

***OREGON CITY SCHOOL DISTRICT  
LUCAS COUNTY, OHIO***

**AUDIT REPORT**

**For the Year Ended June 30, 2007**

***Charles E. Harris & Associates, Inc.***  
**Certified Public Accountants and Government Consultants**





Mary Taylor, CPA  
Auditor of State

Board of Education  
Oregon City School District  
5721 Seaman Road  
Oregon, Ohio 43616

We have reviewed the *Report of Independent Accountants* of the Oregon City School District, Lucas County, prepared by Charles E. Harris & Associates, Inc., for the audit period July 1, 2006 through June 30, 2007. 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 Oregon City School District is responsible for compliance with these laws and regulations.

*Mary Taylor*

Mary Taylor, CPA  
Auditor of State

March 3, 2008

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**OREGON CITY SCHOOL DISTRICT  
LUCAS COUNTY, OHIO  
AUDIT REPORT  
For the Year Ended June 30, 2007**

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***Charles E. Harris & Associates, Inc.***  
*Certified Public Accountants*

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**REPORT OF INDEPENDENT ACCOUNTANTS**

Oregon City School District  
Lucas County  
5721 Seaman Road  
Oregon, Ohio 43616

To the Board of Education:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Oregon City School District, Lucas County, Ohio, (the District), as of and for the year ended June 30, 2007, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of the Oregon City School District, Lucas County, Ohio, as of June 30, 2007, and the respective changes in financial position, thereof and the budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis is not a required part of the basic financial statements, but is supplementary information the Governmental Accounting Standards Board requires. We have applied certain limited procedures, which consisted principally on inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 28, 2008 on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Oregon City School District's basic financial statements. The accompanying schedule of federal awards expenditures is presented for the purposes of additional analysis as required by *U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects, in relation to the basic financial statements taken as a whole.

***Charles E. Harris & Associates, Inc.***  
January 28, 2008

**OREGON CITY SCHOOL DISTRICT  
LUCAS COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

The management's discussion and analysis of the Oregon City School District's (the "District") financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2007. 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 the notes to the basic financial statements to enhance their understanding of the District's financial performance.

**Financial Highlights**

Key financial highlights for 2007 are as follows:

- In total, net assets of governmental activities increased \$5,889,020 which represents a 46.16% increase from 2006.
- General revenues accounted for \$46,713,393 in revenue or 88.21% of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$6,246,209 or 11.79% of total revenues of \$52,959,602.
- The District had \$47,070,582 in expenses related to governmental activities; \$6,246,209 of these expenses was offset by program specific charges for services and sales, grants or contributions. General revenues supporting governmental activities (primarily taxes and unrestricted grants and entitlements) were adequate to provide for these programs.
- The District's major governmental funds are the general fund and building fund. The general fund had \$40,098,868 in revenues and \$45,973,622 in expenditures. The fund balance of the general fund decreased from a balance of \$7,040,830 to a balance of \$1,166,076.
- The building fund had \$1,098,786 in revenues and \$32,286,230 in expenditures. The fund balance of the building fund decreased from \$42,523,580 to \$11,336,136.

**Using this Financial Report**

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

The *Statement of Net Assets* and *Statement of Activities* provide information about the activities of the whole District, presenting both an aggregate view of the District's finances and a longer-term view of those finances. Fund financial statements provide the next level of detail. For governmental funds, these statements tell 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. The District has two major funds: the general fund and the building fund.



**OREGON CITY SCHOOL DISTRICT  
LUCAS COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

**Reporting the District as a Whole**

***Statement of Net Assets and the Statement of Activities***

While this document contains 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 2007?" The Statement of Net Assets and the Statement of Activities answer this question. These statements include *all non-fiduciary assets, liabilities, revenues and expenses* using the *accrual basis of accounting* similar to the accounting used by most private-sector companies. This basis of accounting will take into account all of the current year's revenues and expenses regardless of when cash is received or paid.

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

In the Statement of Net Assets and the Statement of Activities, the Governmental Activities include the District's programs and services, including instruction, support services, operation and maintenance of plant, pupil transportation, extracurricular activities, and food service operations.

The District's statement of net assets and statement of activities can be found on pages 13-14 of this report.

**Reporting the District's Most Significant Funds**

***Fund Financial Statements***

The analysis of the District's major governmental funds begins on page 10. 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 funds are the general fund and building 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 financial statements provide a detailed *short-term* view of the District's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance educational programs. The relationship (or differences) between governmental *activities* (reported in the Statement of Net Assets and the Statement of Activities) and governmental *funds* is reconciled in the basic financial statements. The basic governmental fund financial statements can be found on pages 15-19 of this report.

**OREGON CITY SCHOOL DISTRICT  
LUCAS COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

***Reporting the District's Fiduciary Responsibilities***

The District is the trustee, or fiduciary, for some of its scholarship and foundation programs. This activity is presented as a private-purpose trust fund. The District also acts in a trustee capacity as an agent for individuals, private organizations, other governmental units and/or other funds. These activities are reported in two agency funds. The District's fiduciary activities are reported in separate Statements of Fiduciary Net Assets and Changes in Fiduciary Net Assets on pages 20 and 21, 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. These notes to the basic financial statements can be found on pages 22-50 of this report.

**The District as a Whole**

The Statement of Net Assets provides the perspective of the District as a whole.

The table below provides a summary of the District's net assets for 2007 and 2006.

|  | <b>Net Assets</b>                         |   |
|--|---|---|
|  | Governmental<br>Activities<br><u>2007</u> | Governmental<br>Activities<br><u>2006</u> |
| <b><u>Assets</u></b>                               |   |   |
| Current and other assets                           | \$ 60,035,864                             | \$ 93,235,723                             |
| Capital assets, net                                | <u>49,107,833</u>                         | <u>13,736,915</u>                         |
| Total assets                                       | <u>109,143,697</u>                        | <u>106,972,638</u>                        |
| <b><u>Liabilities</u></b>                          |   |   |
| Current liabilities                                | 35,403,329                                | 37,042,988                                |
| Long-term liabilities                              | <u>55,092,323</u>                         | <u>57,170,625</u>                         |
| Total liabilities                                  | <u>90,495,652</u>                         | <u>94,213,613</u>                         |
| <b><u>Net Assets</u></b>                           |   |   |
| Invested in capital<br>assets, net of related debt | 2,885,153                                 | 7,052,434                                 |
| Restricted   | 16,409,905                                | 4,648,700                                 |
| Unrestricted (deficit)                             | <u>(647,013)</u>                          | <u>1,057,891</u>                          |
| Total net assets                                   | <u>\$ 18,648,045</u>                      | <u>\$ 12,759,025</u>                      |

Over time, net assets can serve as a useful indicator of a government's financial position. At June 30, 2007, the District's assets exceeded liabilities by \$18,648,045.

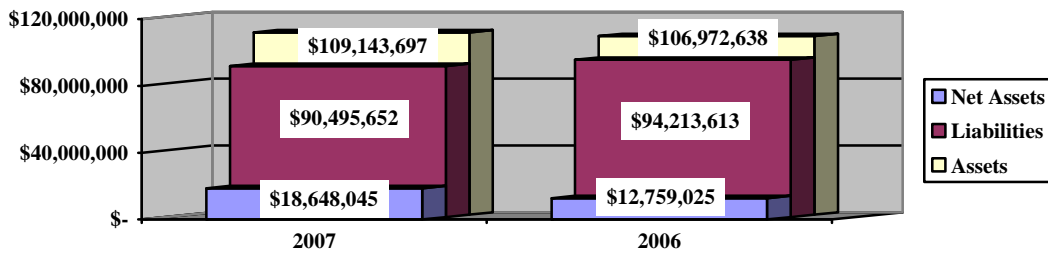
**OREGON CITY SCHOOL DISTRICT  
LUCAS COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

At year-end, capital assets represented 44.99% of total assets. Capital assets include land, construction in progress, land improvements, buildings and improvements, furniture and equipment, vehicles and infrastructure. Capital assets, net of related debt to acquire the assets at June 30, 2007, were \$2,885,153. These capital assets are used to provide services to the students and are not available for future spending. Although the District's investment in capital assets is reported net of related debt, it should be noted the resources to repay the debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities.

A portion of the District's net assets, \$16,409,905, represents resources that are subject to external restriction on how they may be used. Of the restricted net assets, \$14,023,357 is restricted for capital projects. The table below provides a summary of the District's net assets for 2007 and 2006.

**Governmental Activities**



The table below shows the change in net assets for fiscal years 2007 and 2006.

**Change in Net Assets**

|                                    | Governmental<br>Activities<br><u>2007</u> | Governmental<br>Activities<br><u>2006</u> |
|------------------------------------|---|---|
| <b><u>Revenues</u></b>             |   |   |
| Program revenues:                  |   |   |
| Charges for services and sales     | \$ 2,815,684                              | \$ 3,167,471                              |
| Operating grants and contributions | 3,395,643                                 | 3,294,286                                 |
| Capital grants and contributions   | 34,882                                    | 30,000                                    |
| General revenues:                  |   |   |
| Property taxes                     | 30,759,666                                | 28,676,628                                |
| Payment in lieu of taxes           | 969,536                                   | 1,483,661                                 |
| Grants and entitlements            | 12,645,590                                | 11,554,004                                |
| Investment earnings                | 2,330,303                                 | 2,543,233                                 |
| Other                              | 8,298                                     | 237,645                                   |
| Total revenues                     | <u>52,959,602</u>                         | <u>50,986,928</u>                         |

**OREGON CITY SCHOOL DISTRICT  
LUCAS COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

**Change in Net Assets**

|   | <u>Governmental<br/>Activities<br/>2007</u> | <u>Governmental<br/>Activities<br/>2006</u> |
|---|---|---|
| <b><u>Expenses</u></b>                    |   |   |
| Program expenses:                         |   |   |
| Instruction:                              |   |   |
| Regular                                   | \$ 17,408,161                               | \$ 20,026,374                               |
| Special                                   | 3,355,659                                   | 4,034,256                                   |
| Vocational                                | 3,321,686                                   | 4,112,118                                   |
| Adult/continuing                          | 769,645                                     | 699,301                                     |
| Other                                     | 604,544                                     | -   |
| Support services:                         |   |   |
| Pupil                                     | 2,487,946                                   | 1,852,242                                   |
| Instructional staff                       | 3,050,706                                   | 2,602,225                                   |
| Board of education                        | 48,251                                      | 72,843                                      |
| Administration                            | 2,707,467                                   | 2,575,613                                   |
| Fiscal                                    | 950,942                                     | 967,571                                     |
| Business                                  | 357,243                                     | 267,944                                     |
| Operations and maintenance                | 4,905,407                                   | 4,685,687                                   |
| Pupil transportation                      | 2,334,773                                   | 2,318,165                                   |
| Central                                   | 2,750                                       | 4,576                                       |
| Operations of non-instructional services: |   |   |
| Food service operations                   | 1,588,283                                   | 1,650,934                                   |
| Other non-instructional services          | 167,672                                     | 113,954                                     |
| Extracurricular activities                | 952,644                                     | 843,013                                     |
| Interest and fiscal charges               | <u>2,056,803</u>                            | <u>2,634,721</u>                            |
| Total                                     | <u>47,070,582</u>                           | <u>49,461,537</u>                           |
| Change in net assets                      | 5,889,020                                   | 1,525,391                                   |
| Net assets at beginning of year           | <u>12,759,025</u>                           | <u>11,233,634</u>                           |
| Net assets at end of year                 | <u>\$ 18,648,045</u>                        | <u>\$ 12,759,025</u>                        |

Tax revenue for the governmental activities increased 7.3% over fiscal year 2006. The increase was primarily in the tax revenue levied for permanent improvements and debt service. Overall, expenses for instruction and support services decreased as the District implemented cost cutting measures over the past fiscal year. Regular instruction expenses decreased \$2,618,213 or 13.07% as a result of the District's cost-cutting measures coupled with the District's early retirement incentive.

**Governmental Activities**

Net assets of the District's governmental activities increased \$5,889,020. Total governmental expenses of \$47,070,582 were offset by program revenues of \$6,246,209, and general revenues of \$46,713,393. Program revenues supported 13.27% of the total governmental expenses.

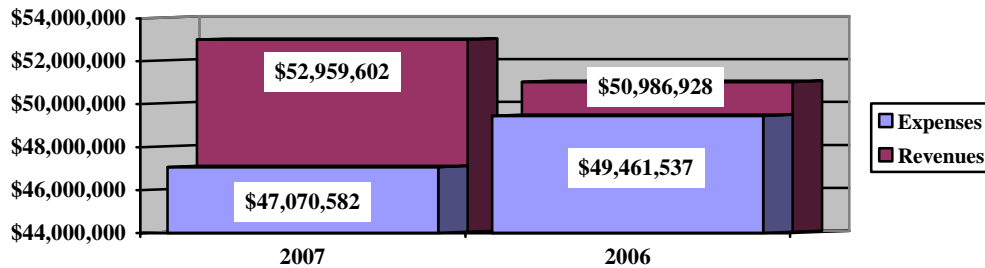
**OREGON CITY SCHOOL DISTRICT  
LUCAS COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

The primary sources of revenue for governmental activities are derived from property taxes and grants and entitlements. These two revenue sources represent 81.96% of total governmental revenue. Real estate property is reappraised every six years.

The largest expense of the District is for instructional programs. Instruction expenses totaled \$25,459,695 or 54.09% of total governmental expenses for fiscal year 2007. The graph below presents the District's governmental activities revenue and expenses for fiscal years 2007 and 2006.

**Governmental Activities - Revenues and Expenses**



The Statement of Activities shows the cost of program services and the charges for services and grants offsetting those services. The following table 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 grants and entitlements.

|   | Total Cost of<br>Services<br><u>2007</u> | Net Cost of<br>Services<br><u>2007</u> | Total Cost of<br>Services<br><u>2006</u> | Net Cost of<br>Services<br><u>2006</u> |
|---|--|--|--|--|
| <b>Program expenses</b>                   |  |  |  |  |
| Instruction:                              |  |  |  |  |
| Regular                                   | \$ 17,408,161                            | \$ 16,047,925                          | \$ 20,026,374                            | \$ 18,119,816                          |
| Special                                   | 3,355,659                                | 2,371,004                              | 4,034,256                                | 2,457,004                              |
| Vocational                                | 3,321,686                                | 2,985,776                              | 4,112,118                                | 3,691,546                              |
| Adult/continuing                          | 769,645                                  | 172,245                                | 699,301                                  | 238,177                                |
| Other                                     | 604,544                                  | 549,619                                | -  | -                                      |
| Support services:                         |  |  |  |  |
| Pupil                                     | 2,487,946                                | 2,350,298                              | 1,852,242                                | 1,825,074                              |
| Instructional staff                       | 3,050,706                                | 2,745,439                              | 2,602,225                                | 2,602,225                              |
| Board of education                        | 48,251                                   | 48,251                                 | 72,843                                   | 72,843                                 |
| Administration                            | 2,707,467                                | 2,438,028                              | 2,575,613                                | 2,575,613                              |
| Fiscal                                    | 950,942                                  | 944,768                                | 967,571                                  | 967,571                                |
| Business                                  | 357,243                                  | 357,243                                | 267,944                                  | 267,944                                |
| Operations and maintenance                | 4,905,407                                | 4,888,279                              | 4,685,687                                | 4,685,687                              |
| Pupil transportation                      | 2,334,773                                | 2,062,870                              | 2,318,165                                | 2,158,534                              |
| Central                                   | 2,750                                    | (199)                                  | 4,576                                    | 4,576                                  |
| Operations of non-instructional services: |  |  |  |  |
| Food service operations                   | 1,588,283                                | 154,766                                | 1,650,934                                | 148,201                                |
| Other non-instructional services          | 167,672                                  | (70,663)                               | 113,954                                  | (102,859)                              |
| Extracurricular activities                | 952,644                                  | 721,921                                | 843,013                                  | 623,107                                |
| Interest and fiscal charges               | 2,056,803                                | 2,056,803                              | 2,634,721                                | 2,634,721                              |
| <b>Total</b>                              | <u>\$ 47,070,582</u>                     | <u>\$ 40,824,373</u>                   | <u>\$ 49,461,537</u>                     | <u>\$ 42,969,780</u>                   |

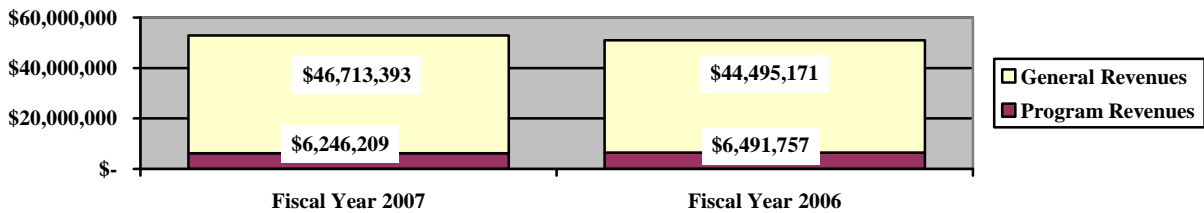
**OREGON CITY SCHOOL DISTRICT  
LUCAS COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

The dependence upon tax and other general revenues for governmental activities is apparent, 86.91% of instruction activities are supported through taxes and other general revenues. For all governmental activities, general revenue support is 86.73%. The District's taxpayers, as a whole, are by far the primary support for District students.

The graph below presents the District's governmental activities revenue for fiscal years 2007 and 2006.

**Governmental Activities - General and Program Revenues**



**The District's Funds**

The District's governmental funds (as presented on the balance sheet on page 15) reported a combined fund balance of \$12,395,618, which is lower than last year's total of \$51,924,939. The schedule below indicates the fund balance and the total change in fund balance as of June 30, 2007 and 2006.

|                    | Fund Balance<br><u>June 30, 2007</u> | Fund Balance<br><u>June 30, 2006</u> | Increase<br><u>(Decrease)</u> |
|--------------------|--------------------------------------|--------------------------------------|-------------------------------|
| General            | \$ 1,166,076                         | \$ 7,040,830                         | \$ (5,874,754)                |
| Building           | 11,336,136                           | 42,523,580                           | (31,187,444)                  |
| Other Governmental | <u>3,929,190</u>                     | <u>2,360,529</u>                     | <u>1,568,661</u>              |
| Total              | <u>\$ 16,431,402</u>                 | <u>\$ 51,924,939</u>                 | <u>\$ (35,493,537)</u>        |

The fund balance of the other governmental funds increased primarily due to an approximate increase of \$1.2 million in the permanent improvement fund and \$500,000 in the debt service fund. The tax collections in these funds were more than sufficient to cover the capital expenditures in the permanent improvement fund and the debt service expenditures in the debt service fund.

An analysis of the general fund and building fund is provided below.

**OREGON CITY SCHOOL DISTRICT  
LUCAS COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

***General Fund***

During fiscal year 2007, the District's general fund balance decreased \$5,874,754. The table that follows assists in illustrating the financial activities of the general fund.

|   | <u>Amount</u>        | <u>Amount</u>        | <u>Change</u> |
|---|----------------------|----------------------|---------------|
| <b><u>Revenues</u></b>                  |                      |                      |               |
| Taxes                                   | \$ 23,157,231        | \$ 26,680,683        | (13.21) %     |
| Payment in lieu of taxes                | 930,987              | 1,429,655            | (34.88) %     |
| Tuition                                 | 1,038,396            | 1,070,790            | (3.03) %      |
| Earnings on investments                 | 1,170,987            | 441,727              | 165.09 %      |
| Intergovernmental                       | 13,650,149           | 12,343,170           | 10.59 %       |
| Other revenues                          | <u>151,118</u>       | <u>250,387</u>       | (39.65) %     |
| Total                                   | <u>\$ 40,098,868</u> | <u>\$ 42,216,412</u> | (5.02) %      |
| <b><u>Expenditures</u></b>              |                      |                      |               |
| Instruction                             | \$ 26,200,018        | \$ 25,665,360        | 2.08 %        |
| Support services                        | 15,700,505           | 14,330,007           | 9.56 %        |
| Extracurricular activities              | 669,327              | 590,102              | 13.43 %       |
| Facilities acquisition and construction | 2,928,175            | 512,400              | 471.46        |
| Debt service                            | <u>475,597</u>       | <u>140,019</u>       | 239.67        |
| Total                                   | <u>\$ 45,973,622</u> | <u>\$ 41,237,888</u> | 11.48 %       |

Tax revenue decreased as the District's actual tax collections (cash basis) decreased approximately \$1,305,000 or 5.2% from fiscal year 2006 coupled with less taxes being collected by the county auditor and available as an advance at fiscal year end 2007 versus 2006. The amount of taxes collected and available as an advance is recorded as tax revenue on a GAAP basis and can vary depending upon when tax bills are sent out by the County Auditor. Payments in lieu of taxes decreased as the District was entitled to less of these payments in fiscal year 2007 versus 2006. Earnings on investments increased due to increasing interest rates and due to the recording of federal agency securities as their fair market value rather than at their cost (or carrying value) in accordance with GAAP. Intergovernmental revenue increased due to increase in the amount received from the State of Ohio in the form of foundation payments. All other revenue amounts remained consistent with fiscal 2006.

Instruction and support services increased due to normal and customary wage and benefit increases coupled with recording of the portion of the District's early retirement incentive as a fund liability to the extent it will be paid with current financial resources in accordance with GAAP. Facilities acquisition and construction increased due to the various construction projects undertaken by the District and debt service expenditures increased due to the payments on the 2006 energy conservation bonds being made in fiscal year 2007. All other expenditure amounts remained consistent with fiscal 2006.

***Building Fund***

During fiscal year 2007, the District's building fund balance decreased \$31,187,444. The building fund had \$1,098,786 in revenues and \$32,286,230 in expenditures. The fund balance of the building fund decreased from \$42,523,580 to \$11,336,136. The expenditures of the building fund are for various building projects undertaken by the District. These expenditures are recorded as construction in progress on the government wide financial statements.

**OREGON CITY SCHOOL DISTRICT  
LUCAS COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

***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 2007, the District amended its general fund budgeted revenue. For the general fund, original budgeted revenues and other financing sources of \$38,701,324 were increased to \$40,212,313 in the final budget. Actual revenues and other financing sources for fiscal 2007 were \$40,223,423 which was \$11,110 more than the final budgeted revenues.

General fund original appropriations (appropriated expenditures plus other financing uses) of \$42,206,045 were increased \$1,104,456 to \$43,310,501 in the final budget. The actual budget basis expenditures and other financing uses for fiscal year 2007 totaled \$43,146,597, which was \$163,904 lower than the final budget appropriations.

**Capital Assets and Debt Administration**

***Capital Assets***

At the end of fiscal year 2007, the District had \$49,107,833 invested in land, construction in progress, land improvements, buildings and improvements, furniture and equipment, vehicles and infrastructure. This entire amount is reported in governmental activities. The following table shows fiscal 2007 balances compared to 2006:

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

|                            | Governmental Activities |               |
|----------------------------|-------------------------|---------------|
|                            | 2007                    | 2006          |
| Land                       | \$ 495,967              | \$ 495,967    |
| Construction in progress   | 41,046,182              | 5,271,859     |
| Land improvements          | 283,554                 | 312,793       |
| Buildings and improvements | 5,319,326               | 5,437,993     |
| Furniture and equipment    | 624,591                 | 708,386       |
| Vehicles                   | 1,044,990               | 1,210,700     |
| Infrastructure             | 293,223                 | 299,217       |
| Total                      | \$ 49,107,833           | \$ 13,736,915 |

Total additions to capital assets for 2007 were \$35,810,507. The overall increase in capital assets of \$35,370,918 is primarily due to capital outlays exceeding the \$439,589 in depreciation expense for fiscal 2007. See Note 8 to the basic financial statements for additional information on the District's capital assets.



**OREGON CITY SCHOOL DISTRICT  
LUCAS COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

***Debt Administration***

At June 30, 2007, the District had \$46,261,167 in general obligation debt outstanding. Of this total, \$1,314,040 is due within one year and \$44,947,127 is due in greater than one year. The following table summarizes the governmental activities bonds, notes and capital lease obligations outstanding.

**Outstanding Debt, at Year End**

|                            | <u>June 30, 2007</u> | <u>June 30, 2006</u> |
|----------------------------|----------------------|----------------------|
| General obligation bonds   | \$ 40,515,000        | \$ 41,490,000        |
| Capital appreciation bonds | 2,193,480            | 2,176,197            |
| Energy conservation notes  | 3,545,830            | 3,829,925            |
| Capital lease obligations  | <u>6,857</u>         | <u>20,049</u>        |
| Total                      | <u>\$ 46,261,167</u> | <u>\$ 47,516,171</u> |

See Note 9 to the basic financial statements for additional information on the District's debt administration.

**Current Related Financial Activities**

The District is primarily a suburban school district located on the eastern edge of Lucas County which relies heavily on the local taxpayers for general fund revenue. Approximately 30 percent of the District's local revenue came from tangible personal property tax. The systematic elimination of this tax under HB 66 and the State's temporary reimbursement of the loss is quite concerning to the District. Regardless of the amount compared to the overall local revenue, it is still a loss that most likely will be passed onto the local taxpayer. The District has also suffered with an unintended consequence of HB 66 with the loss of monies previously abated from local companies of over \$1,300,000. The State is not compensating the District for this lost revenue.

A 4.4 mill bond levy was approved by the District's residents in November 2004. Proceeds from this levy are for renovations to three elementary schools, both middle schools, and Clay High School along with construction of one new elementary school, and demolition of older sections of Clay High School upon completion of the new addition. The Board of Education is in the process of auctioning off closed elementary school property.

The District has maintained enrollment over the last several years. The District serves approximately 3,908 students and employs 313 certificated teachers, 193 classified staff and 18 administrators. Oregon City School employees work under three separate union contracts which were rolled over for fiscal year 2008 with a 0% increase on base wages. Negotiations are planned for spring 2008. The District's current five year financial forecast indicates the need for additional revenues. The Board of Education approved over \$2,000,000 in reductions which were in place for the 2007-2008 school term. A failed November 2007 Levy attempt has prompted the need to reduce spending for the upcoming 2008-2009 school term by \$1,200,000. The Board of Education has placed a 5.9mill operating levy on the March 2008 Ballot, failure of this levy will create the need for an additional \$1,500,000 in reductions or revenue enhancements. Oregon City Schools is working hard to maintain outstanding student services in a challenging financial environment.

**Contacting the District's Financial Management**

This financial report is designed to provide our citizens, taxpayers, investors 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 questions about this report or need additional financial information contact Jane Fruth, Treasurer, Oregon City School District, 5721 Seaman Road, Oregon, Ohio 43616.

**BASIC  
FINANCIAL STATEMENTS**

**OREGON CITY SCHOOL DISTRICT  
LUCAS COUNTY, OHIO**

STATEMENT OF NET ASSETS  
JUNE 30, 2007

|   | <u>Governmental<br/>Activities</u> |
|---|------------------------------------|
| <b>Assets:</b>  |                                    |
| Equity in pooled cash and cash equivalents. . . . .         | \$ 24,307,001                      |
| Cash with escrow agent. . . . .                             | 984,254                            |
| Receivables:  |                                    |
| Taxes . . . . .   | 33,726,468                         |
| Accounts . . . . .  | 4,730                              |
| Intergovernmental . . . . .                                 | 186,051                            |
| Accrued interest . . . . .                                  | 87,416                             |
| Due from external parties. . . . .                          | 3,000                              |
| Prepayments . . . . .                                       | 251,187                            |
| Materials and supplies inventory. . . . .                   | 23,673                             |
| Unamortized bond issue costs . . . . .                      | 462,084                            |
| Capital assets:   |                                    |
| Land . . . . .  | 495,967                            |
| Construction in progress . . . . .                          | 41,046,182                         |
| Depreciable capital assets, net . . . . .                   | 7,565,684                          |
| Capital assets, net. . . . .                                | <u>49,107,833</u>                  |
| <br>Total assets. . . . .                                   | <br><u>109,143,697</u>             |
| <b>Liabilities:</b>   |                                    |
| Accounts payable. . . . .                                   | 337,547                            |
| Contracts payable. . . . .                                  | 4,082,871                          |
| Retainage payable. . . . .                                  | 984,254                            |
| Accrued wages and benefits . . . . .                        | 3,275,083                          |
| Pension obligation payable. . . . .                         | 981,963                            |
| Intergovernmental payable . . . . .                         | 83,644                             |
| Unearned revenue . . . . .                                  | 25,500,572                         |
| Accrued interest payable . . . . .                          | 157,395                            |
| Long-term liabilities:                                      |                                    |
| Due within one year. . . . .                                | 2,337,273                          |
| Due within more than one year . . . . .                     | 52,755,050                         |
| <br>Total liabilities . . . . .                             | <br><u>90,495,652</u>              |
| <b>Net Assets:</b>  |                                    |
| Invested in capital assets, net<br>of related debt. . . . . | 2,885,153                          |
| Restricted for:   |                                    |
| Capital projects . . . . .                                  | 14,023,357                         |
| Debt service. . . . .                                       | 1,510,625                          |
| State funded programs . . . . .                             | 372,530                            |
| Federally funded programs . . . . .                         | 289,123                            |
| Student activities . . . . .                                | 12,710                             |
| Other purposes . . . . .                                    | 201,560                            |
| Unrestricted (deficit) . . . . .                            | <u>(647,013)</u>                   |
| <br>Total net assets . . . . .                              | <br><u>\$ 18,648,045</u>           |

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**OREGON CITY SCHOOL DISTRICT  
LUCAS COUNTY, OHIO**

STATEMENT OF ACTIVITIES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

|  | Expenses             | Program Revenues                     |  |  | Net (Expense)<br>Revenue and<br>Changes in<br>Net Assets |
|--|----------------------|--------------------------------------|--|--|--|
|  |                      | Charges for<br>Services<br>and Sales | Operating<br>Grants and<br>Contributions | Capital<br>Grants and<br>Contributions | Governmental<br>Activities                               |
| <b>Governmental activities:</b>  |                      |                                      |  |  |  |
| Instruction:   |                      |                                      |  |  |  |
| Regular . . . . .  | \$ 17,408,161        | \$ 1,161,671                         | \$ 198,565                               | \$ -                                   | \$ (16,047,925)  |
| Special . . . . .  | 3,355,659            | -                                    | 984,655                                  | -                                      | (2,371,004)  |
| Vocational . . . . .   | 3,321,686            | 15,350                               | 320,560                                  | -                                      | (2,985,776)  |
| Adult/continuing . . . . .   | 769,645              | 487,452                              | 109,948                                  | -                                      | (172,245)  |
| Other . . . . .  | 604,544              | -                                    | 54,925                                   | -                                      | (549,619)  |
| Support services:  |                      |                                      |  |  |  |
| Pupil . . . . .  | 2,487,946            | -                                    | 137,648                                  | -                                      | (2,350,298)  |
| Instructional staff . . . . .  | 3,050,706            | -                                    | 305,267                                  | -                                      | (2,745,439)  |
| Board of education . . . . .   | 48,251               | -                                    | -  | -                                      | (48,251)   |
| Administration . . . . .   | 2,707,467            | 420                                  | 269,019                                  | -                                      | (2,438,028)  |
| Fiscal . . . . .   | 950,942              | -                                    | 6,174                                    | -                                      | (944,768)  |
| Business . . . . .   | 357,243              | -                                    | -  | -                                      | (357,243)  |
| Operations and maintenance . . . . .                                     | 4,905,407            | 15,191                               | 1,937                                    | -                                      | (4,888,279)  |
| Pupil transportation . . . . .   | 2,334,773            | -                                    | 237,021                                  | 34,882                                 | (2,062,870)  |
| Central . . . . .  | 2,750                | -                                    | 2,949                                    | -                                      | 199  |
| Operation of non-instructional services:                                 |                      |                                      |  |  |  |
| Food service operations . . . . .  | 1,588,283            | 907,946                              | 525,571                                  | -                                      | (154,766)  |
| Other non-instructional services . . . . .                               | 167,672              | -                                    | 238,335                                  | -                                      | 70,663   |
| Extracurricular activities . . . . .                                     | 952,644              | 227,654                              | 3,069                                    | -                                      | (721,921)  |
| Interest and fiscal charges . . . . .                                    | 2,056,803            | -                                    | -  | -                                      | (2,056,803)  |
| <b>Total governmental activities . . . . .</b>                           | <b>\$ 47,070,582</b> | <b>\$ 2,815,684</b>                  | <b>\$ 3,395,643</b>                      | <b>\$ 34,882</b>                       | <b>(40,824,373)</b>                                      |
| <b>General Revenues:</b>   |                      |                                      |  |  |  |
| Property taxes levied for:   |                      |                                      |  |  |  |
| General purposes . . . . .   |                      |                                      |  |  | 26,178,906   |
| Debt service . . . . .   |                      |                                      |  |  | 3,359,672  |
| Capital projects . . . . .   |                      |                                      |  |  | 1,221,088  |
| Grants and entitlements not restricted<br>to specific programs . . . . . |                      |                                      |  |  | 12,645,590   |
| Investment earnings . . . . .  |                      |                                      |  |  | 2,330,303  |
| Payment in lieu of taxes . . . . .                                       |                      |                                      |  |  | 969,536  |
| Miscellaneous . . . . .  |                      |                                      |  |  | 8,298  |
| <b>Total general revenues . . . . .</b>                                  |                      |                                      |  |  | <b>46,713,393</b>  |
| Change in net assets . . . . .   |                      |                                      |  |  | 5,889,020  |
| <b>Net assets at beginning of year . . . . .</b>                         |                      |                                      |  |  | <b>12,759,025</b>  |
| <b>Net assets at end of year . . . . .</b>                               |                      |                                      |  |  | <b>\$ 18,648,045</b>                                     |

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**OREGON CITY SCHOOL DISTRICT  
LUCAS COUNTY, OHIO**

BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2007

|  | <b>General</b>       | <b>Building</b>      | <b>Other<br/>Governmental<br/>Funds</b> | <b>Total<br/>Governmental<br/>Funds</b> |
|--|----------------------|----------------------|---|---|
| <b>Assets:</b>   |                      |                      |   |   |
| Equity in pooled cash<br>and cash equivalents . . . . .              | \$ 4,702,914         | \$ 15,392,204        | \$ 4,010,323                            | \$ 24,105,441                           |
| Cash with escrow agent . . . . .                                     | -                    | 984,254              | -                                       | 984,254                                 |
| Receivables:   |                      |                      |   |   |
| Taxes . . . . .  | 29,029,082           | -                    | 4,697,386                               | 33,726,468                              |
| Accounts . . . . .   | 3,858                | -                    | 872                                     | 4,730                                   |
| Intergovernmental . . . . .  | -                    | -                    | 186,051                                 | 186,051                                 |
| Accrued interest . . . . .   | 87,416               | -                    | -                                       | 87,416                                  |
| Interfund loans . . . . .  | 136,074              | -                    | -                                       | 136,074                                 |
| Due from external parties . . . . .                                  | 3,000                | -                    | -                                       | 3,000                                   |
| Prepayments . . . . .  | 224,384              | 26,803               | -                                       | 251,187                                 |
| Materials and supplies inventory . . . . .                           | -                    | -                    | 23,673                                  | 23,673                                  |
| Restricted assets:   |                      |                      |   |   |
| Equity in pooled cash<br>and cash equivalents . . . . .              | 201,560              | -                    | -                                       | 201,560                                 |
| Total assets . . . . .   | <u>\$ 34,388,288</u> | <u>\$ 16,403,261</u> | <u>\$ 8,918,305</u>                     | <u>\$ 59,709,854</u>                    |
| <b>Liabilities:</b>  |                      |                      |   |   |
| Accounts payable . . . . .   | \$ 259,699           | \$ -                 | \$ 77,848                               | \$ 337,547                              |
| Contracts payable . . . . .  | -                    | 4,082,871            | -                                       | 4,082,871                               |
| Retainage payable . . . . .  | -                    | 984,254              | -                                       | 984,254                                 |
| Accrued wages and benefits . . . . .                                 | 3,148,743            | -                    | 126,340                                 | 3,275,083                               |
| Compensated absences payable . . . . .                               | 87,823               | -                    | -                                       | 87,823                                  |
| Early retirement incentive payable . . . . .                         | 854,006              | -                    | -                                       | 854,006                                 |
| Pension obligation payable. . . . .                                  | 922,341              | -                    | 59,622                                  | 981,963                                 |
| Intergovernmental payable . . . . .                                  | 75,625               | -                    | 8,019                                   | 83,644                                  |
| Interfund loan payable . . . . .                                     | -                    | -                    | 136,074                                 | 136,074                                 |
| Deferred revenue . . . . .   | 5,874,749            | -                    | 1,079,866                               | 6,954,615                               |
| Unearned revenue . . . . .   | 21,999,226           | -                    | 3,501,346                               | 25,500,572                              |
| Total liabilities . . . . .  | <u>33,222,212</u>    | <u>5,067,125</u>     | <u>4,989,115</u>                        | <u>43,278,452</u>                       |
| <b>Fund Balances:</b>  |                      |                      |   |   |
| Reserved for encumbrances . . . . .                                  | 458,005              | 186,740              | 326,343                                 | 971,088                                 |
| Reserved for budget stabilization. . . . .                           | 201,560              | -                    | -                                       | 201,560                                 |
| Reserved for materials and<br>supplies inventory. . . . .            | -                    | -                    | 23,673                                  | 23,673                                  |
| Reserved for property tax unavailable<br>for appropriation . . . . . | 1,226,474            | -                    | 238,614                                 | 1,465,088                               |
| Reserved for prepayments . . . . .                                   | 224,384              | 26,803               | -                                       | 251,187                                 |
| Reserved for debt service. . . . .                                   | -                    | -                    | 785,846                                 | 785,846                                 |
| Unreserved, undesignated (deficit), reported in:                     |                      |                      |   |   |
| General fund . . . . .   | (944,347)            | -                    | -                                       | (944,347)                               |
| Special revenue funds. . . . .                                       | -                    | -                    | 479,324                                 | 479,324                                 |
| Capital projects funds. . . . .                                      | -                    | 11,122,593           | 2,075,390                               | 13,197,983                              |
| Total fund balances. . . . .   | <u>1,166,076</u>     | <u>11,336,136</u>    | <u>3,929,190</u>                        | <u>16,431,402</u>                       |
| Total liabilities and fund balances . . . . .                        | <u>\$ 34,388,288</u> | <u>\$ 16,403,261</u> | <u>\$ 8,918,305</u>                     | <u>\$ 59,709,854</u>                    |

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**OREGON CITY SCHOOL DISTRICT  
LUCAS COUNTY, OHIO**

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO  
NET ASSETS OF GOVERNMENTAL ACTIVITIES  
JUNE 30, 2007

|  |              |                      |
|--|--------------|----------------------|
| <b>Total governmental fund balances</b>  |              | \$ 16,431,402        |
| <i>Amounts reported for governmental activities in the statement of net assets are different because:</i>  |              |                      |
| Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.                              |              | 49,107,833           |
| Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.                             |              |                      |
| Taxes  | \$ 6,765,808 |                      |
| Accrued interest   | 71,367       |                      |
| Intergovernmental  | 117,440      |                      |
| Total  | 6,954,615    | 6,954,615            |
| Unamortized premiums on bond issuance is not recognized in the funds.  |              | (462,312)            |
| Unamortized bond issuance costs are not recognized in the funds.   |              | 462,084              |
| In the statement of activities interest is accrued on outstanding bonds, whereas in governmental funds, interest expenditures are reported when due. |              | (157,395)            |
| Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.           |              |                      |
| General obligation bonds   | 42,708,480   |                      |
| Energy conservation bonds  | 3,545,830    |                      |
| Capital lease obligation   | 6,857        |                      |
| Compensated absences   | 5,533,041    |                      |
| Early retirement incentive   | 1,893,974    |                      |
| Total  | 53,688,182   | (53,688,182)         |
| <b>Net assets of governmental activities</b>   |              | <b>\$ 18,648,045</b> |

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**OREGON CITY SCHOOL DISTRICT  
LUCAS COUNTY, OHIO**

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

|   | <u>General</u>      | <u>Building</u>      | <u>Other<br/>Governmental<br/>Funds</u> | <u>Total<br/>Governmental<br/>Funds</u> |
|---|---------------------|----------------------|---|---|
| <b>Revenues:</b>                                  |                     |                      |   |   |
| From local sources:                               |                     |                      |   |   |
| Taxes . . . . .                                   | \$ 23,157,231       | \$ -                 | \$ 3,962,136                            | \$ 27,119,367                           |
| Tuition. . . . .                                  | 1,038,396           | -                    | 498,868                                 | 1,537,264                               |
| Charges for services . . . . .                    | -                   | -                    | 903,876                                 | 903,876                                 |
| Earnings on investments. . . . .                  | 1,170,987           | 1,098,786            | 132,626                                 | 2,402,399                               |
| Extracurricular. . . . .                          | -                   | -                    | 227,654                                 | 227,654                                 |
| Classroom materials and supplies . . . . .        | 111,938             | -                    | -                                       | 111,938                                 |
| Other local revenues. . . . .                     | 39,180              | -                    | 4,070                                   | 43,250                                  |
| Payment in lieu of taxes. . . . .                 | 930,987             | -                    | 38,549                                  | 969,536                                 |
| Intergovernmental - State . . . . .               | 13,650,149          | -                    | 1,290,360                               | 14,940,509                              |
| Intergovernmental - Federal. . . . .              | -                   | -                    | 1,687,762                               | 1,687,762                               |
| Total revenue . . . . .                           | <u>40,098,868</u>   | <u>1,098,786</u>     | <u>8,745,901</u>                        | <u>49,943,555</u>                       |
| <b>Expenditures:</b>                              |                     |                      |   |   |
| Current:  |                     |                      |   |   |
| Instruction:                                      |                     |                      |   |   |
| Regular . . . . .                                 | 18,311,591          | -                    | 200,879                                 | 18,512,470                              |
| Special. . . . .                                  | 3,472,626           | -                    | 331,278                                 | 3,803,904                               |
| Vocational. . . . .                               | 3,609,051           | -                    | 18,198                                  | 3,627,249                               |
| Adult/continuing . . . . .                        | 218,698             | -                    | 491,232                                 | 709,930                                 |
| Other. . . . .                                    | 588,052             | -                    | 54,310                                  | 642,362                                 |
| Support Services:                                 |                     |                      |   |   |
| Pupil. . . . .                                    | 2,447,482           | -                    | 153,102                                 | 2,600,584                               |
| Instructional staff . . . . .                     | 2,711,987           | -                    | 329,664                                 | 3,041,651                               |
| Board of education . . . . .                      | 48,251              | -                    | -                                       | 48,251                                  |
| Administration. . . . .                           | 2,471,010           | -                    | 306,514                                 | 2,777,524                               |
| Fiscal . . . . .                                  | 943,604             | -                    | 77,850                                  | 1,021,454                               |
| Business . . . . .                                | 301,285             | -                    | -                                       | 301,285                                 |
| Operations and maintenance. . . . .               | 4,684,181           | -                    | 135,606                                 | 4,819,787                               |
| Pupil transportation . . . . .                    | 2,092,705           | -                    | 66,000                                  | 2,158,705                               |
| Central. . . . .                                  | -                   | -                    | 2,750                                   | 2,750                                   |
| Operation of non-instructional services . . . . . | -                   | -                    | 272,835                                 | 272,835                                 |
| Food service operations . . . . .                 | -                   | -                    | 1,481,124                               | 1,481,124                               |
| Extracurricular activities. . . . .               | 669,327             | -                    | 229,637                                 | 898,964                                 |
| Facilities acquisition and construction . . . . . | 2,928,175           | 32,286,230           | 219,486                                 | 35,433,891                              |
| Debt service:                                     |                     |                      |   |   |
| Principal retirement . . . . .                    | 297,287             | -                    | 975,000                                 | 1,272,287                               |
| Interest and fiscal charges . . . . .             | 178,310             | -                    | 1,855,448                               | 2,033,758                               |
| Total expenditures . . . . .                      | <u>45,973,622</u>   | <u>32,286,230</u>    | <u>7,200,913</u>                        | <u>85,460,765</u>                       |
| Net change in fund balances . . . . .             | (5,874,754)         | (31,187,444)         | 1,544,988                               | (35,517,210)                            |
| Fund balances at beginning of year . . . . .      | 7,040,830           | 42,523,580           | 2,360,529                               | 51,924,939                              |
| Increase in reserve for inventory . . . . .       | -                   | -                    | 23,673                                  | 23,673                                  |
| Fund balances at end of year. . . . .             | <u>\$ 1,166,076</u> | <u>\$ 11,336,136</u> | <u>\$ 3,929,190</u>                     | <u>\$ 16,431,402</u>                    |

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**OREGON CITY SCHOOL DISTRICT  
LUCAS 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, 2007

**Net change in fund balances - total governmental funds** \$ (35,517,210)

*Amounts reported for governmental activities in the statement of activities are different because:*

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

|                           |            |            |
|---------------------------|------------|------------|
| Capital assets additions  | 35,810,507 |            |
| Current year depreciation | (439,589)  |            |
|                           |            |            |
| Total                     |            | 35,370,918 |

Governmental funds report expenditures for inventory when purchased. However, in the statement of activities, they are reported as an expense when consumed.

23,673

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

|                           |           |           |
|---------------------------|-----------|-----------|
| Delinquent property taxes | 3,640,299 |           |
| Intergovernmental revenue | 79,958    |           |
| Earnings on investments   | (65,035)  |           |
| Tuition and fees          | (631,819) |           |
| Miscellaneous             | (7,356)   |           |
|                           |           |           |
| Total                     |           | 3,016,047 |

Repayment of bond and lease principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities on the statement of net assets.

1,272,287

Governmental funds report expenditures for interest when it is due. In the statement of activities, interest expense is recognized as the interest accrues, regardless of when it is due. The additional interest reported in the statement of activities is due to the accrued interest on bonds and additional accumulated accreted interest on the capital appreciation bonds. Premiums and issuance costs are reported as revenues and expenditures when debt is first issued; however the amounts are deferred and amortized on the statement of net assets.

|  |          |          |
|--|----------|----------|
| Accrued interest payable                       | (5,762)  |          |
| Annual accretion on capital appreciation bonds | (17,283) |          |
| Amortization of premium                        | 18,777   |          |
| Amortization of issuance costs                 | (18,777) |          |
|  |          |          |
| Total  |          | (23,045) |

Some expenses reported in the statement of activities, such as compensated absences, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.

1,746,350

**Change in net assets of governmental activities** \$ 5,889,020

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS



**OREGON CITY SCHOOL DISTRICT  
LUCAS 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, 2007

|   | <u>Budgeted Amounts</u> |                     | <u>Actual</u>       | <u>Variance with<br/>Final Budget<br/>Positive<br/>(Negative)</u> |
|---|-------------------------|---------------------|---------------------|---|
|   | <u>Original</u>         | <u>Final</u>        |                     |   |
| <b>Revenues:</b>                                      |                         |                     |                     |   |
| From local sources:                                   |                         |                     |                     |   |
| Taxes . . . . .                                       | \$ 23,386,587           | \$ 24,299,653       | \$ 23,887,271       | \$ (412,382)  |
| Tuition. . . . .                                      | 567,830                 | 590,000             | 1,038,126           | 448,126   |
| Earnings on investments. . . . .                      | 344,837                 | 358,300             | 405,873             | 47,573  |
| Classroom materials and supplies . . . . .            | 101,055                 | 105,000             | 111,938             | 6,938   |
| Other local revenues. . . . .                         | 907,115                 | 942,531             | 971,374             | 28,843  |
| Intergovernmental - State . . . . .                   | 13,182,457              | 13,697,131          | 13,650,149          | (46,982)  |
| Total revenue . . . . .                               | <u>38,489,881</u>       | <u>39,992,615</u>   | <u>40,064,731</u>   | <u>72,116</u>   |
| <b>Expenditures:</b>                                  |                         |                     |                     |   |
| Current:  |                         |                     |                     |   |
| Instruction:  |                         |                     |                     |   |
| Regular . . . . .                                     | 17,281,327              | 17,733,548          | 18,122,989          | (389,441)   |
| Special. . . . .                                      | 3,228,139               | 3,312,614           | 3,431,053           | (118,439)   |
| Vocational. . . . .                                   | 3,667,263               | 3,763,228           | 3,587,424           | 175,804   |
| Adult/Continuing. . . . .                             | 241,147                 | 247,458             | 234,412             | 13,046  |
| Other. . . . .  | 481,010                 | 493,597             | 588,052             | (94,455)  |
| Support Services:                                     |                         |                     |                     |   |
| Pupil. . . . .  | 2,652,138               | 2,721,540           | 2,445,884           | 275,656   |
| Instructional staff . . . . .                         | 2,686,880               | 2,757,190           | 2,657,083           | 100,107   |
| Board of education . . . . .                          | 49,641                  | 50,940              | 49,454              | 1,486   |
| Administration. . . . .                               | 2,467,346               | 2,531,912           | 2,433,596           | 98,316  |
| Fiscal . . . . .                                      | 904,273                 | 927,937             | 912,751             | 15,186  |
| Business . . . . .                                    | 307,086                 | 315,122             | 309,460             | 5,662   |
| Operations and maintenance. . . . .                   | 4,829,317               | 4,955,691           | 4,984,787           | (29,096)  |
| Pupil transportation . . . . .                        | 2,213,595               | 2,271,521           | 2,128,619           | 142,902   |
| Extracurricular activities. . . . .                   | 600,733                 | 616,453             | 660,209             | (43,756)  |
| Debt service:   |                         |                     |                     |   |
| Principal retirement. . . . .                         | 276,850                 | 284,095             | 284,095             | -   |
| Interest and fiscal charges. . . . .                  | 173,125                 | 177,655             | 177,655             | -   |
| Total expenditures . . . . .                          | <u>42,059,870</u>       | <u>43,160,501</u>   | <u>43,007,523</u>   | <u>152,978</u>  |
| Excess of revenues over<br>expenditures. . . . .      | <u>(3,569,989)</u>      | <u>(3,167,886)</u>  | <u>(2,942,792)</u>  | <u>225,094</u>  |
| <b>Other financing sources (uses):</b>                |                         |                     |                     |   |
| Refund of prior year expenditure . . . . .            | 144,364                 | 150,000             | 88,844              | (61,156)  |
| Advances in. . . . .                                  | 67,079                  | 69,698              | 69,698              | -   |
| Advances (out) . . . . .                              | (146,175)               | (150,000)           | (139,074)           | 10,926  |
| Sale of capital assets. . . . .                       | -                       | -                   | 150                 | 150   |
| Total other financing sources (uses) . . . . .        | <u>65,268</u>           | <u>69,698</u>       | <u>19,618</u>       | <u>(50,080)</u>   |
| Net change in fund balance . . . . .                  | (3,504,721)             | (3,098,188)         | (2,923,174)         | 175,014   |
| <b>Fund balance at beginning of year . . . . .</b>    | 5,983,092               | 5,983,092           | 5,983,092           | -   |
| <b>Prior year encumbrances appropriated . . . . .</b> | 458,417                 | 458,417             | 458,417             | -   |
| <b>Fund balance at end of year. . . . .</b>           | <u>\$ 2,936,788</u>     | <u>\$ 3,343,321</u> | <u>\$ 3,518,335</u> | <u>\$ 175,014</u>   |

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**OREGON CITY SCHOOL DISTRICT  
LUCAS COUNTY, OHIO**

STATEMENT OF FIDUCIARY NET ASSETS  
FIDUCIARY FUNDS  
JUNE 30, 2007

|   | <b>Private-Purpose<br/>Trust</b> |               |
|---|----------------------------------|---------------|
|   | <b>Scholarship</b>               | <b>Agency</b> |
| <b>Assets:</b>  |                                  |               |
| Equity in pooled cash<br>and cash equivalents . . . . . | \$ 330,612                       | \$ 199,720    |
| Receivables:  |                                  |               |
| Accounts . . . . .                                      | -                                | 284           |
| Accrued interest . . . . .                              | 73                               | -             |
|   | 330,685                          | -             |
| Total assets . . . . .                                  | 330,685                          | \$ 200,004    |
| <b>Liabilities:</b>                                     |                                  |               |
| Accounts payable . . . . .                              | 4,000                            | \$ 22,446     |
| Due to students . . . . .                               | -                                | 140,273       |
| Due to other governments . . . . .                      | -                                | 396           |
| Due to external parties . . . . .                       | -                                | 3,000         |
| Undistributed assets . . . . .                          | -                                | 33,889        |
|   | 4,000                            | 33,889        |
| Total liabilities . . . . .                             | 4,000                            | \$ 200,004    |
| <b>Net Assets:</b>                                      |                                  |               |
| Held in trust for scholarships . . . . .                | 90,722                           |               |
| Endowment . . . . .                                     | 235,963                          |               |
|   | 326,685                          |               |
| Total net assets . . . . .                              | \$ 326,685                       |               |

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**OREGON CITY SCHOOL DISTRICT  
LUCAS COUNTY, OHIO**

STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS  
FIDUCIARY FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

|  | <u>Private-Purpose<br/>Trust</u> |                          |
|--|----------------------------------|--------------------------|
|  | <u>Scholarship</u>               |                          |
| <b>Additions:</b>                                |                                  |                          |
| Interest . . . . .                               | \$                               | 14,944                   |
| Gifts and contributions. . . . .                 |                                  | 26,996                   |
| Miscellaneous . . . . .                          |                                  | 3,952                    |
|  |                                  | <hr/>                    |
| Total additions . . . . .                        |                                  | 45,892                   |
|  |                                  | <hr/>                    |
| <b>Deductions:</b>                               |                                  |                          |
| Scholarships awarded . . . . .                   |                                  | 34,488                   |
|  |                                  | <hr/>                    |
| Change in net assets . . . . .                   |                                  | 11,404                   |
| <b>Net assets at beginning of year . . . . .</b> |                                  | <hr/> 315,281            |
| <b>Net assets at end of year. . . . .</b>        | <b>\$</b>                        | <b><hr/><hr/>326,685</b> |

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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**OREGON CITY SCHOOL DISTRICT  
LUCAS COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

**NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT**

Oregon City School District (the "District") is organized under Article VI, Sections 2 and 3 of the Constitution of the State of Ohio. The District operates under a locally-elected Board form of government consisting of five members elected at-large for staggered four year terms. The District provides educational services as authorized by state and federal guidelines.

The District is located in Lucas County, and includes all of the City of Oregon, and portions of surrounding townships. The District is the 98th largest in the State of Ohio (among the 876 public school districts and community schools) in terms of enrollment. It is staffed by 193 classified employees, 313 certified teaching personnel, and 18 administrative employees who provide services to 3,996 students and other community members. The District currently operates four elementary schools, two middle schools, and one comprehensive high school.

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The basic financial statements of Oregon City School District have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The District also applies Financial Accounting Standards Board (FASB) statements and interpretations issued on or before November 30, 1989, to its governmental activities provided they do not conflict with or contradict GASB pronouncements.

Following are the more significant of the District's accounting policies:

**A. Reporting Entity**

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

The following activity is also included within the District's reporting entity:

Within the District boundaries, Cardinal Stritch High School is operated as a private school. Current State legislation provides funding to this parochial school. The monies are received and disbursed on behalf of the parochial school by the Treasurer of the District, as directed by the parochial school. This activity is reflected in a nonmajor governmental fund for financial reporting purposes by 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; or (2) the District is legally entitled to or can otherwise access the organization's resources; or (3) the District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or (4) the District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the District in that the District approves the budget, the issuance of debt, or the levying of taxes.

**OREGON CITY SCHOOL DISTRICT  
LUCAS COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

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

There following organizations are described due to their relationship to the District:

*DISCRETELY PRESENTED COMPONENT UNIT*

The Eagle Learning Center, Inc. (the "Learning Center") is a legally separate, non-profit corporation established pursuant to Ohio Revised Code Chapters 3314 and 3314.03. The Learning Center is a new conversion school that addresses the needs of students who desire a curriculum delivery system that allows for individualized self-paced instruction through distance learning technologies. The mission of the Learning Center is to provide a pathway for life-long educational pursuits, employment opportunities, and responsible citizenry. The Learning Center is governed by a seven voting and two non-voting member Board of Directors which are appointed by the District. The Learning Center Board of Directors may adopt budgets, hire and fire employees, and receive funding from the Ohio Department of Education. The District is able to impose its will upon the operations for the Learning Center; therefore, the Learning Center is considered a discretely presented component unit of the District. Separately issued financial statements can be obtained from the Treasurer of the Eagle Learning Center Digital Academy at 5721 Seaman Rd., Oregon, Ohio 43616.

The Learning Center began operations in fiscal year 2007. The fiscal year 2007 activity of the Learning Center is immaterial to the operations of the District and, therefore, not presented in the District's financial statements. The District is the sponsoring government of the Learning Center.

Information in the following notes to the basic financial statements is applicable to the primary government. Information relative to the component unit can be found in the separately issued financial statements.

*JOINTLY GOVERNED ORGANIZATIONS*

Northwest Ohio Computer Association

The District is a participant in the Northwest Ohio Computer Association (NWOCA), which is a computer consortium. NWOCA is an association of educational entities within the boundaries of Defiance, Fulton, Henry, Lucas, Williams, and Wood Counties. 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 educational entities.

The NWOCA Assembly consists of the superintendent from each participating educational entity and a representative from the fiscal agent. The Assembly elects the governing Council of two representatives from each of the six counties in which member educational entities are located and the representative from the member educational entity serving as fiscal agent for NWOCA. The degree of control exercised by any participating educational entity is limited to its representation on the Board. During fiscal year 2007, the District paid \$239,635 to NWOCA for various services, supplies and equipment. Financial information can be obtained from the Northwest Ohio Computer Association, 22-900 State Route 34, Archbold, Ohio 43502.

**OREGON CITY SCHOOL DISTRICT  
LUCAS COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

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

Northern Buckeye Education Council

The Northern Buckeye Education Council (NBEC) was established in 1979 to foster cooperation among educational entities located in Defiance, Fulton, Henry, Lucas, Williams, and Wood Counties. NBEC is organized under Ohio laws as a regional council of governments pursuant to a written agreement entered into by its member educational entities and bylaws adopted by the representatives of the member educational entities. NBEC is governed by an elected Board consisting of two representatives from each of the six counties in which the member educational entities are located. The Board is elected from an Assembly consisting of a representative from each participating educational entity. Financial information can be obtained from the Northern Buckeye Education Council, 22-900 State Route 34, Archbold, Ohio 43502.

Northwestern Ohio Educational Research Council, Inc.

The Northwestern Ohio Educational Research Council, Inc. (NOERC) is a jointly governed organization formed to bring educational entities into a better understanding of their common educational problems, facilitate and conduct practical educational research, coordinate educational research among members, provide a means for evaluating and disseminating the results of research, serve as a repository for research and legislative materials, and provide opportunities for training. The NOERC serves a twenty five county area in Northwest Ohio. The Board of Directors consists of superintendents from two educational service centers, two exempted village school districts, five local school districts, and five city school districts, as well as representatives from two private or parochial schools, and three institutions of higher education. Each active member is entitled to one vote on all issues addressed by the Board of Directors. Financial information can be obtained from the Northwestern Ohio Educational Research Council, Inc., Box 456, Ashland, Ohio 44805.

Northwest Ohio Regional Professional Development Center

The Northwest Ohio Regional Professional Development Center (RPDC) is a jointly governed organization among the school districts in Defiance, Erie, Fulton, Henry, Lucas, Ottawa, Sandusky, Williams, and Wood counties. The RPDC focuses on the implementation of academic content standards and the deployment of State initiatives. All activities reflect definition of high quality professional development, including job-embedded, connected to strategic goals, sustained, intensive skill building, and measurement of impact on student learning.

The Center is governed by a fifteen member board made up of representatives from the participating school districts, the business community, and two institutions of higher learning. The degree of control exercised by any participating school district is limited to its representation on the Board. Financial information can be obtained from the Northwest Ohio Regional Professional Development Center, 414 Emerald Street, 2nd Floor, Toledo, Ohio 43602.

**OREGON CITY SCHOOL DISTRICT  
LUCAS COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

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

Northwest Ohio Special Education Regional Resource Center

The Northwest Ohio Special Education Regional Resource Center (SERRC) is a jointly governed organization formed to provide services to families, educators, and agencies regarding educational law and curriculum and instruction for students with disabilities. The SERRC serves a thirteen county area in Northwest Ohio. The Governing Board consists of superintendents from each of the cooperating school districts, the fiscal agent superintendent, two parents of children with disabilities, one superintendent of a county board of MR/DD, one representative from a chartered non-public school, one representative from the University of Toledo, one representative from Bowling Green State University, one representative from a community school, and any other representatives from other agencies as designated by the Governing Board or the Ohio Department of Education. The degree of control exercised by any participating school district is limited to its representation on the Board. Financial information can be obtained from the Eastwood Local School District, 4800 Sugar Ridge Road, Pemberville, Ohio 43450.

*PUBLIC ENTITY RISK POOL*

Northwest Ohio Educational Council Insurance Pool

The District participates in the Northwest Ohio Educational Council Insurance Pool (Pool), an insurance purchasing pool established under Section 2744.081 of the Ohio Revised Code. The Pool is an unincorporated nonprofit association of its members which enables the participants to provide for a formalized joint insurance purchasing program for maintaining adequate insurance protection and provides risk management programs and other administrative services. The Pool's business and affairs are conducted by a nine member board consisting of superintendents and treasurers. Financial information can be obtained from the Lucas County Educational Service Center, 2275 Collingwood Boulevard, Toledo, Ohio, 43620.

**B. Basis of Presentation**

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

Government-Wide Financial Statements - The statement of net assets and the statement of activities display information about the District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. These statements usually distinguish between those activities of the District that are governmental activities (primarily supported by taxes and intergovernmental revenues) and those that are considered business-type activities (primarily supported by fees and charges). However, the District has no business-type activities.

The statement of net assets presents the financial condition of the governmental activities of the District at fiscal 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, contributions, and interest 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.



**OREGON CITY SCHOOL DISTRICT  
LUCAS COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

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

*Fund Financial Statements:* - During the fiscal year, the District segregates transactions related to certain District functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the District at this more detailed level. The focus of governmental fund financial statements is on major funds. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. Fiduciary funds are reported by type.

**C. Fund Accounting**

The District uses funds to maintain its financial records during the fiscal year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The funds of the District are reported in two categories, governmental and fiduciary.

*GOVERNMENTAL FUNDS*

Governmental funds are those through which most governmental functions of the District are financed. Governmental fund reporting focuses on the sources, uses, and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance. The District's major governmental funds are the General Fund and the Building capital projects fund.

*General Fund* - The General Fund is used to account for all financial resources, except those required to be accounted for in another fund. The General Fund balance is available to the District for any purpose provided it is expended or transferred according to the general laws of Ohio.

*Building Fund* - The Building Fund is used to account for the construction of school buildings.

Other governmental funds of the District are used to account for (a) the accumulation of resources for, and payment of, general long-term principal, interest and related costs; (b) financial resources to be used for the acquisition, construction, or improvement of capital facilities other than those financed by the Building fund; (c) for grants and other resources whose use is restricted to a particular purpose; and (d) for food service operations.

*FIDUCIARY FUNDS*

Fiduciary fund reporting focuses on net assets and changes in net assets. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private purpose trust funds, and agency funds. Trust funds are used to account for assets held by the District under a trust agreement for individuals, private organizations, or other governments and are not available to support the District's own programs. The District's private purpose trust fund accounts for programs that provide college scholarships to students after graduation. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The District's agency funds account for various faculty related and student-managed activities.

**OREGON CITY SCHOOL DISTRICT  
LUCAS COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

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

**D. Measurement Focus**

Government-Wide Financial Statements - The government-wide financial statements are prepared using a flow of economic resources measurement focus. All assets and all liabilities associated with the operation of the District are included on the statement of net assets. The statement of activities presents increases (e.g. revenues) and decreases (e.g. expenses) in total net assets.

Fund Financial Statements - All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities are generally included on the balance sheet. The statement of revenues, expenditures, and changes in fund balances reflects 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 fund financial statements for governmental funds.

The private purpose trust fund is accounted for using a flow of economic resources measurement focus. Agency funds do not report a measurement focus as they do not report operations.

**E. 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; fiduciary funds use the accrual basis of accounting. Differences in the accrual and modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred revenue, and in the presentation of expenses versus expenditures.

Revenues - Exchange and Nonexchange Transactions - Revenue resulting from exchange transactions, in which each party gives and receives essentially equal values, is recorded on the accrual basis when the exchange takes place. On the modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the District, available means expected to be received within sixty days of fiscal year end.

Nonexchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, entitlements, and donations. On the accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the fiscal year when the resources are required to be used or the fiscal 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 the modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

**OREGON CITY SCHOOL DISTRICT  
LUCAS COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

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

Under the modified accrual basis, the following revenue sources are considered both measurable and available at fiscal year end: property taxes available as an advance, grants, interest, tuition, student fees, and charges for services.

Unearned Revenue and Deferred Revenue - Unearned revenue and deferred revenue arise when assets are recognized before revenue recognition criteria have been satisfied.

Property taxes for which there is an enforceable legal claim as of June 30, 2007, but which were levied to finance fiscal year 2008 operations, and other revenues received in advance of the fiscal year for which they are intended to finance, have been recorded as unearned revenue. Grants and entitlements received before the eligibility requirements are met and delinquent property taxes due at June 30, 2007 are recorded as deferred revenue.

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

Expenses/Expenditures - On the accrual basis, 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.

**F. Budgetary Process**

All funds, except agency funds, are legally required to be budgeted and appropriated. The major documents prepared are the certificate of estimated resources and the appropriations resolution, both of which are prepared on the budgetary basis of accounting. The certificate of estimated resources establishes a limit on the amount the Board of Education may appropriate. The appropriations resolution is the Board's authorization to spend resources and sets annual limits on expenditures plus encumbrances at the level of control selected by the Board. The legal level of control selected by the Board is at the fund level for all funds. Budgetary allocations at the function and object level within all funds are made by the District Treasurer.

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

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

**OREGON CITY SCHOOL DISTRICT  
LUCAS COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

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

**G. Cash and Investments**

To improve cash management, cash received by the District is pooled. Monies for all funds are maintained in this pool. Individual fund integrity is maintained through District records. Interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents".

During fiscal year 2007, investments included U.S. treasury notes, federal agency securities, repurchase agreements, nonnegotiable certificates of deposit, and investments in the State Treasury Asset Reserve of Ohio (STAR Ohio). Investments are reported at fair value, which is based on quoted market price or current share price. Except for nonparticipating investment contracts, investments are reported at fair value which is based on quoted market prices. Nonparticipating investment contracts, such as repurchase agreements and nonnegotiable certificates of deposits, are reported at cost.

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, 2007.

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the general fund during fiscal year 2007 was \$1,170,987, which includes \$7,613 assigned from other District funds.

Investments of the District's cash management pool and investments with an original maturity of three months or less at the time they are purchased by the District are presented on the financial statements as cash equivalents. Investments with an initial maturity of more than three months that were not purchased from the pool are reported as investments.

**H. Prepaid Items**

Payments made to vendors for services that will benefit periods beyond June 30, 2007, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of purchase and an expenditure/expense is reported in the year in which services are consumed.

**I. Inventory**

Inventory is presented at cost on a first-in, first-out basis and is expended/expensed when used. Inventory consists of donated and purchased food.

**J. Restricted Assets**

Assets are reported as restricted when limitations on their use change the nature or normal understanding of the availability of the asset. Such constraints are either externally imposed by creditors, contributors, grantors, laws of other governments, or imposed by law through constitutional provisions or enabling legislation. Restricted assets represent amounts required by State statute to be set aside for budget stabilization.

**OREGON CITY SCHOOL DISTRICT  
LUCAS COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

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

**K. Capital Assets**

All of the District’s capital assets are general capital assets generally resulting from expenditures in governmental funds. These assets are reported in the governmental activities column on the government-wide statement of net assets but are not reported on the fund financial statements.

All capital assets are capitalized at cost and updated for additions and reductions during the fiscal year. Donated capital assets are recorded at their fair market value on the date donated. The District maintains a capitalization threshold of ten thousand dollars. Improvements are capitalized. The costs of normal maintenance and repairs that do no add to the value of the asset or materially extend an asset’s life are not capitalized.

All capital assets, except land and construction in progress, are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives:

| <u>Description</u>         | <u>Governmental<br/>Activities<br/>Estimated Lives</u> |
|----------------------------|--|
| Land Improvements          | 10 - 40 years  |
| Buildings and Improvements | 30 - 100 years   |
| Furniture and Equipment    | 8 - 40 years   |
| Vehicles                   | 10 - 15 years  |
| Infrastructure             | 50 years   |

**L. Interfund Assets/Liabilities**

On fund financial statements, receivables and payables resulting from short-term interfund loans are reported as “Interfund Receivables/Payables”. Interfund balances within governmental activities are eliminated on the statement of net assets.

**M. Unamortized Issuance Costs and Premiums**

On government-wide financial statements, issuance costs and premiums are deferred and amortized over the term of the bonds using the bonds-outstanding method, which approximates the effective interest method. Issuance costs are recorded as deferred charges. Bond premiums are presented as an addition to the face amount of bonds payable.

On the governmental fund financial statements, issuance costs and bond premiums are recognized in the current period.

**OREGON CITY SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

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

**N. 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 the District will compensate the employees for the benefits through paid time off or some other means. The District records a liability for accumulated unused vacation time when earned for all employees with more than one year of service.

Sick leave benefits are accrued as a liability using the vesting method. The liability includes the 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. The District records a liability for accumulated unused sick leave for all employees after ten years of service.

**O. Accrued Liabilities and Long-Term Obligations**

All payables, accrued liabilities, and long-term obligations are reported on the government-wide financial statements.

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

**P. Net Assets**

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balance of any borrowing used for the acquisition, construction, or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Net assets restricted for other purposes include resources restricted by State statute for budget stabilization.

The District's policy is to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available. As of June 30, 2007, there were no net assets restricted by enabling legislation.

**Q Fund Balance Reserves**

The District reserves those portions of fund balance which are legally segregated for a specific future use or which do not represent available expendable resources and, therefore, are not available for appropriation or expenditure. Unreserved fund balance indicates that portion which is available for appropriation in future periods. Fund balance reserves have been established for property taxes, budget stabilization, materials and supplies inventory, prepayments, debt service and encumbrances.

**OREGON CITY SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

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

The reserve for property taxes represents taxes recognized as revenue under GAAP but not available for appropriation under State statute. The reserve for budget stabilization represents monies required to be set aside by State statute to protect against cyclical changes in revenues and expenditures.

**R. Interfund Transactions**

Transfers within governmental activities are eliminated on the government-wide financial statements.

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.

**S. Extraordinary and Special Items**

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of management and are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during fiscal 2007.

**T. 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 in the financial statements and accompanying notes. Actual results may differ from those estimates.

**NOTE 3 - ACCOUNTABILITY AND COMPLIANCE**

At June 30, 2007, the following funds had deficit fund balances:

| <u>Nonmajor Funds</u>          | <u>Deficit</u> |
|--------------------------------|----------------|
| Special Revenue Funds          |                |
| Food Service                   | \$ 8,472       |
| Oregon CSD Foundation          | 10,806         |
| Miscellaneous State Grant Fund | 9,312          |
| Adult Basic Education          | 3,684          |
| Title I                        | 39,693         |
| Drug Free Schools              | 3,902          |
| Improving Teacher Quality      | 5,334          |

The deficit fund balances resulted from adjustments for accrued liabilities. The general fund provides transfers to cover deficit balances; however, this is done when cash is needed rather than when accruals occur.

**OREGON CITY SCHOOL DISTRICT  
LUCAS COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

**NOTE 4 - DEPOSITS AND INVESTMENTS**

Monies held by the District are classified by State statute into three categories.

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

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

Interim 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 held by the District may be deposited or invested in the following securities:

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligation or security issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least 2 percent and be marked to market daily, and the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio or Ohio local governments;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
7. The State Treasurer's investment pool (STAR Ohio);
8. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred eighty days in an amount not to exceed 25 percent of the interim monies available for investment at any one time; and
9. Under limited circumstances, corporate debt interests rated in either of the two highest rated classifications by at least two nationally recognized rating agencies.



**OREGON CITY SCHOOL DISTRICT  
LUCAS COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

**NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)**

Protection of 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.

**A. Cash on Hand**

At fiscal year-end, the District had \$6,200 in undeposited cash on hand, which is included on the financial statements of the District as part of "Equity in Pooled Cash and Equivalents".

**B. Cash with Escrow Agent**

At June 30, 2007, the District had \$984,254 on deposit in retainage accounts related to various construction projects. This amount is included on the financial statements as "Cash with Escrow Agent" and is not included in deposits with financial institutions below. The retainage accounts were covered by FDIC or by 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.

**C. Deposits with Financial Institutions**

At June 30, 2007, the carrying amount of all District deposits was \$390,545. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of June 30, 2007, \$901,683 of the District's bank balance of \$1,083,562 was exposed to custodial risk as discussed below, while \$181,879 was covered by the Federal Deposit Insurance Corporation.

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.

**OREGON CITY SCHOOL DISTRICT  
LUCAS COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

**NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)**

**D. Investments**

As of June 30, 2007, the District had the following investments:

| <u>Investment type</u> | <u>Fair Value</u>    | <u>Investment Maturities</u> |                           |                            |                            |                                   |
|------------------------|----------------------|------------------------------|---------------------------|----------------------------|----------------------------|-----------------------------------|
|                        |                      | <u>6 months or<br/>less</u>  | <u>7 to 12<br/>months</u> | <u>13 to 18<br/>months</u> | <u>19 to 24<br/>months</u> | <u>Greater than<br/>24 months</u> |
| FHLB                   | \$ 12,521,675        | \$ 10,933,535                | \$ 1,188,671              | \$ 199,813                 | \$ 199,656                 | \$ -                              |
| FHLMC                  | 2,133,759            | 999,330                      | 985,260                   | -                          | -                          | 149,169                           |
| FHLMC Discount Note    | 2,974,580            | 2,974,580                    | -                         | -                          | -                          | -                                 |
| FNMA                   | 1,972,852            | -                            | 1,473,945                 | -                          | -                          | 498,907                           |
| U.S. Treasury Notes    | 195,622              | 195,622                      | -                         | -                          | -                          | -                                 |
| Repurchase Agreement   | 1,086,325            | 1,086,325                    | -                         | -                          | -                          | -                                 |
| STAR Ohio              | <u>3,555,775</u>     | <u>3,555,775</u>             | -                         | -                          | -                          | -                                 |
| Total                  | <u>\$ 24,440,588</u> | <u>\$ 19,745,167</u>         | <u>\$ 3,647,876</u>       | <u>\$ 199,813</u>          | <u>\$ 199,656</u>          | <u>\$ 648,076</u>                 |

The weighted average maturity of investments is .22 years.

*Interest Rate Risk:* Interest rate risk arises because potential purchasers of debt securities will not agree to pay face value for those securities if interest rates subsequently increase. The investment policy restricts the Treasurer from investing in any securities other than those identified in the Ohio Revised Code and that all investments must mature within five years from the date of purchase unless they are matched to a specific obligation or debt of the District.

*Credit Risk:* The District's investments in federal agency securities, the federal agency securities that underlie the repurchase agreement, and the U.S. treasury notes were rated AAA and Aaa by Standard & Poor's and Moody's Investor Services, respectively. Standard & Poor's has assigned STAR Ohio an AAAM money market rating. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service. The District's investment policy does not specifically address credit risk beyond the adherence to all relevant sections of the Ohio Revised Code.

*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 federal agency securities are exposed to custodial credit risk in that they are uninsured, unregistered and held by the counterparty's trust department or agent but not in the District's name. Of the District's investment in repurchase agreements, the entire balance is collateralized by underlying securities that are held by the investment's counterparty, not in the name of the District. Ohio law requires the market value of the securities subject to repurchase agreements must exceed the principal value of securities subject to a repurchase agreement by 2%. 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.

**OREGON CITY SCHOOL DISTRICT  
LUCAS COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

**NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)**

*Concentration of Credit Risk:* The District places no limit on the amount it may invest in any one issuer. The following table indicates the percentage of investments to the District's total portfolio:

| <u>Investment type</u> | <u>Fair Value</u>    | <u>% of Total</u> |
|------------------------|----------------------|-------------------|
| FHLB                   | \$ 12,521,675        | 51.24%            |
| FHLMC                  | 2,133,759            | 8.73%             |
| FHLMC - Discount Note  | 2,974,580            | 12.17%            |
| FNMA                   | 1,972,852            | 8.07%             |
| U.S. Government Note   | 195,622              | 0.80%             |
| Repurchase Agreement   | 1,086,325            | 4.44%             |
| STAR Ohio              | <u>3,555,775</u>     | <u>14.55%</u>     |
| Total                  | <u>\$ 24,440,588</u> | <u>100.00%</u>    |

**E. Reconciliation of Cash and Investment to the Statement of Net Assets**

The following is a reconciliation of cash and investments as reported in the footnote above to cash and investments as reported on the statement of net assets as of June 30, 2007:

|  |                      |
|--|----------------------|
| <u>Cash and Investments per footnote</u>                 |                      |
| Carrying amount of deposits                              | \$ 390,545           |
| Investments  | 24,440,588           |
| Cash with escrow agent                                   | 984,254              |
| Cash on hand   | <u>6,200</u>         |
| Total  | <u>\$ 25,821,587</u> |
| <br><u>Cash and investments per Financial Statements</u> |                      |
| Governmental activities                                  | \$25,291,255         |
| Private-purpose trust funds                              | 330,612              |
| Agency Funds   | <u>199,720</u>       |
| Total  | <u>\$25,821,587</u>  |

**OREGON CITY SCHOOL DISTRICT  
LUCAS COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

**NOTE 5 - RECEIVABLES**

Receivables at June 30, 2007, consisted of accounts (student fees and billings for user charged services), accrued interest, intergovernmental and property taxes. 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. All receivables are expected to be collected within one year.

A summary of the principal items of receivables follows:

|                                | Amount        |
|--------------------------------|---------------|
| <b>Governmental Activities</b> |               |
| Taxes                          | \$ 33,726,468 |
| Accounts                       | 4,730         |
| Intergovernmental              | 186,051       |
| Accrued interest               | 87,416        |
| Total                          | \$ 34,004,665 |

**NOTE 6 - PROPERTY TAXES**

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

Property taxes include amounts levied against all real property, public utility property, and tangible personal (used in business) property located in the District. Real property tax revenues received in calendar year 2007 represent the collection of calendar year 2006 taxes. Real property taxes received in calendar year 2007 were levied after April 1, 2006, on the assessed values as of January 1, 2006, 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 2007 represent the collection of calendar year 2006 taxes. Public utility real and tangible personal property taxes received in calendar year 2007 became a lien on December 31, 2005, were levied after April 1, 2006, 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.

Tangible personal property tax revenue received during calendar 2007 (other than public utility property) represents the collection of 2007 taxes. Tangible personal property taxes received in calendar year 2007 were levied after April 1, 2006, on the value as of December 31, 2006. For 2006, tangible personal property was assessed at 18.75% for property including inventory. This percentage was reduced to 12.5% for 2007 and will be reduced to 6.25% for 2008 and zero for 2009. Payments by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the District prior to June 30.

**OREGON CITY SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

**NOTE 6 - PROPERTY TAXES - (Continued)**

House Bill No. 66 was signed into law on June 30, 2005. House Bill No. 66 phases out the tax on tangible personal property of general businesses, telephone and telecommunications companies, and railroads. The tax on general business and railroad property will be eliminated by calendar year 2009, and the tax on telephone and telecommunications property will be eliminated by calendar year 2011. The tax is phased out by reducing the assessment rate on the property each year. The bill replaces the revenue lost by the District due to the phasing out of the tax. In calendar years 2006-2010, the District will be fully reimbursed for the lost revenue. In calendar years 2011-2017, the reimbursements will be phased out.

The District receives property taxes from Lucas 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, 2007, are available to finance fiscal year 2007 operations. The amount available to be advanced can vary based on the date the tax bills are sent. The amount available as an advance at June 30, 2007, was \$1,226,474 in the general fund, \$189,811 in the bond retirement debt service fund (a nonmajor governmental fund), and \$48,803 in the permanent improvement capital projects fund (a nonmajor governmental fund). The amount that was available as an advance at June 30, 2006, was \$567,600 in the general fund, \$47,162 in the bond retirement debt service fund (a nonmajor governmental fund), and \$22,990 in the permanent improvement capital projects fund (a nonmajor governmental fund).

Accrued property taxes receivable represents the late personal property tax settlement, real property, public utility property, and tangible personal property taxes which were measurable as of June 30, 2007, and for which there was 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 and the late personal property tax settlement were levied to finance current fiscal year operations and are reflected as revenue at fiscal year end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to unearned revenue.

Collectible delinquent property taxes have been recorded as a receivable and revenue on a full accrual basis. On a modified accrual basis, the revenue has been deferred.

The assessed values upon which fiscal year 2007 taxes were collected are:

|   | 2006 Second<br>Half Collections |                   | 2007 First<br>Half Collections |                   |
|---|---------------------------------|-------------------|--------------------------------|-------------------|
|   | <u>Amount</u>                   | <u>Percent</u>    | <u>Amount</u>                  | <u>Percent</u>    |
| Agricultural/Residential                          | \$ 380,272,080                  | 54.50             | \$ 427,944,640                 | 57.83             |
| Industrial/Commercial                             | 119,540,770                     | 17.13             | 121,816,330                    | 16.46             |
| Public Utility                                    | 49,655,450                      | 7.12              | 49,690,890                     | 6.72              |
| Tangible Personal                                 | <u>148,232,758</u>              | <u>21.25</u>      | <u>140,507,111</u>             | <u>18.99</u>      |
| <br>Total   | <br><u>\$ 697,701,058</u>       | <br><u>100.00</u> | <br><u>\$ 739,958,971</u>      | <br><u>100.00</u> |
| <br>Tax rate per \$1,000 of<br>assessed valuation | <br>\$ 59.50                    |                   | <br>\$ 59.50                   |                   |

**OREGON CITY SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

**NOTE 7 - PAYMENT IN LIEU OF TAXES**

According to State law, the District has entered into agreements with a number of property owners, property owners have agreed to make payments to the District which reflect all or a portion of the property taxes which the property owners would have paid if their taxes had not been abated. The payment is received annually for the amount of estimated taxes that would have been due in that fiscal year. The agreements are for a ten year period. The property owners' contractually promise to make these payments in lieu of taxes until the agreement expires.

**NOTE 8 - CAPITAL ASSETS**

Capital asset activity for the fiscal year ended June 30, 2007, was as follows:

|   | Balance<br><u>June 30, 2006</u> | <u>Additions</u>     | <u>Disposals</u> | Balance<br><u>June 30, 2007</u> |
|---|---------------------------------|----------------------|------------------|---------------------------------|
| <b>Governmental Activities</b>                |                                 |                      |                  |                                 |
| <i>Capital assets, not being depreciated:</i> |                                 |                      |                  |                                 |
| Land  | \$ 495,967                      | \$ -                 | \$ -             | \$ 495,967                      |
| Construction in progress                      | <u>5,271,859</u>                | <u>35,774,323</u>    | <u>-</u>         | <u>41,046,182</u>               |
| Total capital assets, not being depreciated   | <u>5,767,826</u>                | <u>35,774,323</u>    | <u>-</u>         | <u>41,542,149</u>               |
| <i>Capital assets, being depreciated:</i>     |                                 |                      |                  |                                 |
| Land improvements                             | 663,299                         | -                    | -                | 663,299                         |
| Buildings and improvements                    | 11,425,066                      | -                    | -                | 11,425,066                      |
| Furniture and equipment                       | 2,243,379                       | 36,184               | -                | 2,279,563                       |
| Vehicles                                      | 3,253,568                       | -                    | -                | 3,253,568                       |
| Infrastructure                                | <u>299,716</u>                  | <u>-</u>             | <u>-</u>         | <u>299,716</u>                  |
| Total capital assets, being depreciated       | <u>17,885,028</u>               | <u>36,184</u>        | <u>-</u>         | <u>17,921,212</u>               |
| <i>Less: accumulated depreciation:</i>        |                                 |                      |                  |                                 |
| Land improvements                             | (350,506)                       | (29,239)             | -                | (379,745)                       |
| Buildings and improvements                    | (5,987,073)                     | (118,667)            | -                | (6,105,740)                     |
| Furniture and equipment                       | (1,534,993)                     | (119,979)            | -                | (1,654,972)                     |
| Vehicles                                      | (2,042,868)                     | (165,710)            | -                | (2,208,578)                     |
| Infrastructure                                | <u>(499)</u>                    | <u>(5,994)</u>       | <u>-</u>         | <u>(6,493)</u>                  |
| Total accumulated depreciation                | <u>(9,915,939)</u>              | <u>(439,589)</u>     | <u>-</u>         | <u>(10,355,528)</u>             |
| Depreciable Capital Assets, Net               | <u>7,969,089</u>                | <u>(403,405)</u>     | <u>-</u>         | <u>7,565,684</u>                |
| Governmental activities capital assets, net   | <u>\$ 13,736,915</u>            | <u>\$ 35,370,918</u> | <u>\$ -</u>      | <u>\$ 49,107,833</u>            |

**OREGON CITY SCHOOL DISTRICT  
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FOR THE FISCAL YEAR ENDED JUNE 30, 2007

**NOTE 8 - CAPITAL ASSETS - (Continued)**

Depreciation expense was charged to governmental functions as follows:

|                                |                   |
|--------------------------------|-------------------|
| <u>Instruction:</u>            |                   |
| Regular                        | \$ 91,126         |
| Special                        | 7,767             |
| Vocational                     | 27,356            |
| <u>Support Services:</u>       |                   |
| Pupil                          | 1,005             |
| Instructional staff            | 4,450             |
| Administration                 | 16,413            |
| Fiscal                         | 549               |
| Operations and maintenance     | 61,229            |
| Pupil transportation           | 170,729           |
| Operation of non-instructional | 8,358             |
| Extracurricular                | 35,021            |
| Food service operations        | 15,586            |
| Total depreciation expense     | <u>\$ 439,589</u> |

**NOTE 9 - INTERFUND ASSETS/LIABILITIES**

At June 30, 2007, the general fund had an interfund receivable from other governmental funds, in the amount of \$136,079, for short-term loans and to provide cash flow resources until the receipt of grant monies. All amounts are expected to be repaid within one year.

Interfund balances between governmental funds are eliminated on the government-wide financial statements.

**NOTE 10 - CAPITAL LEASES - LEASSEE DISCLOSURE**

The District has entered into capitalized leases for equipment. Each lease meets the criteria of a capital lease as defined by Statement of Financial Accounting Standards No. 13, "Accounting for Leases", which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee. Capital lease payments are reflected as debt service expenditures on the statement of revenues, expenditures, and changes in fund balances for the governmental funds. Principal payments in 2007 were \$13,192.

The following is a schedule of the future long-term minimum lease payments required under the capital leases and the present value of the minimum lease payments as of June 30, 2007.

| <u>Fiscal Year</u><br><u>Ending</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u>    |
|-------------------------------------|------------------|-----------------|-----------------|
| 2008                                | \$ 6,857         | \$ 97           | \$ 6,954        |
| Total                               | <u>\$ 6,857</u>  | <u>\$ 97</u>    | <u>\$ 6,954</u> |

**OREGON CITY SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

**NOTE 11 - RISK MANAGEMENT**

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2007, the District contracted for the following insurance coverage:

Coverage provided by Selective Insurance Company of South Carolina is as follows:

|                                    |              |
|------------------------------------|--------------|
| General School District Liability: |              |
| Per occurrence                     | \$ 1,000,000 |
| Aggregate                          | 3,000,000    |
| Automobile Liability               | 1,000,000    |
| Uninsured Motorists                | 1,000,000    |

Coverage provided by Federal Insurance is as follows:

|                       |            |
|-----------------------|------------|
| Building and Contents | 50,000,000 |
|-----------------------|------------|

Coverage provided by Westchester Fire Insurance is as follows:

|                    |            |
|--------------------|------------|
| Umbrella Liability | 10,000,000 |
|--------------------|------------|

Settled claims have not exceeded this commercial coverage in any of the past three years, and there has been no significant reduction in insurance coverage from the prior fiscal year.

For fiscal year 2007, the District participated in the Northwest Ohio Educational Council Insurance Pool (Pool), an insurance purchasing pool (see Note 2). Each participant enters into an individual agreement with the Pool for insurance coverage and pays annual premiums to the Pool based on the types and limits of coverage and deductibles selected by the participant.

Workers' compensation coverage is provided by the State of Ohio. The District pays the State Workers' Compensation System a premium based on a rate per \$100 of salaries. This rate is calculated based on accident history and administrative costs.

**NOTE 12 - PENSION PLANS**

**A. School Employees Retirement System**

The District contributes to the School Employees Retirement System (SERS), a cost-sharing multiple employer defined benefit pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746 or by calling (800) 878-5853. It is also posted on SERS' website, [www.ohsers.org](http://www.ohsers.org), under Forms and Publications.



**OREGON CITY SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

**NOTE 12 - PENSION PLANS - (Continued)**

Plan members are required to contribute 10 percent of their annual covered salary and the District is required to contribute at an actuarially determined rate. The current District rate is 14 percent of annual covered payroll. A portion of the District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits. For fiscal year 2007, 10.68 percent of annual covered salary was the portion used to fund pension obligations. For fiscal year 2006, 10.58 percent of annual covered salary was the portion used to fund pension obligations. For fiscal year 2005, 10.57 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS' Retirement Board. The District's required contribution for pension obligations to SERS for fiscal years ended 2007, 2006, and 2005 were \$574,405, \$561,715, and \$758,640; 43.91 percent has been contributed for fiscal year 2007 and 100 percent for fiscal years 2006 and 2005. \$322,185 represents the unpaid contribution for fiscal year 2007 and is recorded as a liability within the respective funds.

**B. State Teachers Retirement System**

The District participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple-employer public employee retirement system. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a stand-alone financial report that may be obtained by writing to STRS Ohio, 275 E. Broad St., Columbus, OH 43215-3371 or by calling (614) 227-4090, or by visiting the STRS Ohio website at [www.strsoh.org](http://www.strsoh.org).

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on member contributions and earned interest matched by STRS Ohio funds times an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5 percent of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. DC and Combined Plan members will transfer to the Defined Benefit Plan during their fifth year of membership unless they permanently select the DC or Combined Plan. Existing members with less than five years of service credit as of June 30, 2001, were given the option of making a one time irrevocable decision to transfer their account balances from the existing DB Plan into the DC Plan or the Combined Plan. This option expired on December 31, 2001. Benefits are established by Chapter 3307 of the Ohio Revised Code.

A DB or Combined Plan member with five or more years credited service who becomes disabled may qualify for a disability benefit. Eligible spouses and dependents of these active members who die before retirement may qualify for survivor benefits. Members in the DC Plan who become disabled are entitled only to their account balance. If a member dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

**OREGON CITY SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

**NOTE 12 - PENSION PLANS - (Continued)**

For the fiscal year ended June 30, 2007, plan members were required to contribute 10 percent of their annual covered salaries. The District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. For fiscal years 2006 and 2005, the portion used to fund pension obligations was also 13 percent. Contribution rates are established by the State Teachers Retirement Board, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions. The District's required contributions for fund pension obligations to STRS Ohio for the fiscal years ended June 30, 2007, 2006, and 2005 were \$2,817,041, \$2,670,174, and \$2,543,487; 84.23 percent has been contributed for fiscal year 2007 and 100 percent for fiscal years 2006 and 2005. \$444,110 represents the unpaid contribution for fiscal year 2007 and is recorded as a liability within the respective fund. Contributions to the DC and Combined Plans for fiscal year 2007 were \$19,447 made by the District and \$65,733 made by the plan members.

**C. Social Security System**

Effective July 1, 1991, all employees not otherwise covered by the SERS or the STRS Ohio have an option to choose Social Security or the SERS/STRS Ohio. As of June 30, 2007, certain members of the Board of Education have elected Social Security. The Board's liability is 6.2% of wages paid.

**NOTE 13 - POSTEMPLOYMENT BENEFITS**

The District provides comprehensive health care benefits to retired teachers and their dependents through the State Teachers Retirement System of Ohio (STRS Ohio), and to retired non-certified employees and their dependents through the School Employees Retirement System (SERS). Benefits include hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare premiums. Benefit provisions and the obligations to contribute are established by the Systems based on authority granted by State statute. Both systems are funded on a pay-as-you-go basis.

STRS Ohio retirees who participated in the DB or combined plans and their dependents are eligible for health care coverage. The STRS Ohio Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. All benefit recipients pay a portion of health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS Ohio funds is included in the employer contribution rate, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2007, the STRS Ohio Board allocated employer contributions equal to 1 percent of covered payroll to the Health Care Reserve Fund. For the District, this amount equaled \$216,695 for fiscal year 2007.

STRS Ohio pays health care benefits from the Health Care Stabilization Fund. At June 30, 2006 (the latest information available), the balance in the Health Care Stabilization Fund was \$3.5 billion. For the fiscal year ended June 30, 2006 (the latest information available), net health care costs paid by STRS Ohio were \$282.743 million and STRS Ohio had 119,184 eligible benefit recipients.

For SERS, coverage is made available to service retirees with ten or more fiscal years of qualifying service credit, and to disability and survivor benefit recipients. All retirees and beneficiaries are required to pay a portion of their premium for health care. The portion is based on years of service, Medicare eligibility, and retirement status.

**OREGON CITY SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

**NOTE 13 - POSTEMPLOYMENT BENEFITS – (Continued)**

After the allocation for basic benefits, the remainder of the employer's 14 percent contribution is allocated to providing health care benefits. For the fiscal year ended June 30, 2007, employer contributions to fund health care benefits were 3.32 percent of covered payroll, a decrease of .10 percent from fiscal year 2006. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2007, the minimum pay was established at \$35,800. The surcharge is capped at 2 percent of each employer's SERS salaries. For the 2007 fiscal year, District paid \$258,560 to fund health care benefits, including the surcharge.

The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund. The target level for the health care reserve is 150 percent of the projected claims less premium contributions for the next year. Expenses for health care for the fiscal year ended June 30, 2006 (the latest information available) were \$158.751 million. At June 30, 2006 (the latest information available), SERS had net assets available for payment of health care benefits of \$295.6 million. At June 30, 2006 (the latest information available), SERS had 59,492 participants currently receiving health care benefits.

**NOTE 14 - OTHER EMPLOYEE BENEFITS**

**A. Compensated Absences**

The criteria for determining vacation and sick leave benefits are derived from negotiated agreements and State laws. Classified employees earn ten to twenty-five days of vacation per year, depending upon length of service. Accumulated unused vacation time is paid to classified employees and administrators upon termination of employment. Teachers do not earn vacation time.

Teachers, administrators, and classified employees earn sick leave at a rate of one and one-fourth days per month. Sick leave may be accumulated to an unlimited amount. Upon retirement, payment is made for one-half of their accrued, but unused sick leave credit to a maximum of one hundred fifty days for certified and classified employees and one hundred seventy for administrators.

**B. Health Care Benefits**

The District offers employee medical and vision benefits through Medical Mutual of Ohio. Dental insurance is offered to all employees through Coresource and life insurance through Medical Life Insurance.

**OREGON CITY SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

**NOTE 15 - LONG-TERM OBLIGATIONS**

Changes in the District's long-term obligations during fiscal year 2007 were as follows:

|  | Balance<br>Outstanding<br><u>June 30, 2006</u> | <u>Additions</u>  | <u>Reductions</u>     | Balance<br>Outstanding<br><u>June 30, 2007</u> | Amounts<br>Due in<br><u>One Year</u> |
|--|--|-------------------|-----------------------|--|--------------------------------------|
| <b>General Obligation Bonds</b>                                |  |                   |                       |  |                                      |
| 2005 School Facilities Improvement                             |  |                   |                       |  |                                      |
| Serial Bonds 3 - 5 %   | \$ 20,895,000                                  | \$ -              | \$ (975,000)          | \$ 19,920,000                                  | \$1,005,000                          |
| Term Bonds 4.5 - 5 %   | 20,595,000                                     | -                 | -                     | 20,595,000                                     | -                                    |
| Capital Appreciation Bonds                                     | 2,154,993                                      | -                 | -                     | 2,154,993                                      | -                                    |
| Accretion on Capital Appreciation Bonds<br>Premium             | 21,204   | 17,283            | -                     | 38,487   | -                                    |
| Premium  | 481,089  |                   | (18,777)              | 462,312  |                                      |
| 1998 Energy Conservation                                       | 240,000  | -                 | (115,000)             | 125,000  | 125,000                              |
| 2006 Energy Conservation                                       | <u>3,589,925</u>                               | <u>-</u>          | <u>(169,095)</u>      | <u>3,420,830</u>                               | <u>177,183</u>                       |
| <b>Total General Obligations Bonds</b>                         | <u>47,977,211</u>                              | <u>17,283</u>     | <u>(1,277,872)</u>    | <u>46,716,622</u>                              | <u>1,307,183</u>                     |
| Capital Leases Payable   | 20,049   | -                 | (13,192)              | 6,857  | 6,857                                |
| Early Retirement Incentive                                     | 3,643,700                                      | -                 | (895,720)             | 2,747,980                                      | 854,006                              |
| Compensated Absences Payable                                   | <u>5,529,665</u>                               | <u>614,598</u>    | <u>(523,399)</u>      | <u>5,620,864</u>                               | <u>169,227</u>                       |
| <b>Total Governmental Activities<br/>Long-Term Liabilities</b> | <u>\$ 57,170,625</u>                           | <u>\$ 631,881</u> | <u>\$ (2,710,183)</u> | <u>\$ 55,092,323</u>                           | <u>\$2,337,273</u>                   |

Compensated absences will be paid from the general fund and the following nonmajor governmental funds: food service, Title VI-B, and Title I. Capital leases will be paid from the general fund. The early retirement incentive will be paid from the general fund.

*School Improvement Bonds FY 2005:* - On May 3, 2005, the District issued \$44,999,993 in voted general obligation bonds to retire notes previously issued for constructing a new elementary school to replace Coy Elementary and for improving other District buildings. The bond issue includes serial, term, and capital appreciation bonds, in the amount of \$22,250,000, \$20,595,000, and \$2,154,993, respectively. The bonds were issued for a twenty-seven year period, with final maturity in fiscal year 2032. The bonds are being retired through the bond retirement debt service fund (a nonmajor governmental fund).

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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**NOTE 15 - LONG-TERM OBLIGATIONS - (Continued)**

The term bonds maturing on December 1, 2027, are subject to mandatory sinking fund redemption at a redemption price equal to 100 percent of the principal amount redeemed plus accrued interest to the redemption date. The mandatory redemption is to occur on December 1 in each of the years according to the following schedule:

| <u>Fiscal Year</u><br><u>Ending</u> | <u>Amount</u> |
|-------------------------------------|---------------|
| 2024                                | \$ 1,880,000  |
| 2025                                | 1,975,000     |
| 2026                                | 2,070,000     |

The remaining principal, in the amount of \$2,175,000, will mature at stated maturity.

The terms bonds maturing on December 1, 2032, are subject to mandatory sinking fund redemption at a redemption price equal to 100 percent of the principal amount redeemed plus accrued interest to the redemption date. The mandatory redemption is to occur on December 1 in each of the years according to the following schedule:

| <u>Fiscal Year</u><br><u>Ending</u> | <u>Amount</u> |
|-------------------------------------|---------------|
| 2028                                | \$ 2,285,000  |
| 2029                                | 2,385,000     |
| 2030                                | 2,495,000     |
| 2031                                | 2,605,000     |

The remaining principal, in the amount of \$2,725,000, will mature at stated maturity.

The capital appreciation bonds are not subject to redemption prior to maturity. The capital appreciation bonds will mature on December 1, 2011, and December 1, 2012, in the amount of \$1,145,000 and \$1,145,000, respectively. For fiscal year 2007, \$38,487 was accreted on the capital appreciation bonds for a total outstanding bond value of \$2,193,480 at fiscal year end.

**OREGON CITY SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

**NOTE 15 - LONG-TERM OBLIGATIONS - (Continued)**

Principal and interest requirements to retire the general obligation school facilities improvement bonds outstanding at June 30, 2007, were as follows:

| Fiscal Year<br>Ending | School Facilities Improvement - Term and Serial |                      |                      |
|-----------------------|---|----------------------|----------------------|
|                       | Principal                                       | Interest             | Total                |
| 2008                  | \$ 1,005,000                                    | \$ 1,840,822         | \$ 2,845,822         |
| 2009                  | 1,035,000                                       | 1,810,672            | 2,845,672            |
| 2010                  | 1,075,000                                       | 1,769,273            | 2,844,273            |
| 2011                  | 1,110,000                                       | 1,737,022            | 2,847,022            |
| 2012                  | -   | 1,702,334            | 1,702,334            |
| 2013 - 2017           | 4,825,000                                       | 8,260,805            | 13,085,805           |
| 2018 - 2022           | 7,375,000                                       | 6,852,625            | 14,227,625           |
| 2023 - 2027           | 9,420,000                                       | 4,813,875            | 14,233,875           |
| 2028 - 2032           | 11,945,000                                      | 2,284,725            | 14,229,725           |
| 2033                  | <u>2,725,000</u>                                | <u>122,628</u>       | <u>2,847,628</u>     |
| Total                 | <u>\$ 40,515,000</u>                            | <u>\$ 31,194,781</u> | <u>\$ 71,709,781</u> |

| Fiscal Year<br>Ending | School Facilities Improvement - Capital Appreciation |                   |                     |
|-----------------------|--|-------------------|---------------------|
|                       | Principal  | Interest          | Total               |
| 2008                  | \$ -   | \$ -              | \$ -                |
| 2009                  | -  | -                 | -                   |
| 2010                  | -  | -                 | -                   |
| 2011                  | -  | -                 | -                   |
| 2012                  | 1,082,139  | 62,861            | 1,145,000           |
| 2013                  | <u>1,072,854</u>                                     | <u>72,146</u>     | <u>1,145,000</u>    |
| Total                 | <u>\$ 2,154,993</u>                                  | <u>\$ 135,007</u> | <u>\$ 2,290,000</u> |

Energy Conservation Bonds FY 1998: - On June 15, 1998, the District issued \$995,000 in energy conservation bonds for energy improvements to all existing buildings. The bonds were issued for a ten year period, with final maturity in fiscal year 2008. The bonds are being retired through the general fund.

Energy Conservation Bonds FY 2006: - On June 21, 2006, the District issued \$3,589,925 in energy conservation bonds for energy improvements to all existing buildings. The bonds were issued for a fifteen year period, with final maturity in fiscal year 2021. The bonds are being retired through the general fund.

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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

**NOTE 15 - LONG-TERM OBLIGATIONS - (Continued)**

Principal and interest requirements to retire the general obligation energy conservation bonds outstanding at June 30, 2007, were as follows:

| Fiscal Year<br>Ending | Principal           | <u>Energy Conservation</u><br>Interest | Total               |
|-----------------------|---------------------|--|---------------------|
| 2008                  | \$ 302,183          | \$ 164,061                             | \$ 466,244          |
| 2009                  | 185,659             | 149,211                                | 334,870             |
| 2010                  | 194,540             | 140,330                                | 334,870             |
| 2011                  | 203,846             | 131,024                                | 334,870             |
| 2012 - 2016           | 1,175,162           | 499,188                                | 1,674,350           |
| 2017 - 2021           | <u>1,484,440</u>    | <u>189,911</u>                         | <u>1,674,351</u>    |
| Total                 | <u>\$ 3,545,830</u> | <u>\$ 1,273,725</u>                    | <u>\$ 4,819,555</u> |

Legal Debt Margin

The Ohio Revised Code provides that voted net general obligation debt of the District shall never exceed 9% of the total assessed valuation of the District. The code further provides that unvoted indebtedness shall not exceed 1/10 of 1% of the property valuation of the District. The code additionally states that unvoted indebtedness related to energy conservation debt shall not exceed 9/10 of 1% of the property valuation of the District. The assessed valuation use in determining the District's legal debt margin has been modified by House Bill 530 which became effective March 30, 2006. In accordance with House Bill 530, the assessed valuation used in the District's legal debt margin calculation excluded tangible personal property used in business, telephone or telegraph property, interexchange telecommunications company property, and personal property owned or leased by a railroad company and used in railroad operations. The effects of these debt limitations at June 30, 2007, are a voted debt margin of \$11,625,234 (including available funds of \$975,657) and an unvoted debt margin of \$592,440.

**NOTE 16 - CONTRACTUAL COMMITMENTS**

As of June 30, 2007, the District had contractual commitments as follows:

| <u>Project</u>                | <u>Contract</u><br><u>Amounts</u> | <u>Amount</u><br><u>Paid</u> | <u>Remaining</u><br><u>Commitment</u> |
|-------------------------------|-----------------------------------|------------------------------|---------------------------------------|
| Clay High School              | \$ 21,051,211                     | \$12,713,412                 | \$ 8,337,799                          |
| Starr Elementary              | 1,262,664                         | 1,259,784                    | 2,880                                 |
| Coy Elementary                | 9,178,403                         | 7,367,184                    | 1,811,219                             |
| Jerusalem Elementary          | 4,260,449                         | 3,791,373                    | 469,076                               |
| Wynn Elementary               | 4,464,583                         | 3,818,449                    | 646,134                               |
| Central Office                | 492,320                           | 118,700                      | 373,620                               |
| Hazardous Abatement           | <u>4,162,881</u>                  | <u>3,401,039</u>             | <u>761,842</u>                        |
| Total Contractual Commitments | <u>\$ 44,872,511</u>              | <u>\$32,469,941</u>          | <u>\$ 12,402,570</u>                  |

In addition to the amounts paid, the District has recorded \$4,082,871 in contracts payable and \$984,254 in retainage payable at June 30, 2007 related to the above construction projects.

**OREGON CITY SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

**NOTE 17 - BUDGETARY BASIS OF ACCOUNTING**

While the District is reporting financial position, results of operations, and changes in fund balances on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget (Non-GAAP Basis) and Actual 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 as follows:

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Encumbrances are treated as expenditures (budget basis) rather than as a reservation of fund balance (GAAP basis).
4. Investments are reported at fair value (GAAP basis) rather than cost (budget basis).
5. Advances-In and Advances-Out are operating transactions (budget basis) as opposed to balance sheet transactions (GAAP basis).

The adjustments necessary to reconcile the GAAP and budgetary basis statements for the general fund are as follows:

| <b>Net Change in Fund Balance</b>       | <u>General Fund</u>   |
|---|-----------------------|
| Budget basis                            | \$ (2,923,174)        |
| Net adjustment for revenue accruals     | 34,137                |
| Net adjustment for expenditure accruals | (3,583,341)           |
| Net adjustment for other sources/uses   | (19,618)              |
| Adjustment for encumbrances             | <u>617,242</u>        |
| GAAP basis                              | <u>\$ (5,874,754)</u> |

**NOTE 18 - DONOR RESTRICTED ENDOWMENTS**

The District's private purpose trust fund includes donor restricted endowments. Endowment, in the amount of \$235,963 represents the principal portion. The amount of net appreciation in donor restricted investments that is available for expenditures by the District is \$90,722 and is included as held in trust for scholarships. State law permits the District to appropriate, for purposes consistent with the endowment's intent, net appreciation, realized and unrealized, unless the endowment terms specify otherwise. The endowment indicates that the interest should be used to provide a scholarship each year.



**OREGON CITY SCHOOL DISTRICT  
LUCAS COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

**NOTE 19 - SET ASIDES**

The District is required by State statute to annually set aside, in the general fund, an amount based on a statutory formula for the purchase of textbooks and other instructional materials, and an equal amount for the acquisition and construction of capital improvements. Amounts not spent by the end of the fiscal year or offset by similarly restricted resources received during the fiscal year must be held in cash at fiscal year end. These amounts must be carried forward and used for the same purposes in future fiscal years. In prior fiscal years, the District was also required to set aside money for budget stabilization. At June 30, 2007, only the unspent portion of certain workers' compensation refunds continues to be set aside.

The following cash basis information identifies the changes in the fund balance reserves for textbooks, capital improvements, and budget stabilization during fiscal year 2007.

|                                       | <u>Textbooks</u>    | <u>Capital<br/>Acquisition</u> | <u>BWC<br/>Refunds</u> |
|---------------------------------------|---------------------|--------------------------------|------------------------|
| Set-aside balance as of June 30, 2006 | \$ (97,702)         | \$ -                           | \$ 201,560             |
| Current year set-aside requirement    | 616,181             | 616,181                        | -                      |
| Current year offsets                  | -                   | (1,107,124)                    | -                      |
| Qualifying disbursements              | <u>(781,333)</u>    | <u>-</u>                       | <u>-</u>               |
| Total                                 | <u>\$ (262,854)</u> | <u>\$ (490,943)</u>            | <u>\$ 201,560</u>      |
| Balance carried forward to FY 2008    | <u>\$ (262,854)</u> | <u>\$ -</u>                    | <u>\$ 201,560</u>      |

The District had qualifying expenditures during the fiscal year that reduced the textbooks set aside amount below zero. This amount may be used to reduce the set aside requirement in future fiscal years.

**NOTE 20 - CONTINGENCIES**

**A. Grants**

The District received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the District at June 30, 2007.

**B. Litigation**

A lawsuit has been filed by the Columbia Gas Transmission Corporation arguing that the Corporation's public utility property tax assessment rate should be 25 percent of true value rather than the 88 percent used by the Tax Commissioner. The Board of Tax Appeals has agreed with the Corporation and the case has been appealed by the Tax Commissioner to the Ohio Supreme Court. The District receives property tax from the Corporation. Should the Corporation prevail in the Supreme Court, the Corporation may be entitled to a refund from the District based on the lower assessment rate beginning from tax year 2001. The amount of the refund is estimated to be approximately \$5,644 per year. A portion of the refund may be recovered from additional State entitlement payments.

**OREGON CITY SCHOOL DISTRICT**  
Schedule of Federal Awards Expenditures  
For the Year Ended June 30, 2007

| Federal Grantor/Program Title                   | Pass Through<br>Entity<br>Number | CFDA<br>Number | Receipts<br>Recognized | Program<br>Expenditures |
|---|----------------------------------|----------------|------------------------|-------------------------|
| <u>U.S. Department of Agriculture</u>           |                                  |                |                        |                         |
| Passed Through the Ohio Department of Education |                                  |                |                        |                         |
| Nutrition Cluster:                              |                                  |                |                        |                         |
| National School Breakfast Program               | LLP4-06                          | 10.553         | \$ 49,382              | \$ 49,382               |
| National School Lunch Program                   | LLP4-07                          | 10.555         | 364,720                | 364,720                 |
| <b>Total Nutrition Cluster</b>                  |                                  |                | <b>414,102</b>         | <b>414,102</b>          |
| Food Distribution                               | N/A                              | 10.550         | 63,092                 | 63,092                  |
| <b>Total U.S. Department of Agriculture</b>     |                                  |                | <b>477,194</b>         | <b>477,194</b>          |
| <u>U.S. Department of Education</u>             |                                  |                |                        |                         |
| Pass through Ohio Department of Education       |                                  |                |                        |                         |
| Special Education Cluster:                      |                                  |                |                        |                         |
| Title VI-B                                      | 6BSF-06                          | 84.027         | 24,042                 | 405,452                 |
| Title VI-B - IDEA-B                             | 6BSF-07                          | 84.027         | 605,934                | 378,811                 |
| Ohio Intergrated System Model                   | 6BSD-07                          | 84.027         | 53,915                 | 39,604                  |
| <b>Total Special Education Cluster</b>          |                                  |                | <b>683,891</b>         | <b>823,867</b>          |
| Title I - Disadvantaged Children                | C1S1-07                          | 84.010         | 270,592                | 268,979                 |
| <b>Total Title I</b>                            |                                  |                | <b>270,592</b>         | <b>268,979</b>          |
| Title II-A Improving Teacher Quality            |                                  | 84.367         | 117,142                | 108,126                 |
| Title II-A Improving Teacher Quality            | TRS1-06                          | 84.367         | 27,060                 | 27,060                  |
| <b>Total Title II-A</b>                         | TRS1-07                          |                | <b>144,202</b>         | <b>135,186</b>          |
| Title II-D - Educational Technology             | TJS1-07                          | 84.318         | 290                    | -                       |
| <b>Total Title II-D</b>                         |                                  |                | <b>290</b>             | <b>-</b>                |
| CDP HS Critical Transition                      | 2AO-05                           | 84.048         | 10,000                 | 17,891                  |
| Vocational Education Basic Grant                | 2OC1-07                          | 84.048         | 49,440                 | 42,788                  |
| <b>Total Carl D Perkins Grant</b>               |                                  |                | <b>59,440</b>          | <b>60,679</b>           |
| Title V - Innovative Education Programs         | C2S1-07                          | 84.298         | 6,058                  | 5,774                   |
| <b>Total Title V</b>                            |                                  |                | <b>6,058</b>           | <b>5,774</b>            |
| Adult Basic Education                           | ABS1-05                          | 84.002         | 5,000                  | 5,000                   |
| Adult Basic Education                           | ABS1-06                          | 84.002         | -                      | 9,202                   |
| Adult Basic Education                           | ABS1-07                          | 84.002         | 27,649                 | 27,151                  |
| <b>Total Adult Basic Education</b>              |                                  |                | <b>32,649</b>          | <b>41,353</b>           |
| Safe and Drug Free Program                      | DRS1-07                          | 84.186         | 5,740                  | 9,640                   |
| Safe and Drug Free Program                      | DRS1-06                          | 84.186         | -                      | 1,622                   |
| <b>Total Safe and Drug Free Program</b>         |                                  |                | <b>5,740</b>           | <b>11,262</b>           |
| <b>Total U.S. Department of Education</b>       |                                  |                | <b>1,202,862</b>       | <b>1,347,100</b>        |
| <b>Total Federal Expenditures</b>               |                                  |                | <b>\$ 1,680,056</b>    | <b>\$ 1,824,294</b>     |

See accompanying Notes to the Schedule of Federal Awards Expenditures

**OREGON CITY SCHOOL DISTRICT**  
**Notes to the Schedule of Federal Awards Expenditures**  
**For the Year Ended June 30, 2007**

**1. Significant Accounting Policies**

The accompanying schedule of federal awards expenditures is a summary of the activity of the District's federal award programs. The schedule has been prepared on the cash basis of accounting. Consequently, certain expenditures are recognized when received rather than when earned, and certain expenditures are recognized when paid rather than when the obligation is incurred.

**2. Food Distribution**

Nonmonetary assistance is reported in the schedule at fair market value of the commodities received and disbursed. Monies are commingled with State grants. It is assumed federal monies are expended first. At June 30, 2007, the District had commodities in inventory recorded in the Food Service Fund.

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***Charles E. Harris & Associates, Inc.***  
*Certified Public Accountants*

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**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE  
AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS REQUIRED BY  
GOVERNMENT AUDITING STANDARDS**

Oregon City School District  
Lucas County  
5721 Seaman Road  
Oregon, Ohio 43616

To the Board of Education:

We have audited the financial statements of the governmental activities, each major fund and the remaining fund information of the Oregon City School District, Lucas County Ohio (District) as of and for the year ended June 30, 2007, and have issued our report thereon dated January 28, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Controls Over Financial Reporting**

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

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis such that there is more than a remote likelihood that a misstatement of the District's financial statements that is more than inconsequential will not be prevented or detected by the District's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the District's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

### Compliance and Other Matters

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

We noted certain matters that we have reported to management of the District in a separate letter dated January 28, 2008.

This report is intended for the information and use of management, the Board of Education, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

***Charles E. Harris and Associates, Inc.***  
January 28, 2008

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**REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO  
EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE  
IN ACCORDANCE WITH OMB CIRCULAR A-133**

Oregon City School District  
Lucas County  
5721 Seaman Road  
Oregon, Ohio 43616

To the Board of Education:

**Compliance**

We have audited the compliance of the Oregon City School District, Lucas County (District), with the types of compliance requirements described in *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to its major federal program for the year ended June 30, 2007. The District's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

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

In our opinion, the District complied, in all material respects, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended June 30, 2007.

**Internal Control Over Compliance**

The management of the District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal program. In planning and performing our audit, we considered the District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over compliance.

**A control deficiency in internal control over compliance exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent or detect noncompliance with a federal program compliance requirement on a timely basis. A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affects the District's ability to administer a federal program such that there is more than a remote likelihood that the District's internal control will not prevent or detect more-than-inconsequential noncompliance with a federal program compliance requirement.**

**A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that the District's internal control will not prevent or detect material noncompliance with a federal program's compliance requirements.**

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

**This report is intended for the information and use of management, the Board of Education, the audit committee, federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.**

***Charles E. Harris & Associates, Inc.***  
**January 28, 2008**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
OMB CIRCULAR A-133 SECTION .505**

**OREGON CITY SCHOOL DISTRICT  
LUCAS COUNTY  
June 30, 2007**

**1. SUMMARY OF AUDITOR'S RESULTS**

|              |  |   |
|--------------|--|---|
| (d)(1)(i)    | <i>Type of Financial Statement Opinion</i>   | Unqualified   |
| (d)(1)(ii)   | <i>Were there any material control weaknesses reported at the financial statement level (GAGAS)?</i>                     | No  |
| (d)(1)(ii)   | <i>Were there any other significant deficiencies reported at the financial statement level (GAGAS)?</i>                  | No  |
| (d)(1)(iii)  | <i>Was there any reported material non-compliance at the financial statement level (GAGAS)?</i>                          | No  |
| (d)(1)(iv)   | <i>Were there any material internal control weaknesses reported for major federal programs</i>                           | No  |
| (d)(1)(iv)   | <i>Were there any other reportable significant deficiencies weakness conditions reported for major federal programs?</i> | No  |
| (d)(1)(v)    | <i>Type of Major Programs' Compliance Opinion</i>  | Unqualified   |
| (d)(1)(vi)   | <i>Are there any reportable findings under Section .510</i>  | No  |
| (d)(1)(vii)  | <i>Major Programs:</i>   | Special Education Cluster: CFDA 84.173<br>CFDA 84.027 |
| (d)(1)(viii) | <i>Dollar Threshold: Type A\B Programs</i>   | Type A: > \$300,000<br>Type B: all others             |
| (d)(1)(ix)   | <i>Low Risk Auditee?</i>   | Yes   |



**SCHEDULE OF FINDINGS AND QUESTIONED COSTS - (continued)**  
**OMB CIRCULAR A-133 SECTION .505**

**OREGON CITY SCHOOL DISTRICT**  
**LUCAS COUNTY**  
**June 30, 2007**

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

None.

**3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS**

None.

**OREGON CITY SCHOOL DISTRICT  
LUCAS COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
June 30, 2007**

| <b>Finding Number</b> | <b>Finding Summary</b>   | <b>Fully Corrected?</b> | <b>Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken or Finding No Longer Valid; Explain</b> |
|-----------------------|--|-------------------------|--|
| <b>2006-001</b>       | <b>Budgetary data was not being posted into USAS system in a timely manner</b>                                 | <b>Yes</b>              | <b>Finding No Longer Valid</b>   |
| <b>2006-002</b>       | <b>Appropriations exceeded estimated resources contrary to ORC Section 5705.39</b>                             | <b>Yes</b>              | <b>Finding No Longer Valid</b>   |
| <b>2006-003</b>       | <b>Expenditures and Encumbrances exceed appropriations contrary to ORC Sections 5705.41(B) and 5705.41(D).</b> | <b>Yes</b>              | <b>Finding No Longer Valid</b>   |
| <b>2006-004</b>       | <b>Failure to certify funds prior expending contrary to ORC 5705.41(D)</b>                                     | <b>Yes</b>              | <b>Finding No Longer Valid</b>   |



**Mary Taylor, CPA**  
Auditor of State

**OREGON CITY SCHOOL DISTRICT**

**LUCAS COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
MARCH 13, 2008**