70,566	1,243,131
Vehicles	876,812	-	23,735	853,077
Total Capital Assets, being depreciated	<u>16,998,049</u>	<u>150,301</u>	<u>94,301</u>	<u>17,054,049</u>
Less Accumulated Depreciation:				
Land Improvements	(1,097,335)	(13,994)	-	(1,111,329)
Building and Improvements	(11,208,415)	(148,437)	-	(11,356,852)
Furniture and Equipment	(912,204)	(91,883)	(70,566)	(933,521)
Vehicles	(774,091)	(33,104)	(23,735)	(783,460)
Total Accumulated Depreciation	<u>(13,992,045)</u>	<u>(287,418)</u>	<u>(94,301)</u>	<u>(14,185,162)</u>
Total Capital Assets being depreciated, Net	<u>3,006,004</u>	<u>(137,117)</u>	<u>-</u>	<u>2,868,887</u>
Governmental Activities Capital Assets, Net	<u>\$ 5,285,074</u>	<u>\$ (137,117)</u>	<u>\$ -</u>	<u>\$ 5,147,957</u>

Oberlin City School District
Notes to the Basic Financial Statements
For the Fiscal Year ended June 30, 2014
(Continued)

Note 10 – Capital Assets (Continued)

Depreciation expense was charge to governmental functions as follows:

Regular instruction	\$ 229,337
Supporting services	
Board of education	12,889
Administration	1,230
Operation and maintenance of plant	3,720
Pupil transportation	33,104
Operation of non-instructional services	1,960
Extracurricular activities	5,178
Total depreciation expense	\$ 287,418

Note 11 – Interfund Activity

On the fund financial statements at June 30, 2014, interfund balances consisted of the following:

	Receivable	Payable
<i>Major fund</i>		
General	\$ 17,825	\$ -
<i>Nonmajor funds</i>		
Special Revenue funds	-	17,825
	\$ 17,825	\$ 17,825

These amounts are represented as “Interfund Receivable/Payable” on the balance sheet. The interfund loans were made to support programs and projects in the nonmajor Special Revenue Funds and will be repaid in the subsequent period.

During the fiscal year ended June 30, 2014, the General Fund transferred \$110,077 to various nonmajor Special Revenue Funds. The transfers were eliminated on the government-wide statements because the transfers were between governmental funds.

Note 12 – 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 Netherlands Insurance Company for property, vehicle, and crime insurance. Automobile liability has a \$1,000,000 combined single limit of liability. Professional liability is covered by The Midwestern Indemnity Company with a \$2,000,000 umbrella and a \$2,000,000 aggregate limit. Settled claims have not exceeded this commercial coverage in any of the past several years.

Oberlin City School District
Notes to the Basic Financial Statements
For the Fiscal Year ended June 30, 2014
(Continued)

Note 12 – Risk Management (Continued)

A public employee blanket bond of \$125,000 is maintained for all District employees and Board Members through The Netherlands Insurance Company. In addition, separate public official bonds in the amounts of \$ 50,000 and \$2,000 are maintained for the Treasurer and Assistant Treasurer, respectively, through Traveler’s insurance Company.

The District pays the Ohio Bureau of Workers’ Compensation a premium based on a rate per \$100 of salaries. This rate is calculated based on accident history and administrative costs.

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 Liberty Mutual.

Note 13 – Defined Benefit Pension Plans

School Employees Retirement System

The School District contributes to the School Employees Retirement System (SERS), a cost-sharing, multiple employer defined benefit pension plan. SERS provides retirement, disability, and survivor benefits; annual cost-of-living adjustments; and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report can be obtained on SERS’ website, www.ohsers.org, under *Employers/Audit Resources*.

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

The School District’s contributions to SERS which were allocated for pension and death benefits for the fiscal years ended June 30, 2014, 2013 and 2012 were \$263,539, \$241,141, and \$223,728, respectively; 76.87 percent of the required contribution has been made for fiscal year 2014 and 100 percent of the required contribution has been made for fiscal years 2013 and 2012. \$60,960 represents the unpaid contribution for fiscal year 2014 and is recorded as a liability within the respective funds.

Oberlin City School District
Notes to the Basic Financial Statements
For the Fiscal Year ended June 30, 2014
(Continued)

Note 13 – Defined Benefit Pension Plans (Continued)

State Teachers Retirement System

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

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

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

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

Oberlin City School District
Notes to the Basic Financial Statements
For the Fiscal Year ended June 30, 2014
(Continued)

Note 13 – Defined Benefit Pension Plans (Continued)

State Teachers Retirement System (Continued)

DC Plan Benefits – Benefits are established under Sections 3307.80 to 3307.89 of the Revised Code. For members who select the DC Plan, all member contributions and employer contributions at a rate of 10.5 percent are placed in an investment account. The member determines how to allocate the member and employer money among various investment choices. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump-sum withdrawal. Employer contributions into members' accounts are vested after the first anniversary of the first day of paid service. Members in the DC Plan who become disabled are entitled only to their account balance. If a member dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

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

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

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

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

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

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

Oberlin City School District
Notes to the Basic Financial Statements
For the Fiscal Year ended June 30, 2014
(Continued)

Note 13 – Defined Benefit Pension Plans (Continued)

State Teachers Retirement System (Continued)

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

The School District's contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2014, 2013, and 2012 were \$826,193, \$807,063, and \$789,195, respectively; 83.16 percent of the required contribution has been made for fiscal year 2014 and 100 percent of the required contribution has been made for fiscal years 2013 and 2012. \$139,096 represents the unpaid contribution for fiscal year 2014 and is recorded as a liability within the respective funds.

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

Social Security

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System have an option to choose Social Security or the School Employees Retirement System/State Teachers Retirement System. As of June 30, 2014, four members of the Board of Education had elected Social Security. The District's contribution rate is 6.2 percent of wages.

Note 14 – Post-Employment Benefits Other Than Pension Benefits

State Teachers Retirement System

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

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

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

Oberlin City School District
Notes to the Basic Financial Statements
For the Fiscal Year ended June 30, 2014
(Continued)

Note 14 – Post-Employment Benefits Other Than Pension Benefits (Continued)

State Teachers Retirement System (Continued)

Under Ohio law, funding for post-employment health care may be deducted from employer contributions. Of the 14 percent employer contribution rate, 1 percent of covered payroll was allocated to post-employment health care for the years ended June 30, 2014, 2013 and 2012. The 14 percent employer contribution rate is the maximum rate established under Ohio law. For the School District, these amounts equaled \$63,553, \$62,082, and \$60,707 for fiscal years 2014, 2013, and 2012, respectively; 83.16 percent of the required contribution has been made for fiscal year 2014 and 100 percent of the required contribution has been made for fiscal years 2013 and 2012.

School Employees Retirement System

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

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

The Retirement Board, acting with the advice of the actuary, allocates a portion of the current employer contribution rate to the Medicare B Fund. For fiscal years 2014, 2013, and 2012, the actuarially required allocation was 0.76 percent, 0.74 percent, and 0.75 percent. For the School District, contributions for the years ended June 30, 2014, 2013, and 2012, were \$15,289, \$14,241, and \$13,212, respectively; 76.87 percent of the required contribution has been made for fiscal year 2014 and 100 percent of the required contribution has been made for fiscal years 2013 and 2012.

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

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

Oberlin City School District
Notes to the Basic Financial Statements
For the Fiscal Year ended June 30, 2014
(Continued)

Note 14 – Post-Employment Benefits Other Than Pension Benefits (Continued)

School Employees Retirement System (Continued)

The Health Care Fund was established under, and is administered in accordance with, Internal Revenue Code 105(e). Each year after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer 14 percent contribution to the Health Care Fund. For the year ended June 30, 2014, the health care allocation is 0.14 percent. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. Statutes provide that no employer shall pay a health care surcharge greater than 2 percent of that employer's SERS covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS covered payroll for the health care surcharge. For fiscal year 2014, the minimum compensation level was established at \$20,250. The surcharge, added to the unallocated portion of the 14 percent employer contribution rate is the total amount assigned to the Health Care Fund. At June 30, 2014, 2013, and 2012 the health care allocations were 0.14 percent, 0.16 percent, and 0.55 percent, respectively. For the School District, the amount contributed to fund health care benefits, including the surcharge, during the 2014, 2013 and 2012 fiscal years equaled \$34,655, \$37,013, and \$36,259, respectively; 76.87 percent of the required contribution has been made for fiscal year 2014 and 100 percent of the required contribution has been made for fiscal years 2013 and 2012.

The SERS Retirement Board establishes the rules for the premiums paid by the retirees for health care coverage for themselves and their dependents or for their surviving beneficiaries. Premiums vary depending upon the plan selected, qualified years of service, Medicare eligibility, and retirement status.

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

Oberlin City School District
Notes to the Basic Financial Statements
For the Fiscal Year ended June 30, 2014
(Continued)

Note 15 – Long-Term Obligations

Changes in the District’s long-term obligations, including compensated absences during fiscal year 2014, were as follows:

	Balance June 30, 2013	Increase	Decrease	Balance June 30, 2014	Amounts Due in One Year
Capital leases	\$ 462,227	\$ -	\$ (101,143)	\$ 361,084	\$ 75,129
Compensated absences	904,161	179,148	(118,064)	965,245	115,524
Total	<u>\$ 1,366,388</u>	<u>\$ 179,148</u>	<u>\$ (219,207)</u>	<u>\$ 1,326,329</u>	<u>\$ 190,653</u>

The capital leases will be repaid from the General Fund. The compensated absences will mostly be repaid from the General Fund. See Note 16 for additional information related to the District’s capital leases.

Note 16 – Capital Lease

The District has entered into lease agreements for financing certain HB264 energy improvements, eleven Xerox copiers, and a telephone system. These lease agreements qualify as capital leases for accounting purposes and, therefore, have been recorded at the present value of future minimum lease payments as of June 30, 2014. The assets acquired through capital leases are as follows:

Asset	Cost	Accumulated Depreciation	Net
H.B. 264 Energy Improvements	\$ 547,209	\$ (114,914)	\$ 432,295
(11) Xerox Copiers	147,552	(147,552)	-
Telephone System	165,025	(66,010)	99,015
Total	<u>\$ 859,786</u>	<u>\$ (328,476)</u>	<u>\$ 531,310</u>

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2014, are as follows:

Fiscal Year Ending June 30,	Lease Obligations
2015	\$ 89,931
2016	87,210
2017	74,936
2018	50,390
2019	50,390
2020	54,280
Total minimum lease payments	407,137
Less amount representing interest	(46,053)
Net present value of minimum lease payments	<u>\$ 361,084</u>

Oberlin City School District
Notes to the Basic Financial Statements
For the Fiscal Year ended June 30, 2014
(Continued)

Note 17 – Operating Lease

On May 26, 2013, the District entered into an operating lease with Apple, Inc. for the lease of various computers and related equipment. The total cost of the leased equipment was \$414,436 with an interest rate of 2.59 percent and final maturity of lease payments on July 1, 2015. This lease was not capitalized because the individual value of each item leased did not exceed the District’s capitalization threshold. The future minimum lease payments for these leases are as follows:

Year Ending June 30	Lease Obligations
2015	\$ 142,024
2016	142,024
Total minimum lease payments	284,048
Less amount representing interest	(10,666)
Net present value of minimum lease payments	<u>\$ 273,382</u>

Note 18 – 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 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 constraints for capital improvements during fiscal year 2014:

	Capital Maintenance
Balance, June 30, 2013	\$ -
Required set aside	172,860
Qualifying expenditures	(174,844)
Current year offsets	-
Balance, June 30, 2014	<u>\$ (1,984)</u>
Carry forward at June 30, 2014	<u>\$ -</u>

Qualified expenditures and offset credits for capital maintenance during the year were \$355,421, which exceeded the required set-aside. Excess qualified expenditures and offsets have exceeded statutory requirements by \$182,561; however they may not be used to offset future years’ set-aside requirements.

Oberlin City School District
Notes to the Basic Financial Statements
For the Fiscal Year ended June 30, 2014
(Continued)

Note 19 – Jointly Governed Organizations

A. Tri-Rivers Educational Computer Association

The District is a participant in the Tri-Rivers Educational Computer Association (TRECA), which is a computer consortium comprised of thirty-six school districts. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member school districts. The governing board of TRECA consists of one representative from each county elected by majority vote of all charter member school districts within each county, one representative from the City school districts, and the superintendent from Tri-Rivers Joint Vocational School. During fiscal year 2014, the School District paid \$15,484 to TRECA for various services. Financial information can be obtained from TRECA, 100 Executive Drive, Marion, Ohio 43302.

B. Lake Erie Regional Council of Governments

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, 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.

Oberlin City School District
Notes to the Basic Financial Statements
For the Fiscal Year ended June 30, 2014
(Continued)

Note 19 – Jointly Governed Organizations (Continued)

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 through 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, 2014, the District paid \$79,300 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.

Note 20 – Contingencies

A. Grants

The District received financial assistance from Federal and State agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, the effect of any such disallowed claims on the overall financial position of the District at June 30, 2014, if applicable, cannot be determined at this time.

B. Litigation

The District is party to a legal proceeding. This District is of the opinion that ultimate disposition of claims will not have a material effect, if any, on the financial condition of the District.

Oberlin City School District
Notes to the Basic Financial Statements
For the Fiscal Year ended June 30, 2014
(Continued)

Note 21 – Other Commitments

The District utilizes encumbrance accounting as part of its budgetary controls. Encumbrances outstanding at year-end are components of fund balance for subsequent year expenditures and may be reported as part of restricted, committed, or assigned classifications of fund balance. As of June 30, 2014, the District’s commitments for encumbrances in the governmental funds were as follows:

	Encumbrances Outstanding
General	\$ 30,075
Nonmajor Governmental	127,037
Total	\$ 157,112

Note 22 – Shared Risk Pool

The Suburban Health Consortium (“the Consortium”) is a shared health risk pool created on October 1, 2001, formed by the Boards of Education of several school districts in northeast Ohio, for the purposes of maximizing benefits and/or reducing costs of group health, life, dental and/or other insurance coverage for their employees and the eligible dependents and designated beneficiaries of such employees. The Consortium was formed and operates as a legally separate entity under Ohio Revised Code Section 9.833. The Board of Directors is the governing body of the Consortium. The Board of Education of each Consortium Member appoints its Superintendent or such Superintendent’s designee to be its representative on the Board of Directors. The officers of the Board of Directors consist of a Chairman, Vice-Chairman and Recording Secretary, who are elected at the annual meeting of Board of Directors and serve until the next annual meeting. All of the authority of the Consortium is exercised by or under the direction of the Board of Directors. The Board of Directors also set all premiums and other amounts to be paid by the Consortium Members and the Board of Directors have the authority to waive premiums and other payments. All members of the Board of Directors serve without compensation.

The Fiscal Agent shall be the Board of Education responsible for administering the financial transactions of the Consortium (Orange City School District). The Fiscal Agent shall carry out the responsibilities of the Consortium Fund, enter into contracts on behalf of the Consortium as authorized by the Directors and carry out such other responsibilities as approved by the Directors and agreed to by the Fiscal Agent. Each District Member enrolled in a benefit program may require contributions from its employees toward the cost of any benefit program being offered by such District Member, and such contributions shall be included in the payments from such District Member to the Fiscal Agent for such benefit program. Contributions are to be submitted by each District Member, to the Fiscal Agent, required under the terms of the Consortium Agreement and any benefit program in which such District Member is enrolled to the Fiscal Agent on a monthly basis, or as otherwise required in accordance with any benefit program in which such District Member is enrolled. All general administrative costs incurred by the Consortium that are not covered by the premium payments shall be shared equally by the Consortium Members as approved by the Directors, and shall be paid by each Consortium Member upon receipt of notice from the Fiscal Agent that such payment is due. It is the express intention of the Consortium Members that the Consortium Agreement and the Consortium shall continue for an indefinite term, but may be terminated as provided in the Consortium Agreement.

Oberlin City School District
Notes to the Basic Financial Statements
For the Fiscal Year ended June 30, 2014
(Continued)

Note 22 – Shared Risk Pool (Continued)

Any Consortium Member wishing to withdraw from participation in the Consortium or any benefit program shall notify the Fiscal Agent at least one hundred eighty (180) days prior to the effective date of withdrawal. Upon withdrawal of a Consortium Member, the Consortium shall pay the run out of all claims for such Consortium Member provided such Consortium Member has paid to the Consortium, prior to the effective date of withdrawal a withdrawal fee in the amount equal to two months' premiums at the Consortium Member's current rate. Payment of the withdrawal fee does not extend insurance coverage for two months. Upon automatic withdrawal, for non-payment of premiums required by the Consortium Agreement, the Consortium shall pay the run out of all claims for such Consortium Member provided that the Consortium has received from such Consortium Member all outstanding and unpaid premiums and other amounts and the withdrawal fee equal to two months' premiums at the Consortium Member's current rates. Any Consortium Member which withdraws from the Consortium pursuant to the Consortium Agreement shall have no claim to the Consortium's assets. Financial information for the Consortium can be obtained from the Treasurer of the Orange City School District (the Fiscal Agent) at 32000 Chagrin Blvd., Pepper Pike, Ohio 44124.

Note 23 – Subsequent Events

On October 15, 2014, the District entered into a Lease-Purchase Agreement with DeLage Landen Public Finance, LLC for a Blue Bird 78 passenger All American Bus. The principal portion of the lease is \$85,850 and the interest portion is \$3,384. The first of four annual rental payments of \$22,309 was made upon delivery of the bus.

On July 17, 2014, a complaint was filed in the United States District Court by Christopher Kamenski against Wellington Exempted Village Schools, Oberlin City Schools, and several Wellington Exempted Village Schools Board Members including Jacquie Dovin who is the Administrative Assistant to Oberlin City Schools Superintendent, John Schroth. Our interests are being represented by Britton Smith Peters & Kalail through our insurance policy. The suit contends Oberlin City Schools did not respond to public records requests.

**OBERLIN CITY SCHOOL DISTRICT
LORAIN COUNTY, OHIO
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2014**

Federal Grantor/ Pass-Through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass-Through Grantor Number	Receipts	Non-Cash Receipts	Expenditures	Non-Cash Expenditures
U.S. Department of Agriculture						
<i>Passed through the State Department of Education</i>						
<i>Child Nutrition Cluster:</i>						
School Breakfast Program	10.553	044594-05PU-14	\$ 57,381	\$ 0	\$ 57,381	\$ 0
National School Lunch Program - See Note 2	10.555	044594-LLP4-14	193,916	24,887	193,916	24,887
<i>Total Child Nutrition Cluster</i>			<u>251,297</u>	<u>24,887</u>	<u>251,297</u>	<u>24,887</u>
Farm to School Grant	10.575	2013	(593)	0	0	0
Total U.S. Department of Agriculture			<u>250,704</u>	<u>24,887</u>	<u>251,297</u>	<u>24,887</u>
U.S. Department of Education						
<i>Passed through the Ohio Department of Education</i>						
<i>Title I Cluster</i>						
Title I, School Improvement, Sub A	84.010	2013	561	0	561	0
Title I, Grants to Local Educational Agencies	84.010	044594-C1S1-13	42,817	0	71,375	0
Title I, Grants to Local Educational Agencies	84.010	044594-C1S1-14	247,041	0	246,711	0
<i>Total Title I Cluster</i>			<u>290,419</u>	<u>0</u>	<u>318,647</u>	<u>0</u>
<i>Special Education Cluster:</i>						
Special Education Grants to States	84.027	044594-6BSF-13	11,102	0	31,302	0
Special Education Grants to States	84.027	044594-6BSF-14	185,957	0	187,200	0
Special Education Preschool Grants	84.173	044594-PBS1-14	9,279	0	9,279	0
<i>Total Special Education Cluster</i>			<u>206,338</u>	<u>0</u>	<u>227,781</u>	<u>0</u>
<i>Twenty-First Century Community Learning Centers:</i>						
Twenty-First Century Community Learning Centers	84.287	044594-T1S1-13	0	0	5,637	0
Twenty-First Century Community Learning Centers	84.287	044594-T1S1-14	91,575	0	91,575	0
<i>Total Twenty-First Century Community Learning Centers</i>			<u>91,575</u>	<u>0</u>	<u>97,212</u>	<u>0</u>
<i>Improving Teacher Quality State Grants:</i>						
Improving Teacher Quality State Grants	84.367	044594-TRS1-13	5,746	0	9,928	0
Improving Teacher Quality State Grants	84.367	044594-TRS1-14	46,317	0	46,444	0
<i>Total CFDA #84.367</i>			<u>52,063</u>	<u>0</u>	<u>56,372</u>	<u>0</u>
<i>ARRA - Race to the Top Grant:</i>						
ARRA - Race to the Top Grant	84.395	2013	40,929	0	44,406	0
ARRA - Race to the Top Grant - Innovative	84.395	2013	21,888	0	21,888	0
ARRA - Race to the Top Grant	84.395	2014	15,892	0	15,892	0
ARRA - Race to the Top Grant - Innovative	84.395	2014	195,510	0	191,729	0
ARRA - Race to the Top Grant - OILA	84.395	2014	13,693	0	13,693	0
<i>Total CFDA #84.395</i>			<u>287,912</u>	<u>0</u>	<u>287,608</u>	<u>0</u>
Total U.S. Department of Education			<u>928,307</u>	<u>0</u>	<u>987,620</u>	<u>0</u>
U.S. Department of Transportation						
<i>Passed through the Ohio Department of Transportation</i>						
Safe Route to School	20.205	2014	0	0	16,456	0
Total U.S. Department of Transportation			<u>0</u>	<u>0</u>	<u>16,456</u>	<u>0</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u>\$1,179,011</u>	<u>\$ 24,887</u>	<u>\$1,255,373</u>	<u>\$ 24,887</u>

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

**OBERLIN CITY SCHOOL DISTRICT
LORAIN COUNTY, OHIO
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
JUNE 30, 2014**

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.

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

Board of Education
Oberlin City School District
Oberlin, Ohio

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Oberlin City School District, Lorain County, Ohio, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Oberlin City School District, Ohio's basic financial statements and have issued our report thereon dated November 7, 2014.

Internal Control Over Financial Reporting

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

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

Purpose of This Report

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

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

Digitally signed by James G. Zupka, CPA,
President
DN: cn=James G. Zupka, CPA, President,
o=James G. Zupka, CPA, Inc., ou=Accounting,
email=jgzcpa@sbcglobal.net, c=US
Date: 2014.12.09 08:38:07 -05'00'

November 7, 2014

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

Certified Public Accountants

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

Board of Education
Oberlin City School District
Oberlin, Ohio

Report on Compliance for Each Major Federal Program

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

Management's Responsibility

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

Auditor's Responsibility

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

Opinion on Each Major Federal Program

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

Report on Internal Control Over Compliance

Management of the Oberlin City School District, Ohio, is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Oberlin City School District, Ohio's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Oberlin City School District, Ohio's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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

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

Digitally signed by James G. Zupka, CPA, President
DN: cn=James G. Zupka, CPA, President, o=James
G. Zupka, CPA, Inc., ou=Accounting,
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Date: 2014.12.09 08:38:27 -05'00'

November 7, 2014

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

1. SUMMARY OF AUDITOR'S RESULTS

2014(i)	Type of Financial Statement Opinion	Unmodified
2014(ii)	Were there any material control weaknesses reported at the financial statement level (GAGAS)?	No
2014(ii)	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
2014(iii)	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
2014(iv)	Were there any material internal control weaknesses reported for major federal programs?	No
2014(iv)	Were there any significant deficiencies in internal control reported for major federal programs?	No
2014(v)	Type of Major Program's Compliance Opinion	Unmodified
2014(vi)	Are there any reportable findings under .510(a)?	No
2014(vii)	Major Programs (list): Special Education Cluster - CFDA #84.027 and CFDA #84.173 Title I Cluster - CFDA #84.010	
2014(viii)	Dollar Threshold: Type A\B Program	Type A: \$300,000 or more Type B: All others less than \$300,000
2014(ix)	Low Risk Auditee?	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
SCHEDULE OF PRIOR CITATIONS AND RECOMMENDATIONS
FOR THE YEAR ENDED JUNE 30, 2014**

The prior audit report, as of June 30, 2013, included no citations or instances of noncompliance. Management letter recommendations were corrected, repeated, or procedures instituted to prevent occurrences in this audit period.

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Dave Yost • Auditor of State

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
DECEMBER 30, 2014**