

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

**AUDIT REPORT**

**For the Year Ended June 30, 2010**

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





# Dave Yost • 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, 2009 through June 30, 2010. 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.

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

Dave Yost  
Auditor of State

March 24, 2011

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**OREGON CITY SCHOOL DISTRICT**  
**LUCAS COUNTY, OHIO**  
**AUDIT REPORT**  
**For the Year Ended June 30, 2010**

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**OREGON CITY SCHOOL DISTRICT  
LUCAS COUNTY, OHIO  
AUDIT REPORT  
For the Year Ended June 30, 2010**

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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, OH 43420

To the Board of Education:

We have audited the accompanying financial statements of the governmental activities, each major fund, the aggregate remaining fund information and the discretely presented component unit of the Oregon City School District, Lucas County, Ohio, (the District), as of and for the year ended June 30, 2010, 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 financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, the aggregate remaining fund information and the discretely presented component unit of the Oregon City School District, Lucas County, Ohio, as of June 30, 2010, 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.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 13, 2011 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.

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.

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 as 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 Harris Associates*

**Charles E. Harris & Associates, Inc.**

January 13, 2011



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

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

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, 2010. 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 2010 are as follows:

- In total, net assets of governmental activities increased \$3,007,463 which represents a 15.74% increase from 2009.
- General revenues accounted for \$41,805,185 in revenue or 85.17% of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$7,279,920 or 14.83% of total revenues of \$49,085,105.
- The District had \$46,077,642 in expenses related to governmental activities; \$7,279,920 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) of \$41,805,185 were adequate to provide for these programs.
- The District's major governmental funds are the general fund and permanent improvement fund. The general fund had \$39,485,945 in revenues and \$36,107,441 in expenditures and other financing uses. The fund balance of the general fund increased from a deficit of \$1,321,729 to a balance of \$2,056,775.
- The permanent improvement fund had \$1,431,621 in revenues and \$2,246,274 in expenditures. The fund balance of the permanent improvement fund decreased from \$3,834,161 to \$3,019,508.

**Using the Basic Financial Statements**

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 permanent improvement fund.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

**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 2010?" 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 14-15 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 9. 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 permanent improvement 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 16-20 of this report.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

***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 21 and 22, 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 23-58 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 2010 and 2009.

	<b>Net Assets</b>	
	Governmental Activities 2010	Governmental Activities 2009
<b><u>Assets:</u></b>		
Current and other assets	\$ 39,466,911	\$ 38,625,170
Capital assets, net	<u>58,870,340</u>	<u>59,018,692</u>
Total assets	<u>98,337,251</u>	<u>97,643,862</u>
<b><u>Liabilities:</u></b>		
Current liabilities	26,608,881	27,052,665
Long-term liabilities	<u>49,615,926</u>	<u>51,486,216</u>
Total liabilities	<u>76,224,807</u>	<u>78,538,881</u>
<b><u>Net assets:</u></b>		
Invested in capital assets, net of related debt	16,045,918	14,905,953
Restricted	7,065,583	8,667,472
Unrestricted (deficit)	<u>(999,057)</u>	<u>(4,468,444)</u>
Total net assets	<u>\$ 22,112,444</u>	<u>\$ 19,104,981</u>

Over time, net assets can serve as a useful indicator of a government's financial position. At June 30, 2010, the District's assets exceeded liabilities by \$22,112,444.

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

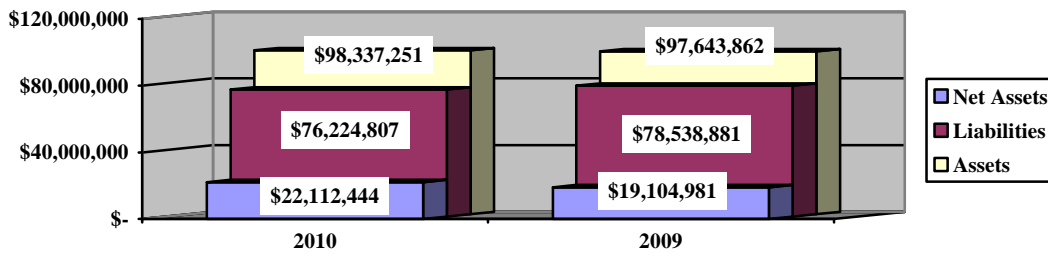
**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

At year-end, capital assets represented 59.87% of total assets. Capital assets include land, land improvements, buildings and improvements, furniture and equipment, vehicles and infrastructure. Capital assets, net of related debt to acquire the assets at June 30, 2010, were \$16,045,918. 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, \$7,065,583, represents resources that are subject to external restriction on how they may be used. Of the restricted net assets, \$3,870,696 is restricted for capital projects.

The table below provides a summary of the District's assets, liabilities and net assets for fiscal year 2010 and 2009.

**Governmental Activities**



The table below shows the change in net assets for fiscal years 2010 and 2009.

**Change in Net Assets**

	Governmental Activities 2010	Governmental Activities 2009
<b>Revenues:</b>		
Program revenues:		
Charges for services and sales	\$ 2,820,608	\$ 2,337,945
Operating grants and contributions	4,459,312	3,281,306
Capital grants and contributions	-	65,775
General revenues:		
Property taxes	22,462,106	24,297,007
Payment in lieu of taxes	231,091	367,366
Grants and entitlements	18,973,059	17,261,316
Investment earnings	72,147	237,854
Other	66,782	74,098
<b>Total revenues</b>	<b>49,085,105</b>	<b>47,922,667</b>

- - Continued

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

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

**Change in Net Assets (Continued)**

	Governmental Activities 2010	Governmental Activities 2009
	<u>2010</u>	<u>2009</u>
<b><u>Expenses:</u></b>		
Program expenses:		
Instruction:		
Regular	\$ 17,122,656	\$ 17,305,422
Special	4,894,705	4,043,639
Vocational	2,765,894	3,345,755
Adult/continuing	847,176	770,062
Other	244,942	125,432
Support services:		
Pupil	1,703,855	1,776,928
Instructional staff	2,862,778	3,226,750
Board of education	42,522	48,341
Administration	2,926,897	3,020,092
Fiscal	917,198	942,606
Business	436,543	292,105
Operations and maintenance	4,704,953	4,544,356
Pupil transportation	1,743,198	2,073,160
Central	-	450
Operations of non-instructional services:		
Food service operations	1,682,640	1,666,100
Other non-instructional services	215,284	206,659
Extracurricular activities	1,051,525	1,003,156
Interest and fiscal charges	1,914,876	1,955,232
Total	<u>46,077,642</u>	<u>46,346,245</u>
Change in net assets	3,007,463	1,576,422
Net assets at beginning of year	<u>19,104,981</u>	<u>17,528,559</u>
Net assets at end of year	<u>\$ 22,112,444</u>	<u>\$ 19,104,981</u>

Revenues increased \$1,162,438 from the prior year. Although tax revenues decreased, the District received more in federal and State grants which offset the decrease in taxes.

**Governmental Activities**

Net assets of the District's governmental activities increased \$3,007,463. Total governmental expenses of \$46,077,642 were offset by program revenues of \$7,279,920, and general revenues of \$41,805,185. Program revenues supported 15.80% of the total governmental expenses.

The primary sources of revenue for governmental activities are derived from property taxes and unrestricted grants and entitlements. These two revenue sources represent 84.41% of total governmental revenue. Real estate property is reappraised every six years.

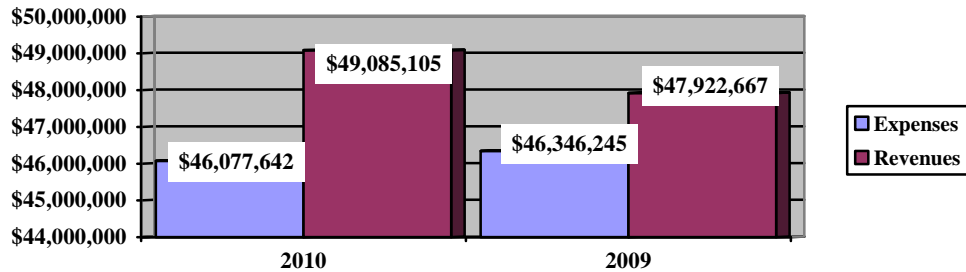
**OREGON CITY SCHOOL DISTRICT  
LUCAS COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

The largest expense of the District is for instructional programs. Instruction expenses totaled \$25,875,373 or 56.16% of total governmental expenses for fiscal year 2010.

The graph below presents the District's governmental activities revenue and expenses for fiscal years 2010 and 2009.

**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.

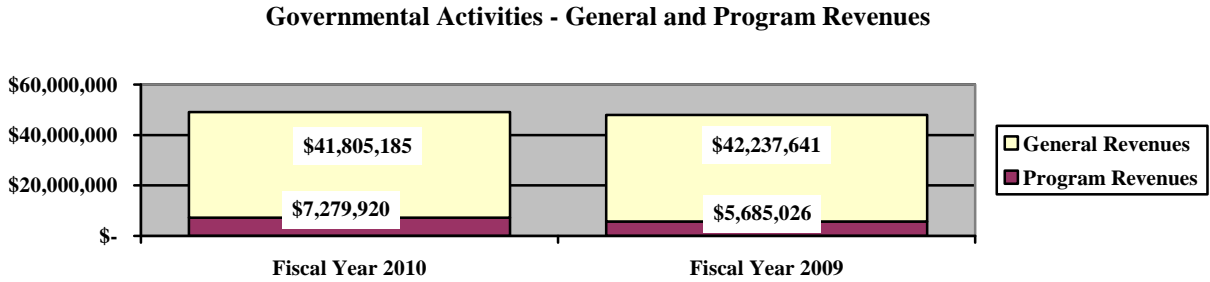
	Total Cost of Services <u>2010</u>	Net Cost of Services <u>2010</u>	Total Cost of Services <u>2009</u>	Net Cost of Services <u>2009</u>
<b>Program expenses:</b>				
Instruction:				
Regular	\$ 17,122,656	\$ 15,824,125	\$ 17,305,422	\$ 16,480,946
Special	4,894,705	3,637,939	4,043,639	2,774,132
Vocational	2,765,894	2,460,747	3,345,755	3,037,394
Adult/continuing	847,176	304,569	770,062	238,307
Other	244,942	189,959	125,432	78,290
Support services:				
Pupil	1,703,855	1,511,332	1,776,928	1,679,513
Instructional staff	2,862,778	2,618,127	3,226,750	3,115,507
Board of education	42,522	42,522	48,341	48,341
Administration	2,926,897	2,526,835	3,020,092	2,898,150
Fiscal	917,198	917,198	942,606	942,606
Business	436,543	436,543	292,105	292,105
Operations and maintenance	4,704,953	4,142,952	4,544,356	4,543,161
Pupil transportation	1,743,198	1,634,989	2,073,160	1,870,316
Central	-	-	450	450
Operations of non-instructional services:				
Food service operations	1,682,640	(37,781)	1,666,100	22,505
Other non-instructional services	215,284	(20,029)	206,659	(1,092)
Extracurricular activities	1,051,525	692,819	1,003,156	685,356
Interest and fiscal charges	1,914,876	1,914,876	1,955,232	1,955,232
<b>Total</b>	<u>\$ 46,077,642</u>	<u>\$ 38,797,722</u>	<u>\$ 46,346,245</u>	<u>\$ 40,661,219</u>

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

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

The dependence upon tax and other general revenues for governmental activities is apparent, 86.64% of instruction activities are supported through taxes and other general revenues. For all governmental activities, general revenue support is 84.20%. The District's taxpayers and unrestricted grants and entitlements from the State of Ohio, 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 2010 and 2009.



**The District's Funds**

The District's governmental funds (as presented on the balance sheet on page 16) reported a combined fund balance of \$8,308,402, which is higher than last year's total of \$6,973,241. The schedule below indicates the fund balance and the total change in fund balance as of June 30, 2010 and 2009.

	Fund Balance <u>June 30, 2010</u>	Fund Balance (Deficit) <u>June 30, 2009</u>	Increase (Decrease)
<b>Major funds:</b>			
General	\$ 2,056,775	\$ (1,321,729)	\$ 3,378,504
Permanent improvement	3,019,508	3,834,161	(814,653)
Other governmental	<u>3,232,119</u>	<u>4,460,809</u>	<u>(1,228,690)</u>
Total	<u>\$ 8,308,402</u>	<u>\$ 6,973,241</u>	<u>\$ 1,335,161</u>

An analysis of the general fund and permanent improvement fund is provided below.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

***General Fund***

During fiscal year 2010, the District's general fund balance increased \$3,378,504. The table that follows assists in illustrating the financial activities of the general fund.

	2010 <u>Amount</u>	2009 <u>Amount</u>	Percentage <u>Change</u>
<b><u>Revenues:</u></b>			
Taxes	\$ 19,494,235	\$ 21,113,039	(7.67) %
Payment in lieu of taxes	231,091	358,508	(35.54) %
Tuition	989,043	481,855	105.26 %
Earnings on investments	46,511	89,568	(48.07) %
Intergovernmental	18,447,134	17,454,158	5.69 %
Other revenues	<u>277,931</u>	<u>230,022</u>	20.83 %
Total	<u>\$ 39,485,945</u>	<u>\$ 39,727,150</u>	(0.61) %
<b><u>Expenditures:</u></b>			
Instruction	\$ 22,154,735	\$ 23,511,385	(5.77) %
Support services	12,898,528	14,321,520	(9.94) %
Extracurricular activities	620,222	642,992	(3.54) %
Debt service	<u>334,870</u>	<u>334,870</u>	-
Total	<u>\$ 36,008,355</u>	<u>\$ 38,810,767</u>	(7.22) %

Tax revenue decreased \$1,618,804 or 7.67% from fiscal year 2009 as the assessed values of the real property in the District, upon which taxes are based, fell over 6%. The decrease in tax revenue can also be attributed to the phase-out of tangible personal property taxes. The State reimburses the District for lost property tax revenues, which accounts for most of the increase in intergovernmental revenues. Payments in lieu of taxes decreased as the District was entitled to less of these payments in fiscal year 2010 versus 2009. Earnings on investments decreased due to decreasing interest rates. The significant increase in tuition revenues is primarily due to an increase in open enrollment revenues of over \$400,000. All other revenue amounts remained consistent with fiscal year 2009.

General fund expenditures decreased over 7% from fiscal year 2009. This decrease is due to the District's cost control policies. Two of the most significant areas of savings for the District's support services were operations and maintenance and pupil transportation costs, which in total decreased about \$940,000 from the prior year.

***Permanent Improvement Fund***

During fiscal year 2010, the District's permanent improvement fund balance decreased \$814,653. The permanent improvement fund had \$1,431,621 in revenues and \$2,246,274 in expenditures. The fund balance of the permanent improvement fund decreased from \$3,834,161 to \$3,019,508. Revenues for the permanent improvement fund are comprised primarily of taxes. The expenditures of the permanent improvement fund are for various building and maintenance projects undertaken by the District.

***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.



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

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

During the course of fiscal year 2010, the District amended its general fund budgeted revenue. For the general fund, original budgeted revenues and other financing sources of \$39,738,817 were increased to \$39,845,649 in the final budget. Actual revenues and other financing sources for fiscal 2010 were \$40,380,791 which was \$535,142 more than the final budgeted revenues.

General fund original appropriations (appropriated expenditures plus other financing uses) of \$38,728,110 were decreased \$177,270 to \$38,550,840 in the final budget. The actual budget basis expenditures and other financing uses for fiscal year 2010 totaled \$37,294,017, which was \$1,256,823 lower than the final budget appropriations.

**Capital Assets and Debt Administration**

*Capital Assets*

At the end of fiscal year 2010, the District had \$58,870,340 invested in land, land improvements, buildings and improvements, furniture and equipment, vehicles and infrastructure. This entire amount is reported in governmental activities. The following table shows fiscal 2010 balances compared to 2009:

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

	Governmental Activities	
	2010	2009
Land	\$ 495,967	\$ 495,967
Construction in progress	-	84,868
Land improvements	201,365	228,043
Buildings and improvements	56,245,702	56,094,721
Furniture and equipment	715,174	736,418
Vehicles	924,645	1,084,504
Infrastructure	287,487	294,171
Total	\$ 58,870,340	\$ 59,018,692

Total additions to capital assets for 2010 were \$1,341,973. The overall decrease in capital assets of \$148,352 is due to depreciation expense of \$1,490,325 exceeding capital outlays in fiscal 2010. See Note 9 to the basic financial statements for additional information on the District's capital assets.

*Debt Administration*

At June 30, 2010, the District had \$39,650,904 in general obligation bonds and \$2,863,448 in energy conservation bonds outstanding. Of these totals, \$1,313,846 is due within one year and \$41,200,506 is due in more than one year. The following table summarizes the governmental activities bonds outstanding.

**Outstanding Debt, at Year End**

	June 30, 2010	June 30, 2009
General obligation bonds	\$ 39,650,904	\$ 40,706,598
Energy conservation bonds	2,863,448	3,057,988
Total	\$ 42,514,352	\$ 43,764,586

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

See Note 10 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 House Bill 66 and the State's temporary reimbursement of the loss is a large concern to the District. The District has also suffered with an unintended consequence of House Bill 66 with the loss of monies previously abated from local companies of over \$1.3 million. 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 bond have been used to renovate three elementary schools and Clay High School along with construction of one new elementary school and demolition of older sections of Clay High School. Construction/demolition is complete and the projects are being closed out. The District is still holding the old Coy Elementary property for sale. An auction was held for this property but the top bid was rejected. The District is still planning on selling this property.

The District has experienced fairly stable enrollment in the last several years. The Board of Education approved allowing open enrollment of students according to space during the 2009-2010 school year as well as school employees' children regardless of grade level. This was done to increase operational efficiencies and brought in approximately \$632,000 in additional State funds. Oregon serves approximately 3,906 students and employs 248 certified staff members and 159 classified staff members. All employees accepted a 0% increase on base pay along with a step freeze for the 2010-2011 school year. The Union also accepted higher deductibles for medical insurance along with paying a larger share of medical premiums. This cooperation greatly improved the financial picture for the District. Union contracts are in place through fiscal year 2011 with negotiations on salaries and benefits planned for spring 2011.

The Oregon community approved a new 5.9 mill operating levy in March 2008. Fiscal year 2010 was the first full year of collection for this new operating levy. Unfortunately, according to the Lucas County Auditor, property values dropped by 7% in the Oregon district which meant that this newly passed levy brought in less money than originally anticipated. The Board of Education approved additional budgetary reductions for fiscal year 2010 totaling approximately \$3.5 million to ensure the District financial stability for another year. The Oregon Board placed a 5.9 mill emergency operating levy on the November 2, 2010 Ballot. This levy was soundly defeated by the community causing the Board to plan on further reducing the Oregon operating budget for the 2011-2012 school year. The major stumbling block for the Oregon City School budget is the upcoming reduction of payments from the State of Ohio for the replacement of tangible personal property taxes.

The Board of Education will continue to review options for replacing the monies which have been lost due to House Bill 66. The current budgetary crisis at the State level could create instability in the District's future. There are major unknown factors which would create large losses in our revenue stream. The Board has joined the Alliance for Schools, a group of like school districts which have been negatively impacted by House Bill 66, in order to make sure that districts which have been traditionally perceived as high wealth schools are not forgotten in the legislative process.

These are tough times for the District as we look for ways to maintain outstanding student services and achievement in a challenging financial environment.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

**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.

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**BASIC  
FINANCIAL STATEMENTS**

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

STATEMENT OF NET ASSETS  
JUNE 30, 2010

	<b>Primary Government</b>	<b>Component Unit</b>
	<b>Governmental Activities</b>	<b>Eagle Learning Center</b>
<b>Assets:</b>		
Equity in pooled cash and investments . . . . .	\$ 13,332,848	\$ 931,677
Cash with fiscal agent . . . . .	18,771	-
Receivables:		
Taxes . . . . .	24,542,043	-
Payment in lieu of taxes. . . . .	444,000	-
Accounts. . . . .	3,221	-
Intergovernmental . . . . .	614,837	-
Accrued interest . . . . .	22,868	-
Prepayments . . . . .	60,366	2,440
Materials and supplies inventory. . . . .	22,204	-
Unamortized bond issue costs . . . . .	405,753	-
Capital assets:		
Land . . . . .	495,967	-
Depreciable capital assets, net. . . . .	58,374,373	63,296
Capital assets, net . . . . .	<u>58,870,340</u>	<u>63,296</u>
Total assets. . . . .	<u>98,337,251</u>	<u>997,413</u>
<b>Liabilities:</b>		
Accounts payable. . . . .	408,686	961
Accrued wages and benefits . . . . .	3,865,688	-
Pension obligation payable. . . . .	871,950	-
Intergovernmental payable . . . . .	195,319	53,035
Unearned revenue . . . . .	21,114,114	-
Accrued interest payable . . . . .	153,124	-
Long-term liabilities:		
Due within one year. . . . .	2,178,954	-
Due in more than one year. . . . .	47,436,972	-
Total liabilities . . . . .	<u>76,224,807</u>	<u>53,996</u>
<b>Net assets:</b>		
Invested in capital assets, net of related debt. . . . .	16,045,918	63,296
Restricted for:		
Capital projects . . . . .	3,870,696	-
Debt service. . . . .	1,523,767	-
State funded programs. . . . .	56,788	5,000
Federally funded programs . . . . .	160,349	9,467
Student activities . . . . .	61,805	-
Termination benefits . . . . .	991,888	-
Other purposes . . . . .	400,290	-
Unrestricted (deficit) . . . . .	(999,057)	865,654
Total net assets . . . . .	<u>\$ 22,112,444</u>	<u>\$ 943,417</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, 2010

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets	
	Expenses	Charges for Services and Sales	Operating Grants and Contributions	Primary Government	Component Unit
				Governmental Activities	Eagle Learning Center
<b>Governmental activities:</b>					
Instruction:					
Regular . . . . .	\$ 17,122,656	\$ 1,134,854	\$ 163,677	\$ (15,824,125)	\$ -
Special . . . . .	4,894,705	-	1,256,766	(3,637,939)	-
Vocational . . . . .	2,765,894	11,287	293,860	(2,460,747)	-
Adult/continuing. . . . .	847,176	478,170	64,437	(304,569)	-
Other . . . . .	244,942	-	54,983	(189,959)	-
Support services:					
Pupil. . . . .	1,703,855	-	192,523	(1,511,332)	-
Instructional staff . . . . .	2,862,778	-	244,651	(2,618,127)	-
Board of education . . . . .	42,522	-	-	(42,522)	-
Administration. . . . .	2,926,897	-	400,062	(2,526,835)	-
Fiscal. . . . .	917,198	-	-	(917,198)	-
Business. . . . .	436,543	-	-	(436,543)	-
Operations and maintenance . . . . .	4,704,953	30,253	531,748	(4,142,952)	-
Pupil transportation. . . . .	1,743,198	-	108,209	(1,634,989)	-
Operation of non-instructional services:					
Food service operations . . . . .	1,682,640	863,552	856,869	37,781	-
Other non-instructional services . . . . .	215,284	-	235,313	20,029	-
Extracurricular activities. . . . .	1,051,525	302,492	56,214	(692,819)	-
Interest and fiscal charges . . . . .	1,914,876	-	-	(1,914,876)	-
<b>Total governmental activities . . . . .</b>	<b>\$ 46,077,642</b>	<b>\$ 2,820,608</b>	<b>\$ 4,459,312</b>	<b>(38,797,722)</b>	<b>-</b>
<b>Component unit:</b>					
Eagle Learning Center. . . . .	\$ 624,330	\$ -	\$ 997,935	-	373,605
<b>General revenues:</b>					
Property taxes levied for:					
General purposes . . . . .				19,354,599	-
Debt service. . . . .				2,227,086	-
Capital projects. . . . .				880,421	-
Grants and entitlements not restricted to specific programs . . . . .				18,973,059	-
Investment earnings . . . . .				72,147	1,544
Payment in lieu of taxes . . . . .				231,091	-
Miscellaneous . . . . .				66,782	11,990
<b>Total general revenues . . . . .</b>				<b>41,805,185</b>	<b>13,534</b>
Change in net assets . . . . .				3,007,463	387,139
<b>Net assets at beginning of year. . . . .</b>				<b>19,104,981</b>	<b>556,278</b>
<b>Net assets at end of year . . . . .</b>				<b>\$ 22,112,444</b>	<b>\$ 943,417</b>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2010

	<u>General</u>	<u>Permanent Improvement</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Assets:</b>				
Equity in pooled cash and investments . . . . .	\$ 5,192,458	\$ 3,137,218	\$ 4,801,612	\$ 13,131,288
Cash with fiscal agent. . . . .	-	-	18,771	18,771
Receivables:				
Taxes . . . . .	21,145,368	970,141	2,426,534	24,542,043
Payment in lieu of taxes. . . . .	444,000	-	-	444,000
Accounts. . . . .	1,716	-	1,505	3,221
Intergovernmental . . . . .	25,021	-	589,816	614,837
Accrued interest . . . . .	22,868	-	-	22,868
Interfund loans. . . . .	767,676	-	-	767,676
Prepayments. . . . .	60,366	-	-	60,366
Materials and supplies inventory . . . . .	-	-	22,204	22,204
Restricted assets:				
Equity in pooled cash and investments. . . . .	201,560	-	-	201,560
Total assets. . . . .	<u>\$ 27,861,033</u>	<u>\$ 4,107,359</u>	<u>\$ 7,860,442</u>	<u>\$ 39,828,834</u>
<b>Liabilities:</b>				
Accounts payable . . . . .	\$ 198,581	\$ 155,701	\$ 54,404	\$ 408,686
Accrued wages and benefits. . . . .	3,591,225	-	274,463	3,865,688
Compensated absences payable . . . . .	235,907	-	-	235,907
Early retirement incentive payable . . . . .	-	-	519,984	519,984
Pension obligation payable . . . . .	802,142	-	69,808	871,950
Intergovernmental payable . . . . .	173,604	-	21,715	195,319
Interfund loans payable. . . . .	-	-	767,676	767,676
Deferred revenue . . . . .	2,637,199	96,236	807,673	3,541,108
Unearned revenue. . . . .	18,165,600	835,914	2,112,600	21,114,114
Total liabilities. . . . .	<u>25,804,258</u>	<u>1,087,851</u>	<u>4,628,323</u>	<u>31,520,432</u>
<b>Fund balances:</b>				
Reserved for encumbrances . . . . .	467,254	158,712	60,296	686,262
Reserved for BWC refunds . . . . .	201,560	-	-	201,560
Reserved for materials and supplies inventory . . . . .	-	-	22,204	22,204
Reserved for tax revenue unavailable for appropriation . . . . .	792,731	37,991	94,400	925,122
Reserved for prepayments. . . . .	60,366	-	-	60,366
Reserved for debt service . . . . .	-	-	1,362,957	1,362,957
Unreserved, undesignated, reported in:				
General fund. . . . .	534,864	-	-	534,864
Special revenue funds . . . . .	-	-	937,310	937,310
Capital projects funds . . . . .	-	2,822,805	754,952	3,577,757
Total fund balances . . . . .	<u>2,056,775</u>	<u>3,019,508</u>	<u>3,232,119</u>	<u>8,308,402</u>
Total liabilities and fund balances . . . . .	<u>\$ 27,861,033</u>	<u>\$ 4,107,359</u>	<u>\$ 7,860,442</u>	<u>\$ 39,828,834</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, 2010

<b>Total governmental fund balances</b>		\$	8,308,402
<i>Amounts reported for governmental activities on 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.			58,870,340
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.			
Taxes receivable	\$	2,946,807	
Accrued interest receivable		6,162	
Intergovernmental receivables		588,139	
Total		588,139	3,541,108
Unamortized premiums on bond issuance are not recognized in the funds.			(405,981)
Unamortized bond issuance costs are not recognized in the funds.			405,753
Accrued interest payable is not due and payable in the current period and therefore is not reported in the funds.			(153,124)
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		(39,650,904)	
Energy conservation bonds		(2,863,448)	
Compensated absences payable		(5,939,702)	
Total		(48,454,054)	(48,454,054)
<b>Net assets of governmental activities</b>		\$	22,112,444

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, 2010

	<u>General</u>	<u>Permanent Improvement</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Revenues:</b>				
From local sources:				
Taxes . . . . .	\$ 19,494,235	\$ 884,540	\$ 2,238,443	\$ 22,617,218
Payments in lieu of taxes . . . . .	231,091	-	-	231,091
Tuition. . . . .	989,043	-	462,882	1,451,925
Charges for services . . . . .	-	-	861,601	861,601
Earnings on investments . . . . .	46,511	24,757	10,203	81,471
Extracurricular. . . . .	59,771	-	242,721	302,492
Classroom materials and fees . . . . .	164,081	-	-	164,081
Other local revenues . . . . .	54,079	-	109,027	163,106
Intergovernmental - state . . . . .	18,404,266	522,324	994,003	19,920,593
Intergovernmental - federal . . . . .	42,868	-	3,141,499	3,184,367
<b>Total revenues . . . . .</b>	<u>39,485,945</u>	<u>1,431,621</u>	<u>8,060,379</u>	<u>48,977,945</u>
<b>Expenditures:</b>				
Current:				
Instruction:				
Regular. . . . .	15,783,696	140,699	620,710	16,545,105
Special . . . . .	3,446,367	-	1,180,518	4,626,885
Vocational . . . . .	2,601,206	-	42,547	2,643,753
Adult/continuing . . . . .	133,110	-	692,250	825,360
Other . . . . .	190,356	-	54,585	244,941
Support services:				
Pupil . . . . .	1,449,090	-	183,758	1,632,848
Instructional staff . . . . .	2,445,084	-	243,066	2,688,150
Board of education . . . . .	41,947	-	-	41,947
Administration . . . . .	2,383,529	-	394,812	2,778,341
Fiscal . . . . .	866,011	9,268	78,926	954,205
Business. . . . .	436,305	-	-	436,305
Operations and maintenance . . . . .	3,782,302	201,681	543,109	4,527,092
Pupil transportation . . . . .	1,494,260	-	-	1,494,260
Operation of non-instructional services:				
Food service operations. . . . .	-	-	1,613,117	1,613,117
Other non-instructional services . . . . .	-	-	216,482	216,482
Extracurricular activities . . . . .	620,222	7,952	346,035	974,209
Facilities acquisition and construction. . . . .	-	1,886,674	347,552	2,234,226
Debt service:				
Principal retirement. . . . .	194,540	-	1,075,000	1,269,540
Interest and fiscal charges . . . . .	140,330	-	1,753,148	1,893,478
<b>Total expenditures . . . . .</b>	<u>36,008,355</u>	<u>2,246,274</u>	<u>9,385,615</u>	<u>47,640,244</u>
Excess (deficiency) of revenues over (under) expenditures . . . . .	<u>3,477,590</u>	<u>(814,653)</u>	<u>(1,325,236)</u>	<u>1,337,701</u>
<b>Other financing sources (uses):</b>				
Transfers in. . . . .	-	-	99,086	99,086
Transfers (out) . . . . .	(99,086)	-	-	(99,086)
<b>Total other financing sources (uses) . . . . .</b>	<u>(99,086)</u>	<u>-</u>	<u>99,086</u>	<u>-</u>
Net change in fund balances . . . . .	3,378,504	(814,653)	(1,226,150)	1,337,701
<b>Fund balances (deficit) at beginning of year .</b>	<b>(1,321,729)</b>	<b>3,834,161</b>	<b>4,460,809</b>	<b>6,973,241</b>
<b>Decrease in reserve for inventory . . . . .</b>	<b>-</b>	<b>-</b>	<b>(2,540)</b>	<b>(2,540)</b>
<b>Fund balances at end of year . . . . .</b>	<u><b>\$ 2,056,775</b></u>	<u><b>\$ 3,019,508</b></u>	<u><b>\$ 3,232,119</b></u>	<u><b>\$ 8,308,402</b></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, 2010

**Net change in fund balances - total governmental funds** \$ 1,337,701

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

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

Capital assets additions	\$ 1,341,973	
Current year depreciation	(1,490,325)	
Total		(148,352)

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

(2,540)

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

Delinquent property taxes	(155,112)	
Intergovernmental revenue	264,320	
Earnings on investments	(2,048)	
Total		107,160

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

1,269,540

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. More interest is reported in the statement of activities due to the following:

Increase in accrued interest payable	(2,092)	
Accreted interest on capital appreciation bonds	(19,306)	
Amortization of bond issuance costs	(18,777)	
Amortization of bond premiums	18,777	
Total		(21,398)

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

465,352

**Change in net assets of governmental activities** **\$ 3,007,463**

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, 2010

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues:</b>				
From local sources:				
Taxes . . . . .	\$ 19,598,432	\$ 19,390,373	\$ 19,623,987	\$ 233,614
Payment in lieu of taxes. . . . .	231,091	231,091	231,091	-
Tuition. . . . .	674,768	932,866	988,938	56,072
Earnings on investments . . . . .	135,462	108,300	42,862	(65,438)
Extracurricular. . . . .	42,681	42,000	59,706	17,706
Classroom materials and fees . . . . .	160,562	158,000	163,507	5,507
Other local revenues . . . . .	123,335	118,061	55,753	(62,308)
Intergovernmental - state . . . . .	18,604,810	18,256,555	18,565,445	308,890
Intergovernmental - federal . . . . .	-	-	42,868	42,868
Total revenues . . . . .	<u>39,571,141</u>	<u>39,237,246</u>	<u>39,774,157</u>	<u>536,911</u>
<b>Expenditures:</b>				
Current:				
Instruction:				
Regular . . . . .	16,541,548	16,968,750	15,735,582	1,233,168
Special. . . . .	3,364,185	3,364,098	3,385,970	(21,872)
Vocational. . . . .	2,781,621	2,776,895	2,694,576	82,319
Adult/continuing . . . . .	137,585	137,500	133,596	3,904
Other. . . . .	178,611	178,500	190,356	(11,856)
Support services:				
Pupil. . . . .	1,461,135	1,575,478	1,536,438	39,040
Instructional staff . . . . .	2,564,756	2,561,165	2,452,275	108,890
Board of education . . . . .	60,488	60,450	50,424	10,026
Administration. . . . .	2,528,670	2,588,926	2,463,753	125,173
Fiscal . . . . .	864,892	864,355	864,996	(641)
Business . . . . .	320,494	320,295	319,031	1,264
Operations and maintenance. . . . .	4,773,443	4,294,343	4,123,898	170,445
Pupil transportation . . . . .	2,061,634	1,771,505	1,519,326	252,179
Central. . . . .	2,411	2,410	-	2,410
Extracurricular activities. . . . .	676,720	676,300	622,164	54,136
Debt service:				
Principal . . . . .	194,540	194,540	194,540	-
Interest and fiscal charges. . . . .	140,330	140,330	140,330	-
Total expenditures . . . . .	<u>38,653,063</u>	<u>38,475,840</u>	<u>36,427,255</u>	<u>2,048,585</u>
Excess of revenues over expenditures. . . . .	<u>918,078</u>	<u>761,406</u>	<u>3,346,902</u>	<u>2,585,496</u>
<b>Other financing sources (uses):</b>				
Refund of prior year's expenditures . . . . .	15,243	35,000	33,231	(1,769)
Transfers (out). . . . .	-	-	(99,086)	(99,086)
Advances in. . . . .	152,433	573,403	573,403	-
Advances (out) . . . . .	(75,047)	(75,000)	(767,676)	(692,676)
Total other financing sources (uses) . . . . .	<u>92,629</u>	<u>533,403</u>	<u>(260,128)</u>	<u>(793,531)</u>
Net change in fund balance . . . . .	1,010,707	1,294,809	3,086,774	1,791,965
<b>Fund balance at beginning of year . . . . .</b>	<b>1,347,251</b>	<b>1,347,251</b>	<b>1,347,251</b>	<b>-</b>
<b>Prior year encumbrances appropriated . .</b>	<b>372,753</b>	<b>372,753</b>	<b>372,753</b>	<b>-</b>
<b>Fund balance at end of year . . . . .</b>	<b><u>\$ 2,730,711</u></b>	<b><u>\$ 3,014,813</u></b>	<b><u>\$ 4,806,778</u></b>	<b><u>\$ 1,791,965</u></b>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF FIDUCIARY NET ASSETS  
FIDUCIARY FUNDS  
JUNE 30, 2010

	<b>Private Purpose Trusts</b>	
	<b>Scholarships</b>	<b>Agency</b>
<b>Assets:</b>		
Equity in pooled cash and cash equivalents . . . . .	\$ 389,921	\$ 190,617
<b>Receivables:</b>		
Accounts . . . . .	1,260	1,950
Total assets. . . . .	391,181	\$ 192,567
<b>Liabilities:</b>		
Accounts payable. . . . .	17,280	\$ 8,239
Due to students. . . . .	-	155,703
Undistributed assets . . . . .	-	28,625
Total liabilities . . . . .	17,280	\$ 192,567
<b>Net assets:</b>		
Held in trust for scholarships . . . . .	112,101	
Endowment. . . . .	261,800	
Total net assets . . . . .	\$ 373,901	

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS  
FIDUCIARY FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

	<b>Private Purpose Trusts</b>
	<b>Scholarships</b>
<b>Additions:</b>	
Interest. . . . .	\$ 7,733
Gifts and contributions. . . . .	42,167
Total additions. . . . .	49,900
<b>Deductions:</b>	
Scholarships awarded . . . . .	32,254
Change in net assets. . . . .	17,646
<b>Net assets at beginning of year . . . . .</b>	<b>356,255</b>
<b>Net assets at end of year. . . . .</b>	<b>\$ 373,901</b>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

**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 104<sup>th</sup> largest in the State of Ohio (among the 905 public school districts and community schools) in terms of enrollment. It is staffed by 159 classified employees, 248 certified teaching personnel, and 20 administrative employees who provide services to 3,906 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) guidance issued on or before November 30, 1989, to its governmental activities provided it does not conflict with or contradict GASB pronouncements.

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

**A. Reporting Entity**

The reporting entity has been defined in accordance with GASB Statement No. 14, “The Financial Reporting Entity” as amended by GASB Statement No. 39, “Determining Whether Certain Organizations Are Component Units”. The reporting entity is composed of the primary government and component units. The primary government consists of all funds, departments, boards and agencies that are not legally separate from the District. For the District, this includes general operations, food service, and student related activities of the District.

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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

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

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. Certain organizations are also included as component units if the nature and significance of the relationship between the primary government and the organization is such that exclusion by the primary government would render the primary government's financial statements incomplete or misleading. Based upon the application of these criteria, the District has one component unit. The basic financial statements of the reporting entity include those of the District (the primary government) and of Eagle Learning Center Inc. (component unit).

The 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 Chapter 3314. The Learning Center is a 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 at 5721 Seaman Rd., Oregon, Ohio 43616.

*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 2010, the District paid \$316,502 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, 2010

**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.

*PUBLIC ENTITY RISK POOL*

Northwest Ohio Educational Council Self-Insurance Pool Program (NWOEC Program)

The District participates in the Northwest Ohio Educational Council Self-Insurance Pool Program (NWOEC Program) which is an insurance purchasing pool. The NWOEC Program was created and organized pursuant to Section 2744.081 of the Ohio Revised Code. The NWOEC Program was formed to provide members with a formalized joint insurance program to maintain adequate insurance protection, risk management programs, and other administrative services. The NWOEC Program's business and affairs are conducted by a nine member Insurance Committee created by the governing board of the NWOEC.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

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

Maumee City School District acts as the fiscal agent for the NWOEC Program, but the NWOEC Program's financial statements are reported separately from those of Maumee City School District. Separately issued financial statements for the NWOEC Program can be obtained by writing to Paul Brotzki, Treasurer, 716 Askin Street, Maumee, Ohio 43537.

**B. 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 following are the District's major governmental funds:

*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.

*Permanent improvement fund* - This fund is used to account for transactions related to the acquiring, constructing or improving of such permanent improvements as are authorized by Ohio Revised Code Chapter 5705.

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; (c) grants and other resources whose use is restricted to a particular purpose; and (d) 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 funds account 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, 2010

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

**C. Basis of Presentation and Measurement Focus**

*Government-wide Financial Statements* - The statement of net assets and the statement of activities display information about the District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds.

The government-wide statement of activities presents a comparison between direct expenses and program revenues for each function or program of the governmental activities of the District. 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 amounts paid by the recipient of goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues not classified as program revenues are presented as general revenues of the District.

The government-wide financial statements are prepared using the economic resources measurement focus. All assets and all liabilities associated with the operation of the District are included on the statement of net assets.

*Fund Financial Statements* - Fund financial statements report detailed information about the District. The focus of governmental fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column, and all nonmajor funds are aggregated into one column. Fiduciary funds are reported by fund type.

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

The private-purpose trust funds are reported using the economic resources measurement focus. Agency funds do not report a measurement focus as they do not report operations.

**D. Basis of Accounting**

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Fiduciary funds also use the accrual basis of accounting.

*Revenues - Exchange and Non-exchange Transactions* - Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means that 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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

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

Nonexchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, payments in lieu of taxes (PILOTs), grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied (See Note 6).

Revenues from PILOTs, grants, entitlements and donations are recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the 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 a modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

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

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

Property taxes and PILOTs for which there is an enforceable legal claim as of June 30, 2010, but which were levied to finance fiscal year 2011 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 are recorded as deferred revenue.

On governmental fund financial statements, receivables that will not be collected within the available period, including delinquent property taxes due at June 30, 2010, have been reported as deferred revenue.

Expenses/Expenditures - On the accrual basis of accounting, expenses are recognized at the time they are incurred. The entitlement value of donated commodities used during the year is reported in the statement of revenues, expenditures and changes in fund balances as an expenditure with a like amount reported as intergovernmental revenue.

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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

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

**E. Budgetary Process**

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriation resolution, all of which are prepared on the budgetary basis of accounting. The certificate of estimated resources and the appropriations resolution are subject to amendment throughout the year with the legal restriction that appropriations cannot exceed estimated resources, as certified. All funds, other than agency funds, are legally required to be budgeted and appropriated. The legal level of budgetary control is at the fund level for all funds. Any budgetary modifications at these levels may only be made by resolution of the Board of Education. Although the legal level of budgetary control was established at the fund level of expenditures, the District has elected to present budgetary statement comparisons at the fund and function level of expenditures.

Tax Budget:

Prior to January 15, the Superintendent and Treasurer submit to the Board of Education a proposed operating budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing for all funds. Public hearings are publicized and conducted to obtain taxpayers' comments. The purpose of this budget document is to reflect the need for existing (or increased) tax rates. By no later than January 20, the Board-adopted budget is filed with Lucas County Budget Commission for rate determination. The Lucas County Budget Commission waived the tax budget filing requirement for fiscal year 2010.

Estimated Resources:

By April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the Budget Commission and receives the Commission's certificate of estimated resources, which states the projected revenue of each fund. Prior to July 1, the District must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the certificate of estimated resources. The revised budget then serves as the basis for the appropriation measure. On or about July 1, the certificate of estimated resources is amended to include any unencumbered cash balances from the preceding year. The certificate of estimated resources may be further amended during the year if projected increases or decreases in revenue are identified by the District Treasurer. The amounts reported in the budgetary statements reflect the amounts in the original and final amended certificate of estimated resources issued during the fiscal year.

Appropriations:

Upon receipt from the County Auditor of an amended certificate of estimated resources based on final assessed values and tax rates or a certificate saying no new certificate of estimated resources is necessary, the annual appropriation resolution is enacted by the Board of Education. Prior to the passage of the annual appropriation measure, the Board may pass a temporary appropriation measure to meet the ordinary expenses of the District. The appropriation resolution, by fund, must be within the estimated resources as certified by the County Budget Commission and the total of expenditures may not exceed the appropriation totals at the fund legal level of control. Any revisions that alter appropriations at the fund level must be approved by the Board of Education.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

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

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

**F. 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 investments".

During fiscal year 2010, investments included federal agency securities, U.S. Government money market mutual funds, repurchase agreements, nonnegotiable certificates of deposit, and investments in the State Treasury Asset Reserve of Ohio (STAR Ohio). 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 shares price, which is the price the investment could be sold for on June 30, 2010.

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 2010 was \$46,511, which includes \$22,205 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.

An analysis of the District's investment account at year end is provided in Note 4.

**G. Inventory**

On government-wide and fund financial statements, purchased inventories are presented at the lower of cost or market and donated commodities are presented at their entitlement value. Inventories are recorded on a first-in, first-out basis and are expensed when received. Inventories are accounted for using the purchase method on the fund financial statements and using the consumption method on the government-wide financial statements.

On the fund financial statements, reported material and supplies inventory is equally offset by a fund balance reserve in the governmental funds which indicates that it does not constitute available spendable resources even though it is a component of net current assets.

Inventory consists of expendable supplies held for consumption, donated food and purchased food.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

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

**H. 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 \$5,000. Improvements are capitalized. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset’s life are not capitalized.

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

<u>Description</u>	<u>Governmental Activities 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

**I. Interfund Balances**

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

**J. Compensated Absences**

Compensated absences of the District consist of vacation leave and sick leave to the extent that payments to the employee for these absences are attributable to services already rendered and are not contingent on a specific event that is outside the control of the District and the employee.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

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

In accordance with the provisions of GASB Statement No. 16, “Accounting for Compensated Absences”, a liability for vacation leave is accrued if a) the employees’ rights to payment are attributable to services already rendered; and b) it is probable that the employer will compensate the employees for the benefits through paid time off or other means, such as cash payment at termination or retirement. An accrual for earned sick leave is made to the extent that it is probable that the benefits will result in termination (severance) payments. A liability for sick leave is accrued using the vesting method; i.e., the liability is based on the sick leave accumulated at the balance sheet date by those employees who are currently eligible to receive termination (severance) payments, as well as those employees expected to become eligible in the future. For purposes of establishing a liability for sick leave on employees expected to become eligible to retire in the future, all employees with at least ten years of service were considered expected to become eligible to retire in accordance with GASB Statement No. 16.

The total liability for vacation and sick leave payments has been calculated using pay rates in effect at June 30, 2010 and reduced to the maximum payment allowed by labor contract and/or statute, plus any additional salary related payments.

The entire compensated absence liability is reported on the government-wide financial statements.

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

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

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

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

**L. Unamortized Bond Issuance Costs and Bond Premium**

On government-wide financial statements, bond issuance costs are deferred and amortized over the term of the bonds using the straight-line method. Unamortized bond issuance costs are recorded as a separate line item on the statement of net assets.

Bond premiums are deferred and amortized over the term of the bonds. Using the straight-line method, which approximates the effective interest method, bond premiums are presented as an addition to the face amount of the bonds.

On the governmental fund financial statements, issuance costs and bond premiums are recognized in the current period. A reconciliation between the bonds face value and the amount reported on the statement of net assets is presented in Note 10.



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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

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

**M. Fund Reserves**

The District reserves those portions of fund equity 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 of fund equity which is available for appropriation in future periods. Fund equity reserves have been established for encumbrances, materials and supplies inventory, prepayments, debt service, BWC refunds and property taxes unavailable for appropriation. The reserve for property taxes unavailable for appropriation represents taxes recognized as revenue under GAAP, but not available for appropriation under State statute.

**N. Net Assets**

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consist of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through enabling legislation or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. The amount restricted for other purposes represents amounts restricted for BWC refunds and public school support.

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

**O. Prepayments**

Certain payments to vendors reflect the costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements. These items are reported as assets on the balance sheet using the consumption method. A current asset for the prepaid amounts is recorded at the time of the purchase and the expenditure/expense is reported in the year in which services are consumed.

**P. Estimates**

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

**Q. Interfund Activity**

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 basic financial statements.

**OREGON CITY SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

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

**R. 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 the Board of Education and that are either unusual in nature or infrequent in occurrence. The District had no extraordinary or special items during fiscal year 2010.

**S. Restricted Assets**

Restricted assets in the general fund represent cash and investments that are restricted in use by State statute. A fund balance reserve has also been established. See Note 17 for details.

**NOTE 3 - ACCOUNTABILITY AND COMPLIANCE**

**A. Change in Accounting Principles**

For fiscal year 2010, the District has implemented GASB Statement No. 51, "Accounting and Financial Reporting for Intangible Assets", GASB Statement No. 53, "Accounting and Financial Reporting for Derivative Instruments", and GASB Statement No. 58, "Accounting and Financial Reporting for Chapter 9 Bankruptcies".

GASB Statement No. 51 addresses accounting and financial reporting standards for intangible assets, which are assets that lack physical substance, are nonfinancial in nature, and have an initial useful life extending beyond a single reporting period. Examples of intangible assets include easements, water rights, computer software, patents, and trademarks. GASB Statement No. 51 improves the quality of financial reporting by creating consistency in the recognition, initial measurement, and amortization of intangible assets. The implementation of GASB Statement No. 51 did not have an effect on the financial statements of the District.

GASB Statement No. 53 addresses the recognition, measurement, and disclosure of information regarding derivative instruments entered into by state and local governments. Derivative instruments are financial arrangements used by governments to manage specific risks or to make investments. Common types of derivative instruments include interest rate and commodity swaps, interest rate locks, options, swaptions, forward contracts, and futures contracts. The implementation of GASB Statement No. 53 did not have an effect on the financial statements of the District.

GASB Statement No. 58 establishes accounting and financial reporting guidance for governments that have petitioned for protection from creditors by filing for bankruptcy under Chapter 9 of the United States Bankruptcy Code. GASB Statement No. 58 requires governments to remeasure liabilities that are adjusted in bankruptcy when the bankruptcy court confirms a new payment plan. The implementation of GASB Statement No. 58 did not have an effect on the financial statements of the District.

**OREGON CITY SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

**NOTE 3 - ACCOUNTABILITY AND COMPLIANCE - (Continued)**

**B. Deficit Fund Balances**

Fund balances at June 30, 2010 included the following individual fund deficits:

<u>Nonmajor governmental funds</u>	<u>Deficit</u>
Oregon CSD Foundation	\$ 14,523
Post secondary vocational education	43,039
IDEA Part-B	147,165
Title I	210,468
Drug-free schools	5,691
Miscellaneous federal grants	9

These funds complied with Ohio State law, which does not permit cash basis deficits. The deficit fund balances resulted from adjustments for accrued liabilities. These deficits should be eliminated by future intergovernmental revenues not recognized under GAAP at June 30, 2010.

**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 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;

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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)**

2. Bonds, notes, debentures, or any other obligation or security issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided 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 items (1) or (2) above 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.

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

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

**A. Cash in Segregated Accounts**

At fiscal year end, the District had \$18,771 in cash and cash equivalents held by the North Point Educational Service Center. This amount is included on the financial statements as "cash with fiscal agent". The North Point Educational Service Center holds this flow through grant money for the District together with that of other school districts and therefore, the District cannot classify this money by risk under GASB Statement No. 40.

**OREGON CITY SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)**

**B. Cash on Hand**

At fiscal year end, the District had \$6,100 in undeposited cash on hand, which is included on the financial statements of the District as part of “equity in pooled cash and investments”.

**C. Deposits with Financial Institutions**

At June 30, 2010, the carrying amount of all District deposits was \$4,404,455, exclusive of the investments reported below. Based on the criteria described in GASB Statement No. 40, “Deposits and Investment Risk Disclosures”, as of June 30, 2010, \$3,734,395 of the District’s bank balance of \$4,356,994 was exposed to custodial risk as discussed below, while \$622,599 was covered by the FDIC.

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

**D. Investments**

As of June 30, 2010, the District had the following investments:

<u>Investment type</u>	<u>Fair value</u>	<u>Investment maturities</u>				
		<u>6 months or less</u>	<u>7 to 12 months</u>	<u>13 to 18 months</u>	<u>19 to 24 months</u>	<u>Greater than 24 months</u>
FFCB	\$ 100,156	\$ 100,156	\$ -	\$ -	\$ -	\$ -
FHLB	3,178,280	251,594	101,969	-	-	2,824,717
FHLMC	200,066	-	-	-	200,066	-
FNMA	686,368	-	-	-	-	686,368
U.S. Government money market funds	2,990,788	2,990,788	-	-	-	-
Repurchase agreement	1,160,036	1,160,036	-	-	-	-
STAR Ohio	1,187,137	1,187,137	-	-	-	-
<b>Total</b>	<b>\$ 9,502,831</b>	<b>\$ 5,689,711</b>	<b>\$ 101,969</b>	<b>\$ -</b>	<b>\$ 200,066</b>	<b>\$ 3,511,085</b>

The weighted average maturity of investments is 1.04 years.

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

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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

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

*Credit Risk:* The District's investments in federal agency securities and the federal agency securities that underlie the repurchase agreement were rated AAA and Aaa by Standard & Poor's and Moody's Investor Services, respectively. Standard & Poor's has assigned STAR Ohio and the U.S. Government money market funds 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.

*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>
FFCB	\$ 100,156	1.05
FHLB	3,178,280	33.45
FHLMC	200,066	2.11
FNMA	686,368	7.22
U.S. Government money market funds	2,990,788	31.47
Repurchase agreement	1,160,036	12.21
STAR Ohio	<u>1,187,137</u>	<u>12.49</u>
 Total	 <u>\$ 9,502,831</u>	 <u>100.00</u>

**OREGON CITY SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

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

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

The following is a reconciliation of cash and investments as reported in the note above to cash and investments as reported on the statement of net assets as of June 30, 2010:

<u>Cash and investments per note</u>	
Carrying amount of deposits	\$ 4,404,455
Investments	9,502,831
Cash with fiscal agent	18,771
Cash on hand	<u>6,100</u>
Total	<u>\$ 13,932,157</u>
 <u>Cash and investments per financial statements</u>	
Governmental activities	\$ 13,351,619
Private-purpose trust funds	389,921
Agency funds	<u>190,617</u>
Total	<u>\$ 13,932,157</u>

**NOTE 5 - INTERFUND TRANSACTIONS**

- A.** Interfund transfers for the year ended June 30, 2010 consisted of the following as reported on the fund financial statements:

<u>Transfers to nonmajor governmental funds from:</u>	<u>Amount</u>
General fund	<u>\$ 99,086</u>

Transfers are used to move revenues from the fund that statute or budget required to collect them to the fund that statute or budget requires to expend them and to use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations. Transfers between governmental funds are eliminated in the statement of activities.

- B.** Interfund balances at June 30, 2010 as reported on the fund statements, consist of the following individual interfund loans receivable and payable:

<u>Receivable fund</u>	<u>Payable funds</u>	<u>Amount</u>
General	Nonmajor governmental funds	<u>\$ 767,676</u>

Interfund balances between governmental funds are eliminated on the government-wide financial statements; therefore, no internal balances at June 30, 2010 are reported on the statement of net assets.

**OREGON CITY SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

**NOTE 6 - PROPERTY TAXES**

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

Property taxes include amounts levied against all real property, public utility property, and certain tangible personal (used in business) property located in the District. Real property tax revenues received in calendar year 2010 represent the collection of calendar year 2009 taxes. Real property taxes received in calendar year 2010 were levied after April 1, 2009, on the assessed values as of January 1, 2009, 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 2010 represent the collection of calendar year 2009 taxes. Public utility real and tangible personal property taxes received in calendar year 2010 became a lien on December 31, 2008, were levied after April 1, 2009, 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 revenues received in calendar year 2010 (other than public utility property) represent the collection of calendar year 2010 taxes levied against local and inter-exchange telephone companies. Tangible personal property taxes received from telephone companies in calendar year 2010 were levied after October 1, 2009, on the value as of December 31, 2009. Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, payment is due April 30; if paid semiannually, 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.

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, 2010, are available to finance fiscal year 2010 operations. The amount available as an advance at June 30, 2010 was \$792,731 in the general fund, \$37,991 in the permanent improvement fund and \$94,400 in the bond retirement fund (a nonmajor governmental fund). This amount is recorded as revenue. The amount available for advance at June 30, 2009 was \$774,437 in the general fund, \$31,962 in the permanent improvement fund and \$79,436 in the bond retirement fund (a nonmajor governmental fund). The amount of second-half real property taxes available for advance at fiscal year-end can vary based on the date the tax bills are sent.

Accrued property taxes receivable includes real property, public utility property and tangible personal property taxes which are measurable as of June 30, 2010 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reported as revenue at fiscal year end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to unearned revenue.

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



**OREGON CITY SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

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

The assessed values upon which the fiscal year 2010 taxes were collected are:

	2009 Second Half Collections		2010 First Half Collections	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/residential and other real estate	\$ 559,708,510	92.40	\$ 523,416,385	91.98
Public utility personal	44,813,140	7.40	44,972,550	7.90
Tangible personal property	<u>1,201,307</u>	<u>0.20</u>	<u>686,740</u>	<u>0.12</u>
Total	<u>\$ 605,722,957</u>	<u>100.00</u>	<u>\$ 569,075,675</u>	<u>100.00</u>
Tax rate per \$1,000 of assessed valuation	\$65.40		\$65.40	

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

According to State law, the District has entered into agreements with a number of property owners, and the 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 - RECEIVABLES**

Receivables at June 30, 2010 consisted of taxes, payment in lieu of taxes, accounts (billings for user charged services and student fees), intergovernmental grants and entitlements and accrued interest. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs and the current year guarantee of federal funds.

A summary of the principal items of receivables reported on the statement of net assets follows:

<b>Governmental activities:</b>	
Taxes	\$ 24,542,043
Payment in lieu of taxes	444,000
Accounts	3,221
Intergovernmental	614,837
Accrued interest	<u>22,868</u>
Total receivables	<u>\$ 25,626,969</u>

Receivables have been disaggregated on the face of the basic financial statements. All receivables are expected to be collected within the subsequent year.

**OREGON CITY SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**NOTE 9 - CAPITAL ASSETS**

Capital asset activity for the fiscal year ended June 30, 2010, was as follows:

	<u>Balance</u> <u>7/1/09</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance</u> <u>6/30/10</u>
<b>Governmental activities:</b>				
Capital assets, not being depreciated:				
Land	\$ 495,967	\$ -	\$ -	\$ 495,967
Construction in progress	84,868	-	(84,868)	-
Total capital assets, not being depreciated	<u>580,835</u>	<u>-</u>	<u>(84,868)</u>	<u>495,967</u>
Capital assets, being depreciated:				
Land improvements	663,299	-	-	663,299
Buildings and improvements	62,295,273	1,336,003	-	63,631,276
Furniture and equipment	3,528,274	90,838	-	3,619,112
Vehicles	2,965,011	-	-	2,965,011
Infrastructure	<u>313,516</u>	<u>-</u>	<u>-</u>	<u>313,516</u>
Total capital assets, being depreciated	<u>69,765,373</u>	<u>1,426,841</u>	<u>-</u>	<u>71,192,214</u>
<i>Less: accumulated depreciation:</i>				
Land improvements	(435,256)	(26,678)	-	(461,934)
Buildings and improvements	(6,200,552)	(1,185,022)	-	(7,385,574)
Furniture and equipment	(2,791,856)	(112,082)	-	(2,903,938)
Vehicles	(1,880,507)	(159,859)	-	(2,040,366)
Infrastructure	<u>(19,345)</u>	<u>(6,684)</u>	<u>-</u>	<u>(26,029)</u>
Total accumulated depreciation	<u>(11,327,516)</u>	<u>(1,490,325)</u>	<u>-</u>	<u>(12,817,841)</u>
Governmental activities capital assets, net	<u>\$ 59,018,692</u>	<u>\$ (63,484)</u>	<u>\$ (84,868)</u>	<u>\$ 58,870,340</u>

**OREGON CITY SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

**NOTE 9 - CAPITAL ASSETS - (Continued)**

Depreciation expense was charged to governmental functions as follows:

Instruction:

Regular	\$ 613,829
Special	139,778
Vocational	103,645

Support services:

Pupil	37,031
Instructional staff	77,801
Administration	111,632
Fiscal	549
Operations and maintenance	130,397
Pupil transportation	167,142
Operation of non-instructional services	5,797
Extracurricular	56,930
Food service operations	45,794
Total depreciation expense	<u>\$ 1,490,325</u>

**OREGON CITY SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

**NOTE 10 - LONG-TERM OBLIGATIONS**

During fiscal year 2010, the following activity occurred in the governmental activities long-term obligations:

	<u>Balance</u> <u>6/30/09</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>6/30/10</u>	<u>Amounts</u> <u>Due in</u> <u>One Year</u>
<b>Governmental activities:</b>					
<u>General obligation bonds:</u>					
2005 School facilities improvement					
Serial bonds 3 - 5 %	\$ 17,880,000	\$ -	\$ (1,075,000)	\$ 16,805,000	\$ 1,110,000
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	76,605	19,306	-	95,911	-
Total general obligation bonds	<u>40,706,598</u>	<u>19,306</u>	<u>(1,075,000)</u>	<u>39,650,904</u>	<u>1,110,000</u>
<u>Energy conservation bonds:</u>					
2006 energy conservation	<u>3,057,988</u>	<u>-</u>	<u>(194,540)</u>	<u>2,863,448</u>	<u>203,846</u>
Total energy conservation bonds	<u>3,057,988</u>	<u>-</u>	<u>(194,540)</u>	<u>2,863,448</u>	<u>203,846</u>
<u>Other long-term obligations:</u>					
Early retirement incentive	1,039,968	-	(519,984)	519,984	519,984
Compensated absences	<u>6,256,904</u>	<u>670,493</u>	<u>(751,788)</u>	<u>6,175,609</u>	<u>345,124</u>
Total other long-term obligations	<u>7,296,872</u>	<u>670,493</u>	<u>(1,271,772)</u>	<u>6,695,593</u>	<u>865,108</u>
Total governmental activities long-term liabilities	<u>\$ 51,061,458</u>	<u>\$ 689,799</u>	<u>\$ (2,541,312)</u>	49,209,945	<u>\$ 2,178,954</u>
			Unamortized premium on bonds	<u>405,981</u>	
			Total on statement of net assets	<u>\$ 49,615,926</u>	

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

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NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**NOTE 10 - 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> <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> <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 2010, \$95,911 was accreted on the capital appreciation bonds for a total outstanding bond value of \$2,250,904 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, 2010

**NOTE 10 - LONG-TERM OBLIGATIONS - (Continued)**

Principal and interest requirements to retire the general obligation school facilities improvement bonds outstanding at June 30, 2010, were as follows:

Fiscal Year Ending	School Facilities Improvement - Term and Serial		
	Principal	Interest	Total
2011	\$ 1,110,000	\$ 1,719,679	\$ 2,829,679
2012	-	1,702,335	1,702,335
2013	-	1,702,335	1,702,335
2014	1,145,000	1,682,298	2,827,298
2015	1,185,000	1,640,930	2,825,930
2016 - 2020	6,700,000	7,363,163	14,063,163
2021 - 2025	8,545,000	5,476,250	14,021,250
2026 - 2030	10,890,000	3,079,976	13,969,976
2031 - 2033	<u>7,825,000</u>	<u>538,539</u>	<u>8,363,539</u>
Total	<u>\$ 37,400,000</u>	<u>\$ 24,905,505</u>	<u>\$ 62,305,505</u>

Fiscal Year Ending	School Facilities Improvement - Capital Appreciation		
	Principal	Interest	Total
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 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.

Principal and interest requirements to retire the general obligation energy conservation bonds outstanding at June 30, 2010, were as follows:

Fiscal Year Ending	Energy Conservation		
	Principal	Interest	Total
2011	\$ 203,846	\$ 131,024	\$ 334,870
2012	213,597	121,273	334,870
2013	223,814	111,056	334,870
2014	234,520	100,350	334,870
2015	245,738	89,132	334,870
2016 - 2020	1,416,673	257,678	1,674,351
2021	<u>325,260</u>	<u>9,610</u>	<u>334,870</u>
Total	<u>\$ 2,863,448</u>	<u>\$ 820,123</u>	<u>\$ 3,683,571</u>

**OREGON CITY SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

**NOTE 10 - LONG-TERM OBLIGATIONS - (Continued)**

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 used 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, 2010, are a voted debt margin of \$13,057,368 (including available funds of \$1,457,357) and an unvoted debt margin of \$568,389.

**NOTE 11 - 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. Year-round administrative employees, such as the superintendent and treasurer, will receive one hundred fifty days of severance pay or one-half of unused sick leave to a maximum of one hundred seventy days. Other administrative employees will receive one hundred forty-five days of severance pay or one-half of unused sick leave to a maximum of one hundred sixty-five days.

**B. Health Care Benefits**

The District offers employee medical and vision benefits through Aetna. Dental insurance is offered to all employees through Coresource and life insurance through Aetna.

**C. Early Retirement Incentive**

The District has offered employees an early retirement incentive program (ERIP) whereby employees retiring under the ERIP are entitled to 80% of their base salary at separation as an additional severance benefit payable over a five year period. The ERIP is a voluntary termination benefit as defined by GASB Statement No. 47, "Accounting for Termination Benefits". A total ERIP liability of \$519,984 has been recorded on the government-wide financial statements. This entire amount has been recorded as a fund liability of the termination benefits fund (a nonmajor governmental fund). A fund liability is recorded to the extent that the payments are due at fiscal year end and will be liquidated using current financial resources which, the District defines, as being paid in the next fiscal year.

**OREGON CITY SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**NOTE 12 - RISK MANAGEMENT**

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2010, 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

Coverage provided by Federal Insurance is as follows:

Building and Contents	50,000,000
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Coverage provided by American Alternative Insurance is as follows:

Umbrella Liability	10,000,000
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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 2010, the District participated in the Northwest Ohio Educational Council Self-Insurance Pool Program (Program), an insurance purchasing pool (See Note 2). Each participant enters into an individual agreement with the Program for insurance coverage and pays annual premiums to the Program 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 13 - PENSION PLANS**

**A. School Employees Retirement System**

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



**OREGON CITY SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

**NOTE 13 - PENSION PLANS - (Continued)**

Funding Policy - 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 2010, 12.78 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 by the SERS' Retirement Board up to a statutory maximum amount of 10 percent for plan members and 14 percent for employers. Chapter 3309 of the Ohio Revised Code provides statutory authority for member and employer contributions. The District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2010, 2009 and 2008 were \$599,023, \$444,523 and \$461,591, respectively; 43.33 percent has been contributed for fiscal year 2010 and 100 percent for fiscal years 2009 and 2008.

**B. State Teachers Retirement System of Ohio**

Plan Description - The District participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple-employer public employee retirement plan. 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 43215-3771, by calling (888) 227-7877, or by visiting the STRS Ohio Web site 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 a member's lifetime contributions and earned interest matched by STRS Ohio funds divided by 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 member may elect to receive a lifetime monthly annuity or a lump sum withdrawal. 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. The DB portion of the Combined Plan payment is payable to a member on or after age 60; the DC portion of the account may be taken as a lump sum or converted to a lifetime monthly annuity at age 50. 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 of the DC Plan dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

Funding Policy - For fiscal year 2010, 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. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

**OREGON CITY SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

**NOTE 13 - PENSION PLANS - (Continued)**

The District's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2010, 2009 and 2008 were \$2,530,129, \$2,778,391 and \$2,727,749, respectively; 85.83 percent has been contributed for fiscal year 2010 and 100 percent for fiscal years 2009 and 2008. Contributions to the DC and Combined Plans for fiscal year 2010 were \$55,991 made by the District and \$39,993 made by the plan members.

**C. Social Security System**

Effective July 1, 1991, all employees not otherwise covered by the SERS/STRS Ohio have an option to choose Social Security or the SERS/STRS Ohio. As of June 30, 2010, certain members of the Board of Education have elected Social Security. The District's liability is 6.2 percent of wages paid.

**NOTE 14 - POSTEMPLOYMENT BENEFITS**

**A. School Employees Retirement System**

Plan Description - The District participates in two cost-sharing, multiple employer postemployment benefit plans administered by the School Employees Retirement System (SERS) for non-certificated retirees and their beneficiaries, a Health Care Plan and a Medicare Part B Plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's, Medicare Advantage, and traditional indemnity plans. A prescription drug program is also available to those who elect health coverage. SERS employs two third-party administrators and a pharmacy benefit manager to manage the self-insurance and prescription drug plans, respectively. The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries as set forth in Section 3309.69 of the Ohio Revised Code. Qualified benefit recipients who pay Medicare Part B premiums may apply for and receive a monthly reimbursement from SERS. The reimbursement amount is limited by statute to the lesser of the January 1, 1999 Medicare Part B premium or the current premium. The Medicare Part B premium for calendar year 2009 was \$96.40 and SERS' reimbursement to retirees was \$45.50. Benefit provisions and the obligations to contribute are established by the System based on authority granted by State statute. The financial reports of both Plans are included in the SERS Comprehensive Annual Financial Report which is available by contacting SERS at 300 East Broad St., Suite 100, Columbus, Ohio 43215-3746. It is also posted on the SERS' Ohio website, [www.ohsers.org](http://www.ohsers.org), under *Employers/Audit Resources*.

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). For 2010, 0.46 percent of covered payroll was allocated to health care. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. Statutes provide that no employer shall pay a health care surcharge greater than 2.0 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the statewide SERS-covered payroll for the health care surcharge. For fiscal year 2010, the actuarially determined amount was \$35,800.

**OREGON CITY SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

**NOTE 14 - POSTEMPLOYMENT BENEFITS - (Continued)**

Active members do not contribute to the postemployment benefit plans. The Retirement Board establishes the rules for the premiums paid by the retirees for health care coverage for themselves and their dependents or for their surviving beneficiaries. Premiums vary depending on the plan selected, qualified years of service, Medicare eligibility and retirement status.

The District's contributions for health care (including surcharge) for the fiscal years ended June 30, 2010, 2009, and 2008 were \$122,625, \$305,862 and \$291,990, respectively; 43.33 percent has been contributed for fiscal year 2010 and 100 percent for fiscal years 2009 and 2008.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For fiscal year 2010, this actuarially required allocation was 0.76 percent of covered payroll. The District's contributions for Medicare Part B for the fiscal years ended June 30, 2010, 2009, and 2008 were \$35,623, \$36,655 and \$33,259, respectively; 43.33 percent has been contributed for fiscal year 2010 and 100 percent for fiscal years 2009 and 2008.

**B. State Teachers Retirement System of Ohio**

Plan Description - The District contributes to the cost sharing, multiple employer defined benefit Health Plan (the "Plan") administered by the State Teachers Retirement System of Ohio (STRS Ohio) for eligible retirees who participated in the defined benefit or combined pension plans offered by STRS Ohio. Benefits include hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare Part B premiums. The Plan is included in the report of STRS Ohio which may be obtained by visiting [www.strsoh.org](http://www.strsoh.org) or by calling (888) 227-7877.

Funding Policy - Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2010, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The District's contributions for health care for the fiscal years ended June 30, 2010, 2009, and 2008 were \$194,625, \$213,722 and \$209,827, respectively; 85.83 percent has been contributed for fiscal year 2010 and 100 percent for fiscal years 2009 and 2008.

**NOTE 15 - 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);

**OREGON CITY SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

**NOTE 15 - BUDGETARY BASIS OF ACCOUNTING - (Continued)**

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); and,
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:

**Net Change in Fund Balance**

	<u>General Fund</u>
Budget basis	\$ 3,086,774
Net adjustment for revenue accruals	(288,212)
Net adjustment for expenditure accruals	(200,196)
Net adjustment for other sources/uses	161,042
Adjustment for encumbrances	<u>619,096</u>
GAAP basis	<u>\$ 3,378,504</u>

**NOTE 16 - DONOR RESTRICTED ENDOWMENTS**

The District's private purpose trust funds include donor restricted endowments. The endowment, in the amount of \$261,800 represents the principal portion. The amount of net appreciation in donor restricted investments that is available for expenditures by the District is \$112,101 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.

**NOTE 17 - STATUTORY RESERVES**

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, 2010, only the unspent portion of certain workers' compensation refunds continues to be set aside.

**OREGON CITY SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

**NOTE 17 - STATUTORY RESERVES - (Continued)**

The following cash basis information identifies the changes in the fund balance reserves for textbooks, capital improvements, and budget stabilization during fiscal year 2010.

	Textbooks/ Instructional <u>Materials</u>	Capital <u>Acquisition</u>	BWC <u>Refunds</u>
Set-aside balance as of June 30, 2009	\$ (442,495)	\$ -	\$ 201,560
Current year set-aside requirement	655,185	655,185	-
Current year offsets	-	(886,919)	-
Qualifying disbursements	<u>(608,558)</u>	<u>(941,405)</u>	<u>-</u>
Total	<u>\$ (395,868)</u>	<u>\$ (1,173,139)</u>	<u>\$ 201,560</u>
Balance carried forward to fiscal year 2011	<u>\$ (395,868)</u>	<u>\$ -</u>	<u>\$ 201,560</u>

The District had qualifying disbursements during the year that reduced the set-aside amount below zero for the textbooks/instructional materials reserve. This extra amount may be used to reduce the textbooks/instructional materials set-aside requirements for future years. The negative textbook/instructional materials amount is therefore presented as being carried forward to next fiscal year.

Although the District had qualifying disbursements during the year that reduced the set-aside amount below zero for the capital acquisition reserve, this extra amount may not be used to reduce the set-aside requirement for future years. The negative amount is therefore not presented as being carried forward to the next fiscal year.

A schedule of the governmental fund restricted assets at June 30, 2010 follows:

Amount restricted for BWC refunds	<u>\$ 201,560</u>
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**NOTE 18 - 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, 2010.

**B. Litigation**

The District is a party to legal proceedings seeking damages or injunctive relief generally incidental to its operations and spending projects. The District management is of the opinion that disposition of the claim and legal proceedings will not have a material effect, if any, on the financial condition of the District.

**OREGON CITY SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

**NOTE 19 - EAGLE LEARNING CENTER**

The Eagle Learning Center Inc. (the "Learning Center") is a discretely presented component unit of the Oregon City School District (the "District"). The District is the Sponsor of the Learning Center. The Learning Center issues a publicly available, stand-alone financial report that includes financial statements and supplementary information. That report may be obtained by writing to Eagle Learning Center Inc., 5721 Seaman Road, Oregon, Ohio 43616.

**A. Significant Accounting Policies**

The basic financial statements (BFS) of the Learning Center have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The Academy also applies Financial Accounting Standards Board (FASB) guidance issued prior to November 30, 1989, provided it does not conflict with or contradict GASB pronouncements. The Learning Center has elected not to apply FASB guidance issued after November 30, 1989. The Learning Center's significant accounting policies are described below.

***Basis of Presentation*** - Enterprise accounting is used to account for operations that are financed and operated in a manner similar to private business enterprises where the intent is that the costs (expenses) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges or where it has been decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

***Measurement Focus and Basis of Accounting*** - Enterprise accounting uses a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities are included on the statement of net assets. The difference between total assets and liabilities are defined as net assets. Operating statements present increases (i.e., revenues) and decreases (i.e., expenses) in net total assets. Basis of accounting refers to when revenues and expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made. The accrual basis of accounting is utilized for reporting purposes. Revenues are recognized when they are earned, and expenses are recognized when they are incurred.

***Budgetary Process*** - Unlike other public schools located in the State of Ohio, community schools are not required to follow budgetary provisions set forth in Ohio Revised Code Chapter 5705, unless specifically provided in the Learning Center's contract with its Sponsor. The contract between the Learning Center and its Sponsor requires a detailed school budget for each year of the contract; however, the budget does not have to follow the provisions of Ohio Revised Code Chapter 5705.

***Cash*** - All monies received by the Learning Center are accounted for by the Learning Center's fiscal agent, the Oregon City School District. Cash received by the fiscal agent is maintained in separate bank accounts and a certificate of deposit in the Learning Center's name.

***Capital Assets*** - All capital assets are capitalized at cost and updated for additions and reductions during the year. Donated capital assets are recorded at their fair market value on the date donated. The Learning Center maintains a capitalization threshold of \$1,000. The Learning Center does not have any infrastructure. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized.

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NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**NOTE 19 - EAGLE LEARNING CENTER - (Continued)**

All capital assets are depreciated. Depreciation is computed using the straight-line method. Furniture and equipment is depreciated over three years. Leasehold improvements are depreciated over ten years.

*Net Assets* - Net assets represent the difference between assets and liabilities. Net assets invested in capital assets consist of capital assets, net of accumulated depreciation. Net assets are reported as restricted when there are limitations imposed on their use through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

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

*Intergovernmental Revenue* - The Learning Center currently participates in the State Foundation Program through the Ohio Department of Education. Revenues from this program are recognized as operating revenue in the accounting period in which they are earned, essentially the same as the fiscal year.

Grants and entitlements are recognized as non-operating revenues in the accounting period in which all eligibility requirements have been met. Eligibility includes timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted; matching requirements, in which the Learning Center must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the Learning Center on a reimbursement basis.

*Prepayments* - Certain payments to vendors reflect the costs applicable to future accounting periods and are recorded as prepaid items in the financial statements. These items are reported as assets on the statement of net assets using the consumption method. A current asset for the prepaid amounts is recorded at the time of the purchase and the expense is reported in the year in which services are consumed. The Learning Center has prepaid items for rent and advertising of \$2,440 at June 30, 2010.

*Operating Revenues and Expenses* - Operating revenues are those revenues that are generated directly from the primary activity of the Learning Center. Operating expenses are necessary costs incurred to provide the service that is the primary activity of the Learning Center. All revenues and expenses not meeting this definition are reported as non-operating.

*Estimates* - The preparation of financial statements in conformity with GAAP 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.

**B. Change in Accounting Principles**

For fiscal year 2010, the Learning Center has implemented GASB Statement No. 51, "Accounting and Financial Reporting for Intangible Assets", GASB Statement No. 53, "Accounting and Financial Reporting for Derivative Instruments", and GASB Statement No. 58, "Accounting and Financial Reporting for Chapter 9 Bankruptcies".

**OREGON CITY SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

**NOTE 19 - EAGLE LEARNING CENTER - (Continued)**

GASB Statement No. 51 addresses accounting and financial reporting standards for intangible assets, which are assets that lack physical substance, are nonfinancial in nature, and have an initial useful life extending beyond a single reporting period. Examples of intangible assets include easements, water rights, computer software, patents, and trademarks. GASB Statement No. 51 improves the quality of financial reporting by creating consistency in the recognition, initial measurement, and amortization of intangible assets. The implementation of GASB Statement No. 51 did not have an effect on the financial statements of the Learning Center.

GASB Statement No. 53 addresses the recognition, measurement, and disclosure of information regarding derivative instruments entered into by state and local governments. Derivative instruments are financial arrangements used by governments to manage specific risks or to make investments. Common types of derivative instruments include interest rate and commodity swaps, interest rate locks, options, swaptions, forward contracts, and futures contracts. The implementation of GASB Statement No. 53 did not have an effect on the financial statements of the Learning Center.

GASB Statement No. 58 establishes accounting and financial reporting guidance for governments that have petitioned for protection from creditors by filing for bankruptcy under Chapter 9 of the United States Bankruptcy Code. GASB Statement No. 58 requires governments to remeasure liabilities that are adjusted in bankruptcy when the bankruptcy court confirms a new payment plan. The implementation of GASB Statement No. 58 did not have an effect on the financial statements of the Learning Center.

**C. Deposits**

The Learning Center had \$50 in undeposited cash on hand which is included on the financial statements as part of “equity in pooled cash and investments”.

At June 30, 2010, the carrying amount of the Learning Center’s deposits was \$931,627. Based on the criteria described in GASB Statement No. 40, “Deposits and Investment Risk Disclosures”, as of June 30, 2010, \$381,392 of the Learning Center’s bank balance of \$934,067 was exposed to custodial risk as discussed below, while \$552,675 was covered by the FDIC.

Custodial credit risk is the risk that, in the event of bank failure, the Learning Center’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 Learning Center. The Learning Center has no deposit policy for custodial credit risk beyond the requirements of State statute. Although the securities were held by the pledging institutions’ trust department and all statutory requirements for the deposit of money had been followed, noncompliance with federal requirements could potentially subject the Learning Center to a successful claim by the FDIC.



**OREGON CITY SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

**NOTE 19 - EAGLE LEARNING CENTER - (Continued)**

**D. Risk Management**

The Learning Center is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to contracted personnel; and natural disasters. For the period July 1, 2009 through June 30, 2010, the Learning Center was named on the Sponsor's policy for property and general liability insurance. The Learning Center provides employee bond coverage in the following amounts: Treasurer \$50,000 and Board of Directors \$20,000.

**E. Operation Lease**

The Learning Center signed an operating lease for the period June 1, 2009 through June 1, 2010, with Free Realty Company to lease a school facility, with the option to renew the lease for an additional one year provided notice of election of this option is provided to the lessor in writing at least sixty days prior to termination of this period. This option was taken and the lease was renewed for the period of June 1, 2010 through June 1, 2011.

The Learning Center signed an operating lease for the period January 1, 2010 through January 1, 2011, with Free Realty Company to lease additional facility space, with the option to renew the lease for an additional one year provided notice of election of this option is provided to the lessor in writing at least sixty days prior to termination of this period.

Payments made in fiscal year 2010 for the operating leases totaled \$19,200.

The future minimum payments required under the operating leases at June 30, 2010 are \$17,600, which are to be paid during fiscal year 2011. A \$1,600 prepayment is recorded on the statement of net assets for July rent which was paid in June.

**F. Sponsorship Contract**

On March 11, 2006, the Sponsor and the Learning Center entered into a Sponsorship Contract (the "Contract"). In accordance with the Contract, the Sponsor, under a purchased services basis with the Learning Center, will provide planning, instructional, administrative and technical services to the Learning Center. Personnel providing services to the Learning Center on behalf of the Sponsor under the purchased services basis are considered employees of the Sponsor, and the Sponsor is solely responsible for all payroll functions.

Under the terms of the Contract, the Learning Center is required to pay the Sponsor three percent (3%) from the funding provided to the Learning Center by the Ohio Department of Education as an oversight and monitoring (administrative) fee. In addition, in the event that the Sponsor provides substantially all of the special education and services required by an individualized education program, the Learning Center shall pay the Sponsor the funds the Learning Center received from the Ohio Department of Education on account of such student, except that the Learning Center may retain sufficient funds to cover its actual costs related to such student, if any. Any other payments from the Learning Center to the Sponsor shall be mutually agreed upon between the Learning Center and the Sponsor.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

**NOTE 19 - EAGLE LEARNING CENTER - (Continued)**

**G. Related Party Transaction**

For fiscal year 2010, the Learning Center had expenses for purchased services and materials and supplies of \$494,089 to their Sponsor, which includes an intergovernmental payable of \$45,304.

**H. Capital Assets**

Capital asset activity for fiscal year 2010, was as follows:

	<u>Balance</u> <u>6/30/09</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance</u> <u>6/30/10</u>
Furniture, fixtures and equipment	\$ 19,128	\$ 5,072	\$ -	\$ 24,200
Leasehold improvements	63,189	-	-	63,189
Less: accumulated depreciation	<u>(11,836)</u>	<u>(12,257)</u>	<u>-</u>	<u>(24,093)</u>
Capital assets, net	<u>\$ 70,481</u>	<u>\$ (7,185)</u>	<u>\$ -</u>	<u>\$ 63,296</u>

**I. Contingencies**

**Grants** - The Learning Center 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 are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the Learning Center at June 30, 2010.

**Litigation** - The Learning Center is not involved in any other litigation that, in the opinion of management, would have material effect on the financial statements.

**State Funding** - The Ohio Department of Education (ODE) conducts reviews of enrollment data and full-time equivalency (FTE) calculations made by the schools. These reviews are conducted to ensure the schools are reporting accurate student enrollment data to the State, upon which State Foundation funding is calculated. As a result of the review after fiscal year-end, the Learning Center owed \$7,648 to ODE. This amount will be repaid by reducing fiscal year 2011 foundation revenues and is recorded as an intergovernmental payable on the basic financial statements.

**OREGON CITY SCHOOL DISTRICT**  
Schedule of Federal Awards Expenditures  
For the Year Ended June 30, 2010

Federal Grantor/Program Title	Pass Through Entity Number	CFDA Number	Receipts Recognized	Program Expenditures
<u>U.S. Department of Agriculture</u>				
Nutrition Cluster:				
Direct Program:				
Non-Cash Assistance (Food Distribution):				
National School Lunch Program	n/a	10.555	\$ 97,595	\$ 97,595
Passed Through the Ohio Department of Education:				
Cash Assistance:				
National School Breakfast Program	LLP4-09	10.553	111,363	111,363
National School Lunch Program	LLP4-09	10.555	627,643	627,643
<b>Total Nutrition Cluster</b>			<b>739,006</b>	<b>739,006</b>
<b>Total U.S. Department of Agriculture</b>			<b>836,601</b>	<b>836,601</b>
<u>U.S. Department of Education</u>				
Pass through Ohio Department of Education				
Special Education Cluster:				
ARRA - IDEA Part B	n/a	84.391	336,416	407,292
Title VI-B	6BSF-09	84.027	-	564,311
Title VI-B	6BSF-10	84.027	833,001	816,591
<b>Total Special Education Cluster</b>			<b>1,169,417</b>	<b>1,788,194</b>
ARRA - Title I	n/a	84.389	16,512	16,193
Title I - Disadvantaged Children	C1S1-09	84.010	-	58,477
Title I - Disadvantaged Children	C1S1-10	84.010	355,505	484,788
<b>Total Title I</b>			<b>372,017</b>	<b>559,458</b>
Title II-A Improving Teacher Quality	TRS1-10	84.367	137,001	123,650
<b>Total Title II-A</b>			<b>137,001</b>	<b>123,650</b>
Title II-D - Educational Technology	TJS1-10	84.318	4,284	4,284
<b>Total Title II-D</b>			<b>4,284</b>	<b>4,284</b>
CDP HS Critical Transition	2OAO-10	84.048	7,682	43,911
Vocational Education Basic Grant	2OC1-09	84.048	42,768	17,814
<b>Total Vocational Education Basic Grant</b>			<b>50,450</b>	<b>61,725</b>
ARRA - Budget Stabilization	n/a	84.394	585,562	585,562
<b>Total ARRA - Budget Stabilization</b>			<b>585,562</b>	<b>585,562</b>
Adult Basic Education	ABS1-09	84.002	4,280	8,428
<b>Total Adult Basic Education</b>			<b>4,280</b>	<b>8,428</b>
Safe and Drug Free Program	DRS1-10	84.186	4,292	10,233
<b>Total Safe and Drug Free Program</b>			<b>4,292</b>	<b>10,233</b>
<b>Total U.S. Department of Education</b>			<b>2,327,303</b>	<b>3,141,534</b>
<b>Total Federal Expenditures</b>			<b>\$ 3,163,904</b>	<b>\$ 3,978,135</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, 2010

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, 2010, the District had commodities in inventory recorded in the Food Service Fund.

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*Certified Public Accountants*

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INDEPENDENT ACCOUNTANTS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING  
AND ON COMPLIANCE AND OTHER MATTERS 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, the remaining fund information and discretely presented component unit of the Oregon City School District, Lucas County, Ohio (District) as of and for the year ended June 30, 2010, and have issued our report thereon dated January 13, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal 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 audit procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of opining on the effectiveness of the District's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the District's internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in more than a reasonable possibility that a material misstatement of the District's financial statements will not be prevented or detected and timely corrected.

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

## Compliance and Other Matters

As part of reasonably assuring whether the District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed an instance of noncompliance or other matter we must report under *Government Auditing Standards*, which is described in the accompanying schedule of findings as item 2010- Oregon 001.

The District's response to the finding identified in our audit is described in the accompanying schedule of findings. We did not audit the District's response and, accordingly, we express no opinion on it.

We noted certain matters that we have reported to management of the District in a separate letter dated January 13, 2011.

We intend this report solely for the information and use of management, the audit committee, the Board of Education, federal awarding agencies and pass-through entities and others within the District. We intend it for no one other than these specified parties.



*Charles E. Harris & Associates, Inc.*

January 13, 2011

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INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE WITH REQUIREMENTS  
APPLICABLE TO EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER  
COMPLIANCE REQUIRED BY 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 Oregon City School District, Lucas County (the District) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that apply to its major federal programs for the year ended June 30, 2010. The summary of auditor's results section of the accompanying schedule of findings identifies the District's major federal programs. The District's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. 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 included in the Comptroller General of the United States' *Government Auditing Standards*; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to reasonably assure whether noncompliance occurred with the compliance requirements referred to above that could directly and materially affect a major federal program. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing other procedures we considered necessary in the circumstances. We believe 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 Oregon City School District complied, in all material respects, with the requirements referred to above that apply to its major federal programs for the year ended June 30, 2010.

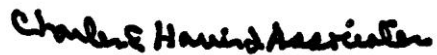
Internal Control Over Compliance

The District's management is responsible for establishing and maintaining effective internal control over compliance with the 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 directly and materially affect a major federal program in order to determine our auditing procedures for the purpose of opining on compliance in accordance with OMB Circular A-133, but not for the purpose of opining on the effectiveness of internal control over compliance. Accordingly, we have not opined on the effectiveness of the District's internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, when performing their assigned functions, to prevent, or to timely detect and correct, noncompliance with a federal program compliance requirement. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a federal program compliance requirement will not be prevented, or timely detected and corrected.

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

We intend this report solely for the information and use of the audit committee, management, the Board of Education, federal awarding agencies and pass-through entities. It is not intended for anyone other than these specified parties.



**CHARLES E. HARRIS & ASSOCIATES, INC.**

January 13, 2011



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

**OREGON CITY SCHOOL DISTRICT  
LUCAS COUNTY  
June 30, 2010**

**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 significant deficiencies reported at the financial 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 significant deficiencies 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>	<i>Special Education Cluster: IDEA B CFDA #84.027 ARRA - IDEA B CFDA #84.391 Title I CFDA #84.010 ARRA-Title I - CFDA #84.389 ARRA- Budget Stabilization CFDA #84.394</i>
(d)(1)(viii)	<i>Dollar Threshold: Type A/B Programs</i>	Type A: > \$300,000 Type B: all others
(d)(1)(ix)	<i>Low Risk Auditee?</i>	Yes

**OREGON CITY SCHOOL DISTRICT**  
LUCAS COUNTY  
SCHEDULE OF FINDINGS – (continued)  
JUNE 30, 2010

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

Finding Number: 2010- Oregon-001 - Noncompliance

Actual Receipts Less Than Estimated Receipts

Ohio Revised Code Section 5705.36(A)(4) requires that upon a determination by the fiscal officer of a subdivision that the revenue to be collected by the subdivision will be less than the amount included in an official certificate and that the amount of the deficiency will reduce available resources below the level of current appropriations, the fiscal officer shall certify the amount of the deficiency to the commission, and the commission shall certify an amended certificate reflecting the deficiency. The following funds had actual receipts below estimated receipts, which the deficiency reduced the estimated resources below the level of appropriations.

<u>2010</u>	<u>Amount</u>
<u>Special Revenue Funds</u>	
IDEA Fund	\$ (492,462)
Title I Fund	(256,770)

Management Response:

Management is of the opinion that the Ohio Revised Code should not cite on this section if the grant money is available.

FINDINGS FOR FEDERAL AWARDS

None

OREGON CITY SCHOOL DISTRICT  
LUCAS COUNTY

SCHEDULE OF PRIOR AUDIT FINDINGS  
June 30, 2010

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken or Finding No Longer Valid; Explain
2009-Oregon - 001	Capital Assets reporting deficiency	No	Partially corrected. Now a management letter comment.

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***Certified Public Accountants***

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INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

Oregon City School District  
Lucas County  
5721 Seaman Road  
Oregon, Ohio 443616

To the Board of Education:

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

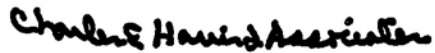
Accordingly, we have performed the procedures enumerated below, which we agreed to by the Board, solely to assist the Board in evaluating whether the Oregon City School District has adopted an anti-harassment policy in accordance with Ohio Revised Code Section 3313.666. Management is responsible for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

1. We noted that the Board adopted an anti-harassment policy at its meeting on August 19, 2009.
2. We read the policy, noting it included the following requirements for Ohio Revised Code Section 3313.666 (B):
  - (1) A statement prohibiting harassment, intimidation, or bullying of any students on school property or at school-sponsored events;
  - (2) A definition of harassment, intimidation, or bullying that includes the definition in division (A) of Ohio Revised Code Section 3313.666;
  - (3) A procedure for reporting prohibited incidents;
  - (4) A requirement that school personnel report prohibited incidents of which they are aware to the school principal or other administrator designated by the principal;
  - (5) A requirement that parents or guardians of any student involved in a prohibited incident to be notified and, to the extent permitted by section 3319.321 of the Revised Code and the "Family Educational Rights and Privacy Act of 1974," 88 Stat. 571, 20 U.S.C. 1232q, as amended, have access to any written reports pertaining to the prohibited incident;
  - (6) A procedure for documenting any prohibited incident that is reported;

- (7) A procedure for responding to and investigating any report incidents;
- (8) A strategy for protecting a victim from additional harassment, intimidation, or bullying, and from retaliation following a report;
- (9) A disciplinary procedure from any student guilty of harassment, intimidation or bullying, which shall not infringe on any student's rights under the first amendment to the Constitution of the United States;
- (10) A requirement that the district administration semiannually provide the president of the district board a written summary of all report incidents and post the summary on the web site, if the district has a web site, to the extent permitted by section 3319.321 of the Revised Code and the "Family Educational Rights and Privacy Act of 1974," 88 Stat. 571, 20 U.S.C 1232q, as amended.

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

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



**Charles E. Harris & Associates, Inc.**  
January 13, 2011

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# Dave Yost • 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 31, 2011