



Dave Yost • Auditor of State

**OBERLIN SCHOOL DISTRICT
LORAIN COUNTY**

TABLE OF CONTENTS

| TITLE | PAGE |
|---|-------------|
| Independent Auditor's Report | 1 |
| Management's Discussion and Analysis..... | 5 |
| Basic Financial Statements: | |
| Statement of Net Position | 17 |
| Statement of Activities..... | 18 |
| Balance Sheet – Governmental Funds | 19 |
| Reconciliation of Total Governmental Fund Balances to Net Position of Governmental Activities | 20 |
| Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds..... | 21 |
| Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities | 22 |
| Statement of Revenues, Expenditures and Changes in Fund Balance – Budget (Non-GAAP Basis) and Actual – General Fund | 23 |
| Statement of Fund Net Position – Internal Service Fund..... | 24 |
| Statement of Revenues, Expenses, and Changes in Fund Net Position – Internal Service Fund | 25 |
| Statement of Cash Flows – Internal Service Fund | 26 |
| Statement of Fiduciary Assets and Liabilities – Agency Fund | 27 |
| Notes to the Basic Financial Statements | 29 |
| Required Supplementary Information | 64 |
| Schedule of Federal Awards Receipts and Expenditures..... | 69 |
| Notes to the Schedule of Federal Awards Receipts and Expenditures | 70 |
| Independent Auditor's Report on Internal Control Over Financial Reporting and On Compliance and Other Matters Required by <i>Government Auditing</i> <i>Standards</i> | 71 |
| Independent Auditor's Report on Compliance with Requirements Applicable to the Major Federal Program and on Internal Control Over Compliance Required by OMB Circular A-133 | 73 |
| Schedule of Findings..... | 75 |

This page intentionally left blank.



Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

Oberlin City School District
Lorain County
153 North Main Street
Oberlin, Ohio 44074

To the Board of Education:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Oberlin City School District, Lorain County, Ohio (the District), as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes designing, implementing, and maintaining internal control relevant to preparing and fairly presenting financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the District's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinions.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Oberlin City School District, Lorain County, Ohio, as of June 30, 2015, and the respective changes in financial position and, where applicable, cash flows thereof and the budgetary comparison for the General Fund thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 3 to the financial statements, during the year ended June 30, 2015, the District adopted Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27* and also GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. We did not modify our opinion regarding this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require this presentation to include *Management's discussion and analysis* and schedules of net pension liabilities and pension contributions listed in the table of contents, to supplement the basic financial statements. Although this information is not part of the basic financial statements, the Governmental Accounting Standards Board considers it essential for placing the basic financial statements in an appropriate operational, economic, or historical context. We applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, consisting of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, to the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not opine or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to opine or provide any other assurance.

Supplementary and Other Information

Our audit was conducted to opine on the District's basic financial statements taken as a whole.

The Schedule of Federal Awards Receipts and Expenditures presents 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 not a required part of the financial statements.

The schedule is management's responsibility, and derives from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. We subjected this schedule to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling the schedule directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves in accordance with auditing standards generally accepted in the United States of America. In our opinion, this schedule is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 7, 2016, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

Dave Yost
Auditor of State
Columbus, Ohio

March 7, 2016

This page intentionally left blank.

Oberlin City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2015 (Unaudited)

The management's 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, 2015. 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 2015 are:

- In total, net position increased by \$1,439,377.
- Revenues for governmental activities totaled \$16,204,897 in 2015. Of this total, 88 percent consisted of general revenues while program revenues accounted for the remaining balance of 12 percent.
- Program expenses totaled \$14,765,520. Instructional expenses made up 56 percent of this total while supporting services accounted for 37 percent. Other expenses rounded out the remaining 7 percent.

Using this Annual Financial Report

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

The *Statement of Net Position* and *Statement of Activities* provide information about the activities of the whole District, presenting both an aggregate view of the District's finances and a longer-term view of those finances. Fund financial statements provide the next level of detail. For governmental funds, these statements explain how services were financed in the short-term, as well as what remains for future spending. The fund financial statements also look at the District's most significant funds, with all other nonmajor funds presented in total in one column. In the case of the District, the General Fund is by far the most significant fund.

Reporting the School District as a Whole

Statement of Net Position and Statement of Activities

While this document contains information about the large number of funds used by the District to provide programs and activities, the view of the District as a whole looks at all financial transactions and asks the question, "How did we do financially during 2015?" The *Statement of Net Position* and *Statement of Activities* answer this question. These statements include *all assets and deferred outflows of resources* along with *all liabilities and deferred inflows of resources* using the *accrual basis of accounting* similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

Oberlin City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2015 (Unaudited)

These two statements report the District's *net position* and changes in that position. This change in net position is important because it tells the reader that, for the District as a whole, the *financial position* of the District has improved or diminished. The causes of this change may be the result of many factors, some financial, some not. Non-financial factors include the District's property tax base, current property tax laws in Ohio restricting revenue growth, facility conditions, required educational programs, and other factors.

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

Reporting the District's Most Significant Funds

Fund Financial Statements

The analysis of the District's major funds begins on page 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 Position and Statement of Activities) and governmental *funds* is reconciled in the financial statements.

Oberlin City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2015 (Unaudited)

The District as a Whole

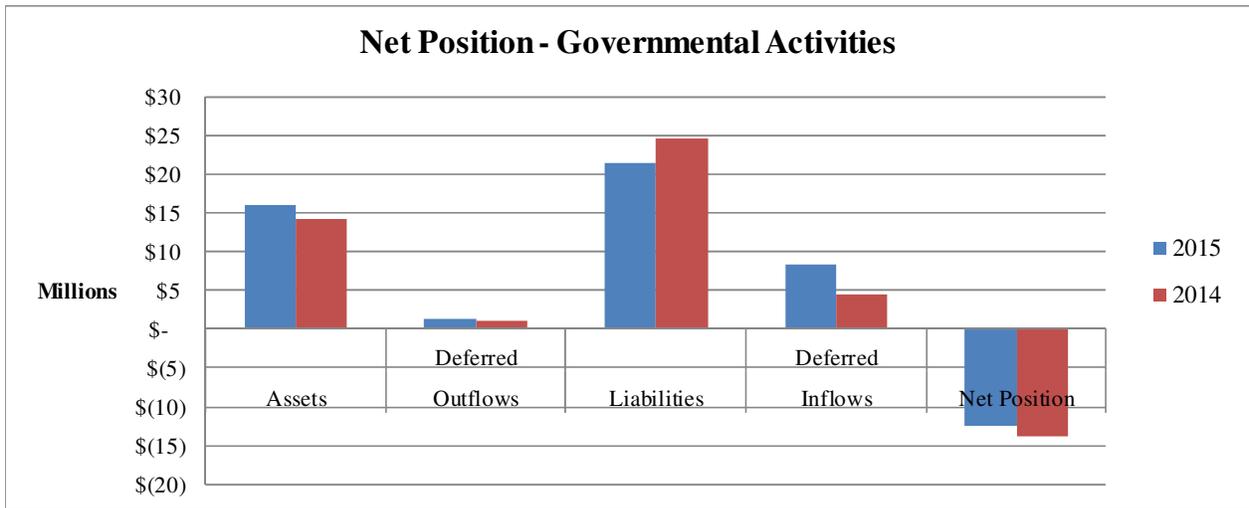
Recall that the Statement of Net Position provides the perspective of the District as a whole. Table 1 provides a summary of the District's net position for 2015 compared to 2014:

Table 1 - Net Position

| | 2015 | 2014 * |
|---|------------------------|------------------------|
| ASSETS | | |
| Current and other assets | \$ 10,924,530 | \$ 8,954,608 |
| Capital assets, net | 5,022,466 | 5,147,957 |
| Total Assets | 15,946,996 | 14,102,565 |
| DEFERRED OUTFLOWS OF RESOURCES | | |
| Pensions | 1,288,897 | 1,101,207 |
| Total Deferred Outflows of Resources | 1,288,897 | 1,101,207 |
| LIABILITIES | | |
| Current and other liabilities | 1,889,554 | 1,648,308 |
| Long-term liabilities: | | |
| Due within one year | 181,948 | 190,653 |
| Due in more than one year: | | |
| Net Pension Liability | 18,214,379 | 21,637,589 |
| Other Amounts | 1,099,327 | 1,135,676 |
| Total Liabilities | 21,385,208 | 24,612,226 |
| DEFERRED INFLOWS OF RESOURCES | | |
| Property Taxes | 4,947,649 | 4,419,846 |
| Payments in Lieu of Taxes | 55,377 | 50,000 |
| Pensions | 3,286,582 | - |
| Total Deferred Inflows of Resources | 8,289,608 | 4,469,846 |
| NET POSITION | | |
| Net Investment in | | |
| Capital Assets | 4,650,661 | 4,786,873 |
| Restricted | 363,691 | 360,598 |
| Unrestricted | (17,453,275) | (19,025,771) |
| Total Net Position | \$ (12,438,923) | \$ (13,878,300) |

* Restated

Oberlin City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2015 (Unaudited)



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

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

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

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

GASB notes that pension obligations, whether funded or unfunded, are part of the “employment exchange” – that is, the employee is trading his or her labor in exchange for wages, benefits, and the promise of a future pension. GASB noted that the unfunded portion of this pension promise is a present obligation of the government, part of a bargained-for benefit to the employee, and should accordingly be reported by the government as a liability since they received the benefit of the exchange. However, the District is not responsible for certain key factors affecting the balance of this liability. In Ohio, the employee shares the obligation of funding pension benefits with the employer. Both employer and employee contribution rates are capped by State statute. A change in these caps requires action of both Houses of the General Assembly and approval of the Governor. Benefit provisions are also determined

Oberlin City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2015 (Unaudited)

by State statute. The employee enters the employment exchange with the knowledge that the employer's promise is limited not by contract but by law. The employer enters the exchange also knowing that there is a specific, legal limit to its contribution to the pension system. In Ohio, there is no legal means to enforce the unfunded liability of the pension system *as against the public employer*. State law operates to mitigate/lessen the moral obligation of the public employer to the employee, because all parties enter the employment exchange with notice as to the law. The pension system is responsible for the administration of the plan.

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

In accordance with GASB 68, the District's statements prepared on an accrual basis of accounting include an annual pension expense for their proportionate share of each plan's *change* in net pension liability not accounted for as deferred inflows/outflows.

As a result of implementing GASB 68, the District is reporting a net pension liability and deferred inflows/outflows of resources related to pension on the accrual basis of accounting. This implementation also had the effect of restating net position at June 30, 2014, from \$6,658,082 to \$(13,878,300).

Table 2 shows the changes in net position for fiscal year 2015 and also presents a comparative analysis to fiscal year 2014 for governmental activities.

Table 2 - Change in Net Position

| | 2015 | 2014 |
|------------------------------------|-------------------|-------------------|
| REVENUES | | |
| Program Revenues: | | |
| Charges for Services | \$ 652,290 | \$ 636,256 |
| Operating Grants and Contributions | 1,322,390 | 1,609,972 |
| Total Program Revenues | <u>1,974,680</u> | <u>2,246,228</u> |
| General Revenues: | | |
| Property Taxes | 5,062,019 | 4,994,784 |
| School District Income Taxes | 4,949,371 | 4,296,099 |
| Grants and Entitlements | 4,062,764 | 3,959,546 |
| Payment in Lieu of Taxes | 55,377 | 50,100 |
| Investment Income | 5,199 | 3,203 |
| All Other Revenues | 95,487 | 289,096 |
| Total General Revenues | <u>14,230,217</u> | <u>13,592,828</u> |
| Total Revenues | <u>16,204,897</u> | <u>15,839,056</u> |

(Continued)

Oberlin City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2015 (Unaudited)

Table 2 - Change in Net Position (Continued)

| | 2015 | 2014 |
|---|------------------------|------------------------|
| Program Expenses: | | |
| Instruction: | | |
| Regular | 7,025,605 | 7,430,133 |
| Special | 1,168,899 | 1,243,870 |
| Vocational | 104,267 | 107,501 |
| Other | 21,748 | 20,552 |
| Supporting Services: | | |
| Pupil | 1,146,403 | 1,090,707 |
| Instructional Staff | 388,425 | 446,481 |
| Board of Education | 125,720 | 122,275 |
| Administration | 1,434,415 | 1,545,456 |
| Fiscal | 481,301 | 454,479 |
| Business | 14,579 | 62,315 |
| Operation and Maintenance of Plant | 1,407,271 | 1,393,129 |
| Pupil Transportation | 475,783 | 518,064 |
| Central | 30,388 | 32,822 |
| Operation of Non-Instructional Services | 417,741 | 448,104 |
| Extracurricular Activities | 508,887 | 496,620 |
| Interest and Fiscal Charges | 14,088 | 17,999 |
| Total Expenses | 14,765,520 | 15,430,507 |
| Change in Net Position | 1,439,377 | 408,549 |
| Net Position - Beginning of Year, as Restated | (13,878,300) | N/A |
| Net Position - End of Year | \$ (12,438,923) | \$ (13,878,300) |

Governmental Activities

The information necessary to restate the 2014 beginning balances and the 2014 pension expense amounts for the effects of the initial implementation of GASB 68 is not available. Therefore, 2014 functional expenses still include pension expense of \$1,101,207 computed under GASB 27. GASB 27 required recognizing pension expense equal to the contractually required contributions to the plan. Under GASB 68, pension expense represents additional amounts earned, adjusted by deferred inflows/outflows. The contractually required contribution is no longer a component of pension expense. Under GASB 68, the 2015 statements report pension expense of \$793,314. Consequently, in order to compare 2015 program expenses to 2014, the following adjustments are needed:

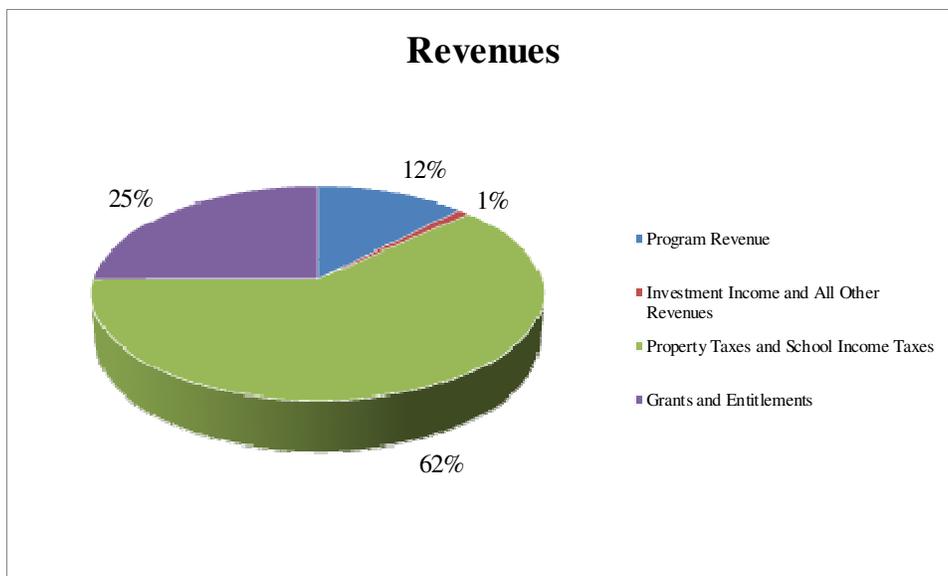
| | |
|---|---------------|
| Total 2015 program expenses under GASB 68 | \$ 14,765,520 |
| Pension expense under GASB 68 | (793,314) |
| 2015 contractually required pension contribution | 1,117,632 |
| Adjusted 2015 program expenses | 15,089,838 |
| Total 2014 program expenses under GASB 27 | 15,430,507 |
| Decrease in program expenses not related to pension | \$ (340,669) |

Oberlin City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2015 (Unaudited)

The vast majority of revenue supporting all governmental activities is from general revenues. General revenues totaled \$14,230,217, or 88 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 \$1,974,680 or only 12 percent.

The District has carefully planned its financial future by forecasting its revenues and expenditures over the next five years. In October 2014, 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.

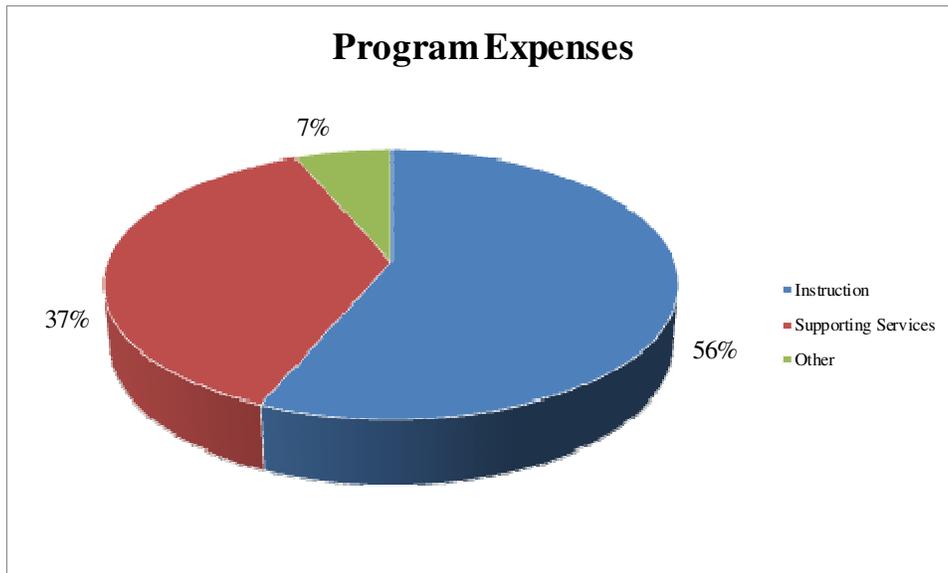
The reliance upon local tax revenues for governmental activities is crucial. Nearly 62 percent of revenue is from property and school income taxes. Grants and entitlements not restricted for a specific program comprise 25 percent. Program revenues make up 12 percent of all governmental revenues, while investment income and other miscellaneous type revenues comprise the remaining 1 percent.



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

Approximately 56 percent of the District's expenses are used to fund instructional expenses. Additional supporting services for pupils, staff and business operations encompass an additional 37 percent. The remaining program expenses of 7 percent are expensed to facilitate other obligations of the District, such as the payment of debt service, the operation of non-instructional services, and numerous extracurricular activities.

Oberlin City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2015 (Unaudited)



The Statement of Activities shows the cost of program services and the charges for services and grants offsetting those services. Table 3 shows, for governmental activities, the total cost of services and the net cost of services. That is, it identifies the cost of these services supported by tax revenue and unrestricted state entitlements. An analysis of fiscal year 2015 is presented.

Table 3 - Governmental Activities

| | Total Cost of Services 2015 | Net Cost of Services 2015 |
|---|-----------------------------------|---------------------------------|
| Instruction | \$ 8,320,519 | \$ 6,931,331 |
| Supporting Services: | | |
| Pupils and Instructional Staff | 1,534,828 | 1,444,510 |
| Board of Education, Administration, Fiscal, and Business | 2,056,015 | 2,053,921 |
| Operation and Maintenance of Plant | 1,407,271 | 1,407,271 |
| Pupil Transportation | 475,783 | 425,111 |
| Central | 30,388 | 23,188 |
| Operation of Non-Instructional Services | 417,741 | 35,681 |
| Extracurricular Activities | 508,887 | 455,739 |
| Interest and fiscal charges | 14,088 | 14,088 |
| Total cost of service | <u>\$ 14,765,520</u> | <u>\$ 12,790,840</u> |

Oberlin City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2015 (Unaudited)

The District's Funds

Information regarding the District's funds can be found on page 19. 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 \$1,170,137. This increase was mainly due to increases in income taxes and property taxes and the District's ability to keep current year revenues exceeding current year expenditures. The General Fund's fund balance significantly increased from \$2,079,901 to \$3,250,038.

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 2015, the District's General Fund budget remained relatively constant. The District uses a modified site-based budgeting technique which is designed to tightly control total site budgets but provide flexibility for site management.

The District ended the school year with a General Fund unencumbered cash balance of \$1,873,803.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2015, the District had \$5,022,466 invested in land, land improvements, buildings and improvements, furniture and equipment, and vehicles. Table 4 shows fiscal year 2015 balances compared to 2014:

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

| | 2015 | 2014 |
|-----------------------------|---------------------|---------------------|
| Land | \$ 2,279,070 | \$ 2,279,070 |
| Land Improvements | 167,272 | 181,915 |
| Buildings and Improvements | 2,169,962 | 2,307,745 |
| Furniture and Equipment | 265,052 | 309,610 |
| Vehicles | 141,110 | 69,617 |
| Total Capital Assets | \$ 5,022,466 | \$ 5,147,957 |

During fiscal year 2015, the District purchased \$123,115 of capital assets, which included various capital improvements to the District's furniture, equipment, and vehicles. The overall decrease in capital assets is due to the annual depreciation expense exceeding capital outlays. For more information about the District's capital assets, see Note 10.

Debt

At June 30, 2015, the District had no outstanding bonds.

Oberlin City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2015 (Unaudited)

Economic Factors

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

The District relies heavily upon real estate taxes, school district income taxes and state funding as sources of revenue. Two levies were renewed on November 6, 2012; 0.75 percent income tax and the Permanent Improvement technology levy of 1.30 mills. A new 1.0 mill continuing Permanent Improvement Levy was approved by voters in November, 2014.

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

In light of the current economic circumstances and continued uncertainty relative to foundation funding from the State, the District will be facing funding challenges over the next few years. The District is monitoring all funding scenarios.

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

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

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

During fiscal year 2014, the State did not provide an overall rating to the District. Two school buildings were designated "Excellent" – Oberlin High School and Prospect Elementary. This emphasizes the District's commitment to providing quality education for the students of Oberlin. The State has yet to issue updates for fiscal year 2015.

Oberlin City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2015 (Unaudited)

In conclusion, the implementation of GASB Statement No. 68 requires the reader to perform additional calculations to determine the District's Total Net Position at June 30, 2015 without the implementation of GASB Statement No. 68. This is an important exercise, as the State Pension Systems (STRS & SERS) collect, hold and distributes pensions to our employees, not Oberlin City Schools. These calculations are as follows:

| | |
|--|-----------------|
| Table 1: Total Net Position (with GASB 68) | \$ (12,438,923) |
| GASB 68 Calculations: | |
| Add Deferred Inflows related to Pension | 3,286,582 |
| Add Net Pension Liability | 18,214,379 |
| Less Deferred Outflows related to Pension | (1,288,897) |
| Total Net Position (without GASB 68) | \$ 7,773,141 |
| | |
| Net Position at June 30, 2014 (prior to GASB 68 restatement) | \$ 6,658,082 |
| Table 2: Add 2015 increase in Net Position | 1,439,377 |
| GASB 68 Calculations: | |
| Pension expense under GASB 68 | 793,314 |
| 2015 contractually required pension contributions | (1,117,632) |
| Total Net Position (without GASB 68) | \$ 7,773,141 |

Contacting the District's Financial Management

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

This page intentionally left blank.

Oberlin City School District

Statement of Net Position

June 30, 2015

| | <u>Governmental Activities</u> |
|---|------------------------------------|
| ASSETS | |
| Equity in Pooled Cash and Cash Equivalents | \$ 2,294,390 |
| Income Taxes Receivable | 2,384,197 |
| Property Taxes Receivable | 5,902,461 |
| Accounts Receivable | 58,758 |
| Accrued Interest Receivable | 2,457 |
| Intergovernmental Receivable | 273,614 |
| Materials and Supplies Inventory | 3,901 |
| Prepaid Items | 4,752 |
| Nondepreciable Capital Assets | 2,279,070 |
| Depreciable Capital Assets, Net | 2,743,396 |
| Total Assets | <u>15,946,996</u> |
| DEFERRED OUTFLOWS OF RESOURCES | |
| Pensions | 1,288,897 |
| Total Deferred Outflows of Resources | <u>1,288,897</u> |
| LIABILITIES | |
| Accounts Payable | 66,359 |
| Accrued Wages and Benefits | 1,291,609 |
| Intergovernmental Payable | 420,306 |
| Accrued Interest Payable | 4,398 |
| Matured Compensated Absences Payable | 106,882 |
| Long-term Liabilities: | |
| Due within one year | 181,948 |
| Due in more than one year: | |
| Net Pension Liability (See Note 14) | 18,214,379 |
| Other Amounts Due in More Than One Year | 1,099,327 |
| Total Liabilities | <u>21,385,208</u> |
| DEFERRED INFLOWS OF RESOURCES | |
| Property Taxes | 4,947,649 |
| Payments in Lieu of Taxes | 55,377 |
| Pensions | 3,286,582 |
| Total Deferred Inflows of Resources | <u>8,289,608</u> |
| NET POSITION | |
| Net Investment in Capital Assets | 4,650,661 |
| Restricted: | |
| Capital Projects | 97,591 |
| Locally Funded Programs | 40,726 |
| State Funded Programs | 8,672 |
| Student Activities | 1,578 |
| Other Purposes | 215,124 |
| Unrestricted | (17,453,275) |
| Total Net Position | <u><u>\$ (12,438,923)</u></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, 2015

| | Expenses | Program Revenues | | Net (Expense) |
|---|----------------------|----------------------|------------------------------------|-------------------------------------|
| | | Charges for Services | Operating Grants and Contributions | Revenue and Changes in Net Position |
| | | | | Governmental Activities |
| Governmental activities: | | | | |
| Instruction: | | | | |
| Regular | \$ 7,025,605 | \$ 473,381 | \$ 195,803 | \$ (6,356,421) |
| Special | 1,168,899 | 4,994 | 696,379 | (467,526) |
| Vocational | 104,267 | - | 18,412 | (85,855) |
| Other | 21,748 | - | 219 | (21,529) |
| Supporting Services: | | | | |
| Pupils | 1,146,403 | - | 54,847 | (1,091,556) |
| Instructional Staff | 388,425 | - | 35,471 | (352,954) |
| Board of Education | 125,720 | - | - | (125,720) |
| Administration | 1,434,415 | - | 2,094 | (1,432,321) |
| Fiscal Services | 481,301 | - | - | (481,301) |
| Business | 14,579 | - | - | (14,579) |
| Operation and Maintenance of Plant | 1,407,271 | - | - | (1,407,271) |
| Pupil Transportation | 475,783 | 29,448 | 21,224 | (425,111) |
| Central | 30,388 | - | 7,200 | (23,188) |
| Operation of Non-Instructional Services | 417,741 | 94,975 | 287,085 | (35,681) |
| Extracurricular Activities | 508,887 | 49,492 | 3,656 | (455,739) |
| Interest and Fiscal Charges | 14,088 | - | - | (14,088) |
| Totals | <u>\$ 14,765,520</u> | <u>\$ 652,290</u> | <u>\$ 1,322,390</u> | <u>(12,790,840)</u> |

General Revenues:

| | |
|---|------------------------|
| Property Taxes levied for: | |
| General Purposes | 4,418,692 |
| Capital Outlay | 438,772 |
| Other Purposes | 204,555 |
| Income Taxes levied for: | |
| General Purposes | 4,949,371 |
| Payments in Lieu of Taxes | 55,377 |
| Grants & Entitlements not restricted to specific programs | 4,062,764 |
| Investment Income | 5,199 |
| Gain on Sale of Capital Assets | 3,657 |
| All Other Revenues | 91,830 |
| Total General Revenues | <u>14,230,217</u> |
| Change in Net Position | 1,439,377 |
| Net Position - Beginning of Year, as Restated | (13,878,300) |
| Net Position - End of Year | <u>\$ (12,438,923)</u> |

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

Oberlin City School District

Balance Sheet
Governmental Funds
June 30, 2015

| | General | Other Governmental Funds | Total Governmental Funds |
|---|---------------------|--------------------------------|--------------------------------|
| ASSETS | | | |
| Equity in Pooled Cash and Cash Equivalents | \$ 2,010,238 | \$ 191,688 | \$ 2,201,926 |
| Materials and Supplies Inventory | - | 3,901 | 3,901 |
| Accrued Interest Receivable | 2,457 | - | 2,457 |
| Accounts Receivable | 13,328 | 45,430 | 58,758 |
| Interfund Receivable | 81,816 | - | 81,816 |
| Intergovernmental Receivable | 63,566 | 210,048 | 273,614 |
| Prepaid Items | 4,400 | 352 | 4,752 |
| Income Taxes Receivable | 2,384,197 | - | 2,384,197 |
| Property Taxes Receivable | 5,132,605 | 769,856 | 5,902,461 |
| Total Assets | \$ 9,692,607 | \$ 1,221,275 | \$ 10,913,882 |
| LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES | | | |
| Liabilities: | | | |
| Accounts Payable | \$ 63,810 | \$ 2,549 | \$ 66,359 |
| Accrued Wages and Benefits | 1,163,949 | 127,660 | 1,291,609 |
| Intergovernmental Payable | 406,342 | 13,964 | 420,306 |
| Matured Compensated Absences Payable | 103,627 | 3,255 | 106,882 |
| Interfund Payable | - | 81,816 | 81,816 |
| Total Liabilities | 1,737,728 | 229,244 | 1,966,972 |
| Deferred Inflows of Resources | | | |
| Property Taxes | 4,306,574 | 641,075 | 4,947,649 |
| Payments in Lieu of Taxes | 55,377 | - | 55,377 |
| Unavailable Revenues - Delinquent Property Taxes | 339,176 | 53,296 | 392,472 |
| Unavailable Revenues - Grants | - | 178,696 | 178,696 |
| Unavailable Revenues - Other | 3,714 | - | 3,714 |
| Total Deferred Inflows of Resources | 4,704,841 | 873,067 | 5,577,908 |
| Fund Balances: | | | |
| Nonspendable | 4,400 | 4,253 | 8,653 |
| Restricted | - | 310,043 | 310,043 |
| Assigned | 194,324 | - | 194,324 |
| Unassigned (Deficits) | 3,051,314 | (195,332) | 2,855,982 |
| Total Fund Balances | 3,250,038 | 118,964 | 3,369,002 |
| Total Liabilities, Deferred Inflows of Resources and Fund Balances | \$ 9,692,607 | \$ 1,221,275 | \$ 10,913,882 |

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

Oberlin City School District
*Reconciliation of Total Governmental Fund Balances to
 Net Position of Governmental Activities
 June 30, 2015*

| | | |
|--|--------------|------------------------|
| Total Governmental Fund Balances | | \$ 3,369,002 |
| <i>Amounts reported for Governmental Activities in the Statement of Net Position are different because:</i> | | |
| Capital Assets used in Governmental Activities are not financial resources and, therefore, are not reported in the funds | | 5,022,466 |
| Other long-term assets are not available to pay for current-period expenditures and, therefore, are unavailable revenue in the funds: | | |
| Delinquent Property Taxes | \$ 392,472 | |
| Intergovernmental Grants | 178,696 | |
| All Other Revenues | 3,714 | |
| Total | 574,882 | 574,882 |
| An Internal Service fund is used by management to charge the costs of certain activities, such as insurance to individual funds. The assets and liabilities of the District Internal Service fund is included in Governmental Activities in the Statement of Net Position. | | 92,464 |
| The net pension liability is not due and payable in the current period; therefore, the liability and related deferred inflows/outflows are not reported in the governmental funds: | | |
| Deferred Outflows - Pension | 1,288,897 | |
| Deferred Inflows - Pension | (3,286,582) | |
| Net Pension Liability | (18,214,379) | (20,212,064) |
| Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds: | | |
| Accrued Interest Payable | (4,398) | |
| Capital Leases | (371,805) | |
| Compensated Absences | (909,470) | |
| Total | (1,285,673) | (1,285,673) |
| Net Position of Governmental Activities | | \$ (12,438,923) |

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, 2015

| | General | Other Governmental Funds | Total Governmental Funds |
|--|---------------------|--------------------------------|--------------------------------|
| REVENUES | | | |
| Taxes | \$ 9,318,310 | \$ 625,285 | \$ 9,943,595 |
| Intergovernmental | 4,135,396 | 1,161,966 | 5,297,362 |
| Investment Income | 5,199 | - | 5,199 |
| Tuition | 434,239 | - | 434,239 |
| Extracurricular Activities | - | 49,492 | 49,492 |
| Rentals | 37,194 | - | 37,194 |
| Contributions and Donations | 3,656 | 141,972 | 145,628 |
| Transportation Fees | 29,448 | - | 29,448 |
| Classroom Materials and Fees | 6,942 | - | 6,942 |
| Food Services | - | 94,975 | 94,975 |
| Payments in Lieu of Taxes | 55,377 | - | 55,377 |
| All Other Revenues | 109,425 | 4,890 | 114,315 |
| Total Revenues | 14,135,186 | 2,078,580 | 16,213,766 |
| EXPENDITURES | | | |
| Current: | | | |
| Instruction: | | | |
| Regular | 6,423,148 | 540,296 | 6,963,444 |
| Special | 603,684 | 588,189 | 1,191,873 |
| Vocational | 106,120 | - | 106,120 |
| Other | 22,274 | 190 | 22,464 |
| Supporting Services: | | | |
| Pupils | 1,162,197 | 49,506 | 1,211,703 |
| Instructional Staff | 359,581 | 37,577 | 397,158 |
| Board of Education | 113,943 | - | 113,943 |
| Administration | 1,490,355 | 1,985 | 1,492,340 |
| Fiscal Services | 469,351 | 13,849 | 483,200 |
| Business | 32,969 | 34,351 | 67,320 |
| Operation and Maintenance of Plant Services | 1,122,455 | 308,576 | 1,431,031 |
| Pupil Transportation | 493,953 | 56,610 | 550,563 |
| Central | 22,021 | 8,367 | 30,388 |
| Operation of Non-Instructional Services: | | | |
| Food Service Operations | - | 429,587 | 429,587 |
| Community Services | - | 48 | 48 |
| Extracurricular Activities | 446,838 | 68,014 | 514,852 |
| Debt Service: | | | |
| Principal Retirement | 75,129 | - | 75,129 |
| Interest and Fiscal Charges | 14,802 | - | 14,802 |
| Total Expenditures | 12,958,820 | 2,137,145 | 15,095,965 |
| Excess of Revenues Over (Under) Expenditures | 1,176,366 | (58,565) | 1,117,801 |
| OTHER FINANCING SOURCES (USES) | | | |
| Sale of Capital Assets | 3,657 | - | 3,657 |
| Inception of Capital Lease | 85,850 | - | 85,850 |
| Transfers In | - | 95,736 | 95,736 |
| Transfers Out | (95,736) | - | (95,736) |
| Total Other Financing Sources (Uses) | (6,229) | 95,736 | 89,507 |
| Net Change in Fund Balances | 1,170,137 | 37,171 | 1,207,308 |
| Fund Balances - Beginning of Year | 2,079,901 | 81,793 | 2,161,694 |
| Fund Balances - End of Year | \$ 3,250,038 | \$ 118,964 | \$ 3,369,002 |

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, 2015*

Net Change in Fund Balances-Total Governmental Funds \$ 1,207,308

*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 | \$ | 123,115 | |
| Depreciation | | <u>(248,606)</u> | |
| Total | | | (125,491) |

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

| | | | |
|---------------------------|--|-----------------|----------|
| Delinquent Property Taxes | | 67,795 | |
| Intergovernmental Grants | | (57,836) | |
| All Other Revenues | | <u>(22,485)</u> | |
| Total | | | (12,526) |

Other financing sources in the Governmental funds increase long-term liabilities in the Statement of Net Position. These sources were attributed to the inception of a capital lease. (85,850)

Repayment of capital lease principal is an expenditure in the governmental funds, but the repayment reduces the long-term liabilities in the Statement of Net Position. 75,129

Contractually required contributions are reported as expenditures in the governmental funds; however, the Statement of Net Position reports these amounts as deferred outflows. 1,117,632

Except for amounts reported as deferred inflows/outflows, changes in the net pension liability are reported as pension expense in the Statement of Activities. (793,314)

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 | | 55,775 | |
| Accrued Interest | | <u>714</u> | |
| Total | | | <u>56,489</u> |

Change in Net Position of Governmental Activities \$ 1,439,377

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, 2015*

| | Budgeted Amounts | | Actual | Variance with |
|---|---------------------|---------------------|---------------------|------------------------|
| | Original | Final | | Final Budget |
| | | | | Positive (Negative) |
| Revenues | | | | |
| Taxes | \$ 8,375,334 | \$ 8,375,334 | \$ 8,654,298 | \$ 278,964 |
| Intergovernmental | 4,121,625 | 4,121,625 | 4,258,907 | 137,282 |
| Investment Income | 4,251 | 4,251 | 4,393 | 142 |
| Tuition | 420,242 | 420,242 | 434,239 | 13,997 |
| Rentals | 35,995 | 35,995 | 37,194 | 1,199 |
| Transportation Fees | 32,124 | 32,124 | 33,194 | 1,070 |
| Classroom Materials and Fees | 6,718 | 6,718 | 6,942 | 224 |
| Payments in Lieu of Taxes | 53,592 | 53,592 | 55,377 | 1,785 |
| All Other Revenues | 32,982 | 32,982 | 34,081 | 1,099 |
| Total Revenues | <u>13,082,863</u> | <u>13,082,863</u> | <u>13,518,625</u> | <u>435,762</u> |
| Expenditures | | | | |
| Current: | | | | |
| Instruction | | | | |
| Regular | 6,546,722 | 6,533,695 | 6,340,601 | 193,094 |
| Special | 615,368 | 652,743 | 595,078 | 57,665 |
| Vocational | 109,742 | 106,873 | 106,091 | 782 |
| Other | 22,989 | 23,633 | 22,224 | 1,409 |
| Supporting Services | | | | |
| Pupils | 1,165,632 | 1,047,555 | 1,126,817 | (79,262) |
| Instructional Staff | 387,265 | 360,683 | 377,885 | (17,202) |
| Board of Education | 125,983 | 95,160 | 124,894 | (29,734) |
| Administration | 1,541,461 | 1,477,974 | 1,489,112 | (11,138) |
| Fiscal Services | 488,535 | 458,685 | 471,543 | (12,858) |
| Business | 35,929 | 35,197 | 33,573 | 1,624 |
| Operation and Maintenance of Plant Services | 1,268,227 | 1,192,295 | 1,231,560 | (39,265) |
| Pupil Transportation | 421,242 | 437,070 | 414,962 | 22,108 |
| Central | 20,942 | 26,628 | 22,775 | 3,853 |
| Extracurricular Activities | 456,588 | 423,533 | 440,796 | (17,263) |
| Total Expenditures | <u>13,206,625</u> | <u>12,871,724</u> | <u>12,797,911</u> | <u>73,813</u> |
| Excess of Revenues (Under) Expenditures | <u>(123,762)</u> | <u>211,139</u> | <u>720,714</u> | <u>509,575</u> |
| Other Financing Sources (Uses) | | | | |
| Sale of Capital Assets | 3,657 | 3,657 | 3,657 | - |
| Refund of Prior Year Expenditures | 55,799 | 55,799 | 55,799 | - |
| Advances In | 17,825 | 17,825 | 17,825 | - |
| Advances Out | (81,817) | (81,817) | (81,816) | 1 |
| Transfers Out | (95,736) | (95,736) | (95,736) | - |
| Total Other Financing Sources (Uses) | <u>(100,272)</u> | <u>(100,272)</u> | <u>(100,271)</u> | <u>1</u> |
| Net Change in Fund Balance | (224,034) | 110,867 | 620,443 | 509,576 |
| Fund Balance - Beginning of Year | 1,218,557 | 1,218,557 | 1,218,557 | - |
| Prior Year Encumbrances Appropriated | 34,803 | 34,803 | 34,803 | - |
| Fund Balance - End of Year | <u>\$ 1,029,326</u> | <u>\$ 1,364,227</u> | <u>\$ 1,873,803</u> | <u>\$ 509,576</u> |

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

Oberlin City School District

Statement of Fund Net Position

Internal Service Fund

June 30, 2015

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

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

Oberlin City School District
Statement of Revenues, Expenses, and Changes in Fund Net Position
Internal Service Fund
For the Fiscal Year Ended June 30, 2015

| | <u>Governmental Activities - Internal Service Fund</u> |
|-----------------------------------|--|
| OPERATING REVENUES | |
| Charges for Services | \$ 1,495,855 |
| OPERATING EXPENSES | |
| Purchased Services | <u>1,495,855</u> |
| Change in Net Position | - |
| Net Position - Beginning of Year | <u>92,464</u> |
| Net Position - End of Year | <u><u>\$ 92,464</u></u> |

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

Oberlin City School District
Statement of Cash Flows
Internal Service Fund
For the Fiscal Year Ended June 30, 2015

| | Governmental Activities - Internal Service Fund |
|--|--|
| CASH FLOWS FROM OPERATING ACTIVITIES | |
| Cash Received from Customers | \$ 1,495,855 |
| Cash Payments for Goods and Services | <u>(1,495,855)</u> |
| Net Decrease in Cash and Cash Equivalents | - |
| Cash and Cash Equivalents - Beginning of Year | 92,464 |
| Cash and Cash Equivalents - End of Year | <u><u>\$ 92,464</u></u> |
| RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES | |
| Operating Income | \$ - |
| Net Cash Provided by (Used in) Operating Activities | <u><u>\$ -</u></u> |

Oberlin City School District
Statement of Fiduciary Assets and Liabilities
Agency Fund
June 30, 2015

| | <u>Agency Funds</u> |
|--|-------------------------|
| Assets | |
| Equity in Pooled Cash and Cash Equivalents | <u>\$ 22,318</u> |
| Liabilities | |
| Deposits Held and Due to Others | \$ 115 |
| Due to Students | <u>22,203</u> |
| Total Liabilities | <u>\$ 22,318</u> |

This page intentionally left blank.

Oberlin City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

Note 1 – Description of the District and Reporting Entity

The Oberlin City School District (the “District”) was established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The District is a city school district as defined by Section 3311.03 of the Ohio Revised Code. The District operates under a Board of Education consisting of five members and is responsible for providing public education to residents of the District. Average daily membership for fiscal year 2015 was 1,022.85. The District employs 95 certificated and 84 non-certificated employees.

The Reporting Entity

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

Component units are legally separate organizations for which the District is financially accountable. The District is financially accountable for an organization if the District appoints a voting majority of the organization’s governing board and:

- (1) the District is able to significantly influence the programs or services performed or provided by the organization;
- (2) the District is legally entitled to or can otherwise access the organizations’ resources;
- (3) the District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to the organization; or
- (4) the District is obligated for the debt of the organization.

Component units may also include organizations that are fiscally dependent on the District in that the District approves the budget, the issuance of debt, or the levying of taxes.

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

The District is associated with the Metropolitan Educational Technology Association (META) Solutions, 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 20 to these financial statements. Effective July 1, 2011, the District entered into the Suburban Health Consortium which is considered a shared health risk pool. A further description of this shared health risk pool is provided in Note 23 to the financial statements.

Oberlin City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015
(Continued)

Note 2 - Summary of Significant Accounting Policies

The basic financial statements of the District have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. Following are the more significant of the District's accounting policies.

A. Basis of Presentation

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

Government-wide Financial Statements

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

The statement of net position presents the financial condition of governmental activities of the District at year end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the District's governmental activities. Direct expenses are those that are specifically associated with a service, program, or department and therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program, and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues which are not classified as program revenues are presented as general revenues of the District, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the District.

Fund Financial Statements

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

Oberlin City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015
(Continued)

Note 2 - Summary of Significant Accounting Policies (Continued)

B. Fund Accounting

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

Governmental Funds

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

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

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

Proprietary Funds

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

Fiduciary Fund Types

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

Oberlin City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015
(Continued)

Note 2 - Summary of Significant Accounting Policies (Continued)

C. Measurement Focus

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

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

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

D. Basis of Accounting

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

Revenues - Exchange and Non-exchange Transactions

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

Oberlin City School District
Notes to the Basic Financial Statements
For the Fiscal Year ended June 30, 2015
(Continued)

Note 2 - Summary of Significant Accounting Policies (Continued)

D. Basis of Accounting (Continued)

Revenues - Exchange and Non-exchange Transactions (Continued)

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

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

Deferred Outflows/Inflows of Resources - In addition to assets, the statements of financial position will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources, represents a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. For the District, deferred outflows of resources are reported in the government-wide Statement of Net Position for pensions. The deferred outflows of resources related to pensions are explained in Note 14.

In addition to liabilities, the statements of financial position report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. For the District, deferred inflows of resources include property taxes, payments in lieu of taxes, pensions, and unavailable revenue. Property taxes and payments in lieu of taxes represent amounts for which there is an enforceable legal claim as of June 30, 2015, but which were levied to finance fiscal year 2016 operations. These amounts have been recorded as a deferred inflow on both the government-wide statement of net position and the governmental fund financial statements. Unavailable revenue is reported only on the governmental funds balance sheet, and represents receivables which will not be collected within the available period. For the District unavailable revenue includes delinquent property taxes, intergovernmental grants, and other revenues. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available. Deferred inflows of resources related to pensions are reported on the government-wide Statement of Net Position and are further explained in Note 14.

Expenditures/Expenses

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

Oberlin City School District
Notes to the Basic Financial Statements
For the Fiscal Year ended June 30, 2015
(Continued)

Note 2 - Summary of Significant Accounting Policies (Continued)

E. Budgetary Process

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

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

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

F. Cash and Investments

Cash received by the District is deposited in one central bank account with individual fund balance integrity maintained through District records. Monies for all funds are maintained in this account or temporarily transferred to the State Treasurer's investment pool (STAR Ohio) 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, 2015 totaled \$5,199 which includes \$830 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 (STAR Ohio) during the year. STAR Ohio is an investment pool managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAR Ohio 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 STAR Ohio are valued at STAR Ohio's share price, which is the price the investment could be sold for on June 30, 2015.

Oberlin City School District
Notes to the Basic Financial Statements
For the Fiscal Year ended June 30, 2015
(Continued)

Note 2 - Summary of Significant Accounting Policies (Continued)

F. Cash and Investments (Continued)

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

G. Restricted Assets

Assets are reported as restricted assets when limitations on their use change the normal understanding of the availability of the asset. Such constraints are either imposed by creditors, contributors, grantors, or laws of other government or imposed by enabling legislation. As of June 30, 2015, the District did not have any restricted assets.

H. Capital Assets

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

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

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

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

I. Interfund Balances

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

Oberlin City School District
Notes to the Basic Financial Statements
For the Fiscal Year ended June 30, 2015
(Continued)

Note 2 - Summary of Significant Accounting Policies (Continued)

J. Compensated Absences

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

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

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

K. Accrued Liabilities and Long-Term Obligations

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

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

L. Net Position

Net Position represents the difference between assets and deferred outflows of resources compared to liabilities and deferred inflows of resources. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net position is reported as restricted when there are limitations imposed on their use through external restrictions imposed by creditors, grantors or laws or regulations of other governments. Net position restricted for other purposes include resources restricted for other grants and special trusts. The District applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net position are available.

The government-wide statement of net position reports \$363,691 of the restricted component of net position, none of which is restricted by enabling legislation. The District applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted components of net position are available.

Oberlin City School District
Notes to the Basic Financial Statements
For the Fiscal Year ended June 30, 2015
(Continued)

Note 2 - Summary of Significant Accounting Policies (Continued)

M. Fund Balance

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

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

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

Committed – The committed fund balance classification includes amounts that can be used only for the specific purposes imposed by a formal action (resolution) of the District’s Board of Education. Those committed amounts cannot be used for any other purpose unless the District’s Board of Education removes or changes the specified use by taking the same type of action (resolution) it employed to previously commit those amounts. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements. This fund classification was not utilized in fiscal year 2015.

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

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

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

Oberlin City School District
Notes to the Basic Financial Statements
For the Fiscal Year ended June 30, 2015
(Continued)

Note 2 - Summary of Significant Accounting Policies (Continued)

N. Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary fund. For the District, these revenues are charges for services for the employee benefits program. Operating expenses are necessary costs incurred to provide the goods or services that are the primary activity of this fund. Revenues and expenses not meeting those definitions are reported as nonoperating.

O. Interfund Transactions

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

P. Estimates

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

Q. Inventory

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

R. Pension

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

Note 3 – Changes in Accounting Principles and Restatement of Net Position

For fiscal year 2015, the District implemented the Governmental Accounting Standards Board (GASB) Statement No. 68, “Accounting and Financial Reporting for Pensions” and GASB Statement No. 71, “Pension Transition for Contributions Made Subsequent to the Measurement Date—an amendment of GASB Statement No. 68.” GASB 68 established standards for measuring and recognizing pension liabilities, deferred outflows of resources, deferred inflows of resources and expense/expenditure. The implementation of this pronouncement had the following effect on net position as reported June 30, 2014:

Oberlin City School District
Notes to the Basic Financial Statements
For the Fiscal Year ended June 30, 2015
(Continued)

Note 3 – Changes in Accounting Principles and Restatement of Net Position (Continued)

| | Governmental Activities |
|--|----------------------------|
| Net Position as of June 30, 2014 | \$ 6,658,082 |
| Adjustments: | |
| Net Pension Liability | (21,637,589) |
| Deferred Outflow - Payments Subsequent to Measurement Date | 1,101,207 |
| Restated Net Position June 30, 2014 | \$ (13,878,300) |

Other than employer contributions subsequent to the measurement date, the District made no restatement for deferred inflows/outflows of resources as the information needed to generate these restatements was not available.

Note 4 – Accountability and Compliance

At June 30, 2015, the following funds had deficit fund balances: the Food Service Fund of \$40,179, the EMIS Fund of \$491, the Public School Preschool Fund of \$20,816, the IDEA, Education of Handicapped Children Fund of \$58,184, the Title I – Disadvantaged Children/Targeted Assistance Fund of \$57,855, and the Improving Teacher Quality Fund of \$13,906. 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. The total net position of the governmental activities reflects a deficit net position of \$12,438,923. The implementation of GASB Statement No. 68 is solely responsible for this deficit and is further explained in Notes 3 and 14.

Note 5 – Budgetary Basis of Accounting

While the District is reporting financial position, results of operations, and changes in fund balances/fund equity on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The Statement of Revenues, Expenditures, and Changes in Fund Balances – Budget (Non-GAAP Basis) and Actual presented for the General Fund is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and GAAP basis statements are the following:

1. Revenues are recorded when received in cash (Budget basis) as opposed to when susceptible to accrual (GAAP basis);
2. Expenditures are recorded when paid in cash (Budget basis) as opposed to when the liability is incurred (GAAP basis);
3. Encumbrances are treated as expenditures (Budget basis) rather than restricted, committed, and assigned fund balance (GAAP basis); and
4. Some funds are included in the General Fund (GAAP basis), but have separate legally adopted budgets (Budget basis).

Oberlin City School District
Notes to the Basic Financial Statements
For the Fiscal Year ended June 30, 2015
(Continued)

Note 5 – Budgetary Basis of Accounting (Continued)

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

| Net Change in Fund Balance | |
|---|--------------|
| GAAP Basis | \$ 1,170,137 |
| Net Adjustment for Revenue Accruals | (595,843) |
| Net Adjustments for Expenditure Accruals | 119,231 |
| Funds with Separate Legally Adopted Budgets | (8,735) |
| Adjustment for Encumbrances | (64,347) |
| Budget Basis | \$ 620,443 |

Note 6 – Deposits and Investments

A. Legal Requirements

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

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

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

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

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

Oberlin City School District
Notes to the Basic Financial Statements
For the Fiscal Year ended June 30, 2015
(Continued)

Note 6 – Deposits and Investments (Continued)

A. **Legal Requirements** (Continued)

Interim monies may be invested in the following securities:

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

Investments in stripped principal or interest obligations, reverse repurchase agreements, and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage, and short selling are also prohibited. An investment must mature within five years from the date of purchase, unless matched to a specific obligation or debt of the District, and must be purchased with the expectation that it will be held to maturity.

Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the Treasurer or qualified trustee or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

Oberlin City School District
Notes to the Basic Financial Statements
For the Fiscal Year ended June 30, 2015
(Continued)

Note 6 – Deposits and Investments (Continued)

B. Deposits

At fiscal year end, the District had \$200 in cash on hand which is included on the balance sheet of the District as part of “Equity in Pool Cash and Cash Equivalents”.

Custodial credit risk is the risk that, in the event of a bank failure, the District’s deposits may not be returned. The District does not have a deposit policy for custodial credit risk. At fiscal year end, the carrying amount of the District’s deposits was \$2,310,803 and the bank balance was \$2,390,870. Of the bank balance, \$250,000 was covered by federal depository insurance and \$2,140,870 was uninsured and collateralized with securities held by the pledging institution’s trust department not in the District’s name.

C. Investments

For an investment, custodial credit risk is the risk that, in the event of the failure of the counter party, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. As of June 30, 2015, the District had the following investment:

| | | |
|------------------------|-------------------|-------------------|
| | <u>Maturities</u> | <u>Fair Value</u> |
| Investment in STAROhio | N/A | <u>\$ 5,705</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 2015, 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, 2015
(Continued)

Note 7 – Receivables

Receivables at June 30, 2015, consisted of property taxes, income taxes and intergovernmental revenue. All receivables are considered substantially collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current year guarantee of federal funds. All receivables are expected to be collected within one year.

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

| | <u>Amount</u> |
|---|--------------------------|
| Governmental Activities: | |
| Major Fund | |
| General | \$ 63,566 |
| Nonmajor funds | |
| Food service | 31,352 |
| Public school preschool | 20,811 |
| IDEA, education of handicapped children | 70,349 |
| Title I | 68,849 |
| Improving teacher quality | 18,687 |
| Total Intergovernmental Receivables | <u><u>\$ 273,614</u></u> |

This space is intentionally left blank.

Oberlin City School District
Notes to the Basic Financial Statements
For the Fiscal Year ended June 30, 2015
(Continued)

Note 8 – Fund Balances

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

| <u>Fund Balances</u> | <u>General</u> | <u>Nonmajor Governmental Funds</u> | <u>Total</u> |
|---------------------------------|----------------------------|--|----------------------------|
| <i>Nonspendable</i> | | | |
| Inventories | \$ - | \$ 3,901 | \$ 3,901 |
| Prepaid Items | 4,400 | 352 | 4,752 |
| <i>Total Nonspendable</i> | <u>4,400</u> | <u>4,253</u> | <u>8,653</u> |
| <i>Restricted for</i> | | | |
| Educational Technology | - | 24,240 | 24,240 |
| Athletics | - | 1,578 | 1,578 |
| Information System Improvements | - | 8,362 | 8,362 |
| Student Intervention Services | - | 96 | 96 |
| Capital Improvements | - | 60,429 | 60,429 |
| Other Grants | - | 207,772 | 207,772 |
| Other Purposes | - | 7,566 | 7,566 |
| <i>Total Restricted</i> | <u>-</u> | <u>310,043</u> | <u>310,043</u> |
| <i>Assigned to</i> | | | |
| Fiscal Year 2016 Appropriations | 71,655 | - | 71,655 |
| Public School Support | 71,967 | - | 71,967 |
| Purchases on Order | 50,702 | - | 50,702 |
| <i>Total Assigned</i> | <u>194,324</u> | <u>-</u> | <u>194,324</u> |
| <i>Unassigned (Deficits)</i> | <u>3,051,314</u> | <u>(195,332)</u> | <u>2,855,982</u> |
| Total Fund Balances | <u><u>\$ 3,250,038</u></u> | <u><u>\$ 118,964</u></u> | <u><u>\$ 3,369,002</u></u> |

Oberlin City School District
Notes to the Basic Financial Statements
For the Fiscal Year ended June 30, 2015
(Continued)

Note 9 – Property Taxes

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

Property taxes include amounts levied against all real and public utility personal property located in the School District. Real property tax revenue received in calendar year 2015 represents collections of calendar year 2014 taxes. Real property taxes received in calendar year 2015 were levied after April 1, 2014, on the assessed value listed as of January 1, 2014, the lien date. Assessed values for real property taxes are established by State law at 35 percent of appraised market value. Real property taxes are paid annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenue received in calendar year 2014 represents collections of calendar year 2014 taxes. Public utility personal property taxes received in calendar year 2015 became a lien December 31, 2013, were levied after April 1, 2014 and are collected in 2015 with real property taxes. Public utility personal property is assessed at 35 percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

The School District receives property taxes from Lorain County. The County Auditor periodically advances to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2015, are available to finance fiscal year 2015 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable includes real property and public utility property taxes which are measurable as of June 30, 2015 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 were levied to finance current fiscal year operations and is reported as revenue at fiscal year end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred inflows of resources.

The amount available as an advance at June 30, 2015, was \$486,855 in the General Fund, \$22,849 in the Education Technology Fund, and \$52,636 in the Capital Projects Fund. The amount available as an advance at June 30, 2014, was \$542,278 in the General Fund, \$25,083 in the Education Technology Fund, and \$38,368 in the Capital Projects Fund.

On a full accrual basis, collectible delinquent property taxes have been recorded as a receivable and revenue, while on a modified accrual basis, the revenue has been included in deferred inflows of resources.

Oberlin City School District
Notes to the Basic Financial Statements
For the Fiscal Year ended June 30, 2015
(Continued)

Note 9 – Property Taxes (Continued)

The assessed values upon which the fiscal year 2015 taxes were collected are:

| | 2014 Second Half Collections | | 2015 First Half Collections | |
|---|---|----------------|--|----------------|
| | <u>Amount</u> | <u>Percent</u> | <u>Amount</u> | <u>Percent</u> |
| Agricultural/Residential and Other Real Estate | \$ 176,913,190 | 97.31% | \$ 176,173,530 | 94.65% |
| Public Utility | 4,892,920 | 2.69% | 9,958,240 | 5.35% |
| Total Assessed Value | <u>\$ 181,806,110</u> | <u>100.00%</u> | <u>\$ 186,131,770</u> | <u>100.00%</u> |
| Tax Rate per \$1,000 of Assessed Valuation | \$ 60.68 | | \$ 61.65 | |

NOTE 10 – School District Income Tax

The voters of the District have passed 2 income tax levies. The first income tax levy was passed on November 6, 1990 and established a 1 1/4% income tax effective January 1, 1991 which was passed May 6, 2003 for an indefinite period of time. The second income tax levy was passed on November 6, 2007 and established an additional 3/4% income tax effective January 1, 2008 for a period of 5 years which was renewed November 6, 2012 and is up for renewal in 2017.

Note 11 – Capital Assets

Capital asset activity for the fiscal year ended June 30, 2015, was as follows:

| | <u>Balance June 30, 2014</u> | <u>Additions</u> | <u>Disposals</u> | <u>Balance June 30, 2015</u> |
|--|----------------------------------|---------------------|------------------|----------------------------------|
| <u>Governmental Activities</u> | | | | |
| Capital Assets, not being depreciated: | | | | |
| Land | \$ 2,279,070 | \$ - | \$ - | \$ 2,279,070 |
| Capital Assets, being depreciated: | | | | |
| Land Improvements | 1,293,244 | - | - | 1,293,244 |
| Building and Improvements | 13,664,597 | - | - | 13,664,597 |
| Furniture and Equipment | 1,243,131 | 17,265 | 9,600 | 1,250,796 |
| Vehicles | 853,077 | 105,850 | 8,500 | 950,427 |
| Total Capital Assets, being depreciated | <u>17,054,049</u> | <u>123,115</u> | <u>18,100</u> | <u>17,159,064</u> |
| Less Accumulated Depreciation: | | | | |
| Land Improvements | (1,111,329) | (14,643) | - | (1,125,972) |
| Building and Improvements | (11,356,852) | (137,783) | - | (11,494,635) |
| Furniture and Equipment | (933,521) | (61,823) | (9,600) | (985,744) |
| Vehicles | (783,460) | (34,357) | (8,500) | (809,317) |
| Total Accumulated Depreciation | <u>(14,185,162)</u> | <u>(248,606)</u> | <u>(18,100)</u> | <u>(14,415,668)</u> |
| Total Capital Assets being depreciated, Net | <u>2,868,887</u> | <u>(125,491)</u> | <u>-</u> | <u>2,743,396</u> |
| Governmental Activities Capital Assets, Net | <u>\$ 5,147,957</u> | <u>\$ (125,491)</u> | <u>\$ -</u> | <u>\$ 5,022,466</u> |

Oberlin City School District
Notes to the Basic Financial Statements
For the Fiscal Year ended June 30, 2015
(Continued)

Note 11 – Capital Assets (Continued)

Depreciation expense was charge to governmental functions as follows:

| | |
|---|------------|
| Regular instruction | \$ 187,452 |
| Supporting services | |
| Board of education | 11,777 |
| Administration | 896 |
| Operation and maintenance of plant | 7,038 |
| Pupil transportation | 34,357 |
| Operation of non-instructional services | 2,134 |
| Extracurricular activities | 4,952 |
| Total depreciation expense | \$ 248,606 |

Note 12 – Interfund Activity

On the fund financial statements at June 30, 2015, interfund balances consisted of the following:

| | Receivable | Payable |
|-----------------------|------------|-----------|
| <i>Major fund</i> | | |
| General | \$ 81,816 | \$ - |
| <i>Nonmajor funds</i> | | |
| Special Revenue funds | - | 81,816 |
| | \$ 81,816 | \$ 81,816 |

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

During the fiscal year ended June 30, 2015, the General Fund transferred \$95,736 to various nonmajor Special Revenue Funds. The transfers were eliminated on the government-wide statements because the transfers were between governmental funds.

Note 13 – Risk Management

The District is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets, errors and omissions, injuries to employees and natural disasters. The District contracted with the Netherlands Insurance Company for property, vehicle, and crime insurance. Automobile liability has a \$1,000,000 combined single limit of liability. Professional liability is covered by The Indiana Insurance Company with a \$2,000,000 umbrella and a \$2,000,000 aggregate limit. Settled claims have not exceeded this commercial coverage in any of the past several years.

Oberlin City School District
Notes to the Basic Financial Statements
For the Fiscal Year ended June 30, 2015
(Continued)

Note 13 – Risk Management (Continued)

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

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

Life insurance is through the Ohio Educational Employees Insurance Trust through The Hartford. The life insurance is term life with a limit of \$45,000 for classified employees, \$50,000 for certified employees and coverage for administrators is based on their salary.

Note 14 – Defined Benefit Pension Plans

A. Net Pension Liability

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

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

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

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

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

Oberlin City School District
Notes to the Basic Financial Statements
For the Fiscal Year ended June 30, 2015
(Continued)

Note 14 – Defined Benefit Pension Plans (Continued)

B. Plan Description - State Employees Retirement System (SERS)

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

Age and service requirements for retirement are as follows:

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

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

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

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

Funding Policy – Plan members are required to contribute 10 percent of their annual covered salary and the District is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the SERS’ Retirement Board up to statutory maximum amounts of 10 percent for plan members and 14 percent for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the System’s funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund). For the fiscal year ended June 30, 2015, the allocation to pension, death benefits, and Medicare B was 13.18 percent. The remaining 0.82 percent of the 14 percent employer contribution rate was allocated to the Health Care Fund.

The District’s contractually required contribution to SERS was \$273,541 for fiscal year 2015. Of this amount \$13,950 is reported as an intergovernmental payable.

Oberlin City School District
Notes to the Basic Financial Statements
For the Fiscal Year ended June 30, 2015
(Continued)

Note 14 – Defined Benefit Pension Plans (Continued)

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

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

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

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

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

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

Oberlin City School District
Notes to the Basic Financial Statements
For the Fiscal Year ended June 30, 2015
(Continued)

Note 14 – Defined Benefit Pension Plans (Continued)

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

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

Funding Policy – Employer and member contribution rates are established by the State Teachers Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. The statutory maximum employee contribution rate was increased one percent July 1, 2014, and will be increased one percent each year until it reaches 14 percent on July 1, 2016. For the fiscal year ended June 30, 2015, plan members were required to contribute 12 percent of their annual covered salary. The District was required to contribute 14 percent; the entire 14 percent was the portion used to fund pension obligations. The fiscal year 2015 contribution rates were equal to the statutory maximum rates.

The District’s contractually required contribution to STRS was \$844,091 for fiscal year 2015. Of this amount \$143,220 is reported as an intergovernmental payable.

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

The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's share of contributions to the pension plan relative to the contributions of all participating entities. Following is information related to the proportionate share and pension expense:

| | <u>SERS</u> | <u>STRS</u> | <u>Total</u> |
|--|-------------|--------------|--------------|
| Proportionate Share of the Net Pension Liability | \$3,662,706 | \$14,551,673 | \$18,214,379 |
| Proportion of the Net Pension Liability | 0.072372% | 0.05982567% | |
| Pension Expense | \$212,763 | \$580,551 | \$793,314 |

Oberlin City School District
Notes to the Basic Financial Statements
For the Fiscal Year ended June 30, 2015
(Continued)

Note 14 – Defined Benefit Pension Plans (Continued)

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

At June 30, 2015, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| | <u>SERS</u> | <u>STRS</u> | <u>Total</u> |
|--|------------------|--------------------|--------------------|
| Deferred Outflows of Resources | | | |
| Differences between expected and actual experience | \$31,174 | \$140,091 | \$171,265 |
| School District contributions subsequent to the measurement date | <u>273,541</u> | <u>844,091</u> | <u>1,117,632</u> |
| Total Deferred Outflows of Resources | <u>\$304,715</u> | <u>\$984,182</u> | <u>\$1,288,897</u> |
| Deferred Inflows of Resources | | | |
| Net difference between projected and actual earnings on pension plan investments | <u>\$594,467</u> | <u>\$2,692,115</u> | <u>\$3,286,582</u> |

\$1,117,632 reported as deferred outflows of resources related to pension resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

| Fiscal Year Ending June 30: | <u>SERS</u> | <u>STRS</u> | <u>Total</u> |
|-----------------------------|------------------|--------------------|--------------------|
| 2016 | \$140,745 | \$638,006 | \$778,751 |
| 2017 | 140,745 | 638,006 | 778,751 |
| 2018 | 140,745 | 638,006 | 778,751 |
| 2019 | <u>141,058</u> | <u>638,006</u> | <u>779,064</u> |
| Total | <u>\$563,293</u> | <u>\$2,552,024</u> | <u>\$3,115,317</u> |

E. Actuarial Assumptions - SERS

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

Oberlin City School District
Notes to the Basic Financial Statements
For the Fiscal Year ended June 30, 2015
(Continued)

Note 14 – Defined Benefit Pension Plans (Continued)

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

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

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

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation, prepared as of June 30, 2014, are presented below:

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

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

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

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

Oberlin City School District
Notes to the Basic Financial Statements
For the Fiscal Year ended June 30, 2015
(Continued)

Note 14 – Defined Benefit Pension Plans (Continued)

E. Actuarial Assumptions – SERS (Continued)

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

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

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

| | <u>1% Decrease (6.75%)</u> | <u>Current Discount Rate (7.75%)</u> | <u>1% Increase (8.75%)</u> |
|--|--------------------------------|--|--------------------------------|
| School District's proportionate share of the net pension liability | \$5,225,593 | \$3,662,706 | \$2,348,183 |

Oberlin City School District
Notes to the Basic Financial Statements
For the Fiscal Year ended June 30, 2015
(Continued)

Note 14 – Defined Benefit Pension Plans (Continued)

F. Actuarial Assumptions – STRS

The total pension liability in the June 30, 2014, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

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

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

Actuarial assumptions used in the June 30, 2014, valuation are based on the results of an actuarial experience study, effective July 1, 2012.

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

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

Discount Rate The discount rate used to measure the total pension liability was 7.75 percent as of June 30, 2014. The projection of cash flows used to determine the discount rate assumes member and employer contributions will be made at the statutory contribution rates in accordance with rate increases described above. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on those assumptions, STRS’ fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2014. Therefore, the long-term expected rate of return on pension plan investments of 7.75 percent was applied to all periods of projected benefit payment to determine the total pension liability as of June 30, 2014.

Oberlin City School District
Notes to the Basic Financial Statements
For the Fiscal Year ended June 30, 2015
(Continued)

Note 14 – Defined Benefit Pension Plans (Continued)

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

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

| | 1% Decrease (6.75%) | Current Discount Rate (7.75%) | 1% Increase (8.75%) |
|---|------------------------|-------------------------------------|------------------------|
| School District's proportionate share of the net pension liability | \$20,832,307 | \$14,551,673 | \$9,240,371 |

G. **Social Security**

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System have an option to choose Social Security or the School Employees Retirement System/State Teachers Retirement System. As of June 30, 2015, four members of the Board of Education had elected Social Security. The District's contribution rate is 6.2 percent of wages.

Note 15 – Post-Employment Benefits Other Than Pension Benefits

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

Health Care Plan Description - The School District contributes to the SERS Health Care Fund, administered by SERS for non-certificated retirees and their beneficiaries. For GASB 45 purposes, this plan is considered a cost-sharing, multiple-employer, defined benefit other postemployment benefit (OPEB) plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's, Medicare Advantage, and traditional indemnity plans as well as a prescription drug program. The financial report of the Plan is included in the SERS Comprehensive Annual Financial Report which can be obtained on SERS' website at www.ohsers.org under Employers/Audit Resources.

Access to health care for retirees and beneficiaries is permitted in accordance with Section 3309 of the Ohio Revised Code. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). SERS' Retirement Board reserves the right to change or discontinue any health plan or program. Health care is financed through a combination of employer contributions and retiree premiums, copays and deductibles on covered health care expenses, investment returns, and any funds received as a result of SERS' participation in Medicare programs. Active employee members do not contribute to the Health Care Plan. Retirees and their beneficiaries are required to pay a health care premium that varies depending on the plan selected, the number of qualified years of service, Medicare eligibility and retirement status.

Oberlin City School District
Notes to the Basic Financial Statements
For the Fiscal Year ended June 30, 2015
(Continued)

Note 15 – Post-Employment Benefits Other Than Pension Benefits (Continued)

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

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required basic benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. For fiscal year 2015, 0.82 percent of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. For fiscal year 2015, this amount was \$20,450. Statutes provide that no employer shall pay a health care surcharge greater than 2 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2015, the School District's surcharge obligation was \$34,505.

The School District's contributions for health care for the fiscal years ended June 30, 2015, 2014, and 2013 were \$17,018, \$34,655, and \$37,013, respectively. For fiscal year 2015, 94.90 percent has been contributed, with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2014 and 2013.

B. School Teachers Retirement System (STRS)

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

Funding Policy – Ohio Revised Code Chapter 3307 authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS. Active employee members do not contribute to the Health Care Plan. All benefit recipients, for the most recent year, pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For fiscal year 2015, STRS did not allocate any employer contributions to post-employment health care. The School District's contributions for health care for the fiscal years ended June 30, 2015, 2014, and 2013 were \$0, \$63,553, and \$62,082, respectively. The full amount has been contributed for fiscal years 2014 and 2013.

Oberlin City School District
Notes to the Basic Financial Statements
For the Fiscal Year ended June 30, 2015
(Continued)

Note 16 – Long-Term Obligations

Changes in the District’s long-term obligations, including compensated absences during fiscal year 2015, were as follows:

| | Restated Balance June 30, 2014 | Increase | Decrease | Balance June 30, 2015 | Amounts Due in One Year |
|-----------------------------|--------------------------------------|-------------------|-----------------------|--------------------------|-------------------------------|
| Capital leases | \$ 361,084 | \$ 85,850 | \$ (75,129) | \$ 371,805 | \$ 97,980 |
| Compensated absences | 965,245 | 59,749 | (115,524) | 909,470 | 83,968 |
| Net pension liability: | | | | | |
| STRS | 17,333,858 | - | (2,782,185) | 14,551,673 | - |
| SERS | 4,303,731 | - | (641,025) | 3,662,706 | - |
| Total Net pension liability | <u>21,637,589</u> | <u>-</u> | <u>(3,423,210)</u> | <u>18,214,379</u> | <u>-</u> |
| Total | <u>\$ 22,963,918</u> | <u>\$ 145,599</u> | <u>\$ (3,613,863)</u> | <u>\$ 19,495,654</u> | <u>\$ 181,948</u> |

The capital leases will be repaid from the General Fund (refer to Note 16 for additional information). The compensated absences will mostly be repaid from the General Fund. See Note 13 for additional information related the District’s net pension liability.

Note 17 – Capital Lease

The District has entered into lease agreements for financing certain HB264 energy improvements, a telephone system, and a bus. 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, 2015. The assets acquired through capital leases are as follows:

| Asset | Cost | Accumulated Depreciation | Net |
|------------------------------|-------------------|-----------------------------|-------------------|
| H.B. 264 Energy Improvements | \$ 547,209 | \$ (125,858) | \$ 421,351 |
| Telephone System | 165,025 | (99,015) | 66,010 |
| Blue Bird 78 Passenger Bus | 85,850 | (5,366) | 80,484 |
| Total | <u>\$ 798,084</u> | <u>\$ (230,239)</u> | <u>\$ 567,845</u> |

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2015, are as follows:

| Fiscal Year Ending June 30, | Lease Obligations |
|---|----------------------|
| 2016 | \$ 109,519 |
| 2017 | 97,245 |
| 2018 | 72,699 |
| 2019 | 72,699 |
| 2020 | 54,280 |
| Total minimum lease payments | <u>406,442</u> |
| Less amount representing interest | <u>(34,637)</u> |
| Net present value of minimum lease payments | <u>\$ 371,805</u> |

Oberlin City School District
Notes to the Basic Financial Statements
For the Fiscal Year ended June 30, 2015
(Continued)

Note 18 – Operating Lease

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

| Year Ending June 30 | Lease Obligations |
|---|----------------------|
| 2016 | \$ 142,024 |
| Total minimum lease payments | 142,024 |
| Less amount representing interest | (3,586) |
| Net present value of minimum lease payments | <u>\$ 138,438</u> |

Note 19 – Set-Asides

The District is required by State statute to annually set aside, in the General Fund, an amount based on a statutory formula for the acquisition and construction of capital improvements. Amounts not spent by the end of the fiscal year or offset by similarly restricted resources received during the year must be held in cash at year end. These amounts must be carried forward and used for the same purposes in future years. The following cash basis information identifies the changes in the fund balance constraints for capital improvements during fiscal year 2015:

| | Capital Maintenance |
|--------------------------------|------------------------|
| Balance, June 30, 2014 | \$ - |
| Required set aside | 169,694 |
| Qualifying expenditures | (461,163) |
| Current year offsets | - |
| Balance, June 30, 2015 | <u>\$ (291,469)</u> |
| Carry forward at June 30, 2015 | <u>\$ -</u> |

Qualified expenditures and offset credits for capital maintenance during the year were \$461,163, which exceeded the required set-aside. Excess qualified expenditures and offsets have exceeded statutory requirements by \$291,469; however they may not be used to offset future years’ set-aside requirements.

Oberlin City School District
Notes to the Basic Financial Statements
For the Fiscal Year ended June 30, 2015
(Continued)

Note 20 – Jointly Governed Organizations

A. Metropolitan Educational Technology Association (META) Solutions

The District is a participant in META Solutions (formerly Tri-Rivers Educational Computer Association (TRECA) who merged with MEC during this fiscal year), which is a computer consortium comprised of seventy-five school districts. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member school districts. The governing board of META consists of representatives from eight districts. During fiscal year 2015, the School District paid \$14,821 to TRECA for various services. Financial information can be obtained from META, 100 Executive Drive, Marion, Ohio 43302.

B. Lake Erie Regional Council of Governments

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

C. Lorain County Joint Vocational School District

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

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

Oberlin City School District
Notes to the Basic Financial Statements
For the Fiscal Year ended June 30, 2015
(Continued)

Note 20 – Jointly Governed Organizations (Continued)

D. Ohio Schools Council

The Ohio Schools Council is a jointly governed organization among 121 districts. The jointly governed organization was created by school districts for the purpose of saving money through volume purchases. Each district supports the Council by paying an annual participation fee. Each school district member superintendent serves as a representative of the Assembly. The Assembly elects five of the Council's board members and the remaining four are representatives of the Greater Cleveland School Superintendents' Association. The Council operates under a nine-member Board of Directors (the Board). The Board meets monthly September through June. The Board appoints an Executive Director who is responsible for receiving and disbursing funds, investing available funds, preparing financial reports for the Board and Assembly and carrying out such other responsibilities as designated by the Board. Financial information can be obtained by contacting William Zelei, the Executive Director of the Ohio Schools Council, 6393 Oak Tree Blvd., Independence, Ohio 44131. During the year ended June 30, 2015, the District paid \$84,207 to the Ohio Schools Council.

The District participated in the Council's prepaid natural gas program. The Council provides participating school districts the ability to purchase natural gas at reduced rates, if the school district will commit to participating for a twelve year period. There are currently 120 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 21 – Contingencies

A. Grants

The District received financial assistance from Federal and State agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, the effect of any such disallowed claims on the overall financial position of the District at June 30, 2015, if applicable, cannot be determined at this time.

B. Litigation

The District is not party to any legal proceedings.

Oberlin City School District
Notes to the Basic Financial Statements
For the Fiscal Year ended June 30, 2015
(Continued)

Note 21 – Contingencies (Continued)

C. State Foundation Funding

District Foundation funding is based on the annualized full-time equivalent (FTE) enrollment of each student. Effective for the 2014-2015 school year, traditional school districts must comply with minimum hours of instruction, instead of a minimum number of school days each year. The funding formula the Ohio Department of Education (ODE) is legislatively required to follow will continue to adjust as enrollment information is updated by the District, which can extend past the fiscal year end. As of the date of this report, ODE has not finalized the impact of enrollment adjustments to the June 30, 2015 Foundation funding for the District; therefore, the financial statement impact is not determinable at this time.

Note 22 – 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, 2015, the District’s commitments for encumbrances in the governmental funds were as follows:

| | Encumbrances Outstanding |
|-----------------------|-----------------------------|
| General | \$ 53,288 |
| Nonmajor Governmental | 28,520 |
| Total | \$ 81,808 |

Note 23 – Shared Risk Pool

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

Oberlin City School District
Notes to the Basic Financial Statements
For the Fiscal Year ended June 30, 2015
(Continued)

Note 23 – Shared Risk Pool (Continued)

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

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

Note 24 – Subsequent Events

On August 3, 2015, the District entered into a Lease Purchase Agreement with Hewlett-Packard Financial Services Company for ninety (90) HP Chromebooks. The principal portion of the lease is \$33,645 and the interest portion is \$1,431. The first of three annual rental payments of \$11,692 was made on the acceptance date of the lease of August 3, 2015.

In addition, the District entered into a Finance Lease Agreement with ComDoc, Inc. for ten (10) Xerox copiers. The copiers were not delivered and finalized, however, until after June 30, 2015, and therefore, the assets and the related liability were not recorded on the District's financial statements for the year ended June 30, 2015. The principal portion of the lease is \$117,400.

Oberlin City School District
Required Supplementary Information
Schedule of the District's Proportionate Share of the Net Pension Liability
School Employees Retirement System of Ohio
Last Two Fiscal Years (1)

Required Supplementary Information
Schedule of the School District's Proportionate Share of the Net Pension Liability
School Employees Retirement System of Ohio
Last Two Fiscal Years (1)

| | 2014 | 2013 |
|--|--------------|--------------|
| School District's Proportion of the Net Pension Liability | 0.072372% | 0.072372% |
| School District's Proportionate Share of the Net Pension Liability | \$ 3,662,706 | \$ 4,303,731 |
| School District's Covered-Employee Payroll | \$ 2,095,924 | \$ 1,845,246 |
| School District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Employee Payroll | 174.75% | 233.23% |
| Plan Fiduciary Net Position as a Percentage of the Total Pension Liability | 71.70% | 65.52% |

(1) Information prior to 2013 is not available.
Amounts presented as of the School District's measurement date which is the prior fiscal year end.

Oberlin City School District
Required Supplementary Information
Schedule of the District's Proportionate Share of the Net Pension Liability
School Teachers Retirement System of Ohio
Last Two Fiscal Years (1)

Oberlin City School District
 Required Supplementary Information
 Schedule of the School District's Proportionate Share of the Net Pension Liability
 State Teachers Retirement System of Ohio
 Last Two Fiscal Years (1)

| | 2014 | 2013 |
|--|---------------|---------------|
| School District's Proportion of the Net Pension Liability | 0.05982567% | 0.05982567% |
| School District's Proportionate Share of the Net Pension Liability | \$ 14,551,673 | \$ 17,333,858 |
| School District's Covered-Employee Payroll | \$ 6,236,246 | \$ 6,208,177 |
| School District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Employee Payroll | 233.34% | 279.21% |
| Plan Fiduciary Net Position as a Percentage of the Total Pension Liability | 74.70% | 69.30% |

(1) Information prior to 2013 is not available.
 Amounts presented as of the School District's measurement date which is the prior fiscal year end.

Oberlin City School District
Required Supplementary Information
Schedule of the District's Contributions
School Employees Retirement System of Ohio
Last Eight Fiscal Years (1)

| | 2015 | 2014 | 2013 | 2012 | 2011 | 2010 | 2009 | 2008 |
|---|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|
| Contractually Required Contribution | \$ 273,541 | \$ 290,495 | \$ 255,382 | \$ 236,940 | \$ 220,276 | \$ 242,832 | \$ 174,933 | \$ 175,838 |
| Contributions in Relation to the Contractually Required Contribution | <u>(273,541)</u> | <u>(290,495)</u> | <u>(255,382)</u> | <u>(236,940)</u> | <u>(220,276)</u> | <u>(242,832)</u> | <u>(174,933)</u> | <u>(175,838)</u> |
| Contribution Deficiency (Excess) | <u>\$ -</u> |
| School District Covered-Employee Payroll | \$2,075,425 | \$2,095,924 | \$1,845,246 | \$1,761,636 | \$1,752,395 | \$1,793,442 | \$1,777,774 | \$1,790,611 |
| Contributions as a Percentage of Covered-Employee Payroll | 13.18% | 13.86% | 13.84% | 13.45% | 12.57% | 13.54% | 9.84% | 9.82% |

(1) Information prior to 2008 is not available.

Oberlin City School District
Required Supplementary Information
Schedule of the District's Contributions
School Teachers Retirement System of Ohio
Last Ten Fiscal Years

| | <u>2015</u> | <u>2014</u> | <u>2013</u> | <u>2012</u> | <u>2011</u> | <u>2010</u> | <u>2009</u> | <u>2008</u> | <u>2007</u> | <u>2006</u> |
|---|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|
| Contractually Required Contribution | \$ 844,091 | \$ 810,712 | \$ 807,063 | \$ 789,195 | \$ 826,412 | \$ 810,342 | \$ 820,223 | \$ 748,952 | \$ 732,439 | \$ 682,567 |
| Contributions in Relation to the Contractually Required Contribution | <u>(844,091)</u> | <u>(810,712)</u> | <u>(807,063)</u> | <u>(789,195)</u> | <u>(826,412)</u> | <u>(810,342)</u> | <u>(820,223)</u> | <u>(748,952)</u> | <u>(732,439)</u> | <u>(682,567)</u> |
| Contribution Deficiency (Excess) | <u>\$ -</u> |
| School District Covered-Employee Payroll | \$6,029,221 | \$6,236,246 | \$6,208,177 | \$6,070,731 | \$6,357,015 | \$6,233,400 | \$6,309,408 | \$5,761,169 | \$5,634,146 | \$5,250,515 |
| Contributions as a Percentage of Covered-Employee Payroll | 14.00% | 13.00% | 13.00% | 13.00% | 13.00% | 13.00% | 13.00% | 13.00% | 13.00% | 13.00% |

This page intentionally left blank.

**OBERLIN CITY SCHOOL DISTRICT
LORAIN COUNTY**

**SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2015**

| FEDERAL GRANTOR Pass Through Grantor Program / Cluster Title | Year | Federal CFDA Number | Cash Receipts | Non-Cash Receipts | Expenditures | Non-Cash Expenditures |
|---|-------------|------------------------------------|--------------------------|------------------------------|--------------------------|----------------------------------|
| U.S. Department of Agriculture | | | | | | |
| <i>Passed Through the Ohio Department of Education:</i> | | | | | | |
| Child Nutrition Cluster: | | | | | | |
| National School Lunch Program | 2015 | 10.555 | \$ 170,512 | \$ 29,947 | \$ 170,512 | \$ 29,947 |
| National School Breakfast Program | 2015 | 10.553 | 50,468 | | 50,468 | |
| Total Child Nutrition Cluster | | | <u>220,980</u> | <u>29,947</u> | <u>220,980</u> | <u>29,947</u> |
| Total U.S. Department of Agriculture | | | <u>220,980</u> | <u>29,947</u> | <u>220,980</u> | <u>29,947</u> |
| U.S. Department of Education | | | | | | |
| <i>Passed Through the Ohio Department of Education:</i> | | | | | | |
| Special Education Cluster: | | | | | | |
| IDEA Part B | 2014 | 84.027 | 43,321 | | 43,321 | |
| IDEA Part B | 2015 | 84.027 | 179,767 | | 201,592 | |
| Subtotal IDEA Part B | | | <u>223,088</u> | | <u>244,913</u> | |
| IDEA Preschool | 2015 | 84.173 | 9,271 | | 9,271 | |
| Total Special Education Cluster | | | <u>232,359</u> | | <u>254,184</u> | |
| Title I Grants to Local Educational Agencies | 2014 | 84.010 | 91,180 | | 91,510 | |
| Title I Grants to Local Educational Agencies | 2015 | 84.010 | 251,047 | | 263,005 | |
| Total Title I Grants to Local Educational Agencies | | | <u>342,227</u> | | <u>354,515</u> | |
| Title II Improving Teacher Quality | 2014 | 84.367 | 11,592 | | 11,592 | |
| Title II Improving Teacher Quality | 2015 | 84.367 | 48,700 | | 55,490 | |
| Total Title II Improving Teacher Quality | | | <u>60,292</u> | | <u>67,082</u> | |
| ARRA - Race to the Top | 2014 | 84.395 | 5,128 | | 5,128 | |
| ARRA - Race to the Top - Innovative | 2014 | 84.395 | 46,609 | | 49,690 | |
| Total ARRA - Race to the Top | | | <u>51,737</u> | | <u>54,818</u> | |
| 21st Century Grant | 2014 | 84.287 | 8,425 | | 8,425 | |
| Total U.S. Department of Education | | | <u>695,040</u> | | <u>739,024</u> | |
| U.S. DEPARTMENT OF TRANSPORTATION | | | | | | |
| <i>Passed Through Ohio Department of Transportation</i> | | | | | | |
| Safe Routes to School - PID 91011 | 2014 | 20.205 | 17,382 | | 17,382 | |
| Total U.S. Department of Transportation | | | <u>17,382</u> | | <u>17,382</u> | |
| Total Federal Assistance | | | <u>\$ 933,402</u> | <u>\$ 29,947</u> | <u>\$ 977,386</u> | <u>\$ 29,947</u> |

The notes to the Schedule of Federal Awards Receipts and Expenditures are an integral part of this statement.

**OBERLIN CITY SCHOOL DISTRICT
LORAIN COUNTY**

**NOTES TO THE SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
FISCAL YEAR ENDED JUNE 30, 2015**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

The accompanying Schedule of Federal Awards Receipts and Expenditures (the Schedule) reports the Oberlin City School District's (the District's) federal award programs' receipts and disbursements. The Schedule has been prepared on the cash basis of accounting.

NOTE B - CHILD NUTRITION CLUSTER

The District commingles cash receipts from the U.S. Department of Agriculture with similar State grants. When reporting expenditures on this Schedule, the District assumes it expends federal monies first.

NOTE C – FOOD DONATION PROGRAM

The District reports commodities consumed on the Schedule at the fair value. The District allocated donated food commodities to the respective program that benefitted from the use of those donated food commodities.



Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY GOVERNMENT AUDITING STANDARDS

Oberlin City School District
Lorain County
153 North Main Street
Oberlin, Ohio 44074

To the Board of Education:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Oberlin City School District, Lorain County, (the District) as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated March 7, 2016. We noted the District adopted new accounting guidance in Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27* and Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinions on the financial statements, but not to the extent necessary to opine on the effectiveness of the District's internal control. Accordingly, we have not opined on it.

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

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

Compliance and Other Matters

As part of reasonably assuring whether the District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

Purpose of this Report

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping initial "D".

Dave Yost
Auditor of State
Columbus, Ohio

March 7, 2016



Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO THE MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

Oberlin City School District
Lorain County
153 North Main Street
Oberlin, Ohio 44074

To the Board of Education:

Report on Compliance for the Major Federal Program

We have audited the Oberlin City School District's (the District) compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that could directly and materially affect the Oberlin City School District's major federal program for the year ended June 30, 2015. The *Summary of Auditor's Results* in the accompanying schedule of findings identifies the District's major federal program.

Management's Responsibility

The District's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to its federal program.

Auditor's Responsibility

Our responsibility is to opine on the District's compliance for the District's major federal program based on our audit of the applicable compliance requirements referred to above. Our compliance audit followed auditing standards generally accepted in the United States of America; the standards for financial audits included in the Comptroller General of the United States' *Government Auditing Standards*; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. These standards and OMB Circular A-133 require us to plan and perform the audit to reasonably assure whether noncompliance with the applicable compliance requirements referred to above that could directly and materially affect a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe our audit provides a reasonable basis for our compliance opinion on the District's major program. However, our audit does not provide a legal determination of the District's compliance.

Opinion on the Major Federal Program

In our opinion, the Oberlin City School District complied, in all material respects with the compliance requirements referred to above that could directly and materially affect its major federal program for the year ended June 30, 2015.

Report on Internal Control Over Compliance

The District's management is responsible for establishing and maintaining effective internal control over compliance with the applicable compliance requirements referred to above. In planning and performing our compliance audit, we considered the District's internal control over compliance with the applicable requirements that could directly and materially affect a major federal program, to determine our auditing procedures appropriate for opining on each major federal program's compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not to the extent needed to opine on the effectiveness of internal control over compliance. Accordingly, we have not opined on the effectiveness of the District's internal control over compliance.

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

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

This report only describes the scope of our internal control over compliance tests and the results of this testing based on OMB Circular A-133 requirements. Accordingly, this report is not suitable for any other purpose.



Dave Yost
Auditor of State
Columbus, Ohio

March 7, 2016

**OBERLIN CITY SCHOOL DISTRICT
LORAIN COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 2015**

1. SUMMARY OF AUDITOR'S RESULTS

| | | |
|---------------------|--|--|
| <i>(d)(1)(i)</i> | Type of Financial Statement Opinion | Unmodified |
| <i>(d)(1)(ii)</i> | Were there any material control weaknesses reported at the financial statement level (GAGAS)? | No |
| <i>(d)(1)(ii)</i> | Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)? | No |
| <i>(d)(1)(iii)</i> | Was there any reported material noncompliance at the financial statement level (GAGAS)? | No |
| <i>(d)(1)(iv)</i> | Were there any material internal control weaknesses reported for major federal programs? | No |
| <i>(d)(1)(iv)</i> | Were there any significant deficiencies in internal control reported for major federal programs? | No |
| <i>(d)(1)(v)</i> | Type of Major Programs' Compliance Opinion | Unmodified |
| <i>(d)(1)(vi)</i> | Are there any reportable findings under § .510(a)? | No |
| <i>(d)(1)(vii)</i> | Major Programs (list): | Title I Grants to Local Educational Agencies (Title I, Part A of the ESEA); CFDA #84.010 |
| <i>(d)(1)(viii)</i> | Dollar Threshold: Type A/B Programs | Type A: > \$ 300,000 Type B: all others |
| <i>(d)(1)(ix)</i> | 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

This page intentionally left blank.



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
MARCH 22, 2016