

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

AUDIT REPORT

For the Year Ended June 30, 2012



**Charles E. Harris
& Associates**

certified public accountants & government consultants ●●●

OREGON CITY SCHOOL DISTRICT
LUCAS COUNTY, OHIO
AUDIT REPORT
For the Year Ended June 30, 2012

TABLE OF CONTENTS

| <u>TITLE</u> | <u>PAGE</u> |
|--|-------------|
| Report of Independent Accountants | 1 – 2 |
| Management’s Discussion and Analysis | 3 – 13 |
| Statement of Net Assets | 15 |
| Statement of Activities | 16 |
| Balance Sheet – Governmental Funds | 17 |
| Reconciliation of Total Governmental Fund Balances to Net Assets of Governmental Activities | 18 |
| Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds | 19 |
| Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities | 20 |
| Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual - General Fund | 21 |
| Statement of Fiduciary Net Assets | 22 |
| Statement of Changes in Fiduciary Net Assets | 23 |
| Notes to the Basic Financial Statements | 25 – 61 |
| Schedule of Federal Awards Expenditures | 62 |
| Notes to the Schedule of Federal Awards Expenditures | 63 |
| Independent Accountant’s Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i> | 64 – 65 |
| Independent Accountant’s Report on Compliance with Requirements Applicable to Each Major Federal Program and on Internal Control over Compliance in by <i>OMB Circular A-133</i> | 66 – 67 |

**OREGON CITY SCHOOL DISTRICT
LUCAS COUNTY, OHIO
AUDIT REPORT
For the Year Ended June 30, 2012**

TABLE OF CONTENTS

| <u>TITLE</u> | <u>PAGE</u> |
|----------------------------------|-------------|
| Schedule of Findings | 68 |
| Schedule of Prior Audit Findings | 69 |

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

INDEPENDENT ACCOUNTANTS' REPORT

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

To the Board of Education:

We have audited the accompanying financial statements of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Oregon City School District, Lucas County, Ohio, (the District), as of and for the year ended June 30, 2012, 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 did not audit the financial statements of the Eagle Learning Center, which represent all of the assets and revenues of the discretely presented component unit. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Eagle Learning Center, is based on the reports of other auditors.


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 the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the report of other auditors provide a reasonable basis for our opinion.

In our opinion, based on our report and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the discretely presented component unit, each major fund, the aggregate remaining fund information of the Oregon City School District, Lucas County, Ohio, as of June 30, 2012, 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 February 13, 2013 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 the 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.

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

We conducted our audit to opine on the financial statements that collectively comprise the Oregon City School District's basic financial statements taken as a whole. The federal awards expenditure schedule provides additional information 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. The federal awards expenditure schedule is management's responsibility, and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. This schedule was subject to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



Charles E. Harris & Associates, Inc.
February 13, 2013

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(UNAUDITED)**

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, 2012. 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 2012 are as follows:

- In total, net assets of governmental activities decreased \$1,499,061 which represents a 5.85% decrease from 2011.
- General revenues accounted for \$37,053,105 in revenue or 83.69% of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$7,220,812 or 16.31% of total revenues of \$44,273,917.
- The District had \$45,772,978 in expenses related to governmental activities; \$7,220,812 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 \$37,053,105 were not adequate to provide for these programs.
- The District's only major governmental fund is the general fund. The general fund had \$40,818,853 in revenues and other financing sources and \$39,045,758 in expenditures and other financing uses. The fund balance of the general fund increased \$1,773,095 from \$5,316,560 to \$7,089,655.

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's only major governmental fund is the general fund.

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 2012?" 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.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(UNAUDITED)

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

In the statement of net assets and 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 15-16 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 only major governmental fund is the general fund.

Governmental Funds

Most of the District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in future periods. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund 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 17-21 of this report.

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 22 and 23, 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 25-61 of this report.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(UNAUDITED)

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 2012 and 2011.

| | Net Assets | |
|--|------------------------------------|------------------------------------|
| | Governmental Activities 2012 | Governmental Activities 2011 |
| | <u>2012</u> | <u>2011</u> |
| <u>Assets:</u> | | |
| Current and other assets | \$ 39,771,427 | \$ 43,012,201 |
| Capital assets, net | <u>56,870,381</u> | <u>58,052,210</u> |
| Total assets | <u>96,641,808</u> | <u>101,064,411</u> |
| <u>Liabilities:</u> | | |
| Current liabilities | 25,861,228 | 27,358,260 |
| Long-term liabilities | <u>46,659,072</u> | <u>48,085,582</u> |
| Total liabilities | <u>72,520,300</u> | <u>75,443,842</u> |
| <u>Net assets:</u> | | |
| Invested in capital assets, net of related debt | 16,986,565 | 16,947,387 |
| Restricted | 5,007,016 | 6,548,051 |
| Unrestricted | <u>2,127,927</u> | <u>2,125,131</u> |
| Total net assets | <u>\$ 24,121,508</u> | <u>\$ 25,620,569</u> |

Over time, net assets can serve as a useful indicator of a government's financial position. At June 30, 2012, the District's assets exceeded liabilities by \$24,121,508.

At year-end, capital assets represented 58.85% 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, 2012, were \$16,986,565. 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.

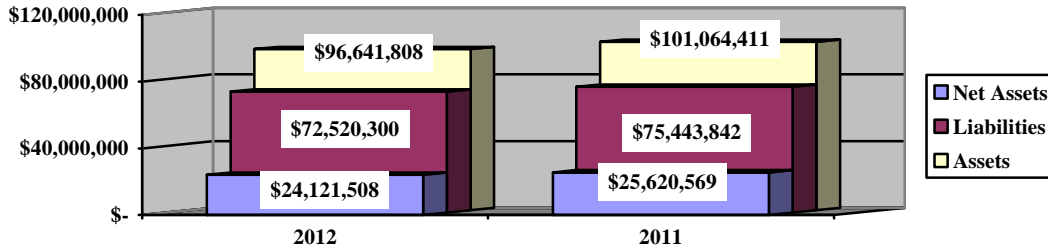
A portion of the District's net assets, \$5,007,016, represents resources that are subject to external restriction on how they may be used. Of the restricted net assets, \$3,380,170 is restricted for capital projects. The remaining balance of unrestricted net assets is \$2,127,927.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(UNAUDITED)

The table below provides a summary of the District's assets, liabilities and net assets for fiscal year 2012 and 2011.

Governmental Activities



The table below shows the change in net assets for fiscal years 2012 and 2011.

| | Change in Net Assets | |
|------------------------------------|---|---|
| | Governmental Activities <u>2012</u> | Governmental Activities <u>2011</u> |
| <u>Revenues:</u> | | |
| Program revenues: | | |
| Charges for services and sales | \$ 2,783,219 | \$ 3,147,351 |
| Operating grants and contributions | 4,437,593 | 5,755,550 |
| General revenues: | | |
| Property taxes | 20,329,470 | 22,329,160 |
| Payment in lieu of taxes | 187,454 | 203,020 |
| Grants and entitlements | 16,415,338 | 18,001,996 |
| Investment earnings | 53,347 | 67,085 |
| Other | 67,496 | 83,748 |
| Total revenues | <u>44,273,917</u> | <u>49,587,910</u> |

- - Continued

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(UNAUDITED)

Change in Net Assets (Continued)

| | Governmental Activities <u>2012</u> | Governmental Activities <u>2011</u> |
|---|---|---|
| <u>Expenses:</u> | | |
| Program expenses: | | |
| Instruction: | | |
| Regular | \$ 16,497,222 | \$ 16,998,141 |
| Special | 5,718,865 | 4,897,064 |
| Vocational | 2,225,846 | 2,795,564 |
| Adult/continuing | 302,142 | 421,085 |
| Other | 147,761 | 247,899 |
| Support services: | | |
| Pupil | 1,503,162 | 1,803,593 |
| Instructional staff | 2,863,271 | 3,108,094 |
| Board of education | 54,953 | 48,545 |
| Administration | 2,922,404 | 3,075,874 |
| Fiscal | 1,046,472 | 838,610 |
| Business | 331,140 | 201,031 |
| Operations and maintenance | 5,184,706 | 4,828,451 |
| Pupil transportation | 1,925,926 | 1,887,124 |
| Operations of non-instructional services: | | |
| Food service operations | 1,723,169 | 1,653,668 |
| Other non-instructional services | 347,181 | 377,662 |
| Extracurricular activities | 1,148,962 | 1,035,340 |
| Interest and fiscal charges | <u>1,829,796</u> | <u>1,862,040</u> |
| Total | <u>45,772,978</u> | <u>46,079,785</u> |
| Change in net assets | (1,499,061) | 3,508,125 |
| Net assets at beginning of year | <u>25,620,569</u> | <u>22,112,444</u> |
| Net assets at end of year | <u>\$ 24,121,508</u> | <u>\$ 25,620,569</u> |

Governmental Activities

Net assets of the District's governmental activities decreased \$1,499,061. Total governmental expenses of \$45,772,978 were offset by program revenues of \$7,220,812, and general revenues of \$37,053,105. Program revenues supported 15.78% of the total governmental expenses.

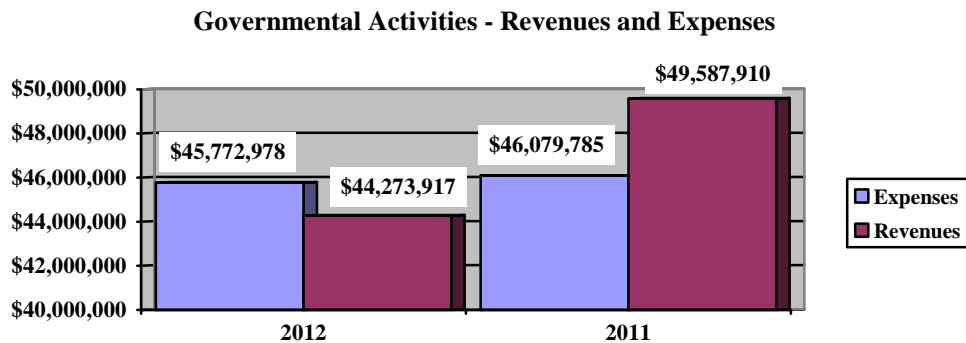
The primary sources of revenue for governmental activities are derived from property taxes and unrestricted grants and entitlements. These two revenue sources, which represent 82.99% of total governmental revenue, both decreased significantly. Property taxes revenue decreased as a result of the write-offs of delinquent taxes accounts, especially delinquent personal property taxes. Delinquencies outstanding at year end are recorded as revenue on the government-wide statements. The decrease in unrestricted grants and entitlements is due to reduced intergovernmental reimbursements for the District's lost personal property taxes revenue resulting from the phase-out of the tangible personal property tax.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(UNAUDITED)

The largest expense of the District is for instructional programs. Instruction expenses totaled \$24,891,836 or 54.38% of total governmental expenses for fiscal year 2012.

The graph below presents the District's governmental activities revenue and expenses for fiscal years 2012 and 2011.



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.

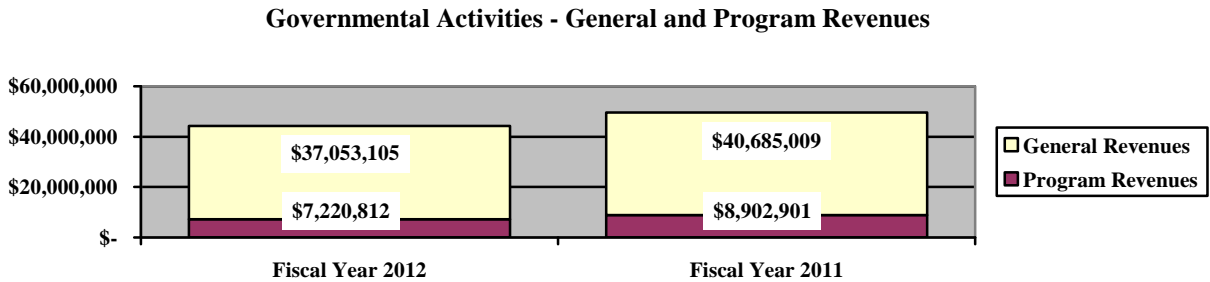
| | Total Cost of Services <u>2012</u> | Net Cost of Services <u>2012</u> | Total Cost of Services <u>2011</u> | Net Cost of Services <u>2011</u> |
|---|--|--|--|--|
| Program expenses: | | | | |
| Instruction: | | | | |
| Regular | \$ 16,497,222 | \$ 14,729,044 | \$ 16,998,141 | \$ 14,509,745 |
| Special | 5,718,865 | 4,061,367 | 4,897,064 | 3,342,655 |
| Vocational | 2,225,846 | 1,915,248 | 2,795,564 | 2,485,635 |
| Adult/continuing | 302,142 | 75,633 | 421,085 | (7,587) |
| Other | 147,761 | 147,761 | 247,899 | 180,049 |
| Support services: | | | | |
| Pupil | 1,503,162 | 1,319,776 | 1,803,593 | 1,571,521 |
| Instructional staff | 2,863,271 | 2,710,776 | 3,108,094 | 2,889,001 |
| Board of education | 54,953 | 54,953 | 48,545 | 48,545 |
| Administration | 2,922,404 | 2,584,597 | 3,075,874 | 2,817,652 |
| Fiscal | 1,046,472 | 1,046,472 | 838,610 | 838,610 |
| Business | 331,140 | 331,140 | 201,031 | 201,031 |
| Operations and maintenance | 5,184,706 | 5,172,180 | 4,828,451 | 4,176,224 |
| Pupil transportation | 1,925,926 | 1,781,958 | 1,887,124 | 1,642,693 |
| Operations of non-instructional services: | | | | |
| Food service operations | 1,723,169 | 23,772 | 1,653,668 | (73,174) |
| Other non-instructional services | 347,181 | (10,033) | 377,662 | 37,141 |
| Extracurricular activities | 1,148,962 | 777,726 | 1,035,340 | 655,103 |
| Interest and fiscal charges | 1,829,796 | 1,829,796 | 1,862,040 | 1,862,040 |
| Total | <u>\$ 45,772,978</u> | <u>\$ 38,552,166</u> | <u>\$ 46,079,785</u> | <u>\$ 37,176,884</u> |

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(UNAUDITED)

The dependence upon tax and other general revenues for governmental activities is apparent, 84.08% of instruction activities are supported through taxes and other general revenues. For all governmental activities, general revenue support is 84.22%. 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 2012 and 2011.



The District's Funds

The District's governmental funds (as presented on the balance sheet on page 17) reported a combined fund balance of \$12,000,539, which is \$940,652 higher than last year's total of \$11,059,887. The schedule below indicates the fund balance and the total change in fund balance as of June 30, 2012 and 2011.

| | Fund Balance <u>June 30, 2012</u> | Fund Balance <u>June 30, 2011</u> | Increase/ <u>(Decrease)</u> |
|---------------------|--------------------------------------|--------------------------------------|--------------------------------|
| Major funds: | | | |
| General | \$ 7,089,655 | \$ 5,316,560 | \$ 1,773,095 |
| Other governmental | <u>4,910,884</u> | <u>5,743,327</u> | <u>(832,443)</u> |
| Total | <u>\$ 12,000,539</u> | <u>\$ 11,059,887</u> | <u>\$ 940,652</u> |

An analysis of the general fund revenues and expenditures is provided on the following page.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(UNAUDITED)

General Fund

During fiscal year 2012, the District's general fund balance increased \$1,773,095. The table that follows assists in illustrating the financial activities of the general fund.

| | 2012 <u>Amount</u> | 2011 <u>Amount</u> | Percentage <u>Change</u> |
|---|-----------------------|-----------------------|-----------------------------|
| <u>Revenues:</u> | | | |
| Taxes | \$ 19,525,867 | \$ 19,048,119 | 2.51 % |
| Payment in lieu of taxes | 187,454 | 200,650 | (6.58) % |
| Tuition | 1,323,191 | 1,368,207 | (3.29) % |
| Earnings on investments | 35,211 | 44,291 | (20.50) % |
| Intergovernmental | 16,737,812 | 18,133,238 | (7.70) % |
| Other revenues | 414,694 | 411,739 | 0.72 % |
| Total | <u>\$ 38,224,229</u> | <u>\$ 39,206,244</u> | (2.50) % |
| <u>Expenditures:</u> | | | |
| Instruction | \$ 22,535,718 | \$ 22,697,531 | (0.71) % |
| Support services | 12,812,115 | 13,250,925 | (3.31) % |
| Operation of non-instructional services | 991 | - | 100.00 % |
| Extracurricular activities | 760,317 | 683,018 | 11.32 % |
| Debt service | 330,409 | 334,870 | (1.33) % |
| Total | <u>\$ 36,439,550</u> | <u>\$ 36,966,344</u> | (1.43) % |

General fund expenditures decreased slightly due to lower wages and benefits costs, which is primarily the result of the retirement of District staff. Revenues also decreased in fiscal year 2012, despite an increase in taxes revenue. The increase in taxes revenue resulted from a substantial settlement the District received on one of its delinquent tax accounts. This one-time increase, however, was offset by decreases in many of the general fund's other revenue sources, most notably intergovernmental revenue. This decrease is primarily due to reductions in tangible personal property tax reimbursements from the State. These reimbursements are designed to offset the District's lost taxes revenue due to the elimination of tangible personal property taxes; however, the reimbursements are gradually being phased out.

General Fund Budgeting Highlights

The District's budget is prepared according to Ohio law and is based on accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances. The most significant budgeted fund is the general fund.

During the course of fiscal year 2012, the District amended its general fund budgeted revenue. Original budgeted revenues and other financing sources of \$38,797,420 were increased to \$41,163,623 in the final budget. This large increase is mostly due to proceeds from the sale of bonds, which were not included in the original budget. Actual revenues and other financing sources for fiscal year 2012 were \$41,776,614 which is \$612,991 more than the final budgeted revenues. This variance is primarily due to greater than anticipated taxes revenue.

General fund original appropriations (appropriated expenditures plus other financing uses) of \$39,059,053 were increased to \$40,593,101 in the final budget. The actual budget basis expenditures and other financing uses for fiscal year 2012 totaled \$40,228,898, which is \$364,203 less than the final budget appropriations.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(UNAUDITED)

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2012, the District had \$56,870,381 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 2012 balances compared to 2011:

Capital Assets at June 30 (Net of Depreciation)

| | Governmental Activities | |
|----------------------------|-------------------------|---------------|
| | 2012 | 2011 |
| Land | \$ 495,967 | \$ 495,967 |
| Land improvements | 202,699 | 174,687 |
| Buildings and improvements | 53,852,147 | 55,076,445 |
| Furniture and equipment | 1,236,042 | 1,167,975 |
| Vehicles | 809,408 | 856,333 |
| Infrastructure | 274,118 | 280,803 |
| Total | \$ 56,870,381 | \$ 58,052,210 |

The overall decrease in capital assets of \$1,181,829 is due to depreciation expense of \$1,567,336 and disposals, net of accumulated depreciation, of \$36,410 exceeding capital outlays of \$421,917 in fiscal year 2012. See Note 9 to the basic financial statements for additional information on the District's capital assets.

Debt Administration

At June 30, 2012, the District had \$37,430,079 in general obligation bonds and \$2,500,986 in energy conservation bonds outstanding. Of these totals, \$1,260,079 is due within one year and \$38,670,986 is due in more than one year. The following table summarizes the governmental activities bonds outstanding.

Outstanding Debt, at Year End

| | June 30, 2012 | June 30, 2011 |
|---------------------------|---------------|---------------|
| General obligation bonds | \$ 37,430,079 | \$ 38,560,379 |
| Energy conservation bonds | 2,500,986 | 2,659,602 |
| Total | \$ 39,931,065 | \$ 41,219,981 |

See Note 10 to the basic financial statements for additional information on the District's debt administration.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(UNAUDITED)

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. The District received only approximately 25% of revenue from the State Educational Foundation funding formula. The systematic elimination of the tangible personal property tax under House Bill 66 and reductions in the State's temporary reimbursement of the loss has been a major concern for 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.

The fiscal year 2012 - fiscal year 2013 biennial budget passed by the Ohio legislature accelerated the reduction of the State's reimbursement of monies paid to Oregon schools to replace monies lost through H.B. 66 as mentioned above. While the District has been reducing expenditures and planning for the loss of this income, the ability of the legislature to change the process of reimbursement with just a quick motion puts a large revenue stream in a state of flux and uncertainty.

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. Demolition of the old Coy building using permanent improvement funds was completed during fiscal year 2012. The Board is hoping this will increase the ability to sell 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 is projected to bring in approximately \$928,000 in additional State funds. The District serves approximately 3,855 students and employs 261 certified, 133 classified, and 18 administrative staff members. Certified employees accepted a 0% increase on base pay but received a step increase for fiscal years 2012 through 2014. The classified and administrative staff received varying percentage increases in base for fiscal year 2012 with 0% and step increases for fiscal years 2013 and 2014. All employees are paying higher deductibles for medical insurance along with paying a 15% share of medical premiums. This cooperation greatly improved the financial picture for the District. Union contracts are in place through fiscal year 2014.

Another area of savings has been the closure of the Wynn Elementary school building. The building was closed for the 2011-2012 school year with staff and students combined into Jerusalem Elementary for additional budgetary savings. Wynn has now been re-opened as a satellite location for NWOCA and other entities, providing rental income to offset regular building maintenance expenses.

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, property values have continued to decline in the Oregon district which means that this levy has 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's financial stability for another year. The 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 further reduce the operating budget by 2.4 million dollars for the 2011-2012 school year. The major stumbling block for the District's budget is the upcoming reduction of payments from the State of Ohio for the replacement of tangible personal property taxes.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(UNAUDITED)**

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 creates instability in the District's future. There are major unknown factors which would create large losses in our revenue stream.

The Board of Education will also need to review permanent improvement funding. The District is currently collecting on a 5 year permanent improvement renewal that will expire in calendar year 2013.

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

Contacting the District's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information contact Jane Fruth, Treasurer, Oregon City School District, 5721 Seaman Road, Oregon, Ohio 43616.

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

STATEMENT OF NET ASSETS
JUNE 30, 2012

| | Primary Government | Component Unit |
|---|------------------------------------|----------------------------------|
| | Governmental Activities | Eagle Learning Center |
| Assets: | | |
| Equity in pooled cash and investments. | \$ 15,886,729 | \$ 1,155,130 |
| Receivables: | | |
| Taxes | 22,737,145 | - |
| Payment in lieu of taxes | 214,000 | - |
| Accounts | 9,600 | - |
| Intergovernmental | 387,814 | 1,949 |
| Accrued interest | 10,280 | - |
| Loans | 29,927 | - |
| Prepayments | 42,865 | 3,777 |
| Materials and supplies inventory. | 26,696 | - |
| Unamortized bond issuance costs | 426,371 | - |
| Capital assets: | | |
| Land. | 495,967 | - |
| Depreciable capital assets, net. | 56,374,414 | 44,716 |
| Capital assets, net | <u>56,870,381</u> | <u>44,716</u> |
| Total assets. | <u>96,641,808</u> | <u>1,205,572</u> |
| Liabilities: | | |
| Accounts payable. | 532,502 | 3,397 |
| Accrued wages and benefits | 3,063,262 | - |
| Pension obligation payable. | 777,829 | - |
| Intergovernmental payable | 247,897 | 26,353 |
| Unearned revenue | 21,094,920 | - |
| Accrued interest payable | 144,818 | - |
| Long-term liabilities: | | |
| Due within one year. | 1,762,308 | - |
| Due in more than one year. | 44,896,764 | - |
| Total liabilities | <u>72,520,300</u> | <u>29,750</u> |
| Net assets: | | |
| Invested in capital assets, net of related debt. | 16,986,565 | 44,716 |
| Restricted for: | | |
| Capital projects | 3,380,170 | - |
| Debt service. | 1,110,994 | - |
| State funded programs. | 84,917 | 10,000 |
| Federally funded programs | 84,114 | - |
| Student activities | 102,853 | - |
| Other purposes | 243,968 | - |
| Unrestricted | <u>2,127,927</u> | <u>1,121,106</u> |
| Total net assets | <u>\$ 24,121,508</u> | <u>\$ 1,175,822</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, 2012

| | 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 |
| Governmental activities: | | | | | |
| Instruction: | | | | | |
| Regular | \$ 16,497,222 | \$ 1,476,313 | \$ 291,865 | \$ (14,729,044) | \$ - |
| Special | 5,718,865 | - | 1,657,498 | (4,061,367) | - |
| Vocational | 2,225,846 | 14,935 | 295,663 | (1,915,248) | - |
| Adult/continuing. | 302,142 | 149,861 | 76,648 | (75,633) | - |
| Other | 147,761 | - | - | (147,761) | - |
| Support services: | | | | | |
| Pupil. | 1,503,162 | - | 183,386 | (1,319,776) | - |
| Instructional staff | 2,863,271 | - | 152,495 | (2,710,776) | - |
| Board of education | 54,953 | - | - | (54,953) | - |
| Administration. | 2,922,404 | - | 337,807 | (2,584,597) | - |
| Fiscal. | 1,046,472 | - | - | (1,046,472) | - |
| Business. | 331,140 | - | - | (331,140) | - |
| Operations and maintenance | 5,184,706 | 12,526 | - | (5,172,180) | - |
| Pupil transportation. | 1,925,926 | - | 143,968 | (1,781,958) | - |
| Operation of non-instructional services: | | | | | |
| Food service operations | 1,723,169 | 758,822 | 940,575 | (23,772) | - |
| Other non-instructional services | 347,181 | - | 357,214 | 10,033 | - |
| Extracurricular activities. | 1,148,962 | 370,762 | 474 | (777,726) | - |
| Interest and fiscal charges | 1,829,796 | - | - | (1,829,796) | - |
| Total governmental activities | \$ 45,772,978 | \$ 2,783,219 | \$ 4,437,593 | (38,552,166) | - |
| Component unit | | | | | |
| Eagle Learning Center | \$ 699,513 | \$ - | \$ 622,195 | - | (77,318) |
| General revenues: | | | | | |
| Property taxes levied for: | | | | | |
| General purposes | | | | 17,505,327 | - |
| Debt service. | | | | 2,002,425 | - |
| Capital outlay. | | | | 821,718 | - |
| Payment in lieu of taxes | | | | 187,454 | - |
| Grants and entitlements not restricted | | | | | |
| to specific programs | | | | 16,415,338 | - |
| Investment earnings | | | | 53,347 | 1,299 |
| Miscellaneous | | | | 67,496 | 22,215 |
| Total general revenues | | | | 37,053,105 | 23,514 |
| Change in net assets | | | | (1,499,061) | (53,804) |
| Net assets at beginning of year. | | | | 25,620,569 | 1,229,626 |
| Net assets at end of year | | | | \$ 24,121,508 | \$ 1,175,822 |

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2012

| | General | Other Governmental Funds | Total Governmental Funds |
|---|----------------------|---|---|
| Assets: | | | |
| Equity in pooled cash and investments | \$ 10,479,002 | \$ 5,407,727 | \$ 15,886,729 |
| Receivables: | | | |
| Taxes | 19,764,629 | 2,972,516 | 22,737,145 |
| Payment in lieu of taxes | 214,000 | - | 214,000 |
| Accounts | 7,189 | 2,411 | 9,600 |
| Intergovernmental | 34,554 | 353,260 | 387,814 |
| Accrued interest | 10,280 | - | 10,280 |
| Interfund loans | 346,445 | - | 346,445 |
| Loans | 29,927 | - | 29,927 |
| Prepayments | 42,865 | - | 42,865 |
| Materials and supplies inventory | - | 26,696 | 26,696 |
| Total assets | <u>\$ 30,928,891</u> | <u>\$ 8,762,610</u> | <u>\$ 39,691,501</u> |
| Liabilities: | | | |
| Accounts payable | \$ 379,465 | \$ 153,037 | \$ 532,502 |
| Accrued wages and benefits | 2,870,922 | 192,340 | 3,063,262 |
| Compensated absences payable | 364,314 | - | 364,314 |
| Health care reimbursement payable | 24,327 | - | 24,327 |
| Pension obligation payable | 722,519 | 55,310 | 777,829 |
| Intergovernmental payable | 236,063 | 11,834 | 247,897 |
| Interfund loans payable | - | 346,445 | 346,445 |
| Deferred revenue | 875,424 | 364,042 | 1,239,466 |
| Unearned revenue | <u>18,366,202</u> | <u>2,728,718</u> | <u>21,094,920</u> |
| Total liabilities | <u>23,839,236</u> | <u>3,851,726</u> | <u>27,690,962</u> |
| Fund balances: | | | |
| Nonspendable: | | | |
| Materials and supplies inventory | - | 26,696 | 26,696 |
| Prepays | 42,865 | - | 42,865 |
| Restricted: | | | |
| Debt service | - | 1,166,792 | 1,166,792 |
| Capital improvements | - | 3,343,717 | 3,343,717 |
| Food service operations | - | 384,594 | 384,594 |
| Non-public schools | - | 27,532 | 27,532 |
| Vocational education | - | 1,267 | 1,267 |
| Other purposes | - | 59,735 | 59,735 |
| Extracurricular | - | 102,853 | 102,853 |
| Committed: | | | |
| Termination benefits | 555,555 | - | 555,555 |
| Assigned: | | | |
| Student instruction | 64,525 | - | 64,525 |
| Student and staff support | 480,187 | - | 480,187 |
| Subsequent year appropriation | 596,537 | - | 596,537 |
| Insurance deductibles reimbursement | 248,372 | - | 248,372 |
| Other purposes | 17,962 | - | 17,962 |
| Unassigned (deficit) | <u>5,083,652</u> | <u>(202,302)</u> | <u>4,881,350</u> |
| Total fund balances | <u>7,089,655</u> | <u>4,910,884</u> | <u>12,000,539</u> |
| Total liabilities and fund balances | <u>\$ 30,928,891</u> | <u>\$ 8,762,610</u> | <u>\$ 39,691,501</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, 2012

| | | | |
|--|----|--------------|--------------|
| Total governmental fund balances | | \$ | 12,000,539 |
| <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. | | | 56,870,381 |
| Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds. | | | |
| Taxes receivable | \$ | 987,145 | |
| Accrued interest receivable | | 6,247 | |
| Intergovernmental receivable | | 246,074 | |
| Total | | 246,074 | 1,239,466 |
| Unamortized premiums on bond issuance are not recognized in the funds. | | | (446,992) |
| Unamortized bond issuance costs are not recognized in the funds. | | | 426,371 |
| Accrued interest payable is not due and payable in the current period and therefore is not reported in the funds. | | | (144,818) |
| 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 | | (37,430,079) | |
| Energy conservation bonds | | (2,500,986) | |
| Compensated absences payable | | (5,859,716) | |
| Health care reimbursement payable | | (32,658) | |
| Total | | (45,823,439) | (45,823,439) |
| Net assets of governmental activities | | \$ | 24,121,508 |

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, 2012

| | <u>General</u> | <u>Other Governmental Funds</u> | <u>Total Governmental Funds</u> |
|--|----------------------------|---|---|
| Revenues: | | | |
| From local sources: | | | |
| Taxes | \$ 19,525,867 | \$ 3,052,168 | \$ 22,578,035 |
| Payment in lieu of taxes | 187,454 | - | 187,454 |
| Tuition | 1,323,191 | 149,861 | 1,473,052 |
| Charges for services | - | 756,807 | 756,807 |
| Earnings on investments | 35,211 | 20,161 | 55,372 |
| Extracurricular | 106,664 | 204,147 | 310,811 |
| Classroom materials and fees | 148,044 | - | 148,044 |
| Other local revenues | 159,986 | 10,366 | 170,352 |
| Intergovernmental - state | 16,648,779 | 1,417,769 | 18,066,548 |
| Intergovernmental - federal | 89,033 | 3,254,294 | 3,343,327 |
| Total revenues | <u>38,224,229</u> | <u>8,865,573</u> | <u>47,089,802</u> |
| Expenditures: | | | |
| Current: | | | |
| Instruction: | | | |
| Regular | 15,301,282 | 869,321 | 16,170,603 |
| Special | 4,589,699 | 913,768 | 5,503,467 |
| Vocational | 2,429,743 | - | 2,429,743 |
| Adult/continuing | 67,233 | 234,909 | 302,142 |
| Other | 147,761 | - | 147,761 |
| Support services: | | | |
| Pupil | 1,242,399 | 233,908 | 1,476,307 |
| Instructional staff | 2,365,683 | 355,632 | 2,721,315 |
| Board of education | 54,953 | - | 54,953 |
| Administration | 2,270,014 | 462,513 | 2,732,527 |
| Fiscal | 934,879 | 62,194 | 997,073 |
| Business | 325,720 | - | 325,720 |
| Operations and maintenance | 3,832,788 | 166,378 | 3,999,166 |
| Pupil transportation | 1,785,679 | - | 1,785,679 |
| Operation of non-instructional services: | | | |
| Food service operations | - | 1,610,009 | 1,610,009 |
| Other non-instructional services | 991 | 340,393 | 341,384 |
| Extracurricular activities | 760,317 | 325,317 | 1,085,634 |
| Facilities acquisition and construction | - | 1,372,749 | 1,372,749 |
| Debt service: | | | |
| Principal retirement | 159,258 | 1,082,139 | 1,241,397 |
| Interest and fiscal charges | 112,464 | 1,765,196 | 1,877,660 |
| Refunding bond issuance costs | 58,687 | - | 58,687 |
| Total expenditures | <u>36,439,550</u> | <u>9,794,426</u> | <u>46,233,976</u> |
| Excess (deficiency) of revenues over (under) expenditures | <u>1,784,679</u> | <u>(928,853)</u> | <u>855,826</u> |
| Other financing sources (uses): | | | |
| Premium on issuance of refunding bonds | 79,260 | - | 79,260 |
| Issuance of refunding bonds | 2,500,341 | - | 2,500,341 |
| Retirement of refunded bonds | (2,500,344) | - | (2,500,344) |
| Sale/loss of assets | 15,023 | - | 15,023 |
| Transfers in | - | 105,864 | 105,864 |
| Transfers (out) | (105,864) | - | (105,864) |
| Total other financing sources (uses) | <u>(11,584)</u> | <u>105,864</u> | <u>94,280</u> |
| Net change in fund balances | 1,773,095 | (822,989) | 950,106 |
| Fund balances at beginning of year | 5,316,560 | 5,743,327 | 11,059,887 |
| Decrease in reserve for inventory | - | (9,454) | (9,454) |
| Fund balances at end of year | <u>\$ 7,089,655</u> | <u>\$ 4,910,884</u> | <u>\$ 12,000,539</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, 2012

Net change in fund balances - total governmental funds \$ 950,106

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 asset additions | \$ 421,917 | |
| Current year depreciation | (1,567,336) | |
| Total | | (1,145,419) |

The net effect of various miscellaneous transactions involving capital assets (i.e., sales, disposals, trade-ins, and donations) is to decrease net assets. (36,410)

Governmental funds report expenditures for inventory when purchased. However, in the statement of activities, they are reported as an expense when consumed. (9,454)

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

| | | |
|---------------------------|-------------|--------------------|
| Delinquent property taxes | (2,248,565) | |
| Intergovernmental revenue | (568,442) | |
| Earnings on investments | 1,122 | |
| Total | | (2,815,885) |

Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities on the statement of net assets. 1,241,397

The issuance of refunding bonds is recorded as an other financing source in the funds; however, in the statement of activities, it is not reported as an other financing source as it increases liabilities on the statement of net assets. (2,500,341)

The retirement of refunded bonds is an other financing use in the funds but the payment reduces long-term liabilities on the statement of net assets. 2,500,344

Premiums and issuance costs related to the issuance of refunding bonds are amortized over the life of the issuance in the statement of activities. The following transactions occurred during the year:

| | | |
|--|----------|-----------------|
| Premium on issuance of refunding bonds | (79,260) | |
| Refunding bond issuance costs | 58,687 | |
| Total | | (20,573) |

In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due. The following items resulted in less interest being reported in the statement of activities:

| | | |
|--|----------|---------------|
| Decrease in accrued interest payable | 168 | |
| Accreted interest on capital appreciation bonds | (15,345) | |
| Payment of accreted interest on capital appreciation bonds | 62,861 | |
| Amortization of bond issuance costs | (19,292) | |
| Amortization of bond premiums | 19,472 | |
| Total | | 47,864 |

Some expenses reported in the statement of activities, such as compensated absences and health care reimbursement, do not required the use of current financial resources and therefore are not reported as expenditures in governmental funds. 289,310

Change in net assets of governmental activities \$ (1,499,061)

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, 2012

| | <u>Budgeted Amounts</u> | | <u>Actual</u> | <u>Variance with Final Budget Positive (Negative)</u> |
|--|-------------------------|---------------------|---------------------|---|
| | <u>Original</u> | <u>Final</u> | | |
| Revenues: | | | | |
| From local sources: | | | | |
| Taxes | \$ 19,200,000 | \$ 19,070,000 | \$ 19,454,715 | \$ 384,715 |
| Payment in lieu of taxes | 214,000 | 214,000 | 187,454 | (26,546) |
| Tuition. | 1,308,780 | 1,308,780 | 1,323,191 | 14,411 |
| Earnings on investments | 58,300 | 62,470 | 31,175 | (31,295) |
| Extracurricular. | 102,050 | 61,500 | 106,289 | 44,789 |
| Classroom materials and fees | 162,250 | 167,250 | 148,355 | (18,895) |
| Other local revenues | 45,100 | 47,100 | 42,900 | (4,200) |
| Intergovernmental - state | 16,433,509 | 16,433,509 | 16,648,779 | 215,270 |
| Intergovernmental - federal | 45,000 | 50,000 | 85,220 | 35,220 |
| Total revenues | <u>37,568,989</u> | <u>37,414,609</u> | <u>38,028,078</u> | <u>613,469</u> |
| Expenditures: | | | | |
| Current: | | | | |
| Instruction: | | | | |
| Regular | 16,241,808 | 15,855,358 | 15,470,892 | 384,466 |
| Special. | 4,373,707 | 4,269,641 | 4,684,925 | (415,284) |
| Vocational. | 2,466,759 | 2,408,066 | 2,478,252 | (70,186) |
| Adult/continuing | 75,291 | 73,500 | 66,622 | 6,878 |
| Other. | 204,875 | 200,000 | 147,831 | 52,169 |
| Support services: | | | | |
| Pupil. | 1,295,136 | 1,264,320 | 1,256,190 | 8,130 |
| Instructional staff | 2,572,010 | 2,510,813 | 2,448,448 | 62,365 |
| Board of education | 59,445 | 58,031 | 58,481 | (450) |
| Administration. | 2,567,136 | 2,506,055 | 2,420,089 | 85,966 |
| Fiscal | 950,516 | 927,900 | 912,796 | 15,104 |
| Business | 252,544 | 246,535 | 339,849 | (93,314) |
| Operations and maintenance. | 4,417,780 | 4,312,666 | 4,207,970 | 104,696 |
| Pupil transportation | 1,858,910 | 1,814,680 | 1,841,336 | (26,656) |
| Extracurricular activities. | 738,266 | 720,700 | 670,842 | 49,858 |
| Debt service: | | | | |
| Principal | 213,597 | 159,898 | 159,258 | 640 |
| Interest and fiscal charges. | 121,273 | 114,594 | 112,464 | 2,130 |
| Total expenditures | <u>38,409,053</u> | <u>37,442,757</u> | <u>37,276,245</u> | <u>166,512</u> |
| Excess of expenditures over revenues | <u>(840,064)</u> | <u>(28,148)</u> | <u>751,833</u> | <u>779,981</u> |
| Other financing sources (uses): | | | | |
| Refund of prior year's expenditures. | 15,000 | 15,000 | 14 | (14,986) |
| Sale/loss of assets. | - | - | 14,177 | 14,177 |
| Sale of bonds | - | 2,520,583 | 2,520,914 | 331 |
| Retirement of refunded bonds | - | (2,500,344) | (2,500,344) | - |
| Transfers (out). | (68,723) | (68,723) | (105,864) | (37,141) |
| Advances in. | 1,213,431 | 1,213,431 | 1,213,431 | - |
| Advances (out) | (581,277) | (581,277) | (346,445) | 234,832 |
| Total other financing sources (uses) | <u>578,431</u> | <u>598,670</u> | <u>795,883</u> | <u>197,213</u> |
| Net change in fund balance. | (261,633) | 570,522 | 1,547,716 | 977,194 |
| Fund balance at beginning of year | 6,780,232 | 6,780,232 | 6,780,232 | - |
| Prior year encumbrances appropriated. | 473,026 | 473,026 | 473,026 | - |
| Fund balance at end of year | <u>\$ 6,991,625</u> | <u>\$ 7,823,780</u> | <u>\$ 8,800,974</u> | <u>\$ 977,194</u> |

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
JUNE 30, 2012

| | <u>Private Purpose Trust</u> | |
|--|----------------------------------|-------------------|
| | <u>Scholarships</u> | <u>Agency</u> |
| Assets: | | |
| Equity in pooled cash and investments | \$ 422,099 | \$ 191,603 |
| Receivables: | | |
| Accounts | - | 2,167 |
| Total assets. | <u>422,099</u> | <u>\$ 193,770</u> |
| Liabilities: | | |
| Accounts payable. | 43,903 | \$ 7,692 |
| Loans payable | - | 29,927 |
| Due to students. | - | 138,686 |
| Undistributed monies. | - | 17,465 |
| Total liabilities | <u>43,903</u> | <u>\$ 193,770</u> |
| Net assets: | | |
| Held in trust for scholarships | 116,396 | |
| Endowment. | <u>261,800</u> | |
| Total net assets | <u>\$ 378,196</u> | |

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, 2012

| | Private Purpose Trust |
|--|----------------------------------|
| | Scholarships |
| Additions: | |
| Interest | \$ 7,282 |
| Gifts and contributions | 66,342 |
| Total additions. | 73,624 |
| Deductions: | |
| Scholarships awarded | 61,650 |
| Change in net assets | 11,974 |
| Net assets at beginning of year | 366,222 |
| Net assets at end of year. | \$ 378,196 |

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

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. It is staffed by 133 classified employees, 261 certified teaching personnel, and 18 administrative employees who provide services to approximately 3,855 students and other community members. The District currently operates three 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, 2012

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. Financial information can be obtained from the Northwest Ohio Computer Association, 209 Nolan Parkway, Archbold, Ohio 43502.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

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, 209 Nolan Parkway, 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, 2012

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 is the District's major governmental fund:

General fund -The general fund is used to account for and report all financial resources not accounted for and reported in another fund. The general fund balance is available for any purpose provided it is expended or transferred according to the general laws of Ohio.

Other governmental funds of the District are used to account for (a) financial resources that are restricted, committed, or assigned to expenditures for capital outlays including the acquisition or construction of capital facilities and other capital assets, (b) specific revenue sources that are restricted or committed to an expenditure for specified purposes other than debt service or capital projects and (c) financial resources that are restricted, committed, or assigned to expenditure for principal and interest.

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.

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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

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

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.

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).

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

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

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, 2012, but which were levied to finance fiscal year 2013 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, 2012, 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.

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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

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

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 2012.

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.

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".

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

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

During fiscal year 2012, investments included federal agency securities, U.S. Government money market mutual funds and nonnegotiable certificates of deposit. Except for nonparticipating investment contracts, investments are reported at fair value which is based on quoted market prices. Nonparticipating investment contracts, such as nonnegotiable certificates of deposits, are reported at cost.

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 2012 was \$35,211, which includes \$437 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 financial statements, inventories are presented at the lower of cost or market and are expensed when used. On fund financial statements, inventories are valued at cost. Donated commodities are presented at their entitlement value. 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 nonspendable fund balance 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.

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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

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

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. Loans between governmental activities and agency funds are classified as “loans receivable/payable” on the government wide and fund financial statements.

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.

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, 2012 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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

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

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.

M. Fund Balance

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

Nonspendable - The nonspendable fund balance classification includes amounts that cannot be spent because they are not in spendable form or legally required to be maintained intact. The "not in spendable form" criterion includes items that are not expected to be converted to cash.

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

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

Committed - The committed fund balance classification includes amounts that can be used only for the specific purposes imposed by a formal action (resolution) of the District Board of Education (the highest level of decision making authority). Those committed amounts cannot be used for any other purpose unless the District Board of Education removes or changes the specified use by taking the same type of action (resolution) it employed to previously commit those amounts. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

Assigned - Amounts in the assigned fund balance classification are intended to be used by the District for specific purposes but do not meet the criteria to be classified as restricted nor committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the general fund, assigned amounts represent intended uses established by policies of the District Board of Education, which includes giving the Treasurer the authority to constrain monies for intended purposes.

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

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

N. 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 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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

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

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.

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 2012.

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

A. Change in Accounting Principles

For fiscal year 2012, the District has implemented GASB Statement No. 57, "OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans", and GASB Statement No. 64, "Derivative Instruments: Application of Hedge Accounting Termination Provisions - an Amendment of GASB Statement No. 53".

GASB Statement No. 57 addresses issues related to the use of the alternative measurement method and the frequency and timing of measurements by employers that participate in agent multiple-employer other postemployment benefit (OPEB) plans. The implementation of GASB Statement No. 57 did not have an effect on the financial statements of the District.

GASB Statement No. 64 clarifies the circumstances in which a hedge accounting should continue when a swap counterparty, or a swap counterparty's credit support provider, is replaced. The implementation of GASB Statement No. 64 did not have an effect on the financial statements of the District.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE - (Continued)

B. Deficit Fund Balances

Fund balances at June 30, 2012 included the following individual fund deficits:

| <u>Nonmajor funds</u> | <u>Deficit</u> |
|---------------------------|----------------|
| Race to the top | \$ 3,663 |
| Title VI-B | 144,967 |
| Title I | 51,858 |
| Improving teacher quality | 1,814 |

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

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;
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;

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

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 Asset Reserve of Ohio 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 on Hand

At fiscal year end, the District had \$6,300 in undeposited cash on hand, which is included on the financial statements of the District as part of "equity in pooled cash and investments".

B. Deposits with Financial Institutions

At June 30, 2012, the carrying amount of all District deposits was \$8,641,680, 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, 2012, \$6,799,458 of the District's bank balance of \$9,006,314 was exposed to custodial risk as discussed below, while \$2,206,856 was covered by the FDIC.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

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

C. Investments

As of June 30, 2012, 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> |
| FHLMC | \$ 1,524,124 | \$ - | \$ - | \$ - | \$ 500,125 | \$ 1,023,999 |
| FNMA | 3,244,883 | - | - | - | - | 3,244,883 |
| U.S. Government money market funds | <u>3,083,444</u> | <u>3,083,444</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Total | <u>\$ 7,852,451</u> | <u>\$ 3,083,444</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 500,125</u> | <u>\$ 4,268,882</u> |

The weighted average maturity of investments is 2.11 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.

Credit Risk: The District's investments in federal agency securities were rated AA+ and Aaa by Standard & Poor's and Moody's Investor Services, respectively. Standard & Poor's has assigned the U.S. Government money market funds an AAAM money market rating. 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. The District has no investment policy dealing with investment custodial risk beyond the requirement in State statute that prohibits payment for investments prior to the delivery of the securities representing such investments to the Treasurer or qualified trustee.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

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

| <u>Investment type</u> | <u>Fair value</u> | <u>% of total</u> |
|---------------------------------------|---------------------|-------------------|
| FHLMC | \$ 1,524,124 | 19.41 |
| FNMA | 3,244,883 | 41.32 |
| U.S. Government money market funds | <u>3,083,444</u> | <u>39.27</u> |
| Total | <u>\$ 7,852,451</u> | <u>100.00</u> |

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, 2012:

| <u>Cash and investments per note</u> | |
|--------------------------------------|----------------------|
| Carrying amount of deposits | \$ 8,641,680 |
| Investments | 7,852,451 |
| Cash on hand | <u>6,300</u> |
| Total | <u>\$ 16,500,431</u> |

| <u>Cash and investments per financial statements</u> | |
|--|----------------------|
| Governmental activities | \$ 15,886,729 |
| Private-purpose trust funds | 422,099 |
| Agency funds | <u>191,603</u> |
| Total | <u>\$ 16,500,431</u> |

NOTE 5 - INTERFUND TRANSACTIONS

A. Interfund transfers for the year ended June 30, 2012 consisted of the following as reported on the fund financial statements:

| <u>Transfers from general fund to:</u> | <u>Amount</u> |
|--|-------------------|
| Nonmajor governmental funds | <u>\$ 105,864</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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

NOTE 5 - INTERFUND TRANSACTIONS - (Continued)

- B.** Interfund balances at June 30, 2012 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 | \$ 346,445 |

The primary purpose of the interfund balances is to cover costs in specific funds where revenues were not received by June 30. These interfund balances will be repaid once the anticipated revenues are received all interfund balances are expected to be repaid within one year.

Interfund balances between governmental funds are eliminated on the government-wide financial statements; therefore, no internal balances at June 30, 2012 are reported on the statement of net assets.

- C.** Loans outstanding at June 30, 2012 between governmental funds and fiduciary funds consist of \$29,927 due to the general fund from the District's student managed activity agency fund. These loans are expected to be repaid within one year.

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 and public utility property. Real property tax revenues received in calendar year 2012 represent the collection of calendar year 2011 taxes. Real property taxes received in calendar year 2012 were levied after April 1, 2011, on the assessed values as of January 1, 2011, 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 2012 represent the collection of calendar year 2011 taxes. Public utility real and personal property taxes received in calendar year 2012 became a lien on December 31, 2010, were levied after April 1, 2011, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

The District receives property taxes from 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, 2012, are available to finance fiscal year 2012 operations. The amount available for advance at June 30, 2012 was \$747,798 in the general fund and \$35,312 and \$85,970 in the permanent improvement fund and bond retirement fund, respectively, both of which are nonmajor governmental funds. This amount is recorded as revenue. The amount available for advance at June 30, 2011 was \$676,646 in the general fund and \$32,858 and \$80,975 in the permanent improvement fund and bond retirement fund, respectively, both of which are nonmajor governmental funds. 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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

NOTE 6 - PROPERTY TAXES - (Continued)

Accrued property taxes receivable includes real property, public utility property and delinquent tangible personal property taxes which are measurable as of June 30, 2012 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.

The assessed values upon which the fiscal year 2012 taxes were collected are:

| | 2011 Second Half Collections | | 2012 First Half Collections | |
|---|---------------------------------|----------------|--------------------------------|----------------|
| | <u>Amount</u> | <u>Percent</u> | <u>Amount</u> | <u>Percent</u> |
| Agricultural/residential and other real estate | \$ 520,094,524 | 92.55 | \$ 516,708,020 | 92.89 |
| Public utility personal | <u>41,836,320</u> | <u>7.45</u> | <u>39,541,140</u> | <u>7.11</u> |
| Total | <u>\$ 561,930,844</u> | <u>100.00</u> | <u>\$ 556,249,160</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, 2012 consisted of taxes, payment in lieu of taxes, accounts (billings for user charged services and student fees), intergovernmental grants and entitlements, accrued interest and loans. 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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

NOTE 8 - RECEIVABLES - (Continued)

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

Governmental activities:

| | |
|--------------------------|----------------------|
| Taxes | \$ 22,737,145 |
| Payment in lieu of taxes | 214,000 |
| Accounts | 9,600 |
| Intergovernmental | 387,814 |
| Accrued interest | 10,280 |
| Loans | <u>29,927</u> |
| Total receivables | <u>\$ 23,388,766</u> |

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

NOTE 9 - CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2012, was as follows:

| | Balance <u>7/1/11</u> | <u>Additions</u> | <u>Disposals</u> | Balance <u>6/30/12</u> |
|---|--------------------------|-----------------------|--------------------|---------------------------|
| Governmental activities: | | | | |
| Capital assets, not being depreciated: | | | | |
| Land | \$ 495,967 | \$ - | \$ - | \$ 495,967 |
| Total capital assets, not being depreciated | <u>495,967</u> | <u>-</u> | <u>-</u> | <u>495,967</u> |
| Capital assets, being depreciated: | | | | |
| Land improvements | 663,299 | 55,511 | - | 718,810 |
| Buildings and improvements | 63,657,414 | 7,997 | (268,092) | 63,397,319 |
| Furniture and equipment | 4,171,408 | 245,582 | (30,878) | 4,386,112 |
| Vehicles | 2,875,102 | 112,827 | - | 2,987,929 |
| Infrastructure | <u>313,516</u> | <u>-</u> | <u>-</u> | <u>313,516</u> |
| Total capital assets, being depreciated | <u>71,680,739</u> | <u>421,917</u> | <u>(298,970)</u> | <u>71,803,686</u> |
| <i>Less: accumulated depreciation:</i> | | | | |
| Land improvements | (488,612) | (27,499) | - | (516,111) |
| Buildings and improvements | (8,580,969) | (1,195,885) | 231,682 | (9,545,172) |
| Furniture and equipment | (3,003,433) | (177,515) | 30,878 | (3,150,070) |
| Vehicles | (2,018,769) | (159,752) | - | (2,178,521) |
| Infrastructure | <u>(32,713)</u> | <u>(6,685)</u> | <u>-</u> | <u>(39,398)</u> |
| Total accumulated depreciation | <u>(14,124,496)</u> | <u>(1,567,336)</u> | <u>262,560</u> | <u>(15,429,272)</u> |
| Governmental activities capital assets, net | <u>\$ 58,052,210</u> | <u>\$ (1,145,419)</u> | <u>\$ (36,410)</u> | <u>\$ 56,870,381</u> |

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

NOTE 9 - CAPITAL ASSETS - (Continued)

Depreciation expense was charged to governmental functions as follows:

| | |
|---|---------------------|
| <u>Instruction:</u> | |
| Regular | \$ 669,365 |
| Special | 148,995 |
| Vocational | 106,951 |
| <u>Support services:</u> | |
| Pupil | 37,424 |
| Instructional staff | 78,108 |
| Administration | 106,100 |
| Fiscal | 549 |
| Business | 4,726 |
| Operations and maintenance | 141,005 |
| Pupil transportation | 161,453 |
| Operation of non-instructional services | 5,797 |
| Extracurricular | 64,076 |
| Food service operations | <u>42,787</u> |
| Total depreciation expense | <u>\$ 1,567,336</u> |

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

NOTE 10 - LONG-TERM OBLIGATIONS

During fiscal year 2012, the following activity occurred in the governmental activities long-term obligations:

| | <u>Balance</u> <u>6/30/11</u> | <u>Additions</u> | <u>Reductions</u> | <u>Balance</u> <u>6/30/12</u> | <u>Amounts</u> <u>Due in</u> <u>One Year</u> |
|---|----------------------------------|---------------------|-----------------------|----------------------------------|--|
| Governmental activities: | | | | | |
| <u>General obligation bonds:</u> | | | | | |
| 2005 School facilities improvement | | | | | |
| Serial bonds 3 - 5 % | \$ 15,695,000 | \$ - | \$ - | \$ 15,695,000 | \$ - |
| Term bonds 4.5 - 5 % | 20,595,000 | - | - | 20,595,000 | - |
| Capital appreciation bonds | 2,154,993 | - | (1,082,139) | 1,072,854 | 1,072,854 |
| Accretion on capital appreciation bonds | <u>115,386</u> | <u>14,700</u> | <u>(62,861)</u> | <u>67,225</u> | <u>67,225</u> |
| Total general obligation bonds | <u>38,560,379</u> | <u>14,700</u> | <u>(1,145,000)</u> | <u>37,430,079</u> | <u>1,140,079</u> |
| <u>Energy conservation bonds:</u> | | | | | |
| 2006 energy conservation | 2,659,602 | - | (2,659,602) | - | - |
| 2012 energy conservation refunding | | | | | |
| Current interest bonds | - | 2,035,000 | - | 2,035,000 | 120,000 |
| Capital appreciation bonds | - | 465,341 | - | 465,341 | - |
| Accretion on capital appreciation bonds | <u>-</u> | <u>645</u> | <u>-</u> | <u>645</u> | <u>-</u> |
| Total energy conservation bonds | <u>2,659,602</u> | <u>2,500,986</u> | <u>(2,659,602)</u> | <u>2,500,986</u> | <u>120,000</u> |
| <u>Other long-term obligations:</u> | | | | | |
| Health care reimbursement | 98,153 | - | (41,168) | 56,985 | 24,327 |
| Compensated absences | <u>6,380,244</u> | <u>341,522</u> | <u>(497,736)</u> | <u>6,224,030</u> | <u>477,902</u> |
| Total other long-term obligations | <u>6,478,397</u> | <u>341,522</u> | <u>(538,904)</u> | <u>6,281,015</u> | <u>502,229</u> |
| Total governmental activities long-term liabilities | <u>\$ 47,698,378</u> | <u>\$ 2,857,208</u> | <u>\$ (4,343,506)</u> | 46,212,080 | <u>\$ 1,762,308</u> |
| | | | | Unamortized premium on bonds | <u>446,992</u> |
| | | | | Total on statement of net assets | <u>\$ 46,659,072</u> |

Compensated absences will be paid from the general fund and the following nonmajor governmental funds: food service, Title VI-B, Title I and improving teacher quality. The health care reimbursement will be paid from the general fund.

School Improvement Bonds FY 2005: - On May 3, 2005, the District issued \$44,999,993 in voted general obligation bonds to retire notes previously issued for constructing a new elementary school to replace Coy Elementary and for improving other District buildings. The bond issue includes serial, term, and capital appreciation bonds, in the amount of \$22,250,000, \$20,595,000, and \$2,154,993, respectively. The bonds were issued for a twenty-seven year period, with final maturity in fiscal year 2033. The bonds are being retired through the bond retirement fund, a nonmajor governmental fund.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

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, 2012, in the amount of \$1,145,000. For fiscal year 2012, \$67,225 was accreted on the capital appreciation bonds for a total outstanding bond value of \$1,140,079 at fiscal year end.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

NOTE 10 - LONG-TERM OBLIGATIONS - (Continued)

Principal and interest requirements to retire the general obligation school facilities improvement bonds outstanding at June 30, 2012, are as follows:

| Fiscal Year Ending | Term and Serial Bonds | | | Capital Appreciation Bonds | | |
|-----------------------|-----------------------|----------------------|----------------------|----------------------------|------------------|---------------------|
| | Principal | Interest | Total | Principal | Interest | Total |
| 2013 | \$ - | \$ 1,702,335 | \$ 1,702,335 | \$ 1,072,854 | \$ 72,146 | \$ 1,145,000 |
| 2014 | 1,145,000 | 1,682,298 | 2,827,298 | - | - | - |
| 2015 | 1,185,000 | 1,640,930 | 2,825,930 | - | - | - |
| 2016 | 1,225,000 | 1,596,938 | 2,821,938 | - | - | - |
| 2017 | 1,270,000 | 1,542,525 | 2,812,525 | - | - | - |
| 2018 - 2022 | 7,375,000 | 6,668,250 | 14,043,250 | - | - | - |
| 2023 - 2027 | 9,420,000 | 4,578,375 | 13,998,375 | - | - | - |
| 2028 - 2032 | 11,945,000 | 2,010,527 | 13,955,527 | - | - | - |
| 2033 | 2,725,000 | 61,313 | 2,786,313 | - | - | - |
| Total | <u>\$ 36,290,000</u> | <u>\$ 21,483,491</u> | <u>\$ 57,773,491</u> | <u>\$ 1,072,854</u> | <u>\$ 72,146</u> | <u>\$ 1,145,000</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 refunded during fiscal year 2012.

Energy Conservation Refunding Bonds FY 2012: - On May 23, 2012, the District issued \$2,500,341 in energy conservation refunding bonds to currently refund the outstanding energy conservation bonds from the prior issue. This refunding was undertaken to reduce total debt service payments of the life of the debt by \$293,855.

The issue is comprised of current interest bonds, par value \$2,035,000, and capital appreciation bonds, par value \$465,341. The capital appreciation bonds mature each December 1, 2014 and 2015 (stated interest 5.62%) at a redemption price equal to 100% of the principal, plus accrued interest to the redemption date. The accreted value at maturity for the capital appreciation bonds is \$550,000. Total accreted interest of \$645 has been included on the statement of net assets at June 30, 2012.

Interest payments on the current interest bonds are due on June 1 and December 1 of each year, beginning December 1, 2012. The bonds are being retired by the general fund. The final maturity stated in the issue is December 1, 2021.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

NOTE 10 - LONG-TERM OBLIGATIONS - (Continued)

Principal and interest requirements to retire the energy conservation refunding bonds outstanding at June 30, 2012, are as follows:

| Fiscal Year Ending | Current Interest Bonds | | | Capital Appreciation Bonds | | |
|-----------------------|------------------------|-------------------|---------------------|----------------------------|------------------|-------------------|
| | Principal | Interest | Total | Principal | Interest | Total |
| 2013 | \$ 120,000 | \$ 34,130 | \$ 154,130 | \$ - | \$ - | \$ - |
| 2014 | 275,000 | 31,400 | 306,400 | - | - | - |
| 2015 | - | 30,025 | 30,025 | 239,118 | 35,882 | 275,000 |
| 2016 | - | 30,025 | 30,025 | 226,223 | 48,777 | 275,000 |
| 2017 | 275,000 | 27,963 | 302,963 | - | - | - |
| 2018 - 2022 | <u>1,365,000</u> | <u>65,150</u> | <u>1,430,150</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Total | <u>\$ 2,035,000</u> | <u>\$ 218,693</u> | <u>\$ 2,253,693</u> | <u>\$ 465,341</u> | <u>\$ 84,659</u> | <u>\$ 550,000</u> |

Legal Debt Margin

The Ohio Revised Code provides that voted net general obligation debt of the District shall never exceed 9% of the total assessed valuation of the District. The code further provides that unvoted indebtedness shall not exceed 1/10 of 1% of the property valuation of the District. The code additionally states that unvoted indebtedness related to energy conservation debt shall not exceed 9/10 of 1% of the property valuation of the District. The assessed valuation 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, 2012, are a voted debt margin of \$13,866,362 (including available funds of \$1,166,792) and an unvoted debt margin of \$556,249.

NOTE 11 - OPERATING LEASE - LESSEE DISCLOSURE

On December 6, 2011, the District entered into a lease agreement, under which the District makes monthly payments in exchange for the use of three wind turbines which were constructed on the District's property. The monthly payments of \$32,100 are due on the 15th of each month, beginning September 15, 2012. The term of the lease is 15 years, with a final payment date of November 15, 2026. Payments on the lease will be made from the general fund. The following is a schedule of the future minimum lease payments required under the lease agreement.

| Fiscal Year Ending June 30, | Amount |
|--------------------------------|---------------------|
| 2013 | \$ 321,000 |
| 2014 | 385,200 |
| 2015 | 385,200 |
| 2016 | 385,200 |
| 2017 | 385,200 |
| 2018 - 2022 | 1,926,000 |
| 2023 - 2027 | <u>1,701,300</u> |
| Total future payments | <u>\$ 5,489,100</u> |

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

NOTE 12 - 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 hired prior to August 1, 2010. For employees hired after August 1, 2010, payment is made for one-half of the unused sick leave days to a maximum of 75 days for certified employees and 100 days for 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. Health Care Reimbursement

The District offered teaching staff a onetime health care reimbursement incentive plan for qualifying retirees in fiscal year 2011. Under the plan, the District makes quarterly payments to reimburse health care premiums for the retirees, up to a maximum of \$7,500 or until the retiree reaches age 65, whichever comes first. \$24,327 has been recorded as a fund liability of the general 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. The remaining liability of \$32,658 has been recorded as a long-term liability on the statement of net assets.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

NOTE 13 - RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2012, 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 |
|-----------------------|------------|

Coverage provided by American Alternative Insurance is as follows:

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

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

For fiscal year 2012, 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 14 - 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, under "Employers/Audit Resources".

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

NOTE 14 - 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 2012, 12.65 percent and 0.05 percent of annual covered salary was the portion used to fund pension obligations and death benefits, respectively. 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 and death benefits to SERS for the fiscal years ended June 30, 2012, 2011 and 2010 were \$597,007, \$545,783 and \$599,023, respectively; 62.81 percent has been contributed for fiscal year 2012 and 100 percent for fiscal years 2011 and 2010.

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 website at www.strsoh.org, under "Publications".

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 2012, 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
LUCAS COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

NOTE 14 - PENSION PLANS - (Continued)

The District's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2012, 2011 and 2010 were \$2,503,083, \$2,552,713 and \$2,530,129, respectively; 84.03 percent has been contributed for fiscal year 2012 and 100 percent for fiscal years 2011 and 2010. Contributions to the DC and Combined Plans for fiscal year 2012 were \$58,948 made by the District and \$42,106 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, 2012, certain members of the Board of Education have elected Social Security. The District's liability is 6.2 percent of wages paid.

NOTE 15 - 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 2011 (latest information available) was \$96.40 for most participants, but could be as high as \$369.10 per month depending on their income and the 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, 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 2012, 0.55 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 2012, the actuarially determined amount was \$35,800.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

NOTE 15 - 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, 2012, 2011 and 2010 were \$99,266, \$140,254 and \$122,625, respectively; 62.81 percent has been contributed for fiscal year 2012 and 100 percent for fiscal years 2011 and 2010.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For fiscal year 2012, this actuarially required allocation was 0.75 percent of covered payroll. The District's contributions for Medicare Part B for the fiscal years ended June 30, 2012, 2011, and 2010 were \$35,256, \$35,122 and \$35,623, respectively; 62.81 percent has been contributed for fiscal year 2012 and 100 percent for fiscal years 2011 and 2010.

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, under "Publications" 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 2012, 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, 2012, 2011 and 2010 were \$192,545, \$196,363 and \$194,625, respectively; 84.03 percent has been contributed for fiscal year 2012 and 100 percent for fiscal years 2011 and 2010.

NOTE 16 - BUDGETARY BASIS OF ACCOUNTING

While reporting financial position, results of operations, and changes in fund balance on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts and disbursements.

The statement of revenue, expenditures and changes in fund balance - budget and actual (non-GAAP budgetary basis) presented for the general fund is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and the GAAP basis are that:

- (a) Revenues and other financing sources are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis);
- (b) Expenditures and other financing uses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis);

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

NOTE 16 - BUDGETARY BASIS OF ACCOUNTING - (Continued)

- (c) In order to determine compliance with Ohio law, and to reserve that portion of the applicable appropriation, total outstanding encumbrances (budget basis) are recorded as the equivalent of an expenditure, as opposed to assigned or committed fund balance for that portion of outstanding encumbrances not already recognized as an account payable (GAAP basis);
- (d) Investments are reported at fair value (GAAP basis) as opposed to cost (budget basis);
- (e) Advances-in and advances-out are operating transactions (budget basis) as opposed to balance sheet transactions (GAAP basis); and,
- (f) Some funds are included in the general fund (GAAP basis), but have separate legally adopted budgets (budget basis).

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

Net Change in Fund Balance

| | <u>General fund</u> |
|---|---------------------|
| Budget basis | \$ 1,547,716 |
| Net adjustment for revenue accruals | 62,001 |
| Net adjustment for expenditure accruals | 438,835 |
| Net adjustment for other sources/uses | (807,467) |
| Funds budgeted elsewhere | (253,721) |
| Adjustment for encumbrances | 785,731 |
| GAAP basis | <u>\$ 1,773,095</u> |

Certain funds that are legally budgeted in separate special revenue funds are considered part of the general fund on a GAAP basis. This includes the special rotary fund, public school support fund, termination benefits fund and employee benefits self insurance fund.

NOTE 17 - 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 \$116,396 and is included as held in trust for scholarships. State law permits the District to appropriate, for purposes consistent with the endowment's intent, net appreciation, realized and unrealized, unless the endowment terms specify otherwise. The endowment indicates that the interest should be used to provide a scholarship each year.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

NOTE 18 - SET-ASIDES

The District is required by State law to annually set-aside certain general fund revenue amounts, as defined by statutory formula, for the acquisition and construction of capital improvements. Amounts not spent by the end of the fiscal year or offset by similarly restricted resources received during the year must be held in cash at fiscal year-end. This amount must be carried forward to be used for the same purpose in future years. Expenditures exceeding the set-aside requirement may not be carried forward to the next fiscal year.

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

| | <u>Capital Improvements</u> |
|---|---------------------------------|
| Set-aside balance June 30, 2011 | \$ - |
| Current year set-aside requirement | 657,341 |
| Contributions in excess of the current fiscal year set-aside requirement | - |
| Current year qualifying expenditures | (1,054,123) |
| Excess qualified expenditures from prior years | - |
| Current year offsets | (1,259,844) |
| Waiver granted by ODE | - |
| Prior year offset from bond proceeds | - |
| Total | <u>\$ (1,656,626)</u> |
| Balance carried forward to fiscal year 2013 | <u>\$ -</u> |
| Set-aside balance June 30, 2012 | <u>\$ -</u> |

NOTE 19 - CONTINGENCIES

A. Grants

The Auditor of State is currently performing a statewide review of supporting documentation for student attendance data reported to the Ohio Department of Education. The results of this review are still pending and will be reported separately to the Ohio Department of Education at a later date.

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. This also encompasses the Auditor of State's ongoing review of student attendance data. However, the effect of any such disallowed claims on the overall financial position of the District at June 30, 2012, if applicable, cannot be determined at this time.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

NOTE 19 - CONTINGENCIES - (Continued)

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.

NOTE 20 - OTHER COMMITMENTS

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

| <u>Fund</u> | <u>Year-End Encumbrances</u> |
|--------------------|----------------------------------|
| General fund | \$ 444,291 |
| Other governmental | <u>540,651</u> |
| Total | <u>\$ 984,942</u> |

NOTE 21 - 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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

NOTE 21 - EAGLE LEARNING CENTER - (Continued)

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 is 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, except for Ohio Revised Code Section 5705.391 as it relates to five year forecasts. 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.

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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

NOTE 21 - EAGLE LEARNING CENTER - (Continued)

Prepayments - Payments made to vendors for services that will benefit periods beyond June 30, 2012, are recorded as prepaid items using the consumption method. A current asset for the prepaid amounts is recorded at the time of the payment by the Learning Center and the expense is recorded when used. The Learning Center has prepaid items for rent, employee bonds and commercial insurance of \$3,777 at June 30, 2012.

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 2012, the Learning Center has implemented GASB Statement No. 57, "OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans", and GASB Statement No. 64, "Derivative Instruments: Application of Hedge Accounting Termination Provisions - an Amendment of GASB Statement No. 53".

GASB Statement No. 57 addresses issues related to the use of the alternative measurement method and the frequency and timing of measurements by employers that participate in agent multiple-employer other postemployment benefit (OPEB) plans. The implementation of GASB Statement No. 57 did not have an effect on the financial statements of the Learning Center.

GASB Statement No. 64 clarifies the circumstances in which a hedge accounting should continue when a swap counterparty, or a swap counterparty's credit support provider, is replaced. The implementation of GASB Statement No. 64 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 "cash and investments".

At June 30, 2012, the carrying amount of the Learning Center's deposits was \$1,155,080. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of June 30, 2012, \$251,704 of the Learning Center's bank balance of \$1,157,000 was exposed to custodial risk as discussed below, while \$905,296 was covered by the Federal Deposit Insurance Corporation (FDIC).

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

NOTE 21 - EAGLE LEARNING CENTER - (Continued)

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.

D. Receivables

Receivables at June 30, 2012 consisted of a \$1,949 intergovernmental receivable from the Ohio Department of Education for the fiscal year 2012 enrollment and full-time equivalency review. All receivables are considered collectible in full and will be collected within the subsequent year.

E. Capital Assets

Capital asset activity for fiscal year 2012, was as follows:

| | <u>Balance</u> <u>06/30/2011</u> | <u>Additions</u> | <u>Disposals</u> | <u>Balance</u> <u>06/30/2012</u> |
|-----------------------------------|-------------------------------------|-------------------|------------------|-------------------------------------|
| Furniture, fixtures and equipment | \$ 24,200 | \$ 2,799 | \$ - | \$ 26,999 |
| Leasehold improvements | 63,189 | - | - | 63,189 |
| Less: accumulated depreciation | <u>(35,693)</u> | <u>(9,779)</u> | <u>-</u> | <u>(45,472)</u> |
| Capital assets, net | <u>\$ 51,696</u> | <u>\$ (6,980)</u> | <u>\$ -</u> | <u>\$ 44,716</u> |

F. Operating Leases

The Learning Center signed an operating lease for the period January 1, 2012 through December 31, 2013, 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 2012 for the operating leases totaled \$20,800. The future minimum lease payments required under the operating leases at June 30, 2012 are \$8,000, which are to be paid during fiscal year 2013. A \$1,600 prepayment is recorded on the statement of net assets for July rent which was paid in June.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

NOTE 21 - EAGLE LEARNING CENTER - (Continued)

G. 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. The Learning Center has purchased a comprehensive property, casualty and liability insurance policy through Cincinnati Insurance Company, with the following coverages:

| | |
|------------------------------------|------------------|
| General School District Liability: | |
| Per occurrence | \$ 1,000,000 |
| Aggregate | 2,000,000 |
| Building and Contents | Replacement cost |
| Umbrella Liability | 1,000,000 |

H. Contingencies

Grants - The Auditor of State is currently performing a statewide review of supporting documentation for student attendance data reported to the Ohio Department of Education. The results of this review are still pending and will be reported separately to the Ohio Department of Education at a later date.

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 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. This also encompasses the Auditor of State's ongoing review of student attendance data. However, the effect of any such disallowed claims on the overall financial position of the Learning Center at June 30, 2012, if applicable, cannot be determined at this time.

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, ODE owed the Learning Center \$1,949. This amount will be repaid by increasing fiscal year 2013 foundation revenues and is recorded as an intergovernmental receivable on the basic financial statements.

I. Related Party Transaction

For fiscal year 2012, the Learning Center had expenses for purchased services and materials and supplies of \$534,941 to their Sponsor, which includes an intergovernmental payable of \$26,232.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

NOTE 21 - EAGLE LEARNING CENTER - (Continued)

J. Sponsorship Contract

On October 24, 2011 the Sponsor and the Learning Center extended their Sponsorship Contract (the "Contract") for a period of five more years through June 30, 2016. 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 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
Schedule of Federal Awards Expenditures
For the Year Ended June 30, 2012

| 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 | \$ 95,930 | \$ 95,930 |
| Passed Through the Ohio Department of Education: | | | | |
| Cash Assistance: | | | | |
| National School Breakfast Program | LLP4-09 | 10.553 | 119,232 | 119,232 |
| National School Lunch Program | LLP4-09 | 10.555 | 592,773 | 592,773 |
| Total Nutrition Cluster | | | 712,005 | 712,005 |
| Total U.S. Department of Agriculture | | | 807,935 | 807,935 |
| <u>U.S. Department of Education</u> | | | | |
| Pass through Ohio Department of Education | | | | |
| Special Education Cluster: | | | | |
| ARRA - IDEA Part B | FY 11 | 84.391 | 318,300 | 91,278 |
| Title VI-B | 6BSF-11 | 84.027 | 688,310 | 165,642 |
| Title VI-B | 6BSF-12 | 84.027 | 842,919 | 912,049 |
| Total Special Education Cluster | | | 1,849,529 | 1,168,969 |
| ARRA - Title I | FY 11 | 84.389 | 108,764 | 3,782 |
| Title I - Disadvantaged Children | C1S1-11 | 84.010 | 163,013 | 95,233 |
| Title I - Disadvantaged Children | C1S1-12 | 84.010 | 553,744 | 531,354 |
| Total Title I | | | 825,521 | 630,369 |
| Title II-A Improving Teacher Quality | TRS1-11 | 84.367 | 27,131 | 28,735 |
| Title II-A Improving Teacher Quality | TRS1-12 | 84.367 | 124,899 | 42,969 |
| Total Title II-A | | | 152,030 | 71,704 |
| Title II-Tech Stimulus | TJS1-11 | 84.318 | 1,422 | - |
| Title II-D - Educational Technology | TJS1-12 | 84.318 | 104,128 | 101,777 |
| Total Title II-D | | | 105,550 | 101,777 |
| Vocational Education Basic Grant | 2OAO-11 | 84.048 | 25,949 | 22,688 |
| Vocational Education Basic Grant | 2OC1-12 | 84.048 | 41,230 | 37,513 |
| Total Vocational Education Basic Grant | | | 67,179 | 60,201 |
| Education Jobs | n/a | 84.410 | 532,836 | 532,836 |
| Total Education Jobs | | | 532,836 | 532,836 |
| Race to the Top | FY 11 | 84.395 | 15,586 | 3,460 |
| Race to the Top | FY 12 | 84.395 | 42,577 | 42,704 |
| Total Race to the Top Grant | | | 58,163 | 46,164 |
| Total U.S. Department of Education | | | 3,590,808 | 2,612,020 |
| Total Federal Expenditures | | | \$ 4,398,743 | \$ 3,419,955 |

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, 2012

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, 2012 the District had commodities in inventory recorded in the Food Service Fund.

**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, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Oregon City School District, (District), Lucas County, Ohio, as of and for the year ended June 30, 2012, which collectively comprise the District's basic financial statements and have issued our report thereon dated February 13, 2013. Our report refers to other auditors. 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 the Comptroller General of the United States' *Government Auditing Standards*. Other auditors audited the financial statements of the Eagle Learning Center, as described in our report on the District's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that those auditors separately reported.

Internal Controls Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our 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.

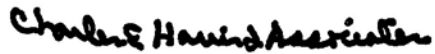
Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. 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 such an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

We noted certain other matters not requiring inclusion in this report that we reported to the District's management in a separate letter dated February 13, 2013.

We intend this report solely for the information and use of management, the audit committee, 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.

A handwritten signature in black ink that reads "Charles E. Harris and Associates, Inc." The signature is written in a cursive, slightly slanted style.

Charles E. Harris and Associates, Inc.
February 13, 2013

Rockefeller Building
614 W Superior Ave Ste 1242
Cleveland OH 44113-1306
Office phone - (216) 575-1630
Fax - (216) 436-2411

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

**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 the Oregon City School District, Lucas County, Ohio's (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 could directly and materially affect each of the Oregon City School District's major federal programs for the year ended June 30, 2012. The *summary of auditor's results* section of the accompanying schedule of findings identifies the Government'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 opine on the District's compliance based on our audit.

Our compliance audit followed 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*. These 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 these 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 these requirements.

In our opinion, the Oregon City School District, Lucas County, Ohio complied, in all material respects, with the requirements referred to above that could directly and materially affect each of its major federal programs for the year ended June 30, 2012.

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 programs. 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, to determine our auditing procedures for the purpose of opining on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of 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, others within the entity, federal awarding agencies, and pass-through entities. It is not intended for anyone other than these specified parties.

Charles Harris Associates

CHARLES E. HARRIS & ASSOCIATES, INC.
February 13, 2013

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

**Oregon City School District
Lucas County
June 30, 2012**

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 statement level 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 Program's 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> | Education Jobs - CFDA #84.410 ARRA - Title I - CFDA #84.389 Title I - CFDA #84.010 |
| (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 |

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

None

3. FINDINGS FOR FEDERAL AWARDS

None

**OREGON CITY SCHOOL DISTRICT
LUCAS COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
June 30, 2012**

The prior audit report, for the year ending June 30, 2011, reported no material citations or recommendations.