

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

**BASIC FINANCIAL STATEMENTS
(AUDITED)**

*FOR THE FISCAL YEAR ENDED
JUNE 30, 2016*

ANGELA DOTSON, CPA, TREASURER



Dave Yost • Auditor of State

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

We have reviewed the *Independent Auditor's Report* of the Oberlin City School District, Lorain County, prepared by Julian & Grube, Inc., for the audit period July 1, 2015 through June 30, 2016. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

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

Dave Yost
Auditor of State

January 17, 2017

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

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Julian & Grube, Inc.

Serving Ohio Local Governments

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Independent Auditor's Report

Oberlin City School District
Lorain County
153 N. 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, its major fund, and the aggregate remaining fund information of the Oberlin City School District, Lorain County, Ohio, as of and for the fiscal year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Oberlin City School 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 Oberlin City School 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 Oberlin City School 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, its major fund, and the aggregate remaining fund information of the Oberlin City School District, Lorain County, Ohio, as of June 30, 2016, and the respective changes in financial position and where applicable, cash flows thereof and the budgetary comparison for the General fund thereof for the fiscal year then ended in accordance with the accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require 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 Information

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

The Schedule of Expenditures of Federal Awards presents additional analysis as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards and is not a required part of the financial statements.

The schedule is management's responsibility, and derives from and relate 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 November 11, 2016, on our consideration of the Oberlin City School 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 Oberlin City School District's internal control over financial reporting and compliance.



Julian & Grube, Inc.
November 11, 2016

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

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, 2016. 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 2016 are:

- In total, net position increased by \$1,819,116.
- Revenues for governmental activities totaled \$16,548,299 in 2016. Of this total, 85.72 percent consisted of general revenues while program revenues accounted for the remaining balance of 14.28 percent.
- Program expenses totaled \$14,729,183. Instructional expenses made up 56.73 percent of this total while supporting services accounted for 36.77 percent. Other expenses rounded out the remaining 6.50 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 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 2016?" 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
LORAIN COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

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 14 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.

Reporting the District's Fiduciary Responsibilities

The District acts in a trustee capacity as an agent for individuals or other entities. These activities are reported in the agency fund. All of the District's fiduciary activities are reported in the separate statement of fiduciary assets and liabilities. These activities are excluded from the District's other financial statements because the assets cannot be utilized by the District to finance its operations.

Notes to the Basic Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Supplementary Information

In addition to the basic financial statements and accompanying notes, this report also presents certain supplementary information concerning the District's net pension liability.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

FINANCIAL ANALYSIS OF 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 2016 compared to 2015:

(Table 1)
Net Position

	Governmental Activities	
	2016	2015
Current assets	\$13,629,272	\$10,924,530
Capital assets	4,918,232	5,022,466
Total assets	<u>18,547,504</u>	<u>15,946,996</u>
Deferred outflows (pensions)	1,933,352	1,288,897
Current liabilities	1,659,100	1,889,554
Long term liabilities		
Due within one year:	289,065	181,948
Due in more than one year:		
Net Pension Liability	19,793,381	18,214,379
Other Amounts	1,088,620	1,099,327
Total Liabilities	<u>22,830,166</u>	<u>21,385,208</u>
Deferred inflows		
Property Taxes	6,156,758	4,947,649
Payments in Lieu of Taxes	54,267	55,377
Pensions	2,059,472	3,286,582
Total Deferred Inflows of Resources	<u>8,270,497</u>	<u>8,289,608</u>
Net position:		
Net investment in capital assets	4,565,934	4,650,661
Restricted	584,052	363,691
Unrestricted	<u>(15,769,793)</u>	<u>(17,453,275)</u>
Total net position	<u><u>(\$10,619,807)</u></u>	<u><u>(\$12,438,923)</u></u>

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

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 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.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

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.

Table 2 shows the changes in net position for fiscal year 2016 and 2015.

(Table 2)
Changes in Net Position

	Governmental Activities	
Revenues	2016	2015
Program revenues		
Charges for services	\$ 780,934	\$ 652,290
Operating grants	1,582,145	1,322,390
Total program revenues	2,363,079	1,974,680
General revenues		
Property taxes	5,408,038	5,062,019
School District Income Taxes	4,714,196	4,949,371
Grants and entitlements	3,928,751	4,062,764
Payment in lieu of taxes	54,267	55,377
Investment income	38,690	5,199
All Other Revenues	41,278	95,487
Total general revenues	14,185,220	14,230,217
Total revenues	\$ 16,548,299	\$ 16,204,897
Expenses		
Instruction		
Regular	\$ 7,065,938	\$ 7,025,605
Special	1,156,620	1,168,899
Vocational	103,673	104,267
Other	28,967	21,748
Support services		
Pupil	1,009,036	1,146,403
Instructional staff	422,844	388,425
Board of Education	97,208	125,720
Administration	1,455,314	1,434,415
Fiscal	516,887	481,301
Business	61,422	14,579
Operations & maintenance	1,335,365	1,407,271
Pupil transportation	481,277	475,783
Central services	36,683	30,388
Other non-instructional services	430,892	417,741
Extracurricular activities	518,239	508,887
Interest and fiscal charges	8,818	14,088
Total expenses	\$ 14,729,183	\$ 14,765,520
Change in net position	1,819,116	1,439,377
Net position, beginning of year	(12,438,923)	(13,878,300)
Net position, end of year	\$ (10,619,807)	\$ (12,438,923)

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

Governmental Activities

The vast majority of revenue supporting all governmental activities is from general revenues. General revenues totaled \$14,185,220, or 85.72 percent of the total revenue. The most significant portions of the general revenues are property taxes, school district income taxes and unrestricted grants and entitlements. The remaining amount of revenue was in the form of program revenues, which equated to \$2,363,079 or only 14.28 percent.

The District has carefully planned its financial future by forecasting its revenues and expenditures over the next five years. In October 2015, 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. 61.50 percent of revenue is from property and school income taxes. Grants and entitlements not restricted for a specific program comprise 23.74 percent. Program revenues make up 14.28 percent of all governmental revenues, while investment income and other miscellaneous type revenues comprise the remaining .48 percent.

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

Approximately 56.73 percent of the District's expenses are used to fund instructional expenses. Additional supporting services for pupils, staff and business operations encompass an additional 36.77 percent. The remaining program expenses of 6.50 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.

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 2016 is presented.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

(Table 3)

	Total Cost of Services		Net Cost of Services	
	2016	2015	2016	2015
Program expenses				
Instruction	\$ 8,355,198	\$ 8,320,519	\$ 6,601,599	\$ 6,931,331
Support services				
Pupils and Instructional staff	1,431,880	1,534,828	1,361,244	1,444,510
Board of Education	97,208	125,720	97,208	125,720
Administration	1,455,314	1,434,415	1,453,198	1,432,321
Fiscal	516,887	481,301	516,887	481,301
Business	61,422	14,579	61,422	14,579
Operations & maintenance	1,335,365	1,407,271	1,333,003	1,407,271
Pupil Transportation	481,277	475,783	414,682	425,111
Central	36,683	30,388	24,535	23,188
Other non-instructional services	430,892	417,741	16,965	35,681
Extracurricular activities	518,239	508,887	476,543	455,739
Interest and fiscal charges	8,818	14,088	8,818	14,088
Total cost of service	\$ 14,729,183	\$ 14,765,520	\$ 12,366,104	\$ 12,790,840

The District's Funds

Information regarding the District's funds can be found on pages 16-17. 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 \$950,622. 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 \$3,250,038 to \$4,200,660.

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 2016, the District's General Fund budget remained relatively constant. The original and final budgeted revenues were the same, \$13,591,507. Actual revenues exceeded final budgeted revenues by \$1,108,306. The original budgeted expenditures of \$13,360,385 were reduced to \$13,223,618 in the final budget. The actual expenditures were \$99,884 lower than the final budgeted expenditures. 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 \$3,514,229.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

Capital Assets

At the end of fiscal year 2016, the District had \$4,918,232 invested in land, land improvements, buildings and improvements, furniture and equipment, and vehicles. The table below shows fiscal year 2016 balances compared to 2015:

**Capital Assets at June 30
(Net of Depreciation)**

	<u>Governmental Activities</u>	
	<u>2016</u>	<u>2015</u>
Land	\$ 2,279,070	\$ 2,279,070
Land improvements	152,628	167,272
Building and improvements	2,080,619	2,169,962
Furniture and equipment	281,432	265,052
Vehicles	<u>124,483</u>	<u>141,110</u>
Total	<u>\$ 4,918,232</u>	<u>\$ 5,022,466</u>

During fiscal year 2016, the District purchased \$231,226 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 of \$335,460 exceeding capital outlays. For more information about the District's capital assets, see Note 10.

Debt

At June 30, 2016, the District had \$352,298 in capital lease obligations outstanding at June 30, 2016. Of this amount, \$111,193 was due within one year. See Note 15 for detail.

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 5.05 mill \$940,000 emergency levy and 2.0 mills Permanent Improvement were renewed March 15, 2016.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

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. During fiscal year 2015, the District's State Report Card included an overall progress grade of A and an achievement grade of C. The State has yet to issue updates for fiscal year 2016.

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.

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BASIC
FINANCIAL STATEMENTS

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

STATEMENT OF NET POSITION
JUNE 30, 2016

	Governmental Activities
Assets:	
Equity in pooled cash and cash equivalents.	\$ 4,037,519
Receivables:	
Property taxes	7,331,968
Income taxes.	1,974,276
Payment in lieu of taxes	54,267
Accounts.	12,720
Accrued interest	3,189
Intergovernmental	194,274
Materials and supplies inventory.	5,331
Inventory held for resale.	15,728
Capital assets:	
Nondepreciable capital assets	2,279,070
Depreciable capital assets, net.	2,639,162
Capital assets, net.	<u>4,918,232</u>
Total assets.	<u>18,547,504</u>
Deferred outflows of resources:	
Pension - STRS	1,568,322
Pension - SERS	365,030
Total deferred outflows of resources	<u>1,933,352</u>
Liabilities:	
Accounts payable.	29,767
Accrued wages and benefits payable	1,344,758
Intergovernmental payable	84,845
Pension and postemployment obligation payable.	198,630
Unearned revenue	1,100
Long-term liabilities:	
Due within one year.	289,065
Due in more than one year:	
Net pension liability (See Note 13)	19,793,381
Other amounts due in more than one year	1,088,620
Total liabilities	<u>22,830,166</u>
Deferred inflows of resources:	
Property taxes levied for the next fiscal year.	6,156,758
Payment in lieu of taxes levied for the next fiscal year	54,267
Pension - STRS.	1,775,601
Pension - SERS.	283,871
Total deferred inflows of resources	<u>8,270,497</u>
Net position:	
Net investment in capital assets	4,565,934
Restricted for:	
Capital projects	282,526
Locally funded programs	160,598
State funded programs.	16,544
Federally funded programs	78,971
Student activities	733
Other purposes	44,680
Unrestricted (deficit).	(15,769,793)
Total net position.	<u>\$ (10,619,807)</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

	<u>Expenses</u>	<u>Program Revenues</u>		<u>Net (Expense)</u>
		<u>Charges for</u>	<u>Operating Grants</u>	<u>Revenue and</u>
		<u>Services and Sales</u>	<u>and Contributions</u>	<u>Changes in</u>
				<u>Net Position</u>
				<u>Governmental</u>
				<u>Activities</u>
Governmental activities:				
Instruction:				
Regular	\$ 7,065,938	\$ 568,814	\$ 196,720	\$ (6,300,404)
Special	1,156,620	26,436	956,427	(173,757)
Vocational	103,673	-	1,934	(101,739)
Other	28,967	-	3,268	(25,699)
Support services:				
Pupil	1,009,036	-	39,762	(969,274)
Instructional staff	422,844	-	30,874	(391,970)
Board of education	97,208	-	-	(97,208)
Administration	1,455,314	250	1,866	(1,453,198)
Fiscal	516,887	-	-	(516,887)
Business	61,422	-	-	(61,422)
Operations and maintenance	1,335,365	-	2,362	(1,333,003)
Pupil transportation	481,277	35,249	31,346	(414,682)
Central	36,683	-	12,148	(24,535)
Operation of non-instructional services:				
Other non-instructional services	11,957	-	-	(11,957)
Food service operations	418,935	108,489	305,438	(5,008)
Extracurricular activities	518,239	41,696	-	(476,543)
Interest and fiscal charges	8,818	-	-	(8,818)
Total governmental activities	<u>\$ 14,729,183</u>	<u>\$ 780,934</u>	<u>\$ 1,582,145</u>	<u>(12,366,104)</u>

General revenues:	
Property taxes levied for:	
General purposes	4,697,693
Capital outlay	502,839
Other purposes	207,506
Payments in lieu of taxes	54,267
Income taxes levied for:	
General purposes	4,714,196
Grants and entitlements not restricted to specific programs	3,928,751
Investment earnings	38,690
Miscellaneous	41,278
Total general revenues	<u>14,185,220</u>
Change in net position	1,819,116
Net position at beginning of year	<u>(12,438,923)</u>
Net position at end of year	<u>\$ (10,619,807)</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2016

	<u>General</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets:			
Equity in pooled cash and cash equivalents.	\$ 3,616,903	\$ 420,616	\$ 4,037,519
Receivables:			
Property taxes.	6,394,527	937,441	7,331,968
Income taxes	1,974,276	-	1,974,276
Payment in lieu of taxes	54,267	-	54,267
Accounts	12,720	-	12,720
Accrued interest	3,189	-	3,189
Interfund loans	32,418	-	32,418
Intergovernmental.	87,221	107,053	194,274
Materials and supplies inventory.	-	5,331	5,331
Inventory held for resale.	-	15,728	15,728
Total assets	<u>12,175,521</u>	<u>1,486,169</u>	<u>13,661,690</u>
Liabilities:			
Accounts payable	\$ 261	\$ 29,506	\$ 29,767
Accrued wages and benefits payable	1,216,986	127,772	1,344,758
Compensated absences payable	53,751	717	54,468
Intergovernmental payable	83,184	1,661	84,845
Pension and postemployment obligation payable.	191,474	7,156	198,630
Interfund loans payable.	-	32,418	32,418
Unearned revenue.	1,100	-	1,100
Total liabilities.	<u>1,546,756</u>	<u>199,230</u>	<u>1,745,986</u>
Deferred inflows of resources:			
Property taxes levied for the next fiscal year.	5,352,353	804,405	6,156,758
Payment in lieu of taxes levied for the next fiscal year.	54,267	-	54,267
Delinquent property tax revenue not available.	655,051	74,687	729,738
Income tax revenue not available	311,973	-	311,973
Intergovernmental revenue not available.	54,461	107,053	161,514
Total deferred inflows of resources	<u>6,428,105</u>	<u>986,145</u>	<u>7,414,250</u>
Fund balances:			
Nonspendable:			
Materials and supplies inventory.	-	5,331	5,331
Restricted:			
Capital improvements	-	230,442	230,442
Other purposes.	-	171,975	171,975
Extracurricular.	-	733	733
Educational technology.	-	14,725	14,725
Committed:			
Student instruction	2,666	-	2,666
Assigned:			
Student instruction	6,858	-	6,858
Student and staff support.	92,858	-	92,858
School supplies	121	-	121
Unassigned	4,098,157	(122,412)	3,975,745
Total fund balances	<u>4,200,660</u>	<u>300,794</u>	<u>4,501,454</u>
Total liabilities, deferred inflows and fund balances	<u>\$ 12,175,521</u>	<u>\$ 1,486,169</u>	<u>\$ 13,661,690</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO
NET POSITION OF GOVERNMENTAL ACTIVITIES
JUNE 30, 2016

Total governmental fund balances		\$	4,501,454
<i>Amounts reported for governmental activities on 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.			4,918,232
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred inflows in the funds.			
Property taxes receivable	\$	729,738	
Income taxes receivable		311,973	
Intergovernmental receivable		161,514	
Total		1,203,225	1,203,225
The net pension liability is not due and payable in the current period; therefore, liability and related deferred inflows are not reported in governmental funds.			
Deferred outflows - Pension		1,933,352	
Deferred Inflows - Pension		(2,059,472)	
Net pension liability		(19,793,381)	
Total		(19,919,501)	(19,919,501)
Long-term liabilities, including leases payable, are not due and payable in the current period and therefore are not reported in the funds.			
Compensated absences		(948,966)	
Capital lease obligations		(374,251)	
Total		(1,323,217)	(1,323,217)
Net position of governmental activities		\$	(10,619,807)

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

	<u>General</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues:			
From local sources:			
Property taxes	\$ 4,381,818	\$ 688,954	\$ 5,070,772
Income taxes	4,402,223	-	4,402,223
Payment in lieu of taxes	54,267	-	54,267
Tuition	574,851	-	574,851
Transportation fees	35,249	-	35,249
Earnings on investments	38,690	-	38,690
Charges for services	-	107,630	107,630
Extracurricular	-	41,946	41,946
Classroom materials and fees	20,399	-	20,399
Contributions and donations	5,325	147,821	153,146
Other local revenues	36,227	859	37,086
Intergovernmental - state	4,211,568	175,324	4,386,892
Intergovernmental - federal	52,916	944,007	996,923
Total revenues	<u>13,813,533</u>	<u>2,106,541</u>	<u>15,920,074</u>
Expenditures:			
Current:			
Instruction:			
Regular	6,499,165	487,403	6,986,568
Special	658,161	536,335	1,194,496
Vocational	105,508	-	105,508
Other	23,570	4,315	27,885
Support services:			
Pupil	984,484	48,976	1,033,460
Instructional staff	396,587	34,927	431,514
Board of education	80,585	-	80,585
Administration	1,480,587	2,864	1,483,451
Fiscal	519,251	13,864	533,115
Business	29,122	35,450	64,572
Operations and maintenance	1,109,283	256,752	1,366,035
Pupil transportation	432,154	21,240	453,394
Central	18,303	18,380	36,683
Operation of non-instructional services:			
Other operation of non-instructional	-	11,957	11,957
Food service operations	-	418,598	418,598
Extracurricular activities	457,007	66,798	523,805
Facilities acquisition and construction	-	1	1
Capital outlay	126,454	-	126,454
Debt service:			
Principal retirement	62,274	95,379	157,653
Interest and fiscal charges	1,896	11,320	13,216
Total expenditures	<u>12,984,391</u>	<u>2,064,559</u>	<u>15,048,950</u>
Excess of revenues over expenditures	<u>829,142</u>	<u>41,982</u>	<u>871,124</u>
Other financing sources (uses):			
Sale of assets	8,765	-	8,765
Transfers in	91,608	106,203	197,811
Transfers (out)	(105,347)	-	(105,347)
Capital lease transaction	126,454	33,645	160,099
Total other financing sources (uses)	<u>121,480</u>	<u>139,848</u>	<u>261,328</u>
Net change in fund balances	950,622	181,830	1,132,452
Fund balances at beginning of year	<u>3,250,038</u>	<u>118,964</u>	<u>3,369,002</u>
Fund balances at end of year	<u>\$ 4,200,660</u>	<u>\$ 300,794</u>	<u>\$ 4,501,454</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

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, 2016

Net change in fund balances - total governmental funds	\$	1,132,452
<i>Amounts reported for governmental activities in the statement of activities are different because:</i>		
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.		
Capital asset additions	\$ 231,226	
Current year depreciation	(335,460)	
Total		(104,234)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Property taxes	337,266	
Income taxes	311,973	
Other revenue	(3,714)	
Intergovernmental	(17,182)	
Total		628,343
Repayment of capital lease principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities on the statement of net position. Principal payments during the year were:		
		157,653
Issuance of capital leases are recorded as other financing sources in the funds; however, in the statement of activities, they are not reported as other financing sources as they increase liabilities on the statement of net position.		
		(160,099)
Contractually required pension contributions are reported as expenditures in governmental funds; however, the statement of activities reports these amounts as deferred outflows.		
		1,141,516
Except for amounts reported as deferred inflows/outflows, changes in the net pension liability are reported as pension expense in the statement of activities.		
		(848,953)
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	(39,496)	
Accrued Interest	4,398	
Total		(35,098)
An internal service fund used by management to charge the costs of insurance to individual funds is not reported in the district-wide statement of activities. Governmental fund expenditures and the related internal service fund revenues are eliminated. The net revenue (expense) of the internal service fund is allocated among the governmental activities.		
		(92,464)
Change in net position of governmental activities	\$	1,819,116

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues:				
From local sources:				
Property taxes	\$ 3,885,360	\$ 3,885,360	\$ 4,481,550	\$ 596,190
Income taxes.	4,442,421	4,442,421	5,124,117	681,696
Payment in lieu of taxes.	49,073	49,073	54,267	5,194
Tuition.	505,087	505,087	575,951	70,864
Transportation fees.	35,311	35,311	35,249	(62)
Earnings on investments	33,995	33,995	37,958	3,963
Classroom materials and fees	15,116	15,116	20,399	5,283
Other local revenues	2,534	2,534	3,313	779
Intergovernmental - state	3,669,516	3,669,516	4,100,469	430,953
Intergovernmental - federal	43,403	43,403	49,584	6,181
Total revenues	<u>12,681,816</u>	<u>12,681,816</u>	<u>14,482,857</u>	<u>1,801,041</u>
Expenditures:				
Current:				
Instruction:				
Regular	6,651,530	6,634,801	6,547,632	87,169
Special.	661,520	649,020	652,765	(3,745)
Vocational.	107,421	106,807	106,029	778
Other.	24,035	22,224	23,724	(1,500)
Support services:				
Pupil.	1,083,735	1,059,455	1,066,315	(6,860)
Instructional staff	397,161	353,393	380,148	(26,755)
Board of education	88,086	104,453	83,881	20,572
Administration.	1,514,938	1,495,152	1,493,664	1,488
Fiscal	508,249	491,672	501,144	(9,472)
Business	32,548	33,921	32,126	1,795
Operations and maintenance.	1,230,991	1,230,511	1,200,994	29,517
Pupil transportation	448,534	411,284	434,132	(22,848)
Central.	22,941	18,989	20,113	(1,124)
Extracurricular activities.	449,121	441,557	443,301	(1,744)
Total expenditures	<u>13,220,810</u>	<u>13,053,239</u>	<u>12,985,968</u>	<u>67,271</u>
Excess (deficiency) of revenues over (under) expenditures.	<u>(538,994)</u>	<u>(371,423)</u>	<u>1,496,889</u>	<u>1,868,312</u>
Other financing sources (uses):				
Refund of prior year's expenditures	34,619	34,619	39,932	5,313
Transfers in	801,020	801,020	91,608	(709,412)
Transfers (out).	(106,730)	(136,379)	(105,347)	31,032
Advances in.	70,931	70,931	81,816	10,885
Advances (out)	(32,845)	(34,000)	(32,419)	1,581
Sale of capital assets	3,121	3,121	3,600	479
Total other financing sources (uses)	<u>770,116</u>	<u>739,312</u>	<u>79,190</u>	<u>(660,122)</u>
Net change in fund balance	231,122	367,889	1,576,079	1,208,190
Fund balance at beginning of year	1,873,803	1,873,803	1,873,803	-
Prior year encumbrances appropriated	64,347	64,347	64,347	-
Fund balance at end of year	<u>\$ 2,169,272</u>	<u>\$ 2,306,039</u>	<u>\$ 3,514,229</u>	<u>\$ 1,208,190</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET POSITION
PROPRIETARY FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

	<u>Governmental Activities - Internal Service Funds</u>
Operating revenues:	
Charges for services	\$ 903,075
Total operating revenues	<u>903,075</u>
Operating expenses:	
Purchased services.	903,075
Total operating expenses.	<u>903,075</u>
Income before transfers.	-
Transfer out	<u>(92,464)</u>
Change in net position	(92,464)
Net position at beginning of year.	<u>92,464</u>
Net position at end of year	<u>\$ -</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF CASH FLOWS
PROPRIETARY FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

	<u>Governmental Activities - Internal Service Funds</u>
Cash flows from operating activities:	
Cash received from customers.	\$ 903,075
Cash payments for goods and services	<u>(903,075)</u>
Net cash provided by (used in) operating activities	<u>-</u>
Cash flows from noncapital financing activities:	
Cash used in transfers out	<u>(92,464)</u>
Net cash used in noncapital financing activities.	<u>(92,464)</u>
Net decrease in cash and cash cash equivalents	(92,464)
Cash and cash equivalents at beginning of year . . .	<u>92,464</u>
Cash and cash equivalents at end of year	<u><u>\$ -</u></u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
FIDUCIARY FUNDS
JUNE 30, 2016

	Agency
Assets:	
Current assets:	
Equity in pooled cash and cash equivalents	\$ 20,019
Total assets.	\$ 20,019
Liabilities:	
Due to students.	\$ 20,019
Total liabilities	\$ 20,019

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**OBERLIN CITY SCHOOL DISTRICT
LORAIN COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 1 - DESCRIPTION OF THE DISTRICT

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 2016 was 1,003. The District employs 96 certificated and 81 noncertificated 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 or 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 Lorain County Joint Vocational School District, and the Ohio Schools Council which are considered to be jointly governed organizations. These organizations and their relationships with the District are described in more detail in Note 18 to these financial statements. Effective July 1, 2011, the District entered into the Suburban Health Consortium which is considered a shared health risk pool. A further description of this shared health risk pool is provided in Note 22 to the financial statements.

**OBERLIN CITY SCHOOL DISTRICT
LORAIN COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements of the District have been prepared in conformity with accounting principles generally accepted in the United States of America (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.

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.

**OBERLIN CITY SCHOOL DISTRICT
LORAIN COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

Governmental Funds - Governmental funds are those through which most governmental functions typically are financed. Governmental funds focus on the sources, uses, and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the 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.

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.

**OBERLIN CITY SCHOOL DISTRICT
LORAIN COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

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.

Nonexchange transactions, in which the District receives value without directly giving equal value in return, include property and income 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 income taxes is recognized in the fiscal year in which the underlying exchange transaction occurred. 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 of Resources and Deferred Inflows of Resources - In addition to assets, the government-wide statement of net position will 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, See Note 13 for deferred outflows of resources related the District's net pension liability.

**OBERLIN CITY SCHOOL DISTRICT
LORAIN COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

In addition to liabilities, both the government-wide statement of net position and the governmental fund financial statements report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. For the District, deferred inflows of resources include property taxes, payments in lieu of taxes and unavailable revenue. Property taxes and payments in lieu of taxes represent amounts for which there is an enforceable legal claim as of June 30, 2016, but which were levied to finance fiscal year 2017 operations. These amounts have been recorded as a deferred inflow of resources 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, but is not limited to, delinquent property taxes and intergovernmental grants. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available.

For the District, See Note 13 for deferred inflows of resources related to the District's net pension liability. This deferred inflow of resources is only reported on the government-wide statement of net position.

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

E. Budgetary Process

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

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

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

**OBERLIN CITY SCHOOL DISTRICT
LORAIN COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

F. Cash and Investments

Cash received by the District is deposited in one central bank account with individual fund balance integrity maintained through District records. Monies for all funds are maintained in this account or temporarily transferred to the State Treasurer's investment pool (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 in the general fund for the year ended June 30, 2016 totaled \$38,690 which includes \$4,535 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, 2016.

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, 2016, 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.

**OBERLIN CITY SCHOOL DISTRICT
LORAIN COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

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:

Description	Estimated Lives
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.

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.

**OBERLIN CITY SCHOOL DISTRICT
LORAIN COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

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, net pension liability 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. 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 \$584,052 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.

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 classification includes amounts that cannot be spent because they are not in spendable form or legally 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.

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

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 Board of Education (the highest level of decision making authority). Those committed amounts cannot be used for any other purpose unless the District 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.

**OBERLIN CITY SCHOOL DISTRICT
LORAIN COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

Assigned - Amounts in the assigned fund balance classification are intended to be used by the District for specific purposes, but do not meet the criteria to be classified as restricted or committed. In governmental funds, assigned amounts represent intended uses established by policies of the District Board of Education, which includes giving the Treasurer the authority to constrain monies for intended purposes. The Board of Education assigns fund balance by resolution. The Board of Education may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenues and appropriations in the subsequent year's appropriated budget.

Unassigned - Unassigned fund balance is the residual classification for the general fund and includes all spendable amounts not contained in the other classifications. In other governmental funds, the unassigned classification is only used to report a deficit fund 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 restricted and unrestricted (committed, assigned, and unassigned) fund balance is available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

N. Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary fund. For the District, these revenues are charges for services for the 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.

**OBERLIN CITY SCHOOL DISTRICT
LORAIN COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES- (Continued)

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 - ACCOUNTABILITY AND COMPLIANCE

A. Change in Accounting Principles

For fiscal year 2016, the District has implemented GASB Statement No. 72, "Fair Value Measurement and Application", GASB Statement No. 73 "Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68", GASB Statement No. 76, "The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments", and GASB Statement No. 79, "Certain External Investment Pools and Pool Participants".

GASB Statement No. 72 addresses accounting and financial reporting issues related to fair value measurement. This Statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements. The implementation of GASB Statement No. 72 did not have an effect on the financial statements of the District.

GASB Statement No. 73 improves the usefulness of information about pensions included in the general purposes external financial reports of state and local governments for making decisions and assessing accountability. The implementation of GASB Statement No. 73 did not have an effect on the financial statements of the District.

GASB Statement No. 76 identifies - in the context of the current governmental financial reporting environment - the hierarchy of generally accepted accounting principles (GAAP). This Statement reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and nonauthoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP. The implementation of GASB Statement No. 76 did not have an effect on the financial statements of the District.

GASB Statement No. 79 establishes criteria for an external investment pool to qualify for making the election to measure all of its investments at amortized cost for financial reporting purposes. The implementation of GASB Statement No. 79 did not have an effect on the financial statements of the District.

**OBERLIN CITY SCHOOL DISTRICT
LORAIN COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE - (Continued)

B. Deficit Fund Balances

Fund balances at June 30, 2016 included the following individual fund deficits:

<u>Nonmajor funds</u>	<u>Deficit</u>
Management Information Systems	\$ 430
Public School Preschool	17,240
IDEA Part B	41,206
Title I	42,113
Improving Teacher Quality	5,569
Miscellaneous Federal Grants	11,957

The general fund is liable for any deficit in this fund and provides transfers when cash is required, not when accruals occur. The deficit fund balance resulted from adjustments for accrued liabilities.

NOTE 4 - BUDGETARY BASIS OF ACCOUNTING

While reporting financial position, results of operations, and changes in fund balance 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 and disbursements.

The statement of revenue, expenditures and changes in fund balance - budget and actual (non-GAAP budgetary basis) 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 the GAAP basis are that:

- (a) Revenues and other financing sources are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis);
- (b) Expenditures and other financing uses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis);
- (c) In order to determine compliance with Ohio law, and to reserve that portion of the applicable appropriation, total outstanding encumbrances (budget basis) are recorded as the equivalent of an expenditure, as opposed to assigned or committed fund balance for that portion of outstanding encumbrances not already recognized as an account payable (GAAP basis);
- (d) Advances-in and advances-out are operating transactions (budget basis) as opposed to balance sheet transactions (GAAP basis); and,
- (e) Some funds are included in the general fund (GAAP basis), but have separate legally adopted budgets (budget basis).

**OBERLIN CITY SCHOOL DISTRICT
LORAIN COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 4 - BUDGETARY BASIS OF ACCOUNTING - (Continued)

The adjustments necessary to convert the results of operations for the year on the budget basis to the GAAP basis for the general fund is as follows:

Net Change in Fund Balance

	<u>General fund</u>
Budget basis	\$ 1,576,079
Net adjustment for revenue accruals	(700,008)
Net adjustment for expenditure accruals	1,712
Net adjustment for other sources/uses	42,290
Funds budgeted elsewhere	(7,885)
Adjustment for encumbrances	38,434
GAAP basis	\$ 950,622

Certain funds that are legally budgeted in separate special revenue funds are considered part of the general fund on a GAAP basis. This includes the uniform school supplies fund and the public school support fund.

NOTE 5 - DEPOSITS AND INVESTMENTS

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 that 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 deposits are deposits of interim monies. 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.

Interim monies may be deposited or invested in the following securities:

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;

**OBERLIN CITY SCHOOL DISTRICT
LORAIN COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 5 - DEPOSITS AND INVESTMENTS - (Continued)

2. Bonds, notes, debentures, or any other obligations or securities 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 two percent and be marked to market daily, and that 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 items (1) and (2) above 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. Certain banker's acceptance and commercial paper notes for a period not to exceed one hundred eighty days from the purchase date in an amount not to exceed twenty-five percent of the interim monies available for investment at any one time; and
8. Under limited circumstances, corporate debt interests rated in either of the two highest classifications by at least two nationally recognized rating agencies.

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.

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, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

A. Cash on Hand

At fiscal year end, the District had \$500 in undeposited cash on hand which is included on the financial statements of the District as part of "equity in pooled cash and cash equivalents".

**OBERLIN CITY SCHOOL DISTRICT
LORAIN COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 5 - DEPOSITS AND INVESTMENTS - (Continued)

B. Deposits with Financial Institutions

At June 30, 2016, the carrying amount of all District deposits was \$4,051,316. Based on the criteria described in GASB Statement No. 40, “Deposits and Investment Risk Disclosures”, as of June 30, 2016, \$3,992,122 of the District’s bank balance of \$4,242,122 was exposed to custodial risk as discussed below, while \$250,000 was covered by the FDIC.

Custodial credit risk is the risk that, in the event of bank failure, the District’s deposits may not be returned. All deposits are collateralized with eligible securities in amounts equal to at least 105% of the carrying value of the deposits. Such collateral, as permitted by the Ohio Revised Code, is held in single financial institution collateral pools at Federal Reserve Banks, or at member banks of the federal reserve system, in the name of the respective depository bank and pledged as a pool of collateral against all of the public deposits it holds or as specific collateral held at the Federal Reserve Bank in the name of the District. The District has no deposit policy for custodial credit risk beyond the requirements of State statute. Although the securities were held by the pledging institutions’ trust department and all statutory requirements for the deposit of money had been followed, noncompliance with federal requirements could potentially subject the District to a successful claim by the FDIC.

C. Investments

As of June 30, 2016, the District had the following investments and maturities:

<u>Investment type</u>	<u>Fair Value</u>	<u>Investment Maturities</u> 6 months or less
Star Ohio	\$ 5,722	\$ 5,722
Total	<u>\$ 5,722</u>	<u>\$ 5,722</u>

Interest Rate Risk: Interest rate risk arises potential purchasers of debt securities will not agree to pay face value for those securities if interest rates subsequently increase. As a means of limiting its exposure to fair value losses arising from rising interest rates and according to State law, the District’s investment policy limits investment portfolio maturities to five years or less.

Credit Risk: STAR Ohio carries a rating of AAAM by Standard & Poor’s. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service. The District’s U.S. Government money market funds were rated AAAM by Standard and Poor’s. The District’s investment policy does not address credit risk beyond the adherence to Chapter 135 of the Ohio Revised Code.

**OBERLIN CITY SCHOOL DISTRICT
LORAIN COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 5 - DEPOSITS AND INVESTMENTS - (Continued)

Custodial Credit Risk: For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, 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. The District has no investment policy dealing with investment custodial risk beyond the requirement in State statute that prohibits payment for investments prior to the delivery of the securities representing such investments to the Treasurer or qualified trustee.

Concentration of Credit Risk: The District places no limit on the amount that may be invested in any one issuer. The following table includes the percentage of each investment type held by the District at June 30, 2016:

<u>Investment type</u>	<u>Fair Value</u>	<u>% of Total</u>
STAR Ohio	\$ 5,722	100.00
Total	<u>\$ 5,722</u>	<u>100.00</u>

D. Reconciliation of Cash and Investments to the Statement of Net Position

The following is a reconciliation of cash and investments as reported in the note above to cash and investments as reported on the statement of net position as of June 30, 2016:

<u>Cash and investments per note</u>	
Carrying amount of deposits	\$ 4,051,316
Investments	5,722
Cash on hand	<u>500</u>
Total	<u>\$ 4,057,538</u>
 <u>Cash and investments per statement of net position</u>	
Governmental activities	\$ 4,037,519
Agency fund	<u>20,019</u>
Total	<u>\$ 4,057,538</u>

**OBERLIN CITY SCHOOL DISTRICT
LORAIN COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 6 - RECEIVABLES

Receivables at June 30, 2016 consisted of property taxes, income taxes, payment in lieu of taxes, accounts (billings for user charged services and student fees), accrued interest and intergovernmental grants and entitlements. All receivables are considered 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. A summary of the principal items of receivables reported in the statement of net position follows:

Governmental activities:

Property taxes	\$ 7,331,968
Income taxes	1,974,276
Payment in lieu of taxes	54,267
Accounts	12,720
Intergovernmental	194,274
Accrued interest	<u>3,189</u>
Total	<u>\$ 9,570,694</u>

NOTE 7 - PROPERTY TAXES

Property taxes are levied and assessed on a calendar year basis while the District fiscal year runs from July through June. First half tax collections are received by the 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 property and public utility property. Real property tax revenues received in calendar year 2016 represent the collection of calendar year 2015 taxes. Real property taxes received in calendar year 2016 were levied after April 1, 2015, on the assessed values as of January 1, 2015, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, 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 revenues received in calendar year 2016 represent the collection of calendar year 2015 taxes. Public utility real and personal property taxes received in calendar year 2016 became a lien on December 31, 2014, were levied after April 1, 2015, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

The District receives property taxes from Lorain County. The County Auditor periodically advances to the District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2016, are available to finance fiscal year 2016 operations. The amount available for advance at June 30, 2016 was \$387,123 in the general fund, \$17,669 in the education technology fund (a nonmajor governmental fund) and \$40,680 in the capital projects fund (a nonmajor governmental fund). This amount is recorded as revenue. The amount available for advance at June 30, 2015 was \$486,855 in the general fund, \$22,849 in the education technology fund (a nonmajor governmental fund) and \$52,636 in the capital projects fund (a nonmajor governmental fund). The amount of second-half real property taxes available for advance at fiscal year-end can vary based on the date the tax bills are sent.

**OBERLIN CITY SCHOOL DISTRICT
LORAIN COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 7 - PROPERTY TAXES - (Continued)

Accrued property taxes receivable includes real property, public utility property and delinquent tangible personal property taxes which are measurable as of June 30, 2016 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 was 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.

On the accrual basis of accounting, collectible delinquent property taxes have been recorded as a receivable and revenue, while on a modified accrual basis of accounting the revenue has been reported as a deferred inflow.

The assessed values upon which the fiscal year 2016 taxes were collected are:

	2015 Second Half Collections		2016 First Half Collections	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/residential and other real estate	\$ 176,173,530	94.65	\$ 183,924,580	97.30
Public utility personal	<u>9,958,240</u>	<u>5.35</u>	<u>5,100,880</u>	<u>2.70</u>
Total	<u>\$ 186,131,770</u>	<u>100.00</u>	<u>\$ 189,025,460</u>	<u>100.00</u>
Tax rate per \$1,000 of assessed valuation	\$59.80		\$59.70	

NOTE 8 - PAYMENT IN LIEU OF TAXES

According to State law, Lorain County has entered into an agreement with a property owner under which the County has granted property tax exemptions to the property owner. The property owner has agreed to make payments to the County which reflect all or a portion of the property taxes which the property owner would have paid if their taxes had not been exempted. The agreement requires a portion of these payments to be made to the School District. The property owner contractually promises to make these payments in lieu of taxes until the agreement expires.

NOTE 9 - 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.

**OBERLIN CITY SCHOOL DISTRICT
LORAIN COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 10 - CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2016, was as follows:

	<u>Balance</u> <u>June 30, 2015</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance</u> <u>June 30, 2016</u>
Governmental activities:				
<i>Capital assets, not being depreciated:</i>				
Land	\$ 2,279,070	\$ -	\$ -	\$ 2,279,070
Total capital assets, not being depreciated	<u>2,279,070</u>	<u>-</u>	<u>-</u>	<u>2,279,070</u>
<i>Capital assets, being depreciated:</i>				
Land improvements	1,293,244	-	-	1,293,244
Buildings and improvements	13,664,597	35,956	-	13,700,553
Furniture and equipment	1,250,796	173,987	-	1,424,783
Vehicles	950,427	21,283	(161,953)	809,757
Total capital assets, being depreciated	<u>17,159,064</u>	<u>231,226</u>	<u>(161,953)</u>	<u>17,228,337</u>
<i>Less: accumulated depreciation:</i>				
Land improvements	(1,125,972)	(14,644)	-	(1,140,616)
Buildings and improvements	(11,494,635)	(125,299)	-	(11,619,934)
Furniture and equipment	(985,744)	(157,607)	-	(1,143,351)
Vehicles	(809,317)	(37,910)	161,953	(685,274)
Total accumulated depreciation	<u>(14,415,668)</u>	<u>(335,460)</u>	<u>161,953</u>	<u>(14,589,175)</u>
Governmental activities capital assets, net	<u>\$ 5,022,466</u>	<u>\$ (104,234)</u>	<u>\$ -</u>	<u>\$ 4,918,232</u>

Depreciation expense was charged to governmental functions as follows:

<u>Instruction:</u>	
Regular	\$ 233,387
Vocational	22
<u>Support services:</u>	
Board of education	16,993
Administration	899
Operations and maintenance	14,734
Pupil transportation	58,290
Extracurricular activities	7,459
Food service operations	3,676
Total depreciation expense	<u>\$ 335,460</u>

**OBERLIN CITY SCHOOL DISTRICT
LORAIN COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 11 - INTERFUND ACTIVITY

On the fund financial statements at June 30, 2016, interfund balances consisted of the following:

	<u>Receivable</u>	<u>Payable</u>
<u>Major Fund</u>		
General Fund	\$ 32,418	\$ -
 <u>Nonmajor Funds</u>		
Special Revenue Funds	<u>-</u>	<u>32,418</u>
 Total	 <u>\$ 32,418</u>	 <u>\$ 32,418</u>

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. Interfund balances between governmental funds are eliminated on the government-wide statement of net position.

During the fiscal year ended June 30, 2016, the General Fund transferred \$105,347 to various nonmajor Special Revenue Funds. The District closed the internal service fund in fiscal year 2016 and transferred the remaining balance of \$92,464 to the General Fund and the nonmajor special revenue funds. The general fund received \$91,608 and the nonmajor special revenue funds received \$856. The transfers were eliminated on the government-wide statements because the transfers were between governmental funds. All transfers made in fiscal year 2016 were in accordance with Ohio Revised Code Sections 5705.14, 5705.15 and 5705.16.

NOTE 12 - RISK MANAGEMENT

The District is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets, errors and omissions, injuries to employees and natural disasters. The District contracted with the Netherlands Insurance Company for property, vehicle, and crime insurance. Automobile liability has a \$1,000,000 combined single limit of liability. Professional liability is covered by The 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 three years.

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.

**OBERLIN CITY SCHOOL DISTRICT
LORAIN COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 13 - DEFINED BENEFIT PENSION PLANS

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.

The 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 *pension and postemployment benefits payable* on both the accrual and modified accrual bases of accounting.

Plan Description - School 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.

**OBERLIN CITY SCHOOL DISTRICT
LORAIN COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 13 - DEFINED BENEFIT PENSION PLANS - (Continued)

Age and service requirements for retirement are as follows:

	Eligible to Retire on or before August 1, 2017 *	Eligible to Retire 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, 2016, the entire 14 percent was allocated to pension, death benefits, and Medicare B and no portion of the employer contribution rate was allocated to the Health Care Fund.

The District’s contractually required contribution to SERS was \$300,516 for fiscal year 2016. Of this amount, \$22,945 is reported as pension and postemployment benefits payable.

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.

**OBERLIN CITY SCHOOL DISTRICT
LORAIN COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 13 - DEFINED BENEFIT PENSION PLANS - (Continued)

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.

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, 2016, plan members were required to contribute 13 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 2016 contribution rates were equal to the statutory maximum rates.

**OBERLIN CITY SCHOOL DISTRICT
LORAIN COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 13 - DEFINED BENEFIT PENSION PLANS - (Continued)

The District's contractually required contribution to STRS was \$841,000 for fiscal year 2016. Of this amount, \$142,852 is reported as pension and postemployment benefits payable.

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, 2015, 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	\$ 3,932,773	\$ 15,860,608	\$ 19,793,381
Proportion of the net pension liability	0.06892230%	0.05738880%	
Pension expense	\$ 199,672	\$ 649,281	\$ 848,953

At June 30, 2016, 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	\$ 64,514	\$ 727,322	\$ 791,836
District contributions subsequent to the measurement date	<u>300,516</u>	<u>841,000</u>	<u>1,141,516</u>
Total deferred outflows of resources	<u>\$ 365,030</u>	<u>\$ 1,568,322</u>	<u>\$ 1,933,352</u>
Deferred inflows of resources			
Net difference between projected and actual earnings on pension plan investments	\$ 151,557	\$ 1,222,919	\$ 1,374,476
Changes in proportionate share	<u>132,314</u>	<u>552,682</u>	<u>684,996</u>
Total deferred inflows of resources	<u>\$ 283,871</u>	<u>\$ 1,775,601</u>	<u>\$ 2,059,472</u>

\$1,141,516 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, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

**OBERLIN CITY SCHOOL DISTRICT
LORAIN COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 13 - DEFINED BENEFIT PENSION PLANS - (Continued)

Fiscal Year Ending June 30:	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
2017	\$ (96,381)	\$ (421,571)	\$ (517,952)
2018	(96,381)	(421,571)	(517,952)
2019	(96,382)	(421,571)	(517,953)
2020	<u>69,787</u>	<u>216,434</u>	<u>286,221</u>
Total	<u>\$ (219,357)</u>	<u>\$ (1,048,279)</u>	<u>\$ (1,267,636)</u>

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.

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, 2015, are presented below:

Wage Inflation	3.25 percent
Future Salary Increases, including inflation	4.00 percent to 22.00 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.

**OBERLIN CITY SCHOOL DISTRICT
LORAIN COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 13 - DEFINED BENEFIT PENSION PLANS - (Continued)

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:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
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	100.00 %	

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.

	1% Decrease (6.75%)	Discount Rate (7.75%)	1% Increase (8.75%)
District's proportionate share of the net pension liability	\$ 5,453,343	\$ 3,932,773	\$ 2,652,328

**OBERLIN CITY SCHOOL DISTRICT
LORAIN COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 13 - DEFINED BENEFIT PENSION PLANS - (Continued)

Actuarial Assumptions - STRS

The total pension liability in the June 30, 2015, 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, 2015, 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>	

**OBERLIN CITY SCHOOL DISTRICT
LORAIN COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 13 - DEFINED BENEFIT PENSION PLANS - (Continued)

Discount Rate - The discount rate used to measure the total pension liability was 7.75 percent as of June 30, 2015. 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, 2015. 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, 2015.

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%)
District's proportionate share of the net pension liability	\$ 22,031,550	\$ 15,860,608	\$ 10,642,115

NOTE 14 - POSTEMPLOYMENT BENEFITS

A. School Employees Retirement System

Health Care Plan Description - The 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, number of qualified years of service, Medicare eligibility and retirement status.

**OBERLIN CITY SCHOOL DISTRICT
LORAIN COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 14 - POSTEMPLOYMENT BENEFITS - (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 2016, none of the employer contribution 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 2016, this amount was \$23,000. 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 2016, the District's surcharge obligation was \$32,833.

The District's contributions for health care for the fiscal years ended June 30, 2016, 2015, and 2014 were \$32,833, \$17,018, and \$34,655, respectively. The full amount has been contributed for fiscal years 2016, 2015 and 2014.

B. State Teachers Retirement System

Plan Description – The 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 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 years 2016 and 2015, STRS did not allocate any employer contributions to post-employment health care. The District's contributions for health care for the fiscal years ended June 30, 2016, 2015, and 2014 were \$0, \$0, and \$63,553, respectively. The full amount has been contributed for fiscal years 2016, 2015 and 2014.

**OBERLIN CITY SCHOOL DISTRICT
LORAIN COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 15 - LONG-TERM OBLIGATIONS

The following is a schedule of the changes in long-term obligations during fiscal year 2016:

	Balance 06/30/15	Additions	Reductions	Balance 06/30/16	Due in One Year
Capital leases	\$ 371,805	\$ 126,454	\$ (145,961)	\$ 352,298	\$ 111,193
Long-term lease payable	-	33,645	(11,692)	21,953	10,745
Compensated absences	909,470	177,932	(83,968)	1,003,434	167,127
Net Pension Liability:					
STRS	14,551,673	1,308,935	-	15,860,608	-
SERS	3,662,706	270,067	-	3,932,773	-
Total Net Pension Liability	<u>18,214,379</u>	<u>1,579,002</u>	<u>-</u>	<u>19,793,381</u>	<u>-</u>
Total Governmental Activities Long-Term Liabilities	<u>\$ 19,495,654</u>	<u>\$ 1,917,033</u>	<u>\$ (241,621)</u>	<u>\$ 21,171,066</u>	<u>\$ 289,065</u>

The capital leases will be repaid from the General Fund and Nonmajor Governmental Funds for permanent improvements and special levies (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 16 - CAPITAL LEASE AND LONG-TERM LEASE PAYABLE

The District has entered into lease agreements for financing certain HB264 energy improvements, a telephone system, copier equipment 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, 2016. The District has a long-term lease payable for computer equipment that did not meet the capitalization threshold. The assets acquired through capital leases are as follows:

Asset	Cost	Accumulated Depreciation	Net
H.B. 264 Energy Improvements	\$ 547,209	\$ (136,802)	\$ 410,407
Telephone System	165,025	(132,020)	33,005
Copier Equipment	126,454	(6,323)	120,131
Blue Bird 78 Passenger Bus	<u>85,850</u>	<u>(16,097)</u>	<u>69,753</u>
Total	<u>\$ 924,538</u>	<u>\$ (291,242)</u>	<u>\$ 633,296</u>

**OBERLIN CITY SCHOOL DISTRICT
LORAIN COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 16 - CAPITAL LEASE AND LONG-TERM LEASE PAYABLE - (Continued)

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2016, are as follows:

<u>Fiscal Year Ending June 30,</u>	<u>Amount</u>
2017	\$ 136,285
2018	111,740
2019	76,714
2020	<u>81,630</u>
Total minimum lease payments	406,369
Less: amount representing interest	<u>(32,118)</u>
Total	<u>\$ 374,251</u>

NOTE 17 - SET-ASIDES

The District is required by State law to annually set-aside certain general fund revenue amounts, as defined by 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 fiscal year-end. This amount must be carried forward to be used for the same purpose in future years. Expenditures exceeding the set-aside requirement may not be carried forward to the next fiscal year.

The following cash-basis information describes the change in the fiscal year-end set-aside amount for capital improvements. Disclosure of this information is required by State statute.

	<u>Capital Improvements</u>
Set-aside balance June 30, 2015	\$ -
Current year set-aside requirement	174,106
Contributions in excess of the current fiscal year set-aside requirement	-
Current year qualifying expenditures	-
Excess qualified expenditures from prior years	-
Current year offsets	(550,857)
Waiver granted by ODE	-
Prior year offset from bond proceeds	<u>-</u>
Total	<u>\$ (376,751)</u>
Balance carried forward to fiscal year 2017	<u>\$ -</u>
Set-aside balance June 30, 2016	<u>\$ -</u>

**OBERLIN CITY SCHOOL DISTRICT
LORAIN COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 18 - 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 2016, the School District paid \$13,192 to META for various services. Financial information can be obtained from META, 100 Executive Drive, Marion, Ohio 43302.

B. 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.

C. 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, 2016, the District paid \$1,104 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.

**OBERLIN CITY SCHOOL DISTRICT
LORAIN COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 19 - 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, 2016, if applicable, cannot be determined at this time.

B. Litigation

The District is not party to any legal proceedings.

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, 2016 Foundation funding for the District; therefore, the financial statement impact is not determinable at this time.

NOTE 20 - CONTRACTUAL COMMITMENT

The District had a contractual commitment in 2016 for the purchase of a Blue Bird Bus from Cardinal Bus Sales and Services in the amount of \$87,724. This bus was paid for and delivered in July of 2017.

NOTE 21 - OTHER COMMITMENTS

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

<u>Fund Type</u>	<u>Year-End Encumbrances</u>
General	\$ 39,408
Other governmental	<u>134,560</u>
Total	<u>\$ 173,968</u>

**OBERLIN CITY SCHOOL DISTRICT
LORAIN COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 22 - SHARED RISK POOL

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

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

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.

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REQUIRED SUPPLEMENTARY INFORMATION

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

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF
THE NET PENSION LIABILITY
SCHOOL EMPLOYEES RETIREMENT SYSTEM (SERS) OF OHIO

LAST THREE FISCAL YEARS

	<u>2015</u>	<u>2014</u>	<u>2013</u>
District's proportion of the net pension liability	0.06892230%	0.07237200%	0.07237200%
District's proportionate share of the net pension liability	\$ 3,932,773	\$ 3,662,706	\$ 4,303,731
District's covered-employee payroll	\$ 2,075,425	\$ 2,095,924	\$ 1,845,246
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	189.49%	174.75%	233.23%
Plan fiduciary net position as a percentage of the total pension liability	69.16%	71.70%	65.52%

Note: Information prior to fiscal year 2013 was unavailable.

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

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF
THE NET PENSION LIABILITY
STATE TEACHERS RETIREMENT SYSTEM (STRS) OF OHIO

LAST THREE FISCAL YEARS

	<u>2015</u>	<u>2014</u>	<u>2013</u>
District's proportion of the net pension liability	0.05738880%	0.05982567%	0.05982567%
District's proportionate share of the net pension liability	\$ 15,860,608	\$ 14,551,673	\$ 17,333,858
District's covered-employee payroll	\$ 6,029,221	\$ 6,236,246	\$ 6,208,177
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	263.06%	233.34%	279.21%
Plan fiduciary net position as a percentage of the total pension liability	72.10%	74.70%	69.30%

Note: Information prior to fiscal year 2013 was unavailable.

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

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF DISTRICT CONTRIBUTIONS
SCHOOL EMPLOYEES RETIREMENT SYSTEM (SERS) OF OHIO

LAST NINE FISCAL YEARS

	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Contractually required contribution	\$ 300,516	\$ 273,541	\$ 290,495	\$ 255,382
Contributions in relation to the contractually required contribution	<u>(300,516)</u>	<u>(273,541)</u>	<u>(290,495)</u>	<u>(255,382)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll	\$ 2,146,543	\$ 2,075,425	\$ 2,095,924	\$ 1,845,246
Contributions as a percentage of covered-employee payroll	14.00%	13.18%	13.86%	13.84%

Note: Information prior to fiscal year 2008 was unavailable.

<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
\$ 236,940	\$ 220,276	\$ 242,832	\$ 174,933	\$ 175,838
<u>(236,940)</u>	<u>(220,276)</u>	<u>(242,832)</u>	<u>(174,933)</u>	<u>(175,838)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 1,761,636	\$ 1,752,395	\$ 1,793,442	\$ 1,777,774	\$ 1,790,611
13.45%	12.57%	13.54%	9.84%	9.82%

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

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF DISTRICT CONTRIBUTIONS
STATE TEACHERS RETIREMENT SYSTEM (STRS) OF OHIO

LAST TEN FISCAL YEARS

	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Contractually required contribution	\$ 841,000	\$ 844,091	\$ 810,712	\$ 807,063
Contributions in relation to the contractually required contribution	<u>(841,000)</u>	<u>(844,091)</u>	<u>(810,712)</u>	<u>(807,063)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll	\$ 6,007,143	\$ 6,029,221	\$ 6,236,246	\$ 6,208,177
Contributions as a percentage of covered-employee payroll	14.00%	14.00%	13.00%	13.00%

<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
\$ 789,195	\$ 826,412	\$ 810,342	\$ 820,223	\$ 748,952	\$ 732,439
<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>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 6,070,731	\$ 6,357,015	\$ 6,233,400	\$ 6,309,408	\$ 5,761,169	\$ 5,634,146
13.00%	13.00%	13.00%	13.00%	13.00%	13.00%

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

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

SCHOOL EMPLOYEES RETIREMENT SYSTEM (SERS) OF OHIO

Changes in benefit terms : There were no changes in benefit terms from the amounts reported for fiscal years 2014-2016.

Changes in assumptions : There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal years 2014-2016. See the notes to the basic financials for the methods and assumptions in this calculation.

STATE TEACHERS RETIREMENT SYSTEM (STRS) OF OHIO

Changes in benefit terms : There were no changes in benefit terms from the amounts reported for fiscal years 2014-2016.

Changes in assumptions : There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal years 2014-2016. See the notes to the basic financials for the methods and assumptions in this calculation.

SUPPLEMENTARY INFORMATION

**OBERLIN CITY SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

FEDERAL GRANTOR/ SUB GRANTOR/ PROGRAM TITLE	CFDA NUMBER	(A) PASS-THROUGH GRANT NUMBER	(B) CASH FEDERAL DISBURSEMENTS
U.S. DEPARTMENT OF AGRICULTURE PASSED THROUGH THE OHIO DEPARTMENT OF EDUCATION			
Child Nutrition Grant Cluster:			
(D) (E) School Breakfast Program	10.553	2016	\$ 82,611
(D) (E) National School Lunch Program	10.555	2016	236,215
(C) (D) National School Lunch Program - Food Donation	10.555	2016	11,808
Total National School Lunch Program			248,023
(D) (E) Special Milk Program for Children	10.556	2016	983
Total U.S. Department of Agriculture and Child Nutrition Grant Cluster			331,617
U.S. DEPARTMENT OF EDUCATION PASSED THROUGH THE OHIO DEPARTMENT OF EDUCATION			
Title I Grants to Local Educational Agencies	84.010	2015	47,872
Title I Grants to Local Educational Agencies	84.010	2016	249,643
Total Title I Grants to Local Educational Agencies			297,515
Special Education Grant Cluster:			
(F) Special Education_Grants to States	84.027	2015	37,112
(F) Special Education_Grants to States	84.027	2016	201,018
Total Special Education _Grants to States			238,130
(F) Special Education_Preschool Grants	84.173	2016	9,280
Total Special Education_Preschool Grants			9,280
Total Special Education Grant Cluster			247,410
Improving Teacher Quality State Grants	84.367	2015	8,486
Improving Teacher Quality State Grants	84.367	2016	51,962
Total Improving Teacher Quality State Grants			60,448
Advanced Placement Program	84.330	2015	12,582
Advanced Placement Program	84.330	2016	2,254
Total Advanced Placement Program			14,836
Total U.S. Department of Education			620,209
U.S. DEPARTMENT OF TRANSPORTATION PASSED THROUGH THE OHIO DEPARTMENT OF TRANSPORTATION			
Highway Planning and Construction	20.205	101032	11,246
Total U.S. Department of Transportation			11,246
Total Federal Financial Assistance			\$ 963,072

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS:

- (A) OAKS did not assign pass-through numbers for fiscal year 2016.
- (B) This schedule includes the federal award activity of the Oberlin City School District under programs of the federal government for the fiscal year ended June 30, 2016 and is prepared in accordance with the cash basis of accounting. The information on this schedule is prepared in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the schedule presents only a selected portion of the operations of the Oberlin City School District, it is not intended to and does not present the financial position, changes in net position, or cash flows of the Oberlin City School District.
- (C) The Food Donation Program is a non-cash, in kind, federal grant. Commodities are reported at the entitlement value.
- (D) Included as part of "Child Nutrition Grant Cluster" in determining major programs.
- (E) Commingled with state and local revenue from sales of lunches; assumed expenditures were made on a first-in, first-out basis.
- (F) Included as part of "Special Education Grant Cluster" in determining major programs.
- (G) CFR 200.414 allows a non-federal entity that has never received a negotiated indirect cost rate to charge a de minimis rate of 10% of modified total direct costs to indirect costs. The District has not elected to use the 10% de minimis indirect cost rate.



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**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 N. 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, its major fund, and the aggregate remaining fund information of Oberlin City School District, Lorain County, Ohio, as of and for the fiscal year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Oberlin City School District's basic financial statements and have issued our report thereon dated November 11, 2016.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the Oberlin City School 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 Oberlin City School 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 Oberlin City School 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.

Board of Education
Oberlin City School District

Compliance and Other Matters

As part of reasonably assuring whether the Oberlin City School District's financial statements are free of material misstatements, we tested it 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 auditing 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 Oberlin City School District's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the Oberlin City School District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in cursive script that reads "Julian & Grube, Inc.".

Julian & Grube, Inc.
November 11, 2016



Julian & Grube, Inc.

Serving Ohio Local Governments

333 County Line Rd. West, Westerville, OH 43082 Phone: 614.846.1899 Fax: 614.846.2799

Independent Auditor's Report on Compliance With Requirements Applicable to the Major Federal Program and on Internal Control Over Compliance Required by the Uniform Guidance

Oberlin City School District
Lorain County
153 N. 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 compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could directly and materially affect the Oberlin City School District's major federal program for the fiscal year ended June 30, 2016. The *Summary of Auditor's Results* in the accompanying schedule of findings identifies the Oberlin City School District's major federal program.

Management's Responsibility

The Oberlin City School District's Management is responsible for complying with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to opine on the Oberlin City School District's compliance for the Oberlin City School 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 the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). These standards and the Uniform Guidance 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 Oberlin City School 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 Oberlin City School District's major program. However, our audit does not provide a legal determination of the Oberlin City School District's compliance.

Board of Education
Oberlin City School District

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 fiscal year ended June 30, 2016.

Report on Internal Control Over Compliance

The Oberlin City School 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 Oberlin City School 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 the Uniform Guidance, 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 Oberlin City School 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 Uniform Guidance requirements. Accordingly, this report is not suitable for any other purpose.



Julian & Grube, Inc.
November 11, 2016

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

**SCHEDULE OF FINDINGS
2 CFR § 200.515
JUNE 30, 2016**

1. SUMMARY OF AUDITOR'S RESULTS		
<i>(d)(1)(i)</i>	<i>Type of Financial Statement Opinion</i>	Unmodified
<i>(d)(1)(ii)</i>	<i>Were there any material control weaknesses reported at the financial statement level (GAGAS)?</i>	No
<i>(d)(1)(ii)</i>	<i>Were there any other significant deficiencies in internal control reported at the financial statement level (GAGAS)?</i>	No
<i>(d)(1)(iii)</i>	<i>Was there any reported material noncompliance at the financial statement level (GAGAS)?</i>	No
<i>(d)(1)(iv)</i>	<i>Were there any material internal control weaknesses reported for major federal programs?</i>	No
<i>(d)(1)(iv)</i>	<i>Were there any significant deficiencies in internal control reported for major federal programs?</i>	No
<i>(d)(1)(v)</i>	<i>Type of Major Program's Compliance Opinion</i>	Unmodified
<i>(d)(1)(vi)</i>	<i>Are there any reportable findings under 2 CFR §200.516(a)?</i>	No
<i>(d)(1)(vii)</i>	<i>Major Program (listed):</i>	Child Nutrition Cluster
<i>(d)(1)(viii)</i>	<i>Dollar Threshold: Type A/B Programs</i>	Type A: > \$750,000 Type B: all others
<i>(d)(1)(ix)</i>	<i>Low Risk Auditee under 2 CFR § 200.520?</i>	Yes

2. FINDING RELATED TO THE BASIC FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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None

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS
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None

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Dave Yost • Auditor of State

OBERLIN CITY SCHOOL DISTRICT

LORAIN COUNTY

CLERK'S CERTIFICATION

This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
JANUARY 31, 2017