

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

AUDIT REPORT

**FOR THE FISCAL YEAR
ENDED JUNE 30, 2011**

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



Dave Yost • Auditor of State

Board of Education
Oberlin City School District
153 N. 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, 2010 through June 30, 2011. 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

January 5, 2012

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**OBERLIN CITY SCHOOL DISTRICT
LORAIN COUNTY, OHIO
AUDIT REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

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

Certified Public Accountants

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Ohio Society of Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

Board of Education
Oberlin City School District
Oberlin, Ohio

We have audited the accompanying financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of the Oberlin City School District, Lorain County, Ohio, as of and for the year ended June 30, 2011, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Oberlin City School District, Ohio's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the major fund, and the aggregate remaining fund information of the Oberlin City School District, Ohio, as of June 30, 2011, and the respective changes in financial position, and cash flows, where applicable, thereof and the respective budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 5, 2011, 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* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis information on pages 3 through 10 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.

Our audit was conducted for the purpose of forming opinions on the basic financial statements that collectively comprise the Oberlin City School District, Ohio's financial statements as a whole. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the 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 financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.


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

December 5, 2011

Oberlin City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2011 (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, 2011. 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 2011 are:

- In total, net assets increased by \$203,354.
- Revenues for governmental activities totaled \$14,494,897 in 2011. Of this total, 86 percent consisted of general revenues while program revenues accounted for the remaining balance of 14 percent.
- Program expenses totaled \$14,291,543. Instructional expenses made up 58 percent of this total while supporting services accounted for 38 percent. Other expenses rounded out the remaining 4 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 Assets* 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 Assets 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 2011?" The *Statement of Net Assets* and *Statement of Activities* answer this question. These statements include *all assets* and *all liabilities* 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, 2011 (Unaudited)

These two statements report the District's *net assets* and changes in those assets. This change in net assets is important because it tells the reader that, for the District as a whole, the *financial position* of the 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 Assets 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 13 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 Assets and Statement of Activities) and governmental *funds* is reconciled in the financial statements.

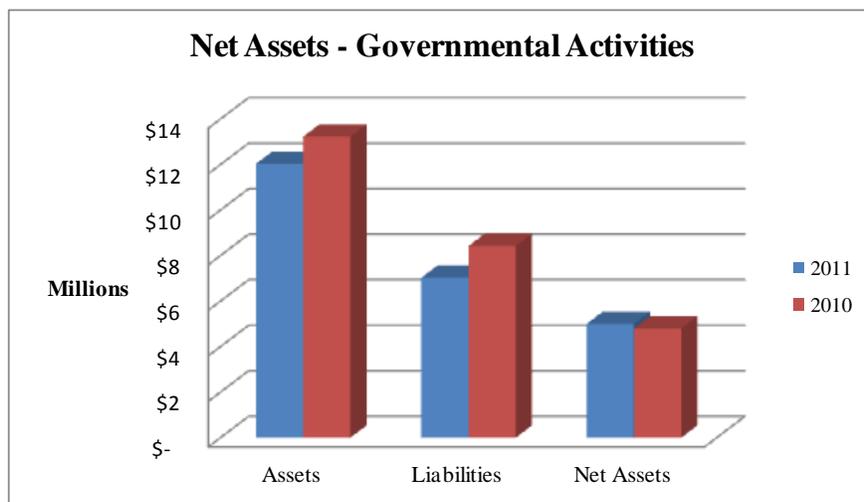
Oberlin City School District
Management's Discussion and Analysis
 For the Fiscal Year Ended June 30, 2011 (Unaudited)

The District as a Whole

Recall that the Statement of Net Assets provides the perspective of the District as a whole. Table 1 provides a summary of the District's net assets for 2011 compared to 2010:

Table 1 - Net Assets

	2011	2010
ASSETS		
Current and other assets	\$ 6,438,441	\$ 7,436,447
Capital assets, net	5,592,596	5,790,177
Total Assets	12,031,037	13,226,624
LIABILITIES		
Current and other liabilities	5,383,731	6,528,693
Long-term liabilities:		
Due within one year	395,719	459,679
Due in more than one year	1,247,664	1,437,683
Total Liabilities	7,027,114	8,426,055
NET ASSETS		
Invested in capital assets, net of related debt	5,122,691	5,259,467
Restricted	413,996	638,587
Unrestricted	(532,764)	(1,097,485)
Total Net Assets	\$ 5,003,923	\$ 4,800,569



By comparing assets and liabilities, one can see the overall position of the District has grown as evidenced by the increase in net assets of \$203,354.

Oberlin City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2011 (Unaudited)

Table 2 shows the changes in net assets for fiscal year 2011 and also presents a comparative analysis to fiscal year 2010 for governmental activities.

Table 2 - Change in Net Assets

	2011	2010
REVENUES		
Program Revenues:		
Charges for services	\$ 521,486	\$ 489,591
Operating grants and contributions	1,549,631	2,056,103
Total Program Revenues	<u>2,071,117</u>	<u>2,545,694</u>
General Revenues:		
Property taxes	4,270,799	4,127,650
Municipal income taxes	3,481,661	3,284,334
Grants and entitlements	4,373,571	4,288,096
Investment income	1,125	4,068
All other revenues	296,624	184,780
Total General Revenues	<u>12,423,780</u>	<u>11,888,928</u>
Total Revenues	<u>14,494,897</u>	<u>14,434,622</u>
EXPENSES		
Program Expenses:		
Instruction:		
Regular	6,996,219	6,973,664
Special	1,092,967	1,119,592
Vocational	98,982	100,788
Other	50,747	225,689
Supporting Services:		
Pupil	1,046,530	1,054,473
Instructional Staff	426,217	435,109
Board of Education	36,945	60,984
Administration	1,358,490	1,427,305
Fiscal	384,347	376,599
Business	235,749	195,177
Operation and Maintenance of Plant	1,433,021	1,418,018
Pupil Transportation	408,365	512,284
Central	70,234	46,481
Operation of Non-Instructional Services	427,113	389,898
Extracurricular Activities	192,068	286,893
Interest and Fiscal Charges	33,549	32,364
Total Expenses	<u>14,291,543</u>	<u>14,655,318</u>
Change in Net Assets	203,354	(220,696)
Net Assets - Beginning of Year	4,800,569	5,021,265
Net Assets - End of Year	<u>\$ 5,003,923</u>	<u>\$ 4,800,569</u>

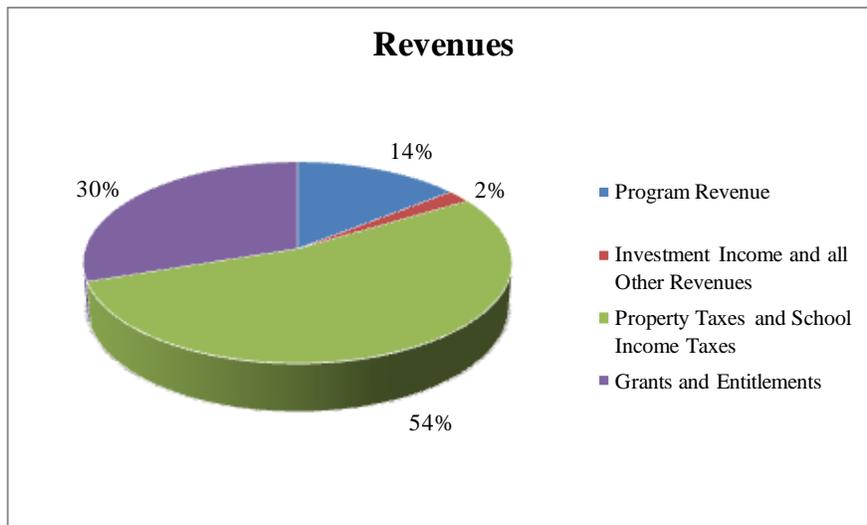
Oberlin City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2011 (Unaudited)

Governmental Activities

The vast majority of revenue supporting all governmental activities is from general revenues. General revenues totaled \$12,423,780, 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 \$2,071,117 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 2010, 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.

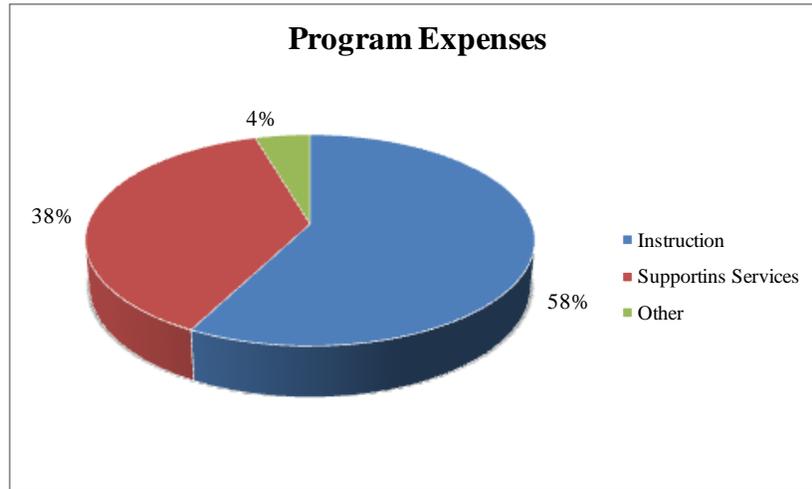
The reliance upon local tax revenues for governmental activities is crucial. Nearly 54 percent of revenue is from property and school income taxes. Grants and entitlements not restricted for a specific program comprise 30 percent. Program revenues make up 14 percent of all governmental revenues, while investments 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 58 percent of the District's expenses are used to fund instructional expenses. Additional supporting services for pupils, staff and business operations encompass an additional 38 percent. The remaining program expenses of 4 percent are expensed to facilitate other obligations of the District, such as the payment of debt service and numerous extracurricular activities.

Oberlin City School District
Management's Discussion and Analysis
 For the Fiscal Year Ended June 30, 2011 (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. A comparative analysis of 2011 to 2010 is presented.

Table 3 - Governmental Activities

	Total Cost of Services 2011	Net Cost of Services 2011
Instruction	\$ 8,238,915	\$ 7,058,330
Supporting Services:		
Pupils and Instructional Staff	1,472,747	1,243,307
Board of Education, Administration, Fiscal, and Business	2,015,531	1,836,775
Operation and Maintenance of Plant	1,433,021	1,433,021
Pupil Transportation	408,365	388,036
Central	70,234	61,134
Operation of Non-Instructional Services	427,113	14,304
Extracurricular Activities	192,068	151,970
Interest and fiscal charges	33,549	33,549
Total cost of service	<u>\$ 14,291,543</u>	<u>\$ 12,220,426</u>

The District's Funds

Information regarding the District's funds can be found on page 13. 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 \$644,592. This increase was mainly due to increases in property tax and intergovernmental revenues coupled with a decreased in expenditures. The decrease in expenditures can be attributed to the District's efforts to control costs during the current economic downturn. The General Fund's fund balance increased from a deficit of \$350,528 to a positive balance of \$294,064.

Oberlin City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2011 (Unaudited)

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 2011, 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 \$25,158.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2011, the District had \$5,592,596 invested in land, land improvements, buildings and improvements, furniture and equipment, and vehicles. Table 4 shows fiscal year 2011 balances compared to 2010:

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

	2011	2010
Land	\$ 2,279,070	\$ 2,279,070
Land Improvements	177,656	162,279
Buildings and Improvements	2,632,633	2,725,024
Furniture and Equipment	351,787	429,623
Vehicles	151,450	194,181
Total Capital Assets	\$ 5,592,596	\$ 5,790,177

During fiscal year 2011, the District purchased \$137,754 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 depreciation expense exceeding capital outlay. For more information about the District's capital assets, see Note 10.

Debt

At June 30, 2011, the District had no outstanding bonds.

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.

Oberlin City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2011 (Unaudited)

The District relies heavily upon real estate taxes, school district income taxes and state funding as sources of revenue. An emergency levy for 4.88 mills was passed on November 8, 2011. At the same time, the Permanent Improvement levy of 2.00 mills was renewed.

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. The administration is currently reviewing all programs and services to students with the goal of reducing operating costs.

During fiscal year 2010, the District received the State's designation, "Excellent" for the first time. This designation 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 Diane Wolf, Treasurer at Oberlin City School District, 153 N. Main Street, Oberlin, Ohio 44074.

Oberlin City School District

Statement of Net Assets

June 30, 2011

	<u>Governmental Activities</u>
ASSETS	
Equity in Pooled Cash and Cash Equivalents	\$ 674,285
Income Taxes Receivable	1,401,299
Property Taxes Receivable	4,141,136
Accounts Receivable	30,346
Intergovernmental Receivable	185,502
Materials and Supplies Inventory	5,873
Nondepreciable Capital Assets	2,279,070
Depreciable Capital Assets, Net	3,313,526
Total Assets	<u>12,031,037</u>
LIABILITIES	
Accounts Payable	71,196
Accrued Wages and Benefits	1,165,562
Intergovernmental Payable	349,128
Accrued Interest Payable	7,346
Claims Payable	163,400
Deferred Revenue	3,627,099
Long-term Liabilities:	
Due within one year	395,719
Due in more than one year	1,247,664
Total Liabilities	<u>7,027,114</u>
NET ASSETS	
Invested in Capital Assets, Net of Related Debt	5,122,691
Restricted:	
Capital Projects	46,007
Other Purposes	367,989
Unrestricted	(532,764)
Total Net Assets	<u>\$ 5,003,923</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, 2011

	Expenses	Program Revenues		Net (Expense)
		Charges for Services	Operating Grants and Contributions	Revenue and Changes in Net Assets
				Governmental Activities
Governmental activities:				
Instruction:				
Regular	\$ 6,996,219	\$ 348,754	\$ 349,729	\$ (6,297,736)
Special	1,092,967	9,285	460,255	(623,427)
Vocational	98,982	-	12,562	(86,420)
Other	50,747	-	-	(50,747)
Supporting Services:				
Pupils	1,046,530	-	186,360	(860,170)
Instructional Staff	426,217	-	43,080	(383,137)
Board of Education	36,945	-	-	(36,945)
Administration	1,358,490	-	173,756	(1,184,734)
Fiscal Services	384,347	-	-	(384,347)
Business	235,749	-	5,000	(230,749)
Operation and Maintenance of Plant	1,433,021	-	-	(1,433,021)
Pupil Transportation	408,365	-	20,329	(388,036)
Central	70,234	-	9,100	(61,134)
Operation of Non-Instructional Services	427,113	123,349	289,460	(14,304)
Extracurricular Activities	192,068	40,098	-	(151,970)
Interest and Fiscal Charges	33,549	-	-	(33,549)
Totals	\$ 14,291,543	\$ 521,486	\$ 1,549,631	(12,220,426)

General Revenues:

Property and Other Local Taxes levied for:	
General Purposes	3,748,169
Capital Outlay	309,867
Other Purposes	212,763
Income Taxes levied for:	
General Purposes	3,481,661
Grants & Entitlements not restricted to specific programs	4,373,571
Investment Income	1,125
All Other Revenues	296,624
Total General Revenues	12,423,780
Change in Net Assets	203,354
Net Assets - Beginning of Year	4,800,569
Net Assets - End of Year	\$ 5,003,923

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

Oberlin City School District

Balance Sheet

Governmental Funds

June 30, 2011

	General	Other Governmental Funds	Total Governmental Funds
ASSETS			
Equity in Pooled Cash and Cash Equivalents	\$ 85,357	\$ 388,429	\$ 473,786
Materials and Supplies Inventory	-	5,873	5,873
Accounts Receivable	22,846	7,500	30,346
Interfund Receivable	2,160	-	2,160
Intergovernmental Receivable	-	185,502	185,502
Income Taxes Receivable	1,401,299	-	1,401,299
Property Taxes Receivable	3,750,433	390,703	4,141,136
Total Assets	\$ 5,262,095	\$ 978,007	\$ 6,240,102
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts Payable	\$ 60,382	\$ 10,814	\$ 71,196
Accrued Wages and Benefits	1,002,544	163,018	1,165,562
Intergovernmental Payable	319,647	29,481	349,128
Retirement Incentive Payable	185,103	-	185,103
Interfund Payable	-	2,160	2,160
Deferred Revenue	3,400,355	384,205	3,784,560
Total Liabilities	4,968,031	589,678	5,557,709
Fund Balances:			
Nonspendable	-	5,873	5,873
Restricted	-	387,091	387,091
Assigned	79,278	-	79,278
Unassigned (Deficit)	214,786	(4,635)	210,151
Total Fund Balances	294,064	388,329	682,393
Total Liabilities and Fund Balances	\$ 5,262,095	\$ 978,007	\$ 6,240,102

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 Assets of Governmental Activities
 June 30, 2011*

Total Governmental Fund Balances \$ 682,393

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

Capital Assets used in Governmental Activities are not financial resources and, therefore, are not reported in the funds 5,592,596

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

Property taxes	\$ 112,625	
Intergovernmental	44,836	
Total	157,461	157,461

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's Internal Service fund is included in Governmental Activities in the Statement of Net Assets. 37,099

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

Accrued Interest payable	(7,346)	
Capital leases	(469,905)	
Compensated absences	(988,375)	
Total	(1,465,626)	(1,465,626)

Net Assets of Governmental Activities \$ 5,003,923

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, 2011

	General	Other Governmental Funds	Total Governmental Funds
REVENUES			
Taxes	\$ 7,274,771	\$ 533,846	\$ 7,808,617
Intergovernmental	4,345,016	1,533,350	5,878,366
Interest	1,125	-	1,125
Tuition	342,097	-	342,097
Extracurricular Activities	-	40,098	40,098
Charges for Services	-	123,349	123,349
Contributions and Donations	-	145,340	145,340
Classroom Materials and Fees	15,942	-	15,942
Miscellaneous	90,129	61,155	151,284
Total Revenues	<u>12,069,080</u>	<u>2,437,138</u>	<u>14,506,218</u>
EXPENDITURES			
Current:			
Instruction:			
Regular	6,105,573	846,191	6,951,764
Special	619,442	459,863	1,079,305
Vocational	96,092	-	96,092
Other	20,913	51,741	72,654
Supporting Services:			
Pupils	774,535	257,477	1,032,012
Instructional Staff	359,891	60,172	420,063
Board of Education	37,128	-	37,128
Administration	1,120,424	196,252	1,316,676
Fiscal Services	362,504	8,878	371,382
Business	173,776	30,455	204,231
Operation and Maintenance of Plant Services	1,079,033	346,259	1,425,292
Pupil Transportation	325,819	36,795	362,614
Central	59,053	11,181	70,234
Operation of Non-Instructional Services:			
Food Service Operations	-	415,423	415,423
Community Services	-	3,937	3,937
Extracurricular Activities	178,963	35,930	214,893
Debt Service:			
Principal Retirement	60,805	-	60,805
Interest and Fiscal Charges	22,234	-	22,234
Total Expenditures	<u>11,396,185</u>	<u>2,760,554</u>	<u>14,156,739</u>
Excess of Revenues Over (Under) Expenditures	<u>672,895</u>	<u>(323,416)</u>	<u>349,479</u>
OTHER FINANCING SOURCES (USES)			
Transfers In	-	28,303	28,303
Transfers Out	(28,303)	-	(28,303)
Total Other Financing Sources (Uses)	<u>(28,303)</u>	<u>28,303</u>	<u>-</u>
Net Change in Fund Balances	644,592	(295,113)	349,479
Fund Balances (Deficit) - Beginning of Year	(350,528)	683,442	332,914
Fund Balances - End of Year	<u>\$ 294,064</u>	<u>\$ 388,329</u>	<u>\$ 682,393</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, 2011*

Net Change in Fund Balances-Total Governmental Funds \$ 349,479

*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	\$ 137,754	
Depreciation	(335,335)	
Total		(197,581)

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

Property taxes	(56,157)	
Intergovernmental	44,836	
Total		(11,321)

Repayment of capital lease principal is an expenditures in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. 60,805

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	120,367	
Accrued interest	1,281	
Total		121,648

Internal Service funds are 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. (119,676)

Change in Net Assets of Governmental Activities \$ 203,354

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, 2011*

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget Positive (Negative)
Revenues				
Taxes	\$ 7,760,422	\$ 6,872,671	\$ 6,845,399	\$ (27,272)
Intergovernmental	4,929,970	4,366,008	4,348,683	(17,325)
Interest	1,275	1,129	1,125	(4)
Tuition	387,825	343,460	342,097	(1,363)
Classroom Materials and Fees	18,073	16,006	15,942	(64)
Miscellaneous	75,689	67,031	66,765	(266)
Total Revenues	<u>13,173,254</u>	<u>11,666,305</u>	<u>11,620,011</u>	<u>(46,294)</u>
Expenditures				
Current:				
Instruction				
Regular	6,589,473	6,393,317	6,368,826	24,491
Special	662,447	642,812	639,825	2,987
Vocational	101,881	98,859	98,442	417
Other	21,766	21,120	21,031	89
Supporting Services				
Pupils	856,271	830,863	827,561	3,302
Instructional Staff	385,928	374,642	367,036	7,606
Board of Education	47,458	46,141	43,403	2,738
Administration	1,193,775	1,158,540	1,147,934	10,606
Fiscal Services	388,069	376,590	374,300	2,290
Business	184,055	178,573	177,816	757
Operation and Maintenance of Plant Services	1,118,209	1,083,748	1,079,513	4,235
Pupil Transportation	360,738	350,105	348,494	1,611
Central	62,082	60,296	58,163	2,133
Extracurricular Activities	189,656	184,201	177,710	6,491
Debt Service:				
Principal	60,805	60,805	60,805	-
Interest & Fiscal Charges	22,234	22,234	22,234	-
Total Expenditures	<u>12,244,847</u>	<u>11,882,846</u>	<u>11,813,093</u>	<u>69,753</u>
Excess of Revenues (Under) Expenditures	<u>928,407</u>	<u>(216,541)</u>	<u>(193,082)</u>	<u>23,459</u>
Other Financing Sources (Uses)				
Sale of Capital Assets	1,158	1,158	1,158	-
Refund of Prior Year Expenditures	9,967	9,967	9,967	-
Advances In	48,719	48,719	48,719	-
Transfers Out	(28,303)	(28,303)	(28,303)	-
Total Other Financing Sources (Uses)	<u>31,541</u>	<u>31,541</u>	<u>31,541</u>	<u>-</u>
Net Change in Fund Balance	959,948	(185,000)	(161,541)	23,459
Fund Balance - Beginning of Year	145,550	145,550	145,550	-
Prior Year Encumbrances Appropriated	41,149	41,149	41,149	-
Fund Balance - End of Year	<u>\$ 1,146,647</u>	<u>\$ 1,699</u>	<u>\$ 25,158</u>	<u>\$ 23,459</u>

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

Oberlin City School District

Statement of Fund Net Assets

Internal Service Fund

June 30, 2011

	Governmental Activities - Internal Service Fund
ASSETS	
Equity in Pooled Cash and Cash Equivalents	\$ 200,499
LIABILITIES	
Claims Payable	<u>163,400</u>
NET ASSETS	
Unrestricted	<u><u>37,099</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 Assets
Internal Service Fund
For the Fiscal Year ended June 30, 2011

	<u>Governmental Activities - Internal Service Fund</u>
OPERATING REVENUES	
Charges for Services	\$ 1,128,284
OPERATING EXPENSES	
Claims	<u>1,247,960</u>
Operating Income (Loss)	(119,676)
Net Assets - Beginning of Year	<u>156,775</u>
Net Assets - End of Year	<u><u>\$ 37,099</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, 2011

	<u>Governmental Activities - Internal Service Fund</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash Received from Customers	\$ 1,128,284
Cash Payments for Claims	<u>(1,225,160)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(96,876)
Cash and Cash Equivalents - Beginning of Year	<u>297,375</u>
Cash and Cash Equivalents - End of Year	<u><u>\$ 200,499</u></u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	
Operating Income (Loss)	\$ (119,676)
Adjustments:	
Increase (Decrease) in Liabilities:	
Claims Payable	<u>22,800</u>
Net Cash Provided by (Used in) Operating Activities	<u><u>\$ (96,876)</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, 2011

	<u>Student Activities</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	<u>\$ 28,886</u>
Liabilities	
Due to Students	<u>\$ 28,886</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, 2011

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 an elected Board of Education consisting of five members and is responsible for providing public education to residents of the District. Average daily membership on, or as of, October 1, 2010 was 1,158. The District employs 98 certificated and 86 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 Lake Erie Educational Computer Association, the Lake Erie Regional Council of Governments, the Lorain County Joint Vocational School District, and the Ohio Schools Council which are considered to be jointly governed organizations. These organizations and their relationships with the District are described in more detail in Note 18 to these financial statements.

Oberlin City School District
Notes to the Basic Financial Statements
For the Fiscal Year ended June 30, 2011
(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. The District also applies Financial Accounting Standards Board (FASB) statements and interpretations issued on or before November 30, 1989, to its governmental activities and its proprietary fund provided they do not conflict with or contradict GASB pronouncements. 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 assets and a statement of activities, and fund financial statements which provide a more detailed level of financial information.

Government-wide Financial Statements

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

The statement of net assets presents the financial condition of 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, 2011
(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 liabilities 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 assets, 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 assets and changes in net assets. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds, and agency funds. Trust funds are used to account for assets held by the District under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the District's own programs. The District has no trust funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The District's agency fund accounts for student activities.

Oberlin City School District
Notes to the Basic Financial Statements
For the Fiscal Year ended June 30, 2011
(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 and all liabilities associated with the operation of the District are included on the Statement of Net Assets. The Statement of Activities presents increases (revenues) and decreases (expenses) in the total net assets.

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

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

D. Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Proprietary and 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 revenue and in the presentation of expenses versus expenditures.

Revenues - Exchange and Non-exchange Transactions

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. “Measurable” means the amount of the transaction 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, 2011
(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 Revenue

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

Property taxes for which there is an enforceable legal claim as of June 30, 2011, but which were levied to finance fiscal year 2012 operations, have been recorded as unearned revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

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

Expenditures/Expenses

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

E. Budgetary Process

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

Oberlin City School District
Notes to the Basic Financial Statements
For the Fiscal Year ended June 30, 2011
(Continued)

Note 2 - Summary of Significant Accounting Policies (Continued)

E. **Budgetary Process** (Continued)

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, 2011 totaled \$1,125 which includes \$991 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, 2011.

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.

Oberlin City School District
Notes to the Basic Financial Statements
For the Fiscal Year ended June 30, 2011
(Continued)

Note 2 - Summary of Significant Accounting Policies (Continued)

H. Capital Assets

General capital assets are those assets not specifically related to activities reported in the proprietary funds. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net assets but are not reported on the fund financial statements.

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

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

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

I. Interfund Balances

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

J. Compensated Absences

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

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

Oberlin City School District
Notes to the Basic Financial Statements
For the Fiscal Year ended June 30, 2011
(Continued)

Note 2 - Summary of Significant Accounting Policies (Continued)

J. Compensated Absences (Continued)

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

K. Accrued Liabilities and Long-Term Obligations

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

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

L. Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt, consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction, or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors, laws, or regulations of other governments. The government-wide statements of net assets reports \$413,996 of restricted net assets, of which \$239,261 is restricted by enabling legislation.

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

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.

Oberlin City School District
Notes to the Basic Financial Statements
For the Fiscal Year ended June 30, 2011
(Continued)

Note 2 - Summary of Significant Accounting Policies (Continued)

M. Fund Balance (Continued)

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 2011.

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 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.

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.

Oberlin City School District
Notes to the Basic Financial Statements
For the Fiscal Year ended June 30, 2011
(Continued)

Note 2 - Summary of Significant Accounting Policies (Continued)

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 – Change in Accounting Principles

For fiscal year 2011, the District has implemented GASB Statement No. 59, *Financial Instruments Omnibus*.

GASB Statement No. 59 updates and improves guidance for financial reporting and disclosure requirements of certain financial instruments and external investment pools. The implementation of this Statement does not have an effect on the School District's financial statements.

Note 4 – Accountability and Compliance

At June 30, 2011, the following funds had deficit fund balances: the EMIS Fund of \$1,592, the Public School Preschool Fund of \$2,611, and the IDEA, Education of Handicapped Children Fund of \$432. 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). Encumbrances are treated as expenditures (budget basis) rather than restricted, committed, and assigned fund balance (GAAP basis); and

Oberlin City School District
Notes to the Basic Financial Statements
For the Fiscal Year ended June 30, 2011
(Continued)

Note 5 – Budgetary Basis of Accounting (Continued)

3. Some funds are included in the General Fund (GAAP basis), but have separate legally adopted budgets (Budget basis).

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

Net Change in Fund Balance	
GAAP Basis	\$ 644,592
Net Adjustment for Revenue Accruals	(389,225)
Net Adjustments for Expenditure Accruals	(357,965)
Funds with Separate Legally Adopted Budgets	(37,655)
Adjustment for Encumbrances	(21,288)
Budget Basis	\$ (161,541)

Note 6 – Deposits and Investments

A. Legal Requirements

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

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

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

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

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

Interim monies may be invested in the following securities:

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;

Oberlin City School District
Notes to the Basic Financial Statements
For the Fiscal Year ended June 30, 2011
(Continued)

Note 6 – Deposits and Investments (Continued)

A. **Legal Requirements** (Continued)

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.

At fiscal year end, the District had \$300 in cash on hand which is included on the balance sheet of the District as part of "Equity in Pool Cash and Cash Equivalents".

Oberlin City School District
Notes to the Basic Financial Statements
For the Fiscal Year ended June 30, 2011
(Continued)

Note 6 – Deposits and Investments (Continued)

B. Deposits

Custodial credit risk is the risk that, in the event of a bank failure, the District's deposits may not be returned. The District does not have a deposit policy for custodial credit risk. At fiscal year end, the carrying amount of the District's deposits was \$697,177 and the bank balance was \$752,356. Of the bank balance, \$290,020 was covered by federal depository insurance and \$462,336 was uninsured. Of the remaining balance, \$462,336 was collateralized with securities held by the pledging institution's trust department not in the District's name.

C. Investments

For an investment, custodial credit risk is the risk that, in the event of the failure of the counter party, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. As of June 30, 2011, the District had the following investment:

	<u>Maturities</u>	<u>Fair Value</u>
Investment in STAROhio	N/A	<u>\$ 5,694</u>

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 2011, 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, 2011
(Continued)

Note 7 – Receivables

Receivables at June 30, 2011, 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:	
Nonmajor funds	
Food service	\$ 39,457
Public school preschool	9,381
Race to the top	5,251
IDEA, education of handicapped children	32,876
Title I	67,201
Improving teacher quality	6,997
21st Century	24,339
Total Intergovernmental Receivables	\$ 185,502

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Oberlin City School District
Notes to the Basic Financial Statements
For the Fiscal Year ended June 30, 2011
(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	\$ -	\$ 5,873	\$ 5,873
<i>Total Nonspendable</i>	<u>-</u>	<u>5,873</u>	<u>5,873</u>
<i>Restricted for</i>			
Food Service Operations	-	3,617	3,617
Educational Technology	-	114,905	114,905
Athletics	-	3,408	3,408
Information System Improvements	-	5,100	5,100
Student Intervention Services	-	96	96
Fiscal Stabilization	-	7,661	7,661
School Improvements	-	727	727
Disadvantaged Children	-	21,082	21,082
Teacher Development	-	1,364	1,364
Learning Center Improvements	-	17,318	17,318
Capital Improvements	-	41,574	41,574
Other Grants	-	162,637	162,637
Other Purposes	-	7,602	7,602
<i>Total Restricted</i>	<u>-</u>	<u>387,091</u>	<u>387,091</u>
<i>Assigned to</i>			
Fiscal Year 2012 Appropriations	25,124	-	25,124
Other Purposes	54,154	-	54,154
<i>Total Assigned</i>	<u>79,278</u>	<u>-</u>	<u>79,278</u>
<i>Unassigned (Deficit)</i>	214,786	(4,635)	210,151
Total Fund Balances	<u><u>\$ 294,064</u></u>	<u><u>\$ 388,329</u></u>	<u><u>\$ 682,393</u></u>

Oberlin City School District
Notes to the Basic Financial Statements
For the Fiscal Year ended June 30, 2011
(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, public utility, and certain tangible personal property (used in business) located in the School District. Real property tax revenue received in calendar 2011 represents collections of calendar year 2010 taxes. Real property taxes received in calendar year 2011 were levied after April 1, 2010, on the assessed value listed as of January 1, 2010, 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 2011 represents collections of calendar year 2010 taxes. Public utility real and tangible personal property taxes received in calendar year 2011 became a lien December 31, 2009, were levied after April 1, 2010 and are collected in 2010 with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

Tangible personal property tax revenue received in the School District's fiscal year ended June 30, 2011 (other than public utility property) generally represents the collection of calendar year 2010 taxes levied against local and inter-exchange telephone companies. Tangible personal property tax on business inventory, manufacturing machinery and equipment, furniture and fixtures is no longer levied and collected. Calendar year 2010 is the last year for the collection of tangible personal property taxes from telephone companies. Payments by multi-county taxpayers are due September 20, 2010. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30, 2010; if paid semi-annually, the first payment is due April 30, 2010, with the remainder payable by September 20, 2010.

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, 2011, are available to finance fiscal year 2011 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable includes real property, public utility property and tangible personal property taxes which are measurable as of June 30, 2011 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 revenue.

The amount available as an advance at June 30, 2011, was \$350,078 in the General Fund, \$21,135 in the Education Technology Fund, and \$30,199 in the Capital Projects Fund. The amount available as an advance at June 30, 2010, was \$169,877 in the General Fund, \$10,698 in the Education Technology Fund, and \$15,166 in the Capital Projects Fund.

Oberlin City School District
Notes to the Basic Financial Statements
For the Fiscal Year ended June 30, 2011
(Continued)

Note 9 – Property Taxes (Continued)

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 deferred:

The assessed values upon which the fiscal year 2011 taxes were collected are:

	2010 Second Half Collections		2011 First Half Collections	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/Residential and Other Real Estate	\$ 186,658,222	98.11%	\$ 187,651,830	97.43%
Public Utility	3,347,630	1.76%	4,953,900	2.57%
Tangible Personal Property	235,686	0.12%	-	0.00%
Total Assessed Value	<u>\$ 190,241,538</u>	<u>99.99%</u>	<u>\$ 192,605,730</u>	<u>100.00%</u>
 Tax Rate per \$1,000 of Assessed Valuation	 \$ 55.27		 \$ 55.27	

Note 10 – Capital Assets

Capital asset activity for the fiscal year ended June 30, 2011, was as follows:

	<u>Balance June 30, 2010</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance June 30, 2011</u>
<u>Governmental Activities</u>				
Capital Assets, not being depreciated:				
Land	<u>\$ 2,279,070</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,279,070</u>
Capital Assets, being depreciated:				
Land Improvements	1,221,960	27,136	-	1,249,096
Building and Improvements	13,370,267	102,413	-	13,472,680
Furniture and Equipment	1,091,276	8,205	-	1,099,481
Vehicles	858,539	-	-	858,539
Total Capital Assets, being depreciated	<u>16,542,042</u>	<u>137,754</u>	<u>-</u>	<u>16,679,796</u>
Less Accumulated Depreciation:				
Land Improvements	(1,059,681)	(11,759)	-	(1,071,440)
Building and Improvements	(10,645,243)	(194,804)	-	(10,840,047)
Furniture and Equipment	(661,653)	(86,041)	-	(747,694)
Vehicles	(664,358)	(42,731)	-	(707,089)
Total Accumulated Depreciation	<u>(13,030,935)</u>	<u>(335,335)</u>	<u>-</u>	<u>(13,366,270)</u>
Total Capital Assets being depreciated, Net	<u>3,511,107</u>	<u>(197,581)</u>	<u>-</u>	<u>3,313,526</u>
Governmental Activities Capital Assets, Net	<u>\$ 5,790,177</u>	<u>\$ (197,581)</u>	<u>\$ -</u>	<u>\$ 5,592,596</u>

Oberlin City School District
Notes to the Basic Financial Statements
For the Fiscal Year ended June 30, 2011
(Continued)

Note 10 – Capital Assets (Continued)

Depreciation expense was charge to governmental functions as follows:

Regular instruction	\$ 270,147
Supporting services	
Board of education	12,061
Administration	3,809
Operation and maintenance of plant	421
Pupil transportation	42,730
Operation of non-instructional services	1,960
Extracurricular activities	4,207
Total depreciation expense	\$ 335,335

Note 11 – Interfund Activity

On the fund financial statements at June 30, 2011, interfund balances consisted of the following:

	Receivable	Payable
Major fund		
General	\$ 2,160	\$ -
Nonmajor fund		
District managed student activity	-	2,160
	\$ 2,160	\$ 2,160

These amounts are represented as “Interfund Receivable/Payable” on the balance sheet. The loan was made to support programs and projects in the Special Revenue fund and will be repaid in the subsequent period.

During the fiscal year ended June 30, 2011, the General Fund transferred \$28,303 to the EMIS Fund. This transfer was eliminated on the government-wide statements because the transfer was 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 insurance. Professional liability is covered by the Ohio School Plan with a \$2,000,000 umbrella and a \$ 3,000,000 aggregate limit. Vehicles are covered by the Ohio School Plan Company. Automobile liability has a \$ 1,000,000 combined single limit of liability. Settled claims have not exceeded this commercial coverage in any of the past several years.

Oberlin City School District
Notes to the Basic Financial Statements
For the Fiscal Year ended June 30, 2011
(Continued)

Note 12 – Risk Management (Continued)

A public employee blanket bond of \$100,000 is maintained for all District employees and Board Members through Traveler’s 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 the Traveler’s insurance Company.

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

The intent of the GRP is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the GRP. The workers compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers’ compensation premium to the State based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant’s individual performance is compared to the overall savings percentage of the GRP.

A participant will then either receive money from or be required to contribute to the “Equity Pooling Fund.” This “equity pooling” arrangement ensures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to school districts that can meet the GRP’s selection criteria. The firm of Sheakley Uniservice, Inc. provides administrative, cost control and actuarial services to the GRP.

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

The claim liability of \$163,400 reported at June 30, 2011, was estimated by the third party administrator and is based on the requirements of GASB Statement No. 30, which requires that a liability for unpaid claims costs, including estimates of costs related to incurred but not reported claims, be reported. The estimate was not affected by incremental claim adjustment expenses and does not include other allocated or unallocated claim adjustment expense. Changes in the balance of claims liability during the years ended June 30, 2011 and 2010 are summarized below. Incurred claims and claims payments are not segregated between current and prior year’s claims due to the impracticability of obtaining such information:

	June 30, 2011	June 30, 2010
Unpaid claims, beginning of year	\$ 140,600	\$ 165,300
Incurred claims	1,247,960	1,171,348
Claims payments	(1,225,160)	(1,196,048)
Unpaid claims, end of year	\$ 163,400	\$ 140,600

Oberlin City School District
Notes to the Basic Financial Statements
For the Fiscal Year ended June 30, 2011
(Continued)

Note 12 – Risk Management (Continued)

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

State Teachers Retirement System

The District participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost sharing, multiple-employer public employee retirement system. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a stand-alone financial report that may be obtained by writing to STRS Ohio, 275 E. Broad Street, Columbus, Ohio 43215-3771, by calling toll-free 1-888-227-7877, or by visiting the STRS Ohio website at www.strsoh.org.

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 amount various investment choices. The Combined Plan offers features of 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 will transfer to the DB Plan during their fifth year of membership unless they permanently select the DC or Combined Plan.

DB Plan Benefits – Plan benefits are established under Chapter 3307 of the Ohio Revised Code. Any member may retire who had **(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 members’ 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 with an additional one-tenth of a percent added to the calculation for every year over 31 years (2.6 percent for 32 years, 2.7 percent for 33 years and so on) until 100 percent of the final average salary is reached. For members with 35 or more years of Ohio contributing services, 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, 2011
(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 Ohio 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 members' designated beneficiary is entitled to receive the members' account balance.

Combined Plan Benefits - Member contributions are allocated to investments selected by the member, and employer contributions are used to fund a defined benefit payment. Plan members' defined benefit is determined by multiplying 1 percent of the members' final average salary by the members' years of service credit. The defined benefit portion of the Combined Plan payment is payable to members 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 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% of the original base amount for DB Plan participants.

The DB 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 DB or Combined Plan member with five or more years' credited service who becomes disabled may qualify for a disability benefit. Eligible spouses and dependents of 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 DB Plan. Death benefit coverage up \$2,000 can be purchased by participants in the DB, DC or Combined Plans. Various other benefits are available to members' beneficiaries.

For fiscal year ended June 30, 2010 (the latest information available), members were required to contribute 10 percent of their annual covered salary and the District was required to contribute 14 percent. Member and employer contributions were established by the State Teachers Retirement Board, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers provided by Chapter 3307 of the Ohio Revised Code. Of the 14 percent contributed by the District, 13 percent was the portion used to fund pension obligations.

Oberlin City School District
Notes to the Basic Financial Statements
For the Fiscal Year ended June 30, 2011
(Continued)

Note 13 – Defined Benefit Pension Plans (Continued)

State Teachers Retirement System (Continued)

The District's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2011, 2010, and 2009 were \$826,412, \$810,342, and \$820,223, respectively; 85.81 percent has been contributed for fiscal year 2011 and 100 percent for fiscal years 2010 and 2009. Member and employer contributions actually made for the Defined Contribution and Combined Plan participants will be provided upon written request.

School Employees Retirement System

Plan Description - The School District contributes to the School Employees Retirement System of Ohio (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 state statute per 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 at www.ohsers.org under *Employer/Audit Resources*.

Funding Policy - Plan members are required to contribute 10.00 percent of their annual covered salary and the School District is required to contribute 14.00 percent of annual covered payroll. The contribution requirements of plan members and employers 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 Part B Fund, and the Health Care Fund) of the System. For fiscal year ending June 30, 2011, the allocation to pension and death benefits is 11.81 percent. The remaining 2.19 percent of the 14.00 percent employer contribution rate is allocated to the Health Care and Medicare Part B funds. The School District's pension contributions to SERS for the years ended June 30, 2011, 2010, and 2009 were \$206,958, \$229,202, and \$161,600, respectively; 42.78 percent has been contributed for fiscal year 2011 and 100 percent for fiscal year 2010 and 2009.

Social Security

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System of Ohio have an option to choose Social Security or the School Employees Retirement System. As of June 30, 2011, three members of the Board of Education have elected Social Security. The contribution rate is 6.2 percent of wages.

Note 14 – Post-Employment Benefits Other Than Pension Benefits

State Teachers Retirement System

Plan Description - Ohio law authorizes STRS 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.

Oberlin City School District
Notes to the Basic Financial Statements
For the Fiscal Year ended June 30, 2011
(Continued)

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

State Teachers Retirement System (Continued)

Pursuant to 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 Annual Financial Report* by visiting www.strsoh.org or by requesting a copy by calling toll-free 1-888-227-7877.

Funding Policy - Under Ohio law funding for post-employment health care may be deducted from employer contributions. Of the 14 percent employer contribution rate, 1 percent of covered payroll was allocated to post-employment health care for years ended June 30, 2010, 2009 and 2008 (the latest information available). For the fiscal years ended June 30, 2011, 2010, and 2009, the District's contributions to post-employment health care were \$63,570, \$62,334, and \$63,094, respectively; 85.81 percent has been contributed for 2011 and 100 percent for fiscal years 2010 and 2009.

School Employees Retirement System

Plan Description – In addition to the cost-sharing multiple-employer defined benefit pension plan described in Note 14, SERS administers two postemployment benefit plans.

Medicare Part B Plan - The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries as set forth in Ohio Revised Code 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 monthly premium for calendar year 2011 was \$96.40 for most participants, but could be as high as \$369.10 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 Part B Fund. For fiscal year 2011, the actuarially required allocation is 0.76 percent. For the fiscal years ended June 30, 2011, 2010, and 2009, the School District's contributions to the Medicare Part B Plan were \$13,318, \$13,630, and \$13,333, respectively; 42.78 percent has been contributed for fiscal year 2011 and 100 percent for fiscal years 2010 and 2009.

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

Oberlin City School District
Notes to the Basic Financial Statements
For the Fiscal Year ended June 30, 2011
(Continued)

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

School Employees Retirement System (Continued)

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

The Health Care Fund was established under, and is administered in accordance with Internal Revenue Code § 105(e). Each year after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer 14.00 percent contribution to the Health Care Fund. For the year ended June 30, 2011, the health care allocation is 1.43 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. State law provides that no employer shall pay a health care surcharge greater than 2.00 percent of that employer's SERS covered payroll; nor may SERS collect in aggregate more than 1.50 percent of the total statewide SERS covered payroll for the health care surcharge. For fiscal year 2011, the minimum compensation level was established at \$35,800. The surcharge, added to the unallocated portion of the 14.00 percent employer contribution rate is the total amount assigned to the Health Care Fund. The School District's contributions assigned to health care for the years ended June 30, 2011, 2010 and 2009 were \$51,464, \$37,071, and \$73,955, respectively; 42.78 percent has been contributed for fiscal year 2011 and 100 percent for fiscal years 2010 and 2009.

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

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

Note 15 – Long-Term Obligations

Changes in the District's long-term obligations, including compensated absences during fiscal year 2011, were as follows:

	Balance			Balance	Amounts
	June 30, 2010	Increase	Decrease	June 30, 2011	Due in
					One Year
Capital leases	\$ 530,710	\$ -	\$ (60,805)	\$ 469,905	\$ 63,435
Compensated absences	1,366,652	205,634	(398,808)	1,173,478	332,284
Total	<u>\$ 1,897,362</u>	<u>\$ 205,634</u>	<u>\$ (459,613)</u>	<u>\$ 1,643,383</u>	<u>\$ 395,719</u>

The capital leases will be repaid from the General Fund. The compensated absences will mostly be repaid from the General Fund.

Oberlin City School District
Notes to the Basic Financial Statements
For the Fiscal Year ended June 30, 2011
(Continued)

Note 15 – Long-Term Obligations (Continued)

During 2007, 2008 and 2009, the Board of Education negotiated a retirement incentive plan for certified non-administrative personnel, who are eligible for STRS retirement and certified non-administrative personnel who are not eligible for STRS retirement with EPC, the early buy-out incentive plan experts. Beginning July of the year of retirement, payment will be made in three equal installments into a retirement account. At June 30, 2011, the District's liability for the retirement incentive plan was \$208,631. Of this liability, \$185,103 was recorded as part of a liability in the General Fund. The full liability was included with the compensated absences liability as part of long term liabilities on the statement of net assets.

Note 16 – Capital Lease

The District has entered into lease agreements for financing certain HB264 energy improvements and eleven Xerox copiers. 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, 2011. The assets acquired through capital leases are as follows:

Asset	Cost	Accumulated Depreciation	Net
H.B. 264 Energy Improvements	\$ 547,209	\$ (150,481)	\$ 396,728
(11) Xerox Copiers	147,552	(59,020)	88,532
Total	\$ 694,761	\$ (209,501)	\$ 485,260

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2011, are as follows:

Fiscal Year Ending June 30,	Lease Obligations
2012	\$ 83,038
2013	83,039
2014	83,039
2015	55,832
2016	50,390
2017-2020	205,450
Total minimum lease payments	560,788
Less amount representing interest	(90,883)
Net present value of minimum lease payments	\$ 469,905

Oberlin City School District
Notes to the Basic Financial Statements
For the Fiscal Year ended June 30, 2011
(Continued)

Note 17 – Set-Asides

The District is required by State statute to annually set aside, in the General Fund, an amount based on a statutory formula for the purchase of textbooks and other instructional materials, and an equal amount for the acquisition and construction of capital improvements. Amounts not spent by the end of the fiscal year or offset by similarly restricted resources received during the year must be held in cash at year end. These amounts must be carried forward and used for the same purposes in future years. The following cash basis information identifies the changes in the fund balance reserves for textbooks and capital improvements during fiscal year 2011.

	Textbook	Capital Maintenance
Balance, July 1, 2010	\$ (649,467)	\$ -
Required set aside	153,835	153,835
Qualifying expenditures	(193,008)	(267,926)
Balance, June 30, 2011	\$ (688,640)	\$ (114,091)
 Carry forward at June 30, 2011	 \$ (688,640)	 \$ -

Expenditures and offset credits for textbooks and capital maintenance during the year were \$193,008 and \$267,926, respectively, which exceeded the required set-aside and the reserve balance. Textbook expenditures have exceeded statutory requirements by \$688,640 which may be used as offset credits for future years' set-aside requirements.

Note 18 – Jointly Governed Organizations

A. Lake Erie Educational Computer Association

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

LEECA is governed by a board of directors chosen from the general membership of the LEECA assembly. The board of directors consists of a representative from the fiscal agent, the chairman of each operating committee, and at least one assembly member from each county from which participating districts are located. Financial information can be obtained by contacting the Treasurer at the Educational Service Center of Lorain County, which serves as fiscal agent, located at 1885 Lake Avenue, Elyria, Ohio 44035. During the year ended June 30, 2011, the District paid \$55,075 to LEECA.

Oberlin City School District
Notes to the Basic Financial Statements
For the Fiscal Year ended June 30, 2011
(Continued)

Note 18 – Jointly Governed Organizations (Continued)

B. Lake Erie Regional Council of Governments (LERC)

The Lake Erie Regional Council of Governments (LERC) is a jointly governed organization among thirteen districts. The jointly governed organization was formed for the purpose of promoting cooperative agreements and activities among its members in dealing with problems of mutual concern such as a media center, gas consumption, and food service and insurance. Each member provided operating resources to LERC on a per pupil or usage charge except for insurance. The LERC assembly consists of a superintendent or designated representative from each participating district and the fiscal agent. LERC is governed by a board of directors chosen from the general membership. The degree of control exercised by any participating district is limited to its representation on the board. Financial information can be obtained by contacting the Treasurer at the Educational Service Center of Lorain County located at 1885 Lake Avenue, Elyria, Ohio 44035.

C. Lorain County Joint Vocational School District

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

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

D. Ohio Schools' Council

The Ohio Schools Council is a jointly governed organization among 121 districts. The jointly governed organization was created by school districts for the purpose of saving money through volume purchases. Each district supports the Council by paying an annual participation fee. Each school district member superintendent serves as a representative of the Assembly. The Assembly elects five of the Council's board members and the remaining four are representatives of the Greater Cleveland School Superintendents' Association. The Council operates under a nine-member Board of Directors (the Board). The Board meets monthly September and June. The Board appoints an Executive Director who is responsible for receiving and disbursing funds, investing available funds, preparing financial reports for the Board and Assembly and carrying out such other responsibilities as designated by the Board. Financial information can be obtained by contacting Dr. David A. Cottrell, the Executive Director of the Ohio Schools Council, 6133 Rockside Road, Suite 10, Independence, Ohio 44131. During the year ended June 30, 2011, the District paid \$97,308 to the Ohio Schools Council.

Oberlin City School District
Notes to the Basic Financial Statements
For the Fiscal Year ended June 30, 2011
(Continued)

Note 18 – Jointly Governed Organizations (Continued)

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 19 – Contingencies

The District received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies.

Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the District at June 30, 2011.

Note 20 – 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, 2011, the District’s commitments for encumbrances in the governmental funds were as follows:

	Encumbrances Outstanding
General	\$ 17,483
Nonmajor Governmental	83,435
Total	<u>\$ 100,918</u>

Note 21 – Subsequent Event

On November 8, 2011, the citizens of the District voted to pass the 4.88 mill emergency tax levy and renewed the 2.00 mill permanent improvement levy.

OBERLIN CITY SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2011

Federal Grantor/ Pass-Through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass Through Grantor Number	Receipts	Non-Cash Receipts	Expenditures	Non-Cash Expenditures
U.S. Department of Agriculture						
<i>Passed through the State Department of Education</i>						
Child Nutrition Cluster:						
School Breakfast Program	10.553	044594-05PU-11	\$ 55,726	\$ 0	\$ 55,726	\$ 0
National School Lunch Program - See Note 2	10.555	044594-LLP4-10	<u>202,011</u>	<u>19,125</u>	<u>202,011</u>	<u>19,125</u>
Total Child Nutrition Cluster			<u>257,737</u>	<u>19,125</u>	<u>257,737</u>	<u>19,125</u>
Total U.S. Department of Agriculture			<u>257,737</u>	<u>19,125</u>	<u>257,737</u>	<u>19,125</u>
U.S. Department of Education						
<i>Passed through the Ohio Department of Education</i>						
Title I Cluster						
Title I, Grants to Local Educational Agencies	84.010	2010	0	0	5,193	0
Title I, Grants to Local Educational Agencies	84.010	2011	653	0	33,005	0
Title I, Grants to Local Educational Agencies	84.010	044594-C1S1-10	0	0	36,618	0
Title I, Grants to Local Educational Agencies	84.010	044594-C1S1-11	166,186	0	153,453	0
ARRA - Title I, Grants to Local Educational Agencies	84.389	2010	0	0	15,717	0
ARRA - Title I, Grants to Local Educational Agencies	84.389	2010	<u>37,032</u>	<u>0</u>	<u>43,713</u>	<u>0</u>
Total Title I Cluster			<u>203,871</u>	<u>0</u>	<u>287,699</u>	<u>0</u>
Special Education Cluster:						
Special Education Grants to States	84.027	044594-6BSF-10	0	0	29,752	0
Special Education Grants to States	84.027	044594-6BSF-11	223,932	0	211,291	0
Special Education Preschool Grants	84.173	044594-PBS1-10	8,759	0	8,759	0
ARRA - Special Education Grants to States	84.391	2010	0	0	22,460	0
ARRA - Special Education Grants to States	84.391	2011	8,238	0	30,573	0
ARRA - Special Education Preschool Grants	84.392	2011	<u>293,622</u>	<u>0</u>	<u>249,482</u>	<u>0</u>
Total Special Education Cluster			<u>534,551</u>	<u>0</u>	<u>552,317</u>	<u>0</u>
Safe and Drug-Free Schools and Communities						
State Grants	84.186	044594-DRS1-10	<u>0</u>	<u>0</u>	<u>227</u>	<u>0</u>
Twenty-First Century Community Learning Centers:						
Twenty-First Century Community Learning Centers	84.287	044594-T1S1-10	131,088	0	101,626	0
Twenty-First Century Community Learning Centers	84.287	044594-T1S1-11	<u>175,661</u>	<u>0</u>	<u>167,188</u>	<u>0</u>
Total CFDA #84.287			<u>306,749</u>	<u>0</u>	<u>268,814</u>	<u>0</u>
Title II-D - Educational Technology State Grants Cluster:						
Education Technology State Grants, Title II-D	84.318	044594-TJS1-10	236	0	359	0
Education Technology State Grants, Title II-D	84.318	044594-TJS1-11	<u>837</u>	<u>0</u>	<u>837</u>	<u>0</u>
Total Title II-D Cluster			<u>1,073</u>	<u>0</u>	<u>1,196</u>	<u>0</u>
Improving Teacher Quality State Grants:						
Improving Teacher Quality State Grants	84.367	044594-TRS1-10	3,147	0	10,360	0
Improving Teacher Quality State Grants	84.367	044594-TRS1-11	<u>63,735</u>	<u>0</u>	<u>57,969</u>	<u>0</u>
Total Improving Teacher Quality State Grants			<u>66,882</u>	<u>0</u>	<u>68,329</u>	<u>0</u>
ARRA - State Fiscal Stabilization Fund -						
Race to the Top, Incentive Grant	84.395	2011	<u>4,083</u>	<u>0</u>	<u>1,122</u>	<u>0</u>
ARRA - State Fiscal Stabilization Fund	84.394	044595-SFSF	<u>0</u>	<u>0</u>	<u>104,845</u>	<u>0</u>
Total U.S. Department of Education			<u>1,117,209</u>	<u>0</u>	<u>1,284,549</u>	<u>0</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u>\$1,374,946</u>	<u>\$ 19,125</u>	<u>\$ 1,542,286</u>	<u>\$ 19,125</u>

See accompanying notes to Supplemental Schedule of Expenditures of Federal Awards

**OBERLIN CITY SCHOOL DISTRICT
NOTES TO THE SUPPLEMENTAL SCHEDULE OF
EXPENDITURES OF FEDERAL AWARDS
JUNE 30, 2011**

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.

NOTE 3: TRANSFERS BETWEEN PROGRAM YEARS

Federal regulations require schools to obligate certain federal awards by June 30. However, with the Ohio Department of Education's consent, schools can transfer unobligated amounts to the subsequent fiscal year's program. These transfers resulted in the Schedule reporting negative receipts for certain programs. The School District transferred the following amounts from 2010 to 2011 programs:

<u>Program Title</u>	<u>CFDA</u>	<u>Grant Year</u>	<u>Transfer Out</u>	<u>Transfer In</u>
ARRA - Title I Grants to Local Educational Agencies	84.010	2010	\$ 11,616	\$ 0
ARRA - Title I Grants to Local Educational Agencies	84.010	2011	\$ 0	\$ 11,616
Title I Grants to Local Educational Agencies	84.010	2010	\$ 11,507	\$ 0
Title I Grants to Local Educational Agencies	84.010	2011	\$ 0	\$ 11,507
ARRA - Special Education Grants to States	84.391	2010	\$ 22,335	\$ 0
ARRA - Special Education Grants to States	84.391	2011	\$ 0	\$ 22,335

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

Board of Education
Oberlin City School District
Oberlin, Ohio

We have audited the financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of the Oberlin City School District, Lorain County, Ohio, as of and for the year ended June 30, 2011, which collectively comprise the Oberlin City School District, Ohio's basic financial statements and have issued our report thereon dated December 5, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

A 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.

Our consideration of internal control over financial reporting 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 financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

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

We noted certain matters that we reported to the management of the Oberlin City School District, Ohio, in a separate letter dated December 5, 2011.

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



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

December 5, 2011

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**REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A
DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON
INTERNAL CONTROL OVER COMPLIANCE
IN ACCORDANCE WITH OMB CIRCULAR A-133**

Board of Education
Oberlin City School District
Oberlin, Ohio

Compliance

We have audited the 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 its major federal programs for the year ended June 30, 2011. The Oberlin City School District, Ohio's major federal programs are identified in the Summary of Auditors' Results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the Oberlin City School District, Ohio's management. Our responsibility is to express an opinion on the Oberlin City School District, Ohio's compliance based on our audit.

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

In our opinion, the Oberlin City School District, Ohio complied, in all material respects, with the 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, 2011.

Internal Control Over Compliance

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

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 deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

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



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

December 5, 2011

**OBERLIN CITY SCHOOL DISTRICT
LORAIN COUNTY, OHIO
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A-133 & .505
JUNE 30, 2011**

1. SUMMARY OF AUDITOR'S RESULTS

2011(i)	Type of Financial Statement Opinion	Unqualified
2011(ii)	Were there any material control weaknesses reported at the financial statement level (GAGAS)?	No
2011(ii)	Were there any other significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
2011(iii)	Was there any reported material noncompliance At the financial statement level (GAGAS)?	No
2011(iv)	Were there any material internal control weaknesses reported for major federal programs?	No
2011(iv)	Were there any other significant deficiencies in internal control reported for major federal programs?	No
2011(v)	Type of Major Program's Compliance Opinion	Unqualified
2011(vi)	Are there any reportable findings under .510?	No
2011(vii)	Major Programs (list): Special Education Cluster - CFDA #'s 84.027, 84.173, 84.391, and 84.392 Title I Cluster - CFDA #'s 84.010 and 84.389	
2011(viii)	Dollar Threshold: Type A\B Program	Type A: \$300,000 or more Type B: All others less than \$300,000
2011(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
STATUS OF PRIOR CITATIONS AND RECOMMENDATIONS
FOR THE YEAR ENDED JUNE 30, 2011**

The prior audit report, as of June 30, 2011, 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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(216) 475 - 6136

Ohio Society of Certified Public Accountants

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

Oberlin City School District
153 North Main Street
Oberlin, Ohio

To the Board of Education:

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

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

1. We noted the Board did not amend its anti-harassment policy to include violence within a dating relationship within its definition of harassment, intimidation, or bullying as of year end June 30, 2011.

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

This report is intended for the information and use of the Board and is not intended to be and should not be used by anyone other than these specified parties.



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

December 5, 2011



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
JANUARY 17, 2012